

**ENTIE COMMERCIAL BANK CO., LTD.****Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2020 and 2019**

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

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## Independent Auditors' Review Report

To the Board of Directors of ENTIE COMMERCIAL BANK CO., LTD.:

### Introduction

We have reviewed the balance sheets of ENTIE COMMERCIAL BANK CO., LTD. (the "Bank") as of March 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Bank as of March 31, 2020 and 2019, and of its financial performance and its cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Tan Tan Chung and Fu Jen Chen.

KPMG

Taipei, Taiwan (Republic of China)  
May 13, 2020

### Notes to Readers

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

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



(English Translation of Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

ENTIE COMMERCIAL BANK CO., LTD.

Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
41000	Interest income (Note 6(AD))	\$ 1,558,283	104	1,650,535	104
51000	Less: Interest expenses (including preferred stock interest expense, Notes 6(R) and (AD))	(631,522)	(42)	(734,838)	(46)
	Net income of interest (Note 6(AD))	926,761	62	915,697	58
	Net non-interest income				
49100	Service fee and commission income (Note 6(AE))	408,036	27	405,716	25
49200	Gains on financial assets or liabilities measured at fair value through profit or loss (Note 6(AF))	116,029	8	153,156	10
49310	Realized gains and losses on financial assets measured at fair value through other comprehensive profit or loss (Note 6(AG))	32,159	2	38,267	2
49600	Foreign exchange gain (loss)	16,477	1	75,863	5
49700	Net impairment gain and reversal of impairment loss (impairment loss) on assets (Note 6(AH))	(3,243)	-	1,791	-
49800	Other net non-interest income (loss) (Notes 6(AI) and 9)	426	-	34	-
	Net revenue	1,496,645	100	1,590,524	100
58200	Bad debt expense, commitment and guarantee liability provision (reversal) (Notes 4, 6(G), (H), (AJ) and 9)	47,968	3	(187,515)	(12)
	Operating expenses:				
58500	Employee benefit expenses (Note 6(AK))	(397,554)	(26)	(419,855)	(26)
59000	Depreciation and amortization expenses (Note 6(AL))	(84,744)	(6)	(91,638)	(6)
59500	Other general and administrative expenses (Note 6(AM))	(205,728)	(14)	(222,389)	(14)
	Net Income Before Tax	856,587	57	669,127	42
61003	Income tax expense (Note 4 and 6(X))	153,037	10	108,804	7
	Net income	703,550	47	560,323	35
65000	Other comprehensive income:				
65200	Items that will not be reclassified into profit or loss				
65204	Gains (losses) on valuation of equity instruments measured at fair value through other comprehensive income	(51,861)	(3)	21,377	1
65220	Less: income tax related to items that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified to profit or loss	(51,861)	(3)	21,377	1
65300	Items that may be subsequently reclassified to profit or loss				
65301	Exchange differences on translation of foreign financial statements	32,555	2	2,321	-
65308	Gains (losses) on valuation from investments in debt instruments measured at fair value through other comprehensive income	60,218	4	101,718	6
65320	Less: income tax related to items that will be reclassified to profit or loss	6,511	-	464	-
	Total items that may be subsequently reclassified to profit or loss	86,262	6	103,575	6
65000	Other comprehensive income, net tax	34,401	3	124,952	7
	Total comprehensive income	\$ 737,951	50	685,275	42
	Earnings per share (dollar) (Note 6(AB))				
	Basic earnings per share (dollar)	\$ 0.36		0.31	
	Diluted earnings per share (dollar)	\$ 0.36		0.29	

See accompanying notes to financial statements.

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**Reviewed only, not audited in accordance with generally accepted auditing standards**  
**ENTIE COMMERCIAL BANK CO., LTD.**

**Statements of Changes in Equity**  
**For the three months ended March 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Share capital				Retained earnings			Other equity interest			Total
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
<b>Balance at January 1, 2019</b>	\$ 18,187,938	1,052,639	6,194,991	29,927	7,521,201	13,512	309,469	33,309,677			
Net income after tax for the three months ended March 31, 2019	-	-	-	-	560,323	-	-	560,323			
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	1,857	123,095	124,952			
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	1,857	123,095	124,952			
<b>Balance at March 31, 2019</b>	\$ 18,187,938	1,052,639	6,194,991	29,927	8,081,524	15,369	432,564	33,994,952			
<b>Balance at January 1, 2020</b>	\$ 19,579,101	404,990	6,858,075	40,978	6,331,541	(27,280)	506,224	33,693,629			
Net income after tax for the three months ended March 31, 2020	-	-	-	-	703,550	-	-	703,550			
Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	26,044	8,357	34,401			
Total comprehensive income for the three months ended March 31, 2020	-	-	-	-	703,550	26,044	8,357	737,951			
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(3,660)	-	-	-			
<b>Balance at March 31, 2020</b>	\$ 19,579,101	404,990	6,858,075	40,978	7,031,431	(1,236)	518,241	34,431,580			

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Statements Of Cash Flows**

**For the three months ended March 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2020	2019
<b>Cash Flows from (used in) Operating Activities:</b>		
Net income before tax	\$ 856,587	669,127
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss)</b>		
Depreciation expense	79,158	85,596
Amortization expense	5,586	6,042
(Reversal) provision for bad debt expense	(31,581)	152,817
Net loss on financial assets or liabilities at fair value through profit or loss	54,239	8,164
Interest expense	631,522	734,838
Interest income	(1,558,283)	(1,650,535)
Loss (reversal) on impairment of assets	3,243	(1,791)
Provision for financing commitment	3,527	1,221
(Reversal) provision for guarantee liabilities	(19,914)	33,477
Net change in other provisions	(364)	87
Loss on disposal of property and equipment	15	54
<b>Total adjustments to reconcile loss</b>	<u>(832,852)</u>	<u>(630,030)</u>
<b>Changes in Operating Assets and Liabilities:</b>		
Decrease in due from Central Bank and call loans to banks	574,166	257,342
Increase in financial assets at fair value through profit or loss	(3,178,854)	(6,060,139)
(Increase) decrease in financial assets at fair value through other comprehensive income	(5,811,902)	2,575,581
Decrease in investment in debt instruments measured at amortized cost	106,220	3,422,030
Decrease (increase) in receivables	54,934	(1,043,076)
Decrease (increase) in discounts and loans	2,459,122	(1,507,013)
Decrease in other financial assets	-	99,183
Increase in deposits from Central Bank and other banks	1,124,396	355,185
Increase in financial liabilities at fair value through profit or loss	324,348	15,565
(Decrease) increase in payables	(487,023)	1,281,890
Decrease in deposits and remittances	(15,709)	(81,135)
Increase (decrease) in other financial liabilities	<u>2,258,222</u>	<u>(142,575)</u>
Cash Flows (used in) operation activities	<u>(2,568,345)</u>	<u>(788,065)</u>
Interest received	1,566,024	1,692,181
Interest paid	(600,374)	(726,597)
Income taxes paid	<u>(20,719)</u>	<u>(22,276)</u>
<b>Net Cash Flows (used in) from Operating Activities</b>	<u>(1,623,414)</u>	<u>155,243</u>
<b>Cash Flows from (used in) Investing Activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	11,944	-
Acquisition of property and equipment	(709)	(3,628)
Acquisition of intangible assets	(9,466)	(5,866)
Increase in securities purchased under resell agreements	(919,306)	(679,059)
(Increase) decrease in other assets	<u>(606,340)</u>	<u>141,316</u>
<b>Net Cash Flows used in Investing Activities</b>	<u>(1,523,877)</u>	<u>(547,237)</u>
<b>Cash Flows from (used in) Financing Activities:</b>		
Increase (decrease) in notes and bonds issued under repurchase agreement	1,804,720	(732,729)
Payment of lease liabilities	(57,023)	(57,829)
(Decrease) increase in other liabilities	<u>(38,232)</u>	<u>182,253</u>
<b>Net Cash Flows from (used in) Financing Activities</b>	<u>1,709,465</u>	<u>(608,305)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	34,585	3,782
<b>Net decrease in cash and cash equivalents</b>	<u>(1,403,241)</u>	<u>(996,517)</u>
<b>Cash and cash equivalents at the beginning of Period</b>	<u>3,822,055</u>	<u>4,170,373</u>
<b>Cash and cash equivalents at the end of the Period</b>	<u>\$ 2,418,814</u>	<u>3,173,856</u>

See accompanying notes to financial statements.

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Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2020 and 2019

**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

**March 31, 2020 and 2019**

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

**(1) Company history**

ENTIE COMMERCIAL BANK (the “Bank”) started its operations on April 15, 1993. It engages in banking activities under the Banking Act of the Republic of China.

The Bank had two major Groups: the Corporate Banking and Markets Group and Retail Banking Group. The Corporate Business Management, Merchant Banking, Trust, Treasury and 7 Corporate Banking Regional Centers are under Corporate Banking and Markets Group; the Retail Operation Management, Wealth Management Products, Consumer Finance Products, Insurance Brokerage, Customer Management, Business Department and 50 Retail Banking Branches and 6 Consumer Finance Regional Centers are under Retail Banking Group. Each Group is responsible for planning, managing and marketing for Corporate Banking, Financial Markets and Retail Banking. Trust Department is responsible for planning, managing and operating trust investment, and executing trust business for investment in foreign marketable securities and funds under Banking Act and Trust Enterprise Act of the Republic of China.

As of August 1, 2016, the Bank merged with An Yin Insurance Broker Co. Ltd..

The Bank’s stock has been listed on the Taiwan Stock Exchange since September 1999.

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

The financial statements for the three months ended March 31, 2020 and 2019 were authorized for issuance by the board of directors on May 13, 2020.

**(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, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Bank is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Bank completes its evaluation.

**(4) Summary of significant accounting policies:**

- (a) Assertion of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks (the "Regulations") and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual financial statements.

- (b) Basis of compilation

- (i) Basis of measurement

Except for the significant balance sheet items listed as below, the financial statements are prepared on the basis of historical costs.

- 1) Financial instrument measured at fair value through other comprehensive income; Financial instrument measured at fair value through profit or loss (including derivative instruments);
- 2) Cash-settled share-based payment agreements liability measured at fair value;
- 3) Net defined benefit liability or asset is recognized as fair value of retirement fund assets less the present value of the defined benefit obligation.

- (ii) Functional currency and presentation currency

The financial statements are presented in the New Taiwan Dollar, the functional currency of the Bank. All financial information expressed in New Taiwan Dollar has been round to nearest thousand.

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

- (c) Foreign currency transaction and translation of foreign currency financial statements
- (i) A foreign currency transaction, a transaction that is denominated or requires settlement in a foreign currency, is recognized in the foreign currency. The income generated and expenses incurred are recognized in functional currency, which is translated using the exchange rate at the date of the transaction.
  - (ii) Monetary foreign currency financial assets and liabilities are translated using the exchange rate at the date of the statement of financial position, and the exchange difference is recognized in the profit or loss of the current period. For non-monetary foreign currency financial assets and liabilities which are measured in fair value and whose changes in fair value are recognized in other comprehensive income, the exchange difference is recognized in other comprehensive income. For non-monetary foreign currency financial assets and liabilities which are measured in fair value and whose changes in fair value are recognized in profit or loss in the current period, the exchange difference is recognized in profit or loss in the current period. For non-monetary foreign currency financial assets and liabilities which are not measured in fair value, they are measured using the historical exchange rate at the date of transaction.
  - (iii) The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:
    - 1) Assets and liabilities presented shall be translated at the closing rate at the date of the statement of financial position;
    - 2) Profit or loss presented shall be translated at the monthly-weighted average exchange rate; and
    - 3) All resulting exchange differences shall be recognized in other comprehensive income.
- (d) Cash and cash equivalents

Cash comprises cash on hand, checks for clearance, checking and demand deposits due from other banks, and money deposited in other financial institutions without designated purposes or with unrestricted access. Cash equivalents consist of time deposits due from other banks that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Financial Instrument

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, financial assets are classified into the following categories when originally recognized: 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) Financial assets measured at amortized cost

Measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of 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 original cost with accumulated amortization using the effective interest method, and also adjusted allowance 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.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- 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 amount outstanding.

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(English Translation of Financial Statements Originally Issued in Chinese)

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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, derived from debt investments are recognized in profit or loss; whereas dividends derived 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 retained earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Bank's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) 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. On initial recognition, the Bank may irrevocably designate a financial asset, which otherwise 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.

4) Securities under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at a predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expense/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

5) Loans and receivables

Loans and receivables are financial assets that have no quoted market price with fixed or determinable payment, including receivables and other receivables.

Consumer loans to credit card holders are reflected in the amounts reported by merchants, excluding unearned interest. Interest thereon is recognized on an accrual basis using the interest method.

A credit card loan, accrued interest, and other related advances that are over three months past due are reclassified as a non-accrual account without accruing interest. Interest collected while accruing of interest has suspended is included in earnings only to the extent of cash actually received.

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

The Bank engages in factoring and management of accounts receivable. The interest and transaction fees from factoring and management of such accounts are treated as current income. An allowance for bad debts is provided by reviewing the balance of factoring of accounts receivable at period-end. As regards the factoring accounts, those sold by the account-selling companies which have not yet been paid for are accounted for under “Payables.”

Loans are initially recognized at fair value plus incremental direct transaction costs, and the subsequent measurement is recognized as interest revenues through effective interest method (or through straight-line method if the difference is not significant), which is carried at amortized cost less impairment losses.

**Non-accrual loans**

Loans are reclassified as a non-accrual account if either of the following conditions is met:

- The borrower's principal or interest payments have been in arrears for three months after the end of payment period.
- Loans and other extensions of credit meet the criteria for transferring to the non-accrual account at an earlier time.

According to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing and Non-Accrued Loans”, the balances of outstanding loans and other credits that has reached the three month settlement period, and is deemed uncollectable, will be reclassified in the non-accrual account including the related accrued interest.

Non-accrual loans reclassified from loans are accounted for under discounts and loans, and other non-accrual loans reclassified from guarantees, acceptances, factoring accounts receivables, and receivables— other credit card are accounted for under other financial assets.

**6) Impairment of financial assets**

The Bank recognizes loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI, contract assets and financing commitments; and on “Loans and receivables” and off-balance-sheet loan assets in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans”, “Measures on Strengthening the Management on Credit Risks of Domestic Banks” and “Regulations Governing Institutions Engaging In Credit Card Business” for the provision of appropriate allowance for loss, guarantee reserve and financing commitment reserve.

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

The Bank measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience, informed credit assessment and including forward-looking information.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's, BBB- or higher per Fitch or twA or higher per Taiwan Ratings'.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or credit card is more than 37 days past due.

The Bank considers a financial asset to be in default when the financial asset is more than 90 days past due or credit card is more than 67 days past due, or the borrower is unlikely to pay its credit obligations to the Bank in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, debt securities at FVOCI, loan commitments and contracts of financial guarantee are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

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- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being past due ;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

Credits deemed as uncollectible are written off upon approval of the board of directors. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

7) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Bank transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Bank recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity— unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in realized gains and losses on financial assets measured at fair value through other comprehensive profit or loss.

8) Financial liabilities

a) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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b) Derecognition of financial liabilities

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

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

c) Offsetting of financial assets and liabilities

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

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major improvements and renewals are capitalized, while repairs and maintenance are charged current expenses.

When a property, plant and equipment consists of different components and the cost of a component is significant relative to the total cost of the property, plant and equipment making adopting a different depreciation rate or depreciation method more adequate, the component will be dealt separately.

Depreciation is computed using the straight-line method over service lives estimated as follows: buildings and premises, 10 to 55 years; machinery and equipment, 3 to 8 years; transportation equipment, 3 to 10 years; miscellaneous equipment, 3 to 10 years and leasehold improvements, 5 years (if the lease period is less than 5 years then the depreciation should be amortized during the period). The depreciation method, useful life and residual value of an asset shall be reviewed at each reporting date and adequately adjusted when necessary.

Upon retirement or disposal of property and equipment, the related cost and accumulated depreciation are deducted from the respective accounts, and the related gain or loss is recognized as other non-interest income or loss.

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(g) Lease

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Bank has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of an asset if either:
  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

(ii) As a lessee

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

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

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

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

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

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

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

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

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

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(h) Intangible assets

Goodwill shall be measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill shall be allocated to each of the cash-generating units, or groups of cash-generating units. The impairment loss of goodwill cannot be reversed.

Computer software is recorded on the basis of the actual cost of acquisition and amortized using the straight-line method over 3 to 5 years.

(i) Non-financial assets impairment

The Bank estimate the recoverable amount (the lower of net fair value and value in use) for assets that have indication of impairment (individual assets except for goodwill or cash-generating unit) at each reporting date. An impairment loss is recognized if the carrying amount is higher than the recoverable amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods. Regardless whether there exists indication of impairment, goodwill is tested for impairment regularly every year.

(j) Provisions

A provision shall be recognized when a present obligation results from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. A provision is determined by discounting the expected future cash flow, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

If there is a case in which the subject matter amounts to 0.3% of the equity of the Bank, or a case in which the subject matter amounts to 0.15% of the equity of the Bank while apparent and objective evidence indicates that it is probable that the Bank will lose the case, the provisions shall be evaluated by the hired lawyers or its counsels, in the fourth quarter of each year or whenever the case has major new developments, to determine whether the chance to lose the case exceeds 50%. Provisions are made for those cases with a higher-than-50% chance that the Bank will lose, and disclosures are made in the financial statement. Those cases with a lower-than-50% chance that the Bank will lose are disclosed in the financial statement.

(k) Revenue from contracts with customers

Revenue is the exchange which is expected to have the right to receive from the goods or services that were transferred to the customer. The Bank recognizes revenue after transferring the control of goods and services to the customer and fulfilling the obligation.

(l) Employee benefits

The pension cost in the financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

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(m) Share-based payment transactions

The Bank engages in cash-settled share-based payment transactions, a liability equal to the portion of the services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement. The Bank recognize expenses and liabilities by using a straight-line basis over the vesting period. At the vesting period, any changes in the fair value would be recognized as profit or loss of the period.

(n) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(o) Remunerations to employees and directors

Remunerations to employees and directors are recognized as current expenses. If the actual distribution amounts determined in the shareholders' meeting are different with the estimated amounts recognized in the financial statements, the differences will be accounted for as changes in accounting estimates and recognized as profit or loss in the current period.

(p) Preferred stock liability

The original perpetual conversion of preferred stock issued by the Bank and its preferred stock liabilities were allocated in proportion to the equity component (capital surplus—the right of preferred stock converts into common stock) after the total issuance price was deducted from the amount of liability components measured individually. When the preferred shareholders execute the conversion right, the Bank should adjust the liability components to its book value in advance. The issuance of common stock, which was recognized by using the book value of the liability component, plus, the book value of the equity component, was converted by the preferred shareholders. The preferred stock dividends issued were recognized under interest expense in the statements of comprehensive income.

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The perpetual conversion of preferred stock which was changed to convertible non-perpetual, and the total fair value after remeasurement, minus, the amount of liability component measured individual as the equity component (capital surplus—the right of preferred stock converts into common stock), were approved during the shareholders' meeting in 2017. The preferred stock liabilities and interest expense were amortized at the effective rates and written-off when the dividends were issued. When the preferred shareholders execute the conversion right, the difference between the issuance of common stock and the book value of the equity component will be adjusted to similar capital surplus or retained earnings.

(q) Operating segments

An operating segment is a component of the Bank 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 Bank). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available. The chief operating decision maker of the Bank is the board of directors.

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

The preparation of the financial statements in conformity with the Regulations and IFRSs endorsed by the FSC 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.

Accounting policies for management judgments has significant impacts on the amount recognized in the financial statements. The related information of significant impacts on estimation and assumptions uncertainty which results in adjustments in a future year below:

**Impairment of loans and receivables**

The Bank recognizes impairment loss by the expected credit loss. The evidence may include whether the credit risk at the reporting date increases significantly since initial recognition, unfavorable changes in the risk of a default occurring over the expected life, observable information indicating unfavorable changes in debtor payment status or local economic situation associated with the debt default. When analyzing expected cash flows, the estimates by the management are based on past losses experience from assets with similar credit risk characteristics. In order to reduce losses from the difference between estimated and actual amount, the Bank reviews the method and input when calculating impairments, as well as the history experience, current market conditions and forward-looking estimates on each reporting date.

Refer to Note 6 (G) and Note 6 (H) for evaluation of the impairment of loans and receivables.

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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand	\$ 1,054,268	2,131,927	1,030,683
Checks for clearance	142,260	185,943	818,855
Due from other banks	<u>1,222,286</u>	<u>1,504,185</u>	<u>1,324,318</u>
Total	<u>\$ 2,418,814</u>	<u>3,822,055</u>	<u>3,173,856</u>

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Required reserve—Account A	\$ 3,166,077	3,833,504	3,293,319
Required reserve—Account B	5,906,304	5,837,635	5,992,884
Required reserve—Foreign Currency	61,285	61,113	62,276
Call loans to banks	4,082,400	4,063,500	3,100,324
Checking and settlements accounts	<u>510,628</u>	<u>505,108</u>	<u>553,831</u>
Total	<u>\$ 13,726,694</u>	<u>14,300,860</u>	<u>13,002,634</u>

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits in “Required reserve—Account A” are interest-free and can be withdrawn at any time; deposits in “Required reserve—Account B” are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

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## (c) Financial instruments at fair value through profit or loss

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Financial assets designated as at fair value through profit or loss			
Commercial paper	\$ 10,690,472	4,761,944	10,825,655
Listed and OTC securities	-	44,394	-
Government bonds	750,875	2,806,291	7,070,484
Corporate bonds	405,552	1,332,079	1,911,008
Financial debentures	-	600,043	599,556
Beneficiary certificate	-	19,461	48,351
Time deposits	499,316	-	1,546,712
Derivative instruments			
Forwards	-	1,181	53,785
Non-delivery forward	496,048	43,526	145,331
Currency swaps	540,892	422,125	606,576
Interest rate swaps	369,645	212,584	135,248
Futures	42,825	952	4,467
Credit risk value adjustment	<u>(1,755)</u>	<u>(950)</u>	<u>(577)</u>
Total	<u>\$ 13,793,870</u>	<u>10,243,630</u>	<u>22,946,596</u>

Please refer to Note 6(O) for information with regard to resell conditions on financial assets held for trading shown above.

There was no financial asset designated on initial recognition as one to be measured at fair value, with changes in fair value recognized in profit or loss.

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Financial liabilities held for trading purposes:			
Derivative instruments			
Forwards	\$ 2,252	28	10,318
Non-delivery forward	497,783	40,980	144,055
Currency swaps	406,879	281,624	387,290
Interest rate swaps	370,585	182,054	160,415
Options	6,195	28,637	18,693
Futures	-	48	-
Credit risk value adjustment	<u>(671)</u>	<u>(320)</u>	<u>(488)</u>
Total	<u>\$ 1,283,023</u>	<u>533,051</u>	<u>720,283</u>

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There was no financial liabilities designated on initial recognition as one to be measured at fair value, with changes in fair value recognized in profit or loss.

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Debt instruments measured at fair value through other comprehensive income			
Government bonds	\$ 11,602,014	8,471,020	9,072,699
Corporate bonds	19,201,668	17,469,166	21,973,979
Financial debentures	6,239,706	5,291,299	5,485,015
Financial assets value adjustment	<u>214,141</u>	<u>157,621</u>	<u>166,627</u>
Subtotal	<u>37,257,529</u>	<u>31,389,106</u>	<u>36,698,320</u>
Equity instruments measured at fair value through other comprehensive income			
Domestic listed and OTC securities	293,320	308,924	491,676
Domestic unlisted and non-OTC securities	121,973	121,973	121,973
Beneficiary certificate	498,000	498,000	500,000
Financial assets value adjustment	<u>289,340</u>	<u>337,541</u>	<u>250,960</u>
Subtotal	<u>1,202,633</u>	<u>1,266,438</u>	<u>1,364,609</u>
Total	<u>\$ 38,460,162</u>	<u>32,655,544</u>	<u>38,062,929</u>

(i) Investment in debt instruments measured at fair value through other comprehensive income

The Bank assessed that the following bond investments were held within a business model whose objective was achieved by both collecting contractual cash flows and selling financial assets. The bond investments were reported as financial assets at fair value through other comprehensive income.

(ii) Investment in equity instruments measured at fair value through other comprehensive income

The Bank held the investment of equity instruments in order to make long-term strategic investment, instead of trading purposes; therefore, they have been designated as measured at fair value through other comprehensive income.

For the three months ended March 31, 2020, the Bank recognized the amount of dividends of equity instruments measured at fair value through other comprehensive income were \$10,326.

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As of March 31, 2020, the Bank has sold its beneficiary certificate as a result of strategic underweight position. The shares sold had a fair value of \$11,944, with the Bank realizing a loss of \$3,660, which was recognized in other comprehensive loss; and thereafter, reclassified to retained earnings. The Bank did not dispose its strategic investments during the first quarter of 2018, and the accumulated profits and losses have yet to be transferred in the equity during the period.

- (iii) Please refer to Note 6(AN) for the credit risk (including the impairment of investment in debt instruments) and market risk information.
- (iv) For the three months ended March 31, 2020 and 2019, the changes in impairment of debt instruments measured at fair value through other comprehensive income was as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>12-month expected credit losses</u>	<u>12-month expected credit losses</u>
Beginning balance	\$ 11,062	16,435
The change on the financial instrument since initial recognition :		
- Current offsetting financial assets	(133)	(2,191)
The new purchased or originated credit-impaired financial assets	3,790	1,131
Exchange rate effect and others	41	(398)
Ending balance	<u>\$ 14,760</u>	<u>14,977</u>

- (e) Financial assets measured at amortized cost

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Asset backed securities	\$ 1,816,480	1,812,700	832,140
Negotiable certificates of deposits	<u>33,245,000</u>	<u>33,355,000</u>	<u>32,385,000</u>
	35,061,480	35,167,700	33,217,140
Less: Accumulated impairment	<u>(1,776)</u>	<u>(2,220)</u>	<u>(1,611)</u>
Total	<u>\$ 35,059,704</u>	<u>35,165,480</u>	<u>33,215,529</u>

- (i) The Bank assessed that its financial assets were held toward maturity dates in order to collect the contractual cash flows of its financial assets, which were solely for payments of principal and interest on the principal amount outstanding. Therefore, the abovementioned assets have been reported as financial assets measured at amortized cost.
- (ii) Please refer to Note 6(AN) for credit risk (including the impairment of investment in debt instruments) and market risk information.

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(iii) For the three months ended March 31, 2020 and 2019, the changes in impairment of investment in debt instruments measured at amortized cost was as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>12-month expected credit losses</b>	<b>12-month expected credit losses</b>
Beginning balance	\$ 2,220	1,935
The change on the financial instrument since initial recognition :		
- Current offsetting financial assets	(223)	(301)
The new purchased or originated credit-impaired financial assets	293	337
Exchange rate effect and others	(514)	(360)
Ending balance	<u>\$ 1,776</u>	<u>1,611</u>

(f) Securities purchased under resell agreements

(In Thousands of New Taiwan Dollars)

<b>March 31, 2020</b>				
<b>Assets</b>	<b>Par value</b>	<b>Repurchase price (Note)</b>	<b>Designated resell amount</b>	<b>Designated resell date</b>
Commercial paper	\$ <u>2,357,700</u>	<u>2,354,306</u>	<u>2,355,244</u>	Prior to Apr 27, 2020
<b>December 31, 2019</b>				
<b>Assets</b>	<b>Par value</b>	<b>Repurchase price (Note)</b>	<b>Designated resell amount</b>	<b>Designated resell date</b>
Commercial paper	\$ <u>1,437,000</u>	<u>1,435,000</u>	<u>1,435,683</u>	Prior to Jan 30, 2020
<b>March 31, 2019</b>				
<b>Assets</b>	<b>Par value</b>	<b>Repurchase price (Note)</b>	<b>Designated resell amount</b>	<b>Designated resell date</b>
Commercial paper	\$ 918,600	917,453	917,761	Prior to Apr 19, 2019
Negotiable certificates of deposits	460,000	460,749	460,966	Prior to Apr 2, 2019
Total	<u>\$ 1,378,600</u>	<u>1,378,202</u>	<u>1,378,727</u>	

Note: Accounted for securities purchased under resell agreement.

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## (g) Receivables—net

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Credit cards receivable	\$ 1,656,772	1,774,783	1,914,305
Accounts receivable	46,603	64,282	58,331
Accounts receivable—factoring	1,082,886	1,546,140	1,353,643
Interest receivable	305,052	312,793	374,459
Acceptances receivable	208,167	50,178	121,414
Accrued income	267,540	324,478	321,178
Claim receivable	1,635,175	1,635,175	1,635,175
Proceeds from sale of securities receivable	564,921	112,452	1,368,098
Other receivables	<u>21,206</u>	<u>22,853</u>	<u>51,551</u>
Subtotal	5,788,322	5,843,134	7,198,154
Less: Allowance for bad debts	<u>(1,102,723)</u>	<u>(1,100,314)</u>	<u>(1,108,256)</u>
Total	<u>\$ 4,685,599</u>	<u>4,742,820</u>	<u>6,089,898</u>

The credit cards receivable shown above included the receivables from credit card holders who were involved in debt repayment negotiation with the Bank.

Please refer to Note 9(B) for information with regard to the claims receivables of selling structure notes.

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The changes in allowance for bad debts of receivables was as follows:

For the three months ended March 31, 2020	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 3,639	-	6,915	1,067,671	-	1,078,225	26,556	1,104,781
The change on the financial instrument since initial recognition :								
- The change to lifetime expected credit losses	(183)	-	238	(56)	-	(1)		(1)
- The change to the credit risk on impairment of financial assets	(29)	-	(2,464)	2,493	-	-		-
- The change to 12-month expected credit losses	548	-	(548)	-	-	-		-
- Current offsetting financial assets	(14)	-	(11)	(11,034)	-	(11,059)		(11,059)
The new purchased or originated credit-impaired financial assets	97	-	34	7	-	138		138
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"							4,373	4,373
Current charge-off	-	-	-	(2,402)	-	(2,402)		(2,402)
Recovery of bad debts	-	-	-	10,731	-	10,731		10,731
Exchange rate effect and others	547	-	1,287	2,216	-	4,050		4,050
Ending balance	<u>\$ 4,605</u>	<u>-</u>	<u>5,451</u>	<u>1,069,626</u>	<u>-</u>	<u>1,079,682</u>	<u>30,929</u>	<u>1,110,611</u>

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## ENTIE COMMERCIAL BANK CO., LTD.

## Notes to the Financial Statements

For the three months ended March 31, 2019	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 5,101	-	4,785	1,068,682	-	1,078,568	22,947	1,101,515
The change on the financial instrument since initial recognition :								
- The change to lifetime expected credit losses	(259)	-	317	(58)	-	-	-	-
- The change to the credit risk on impairment of financial assets	(39)	-	(64)	103	-	-	-	-
- The change to 12-month expected credit losses	630	-	(629)	(1)	-	-	-	-
- Current offsetting financial assets	(73)	-	(23)	(12,426)	-	(12,522)	-	(12,522)
The new purchased or originated credit-impaired financial assets	274	-	949	1	-	1,224	-	1,224
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	12,063	12,063
Recovery of bad debts	-	-	-	12,027	-	12,027	-	12,027
Exchange rate effect and others	(921)	-	426	1,008	-	513	-	513
Ending balance	\$ 4,713	-	5,761	1,069,336	-	1,079,810	35,010	1,114,820

The abovementioned changes in allowance for bad debts includes amount for allowance for bad debts-overdue receivable of other financial assets; The amounts for allowance for interest receivable and advance receivable of receivables relate to loans are excluded.

The changes in total receivables was as follows:

For the three months ended March 31, 2020	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	Total
Beginning balance	\$ 3,656,652	-	147,684	1,739,667	-	5,544,003
The change on the financial instrument since initial recognition :						
- The change to lifetime expected credit losses	(52,783)	-	52,887	(104)	-	-
- The change to the credit risk on impairment of financial assets	(4,327)	-	(2,907)	7,234	-	-
- The change to 12-month expected credit losses	43,972	-	(42,122)	-	-	1,850
- Current offsetting financial assets	(126,735)	-	(491)	(1,329)	-	(128,555)
The new purchased or originated credit-impaired financial assets	693,035	-	514	4	-	693,553
Current charge-off	-	-	-	4	-	4
Exchange rate effect and others	(580,378)	-	(15,697)	(4,921)	-	(600,996)
Ending balance	\$ 3,629,436	-	139,868	1,740,555	-	5,509,859

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**ENTIE COMMERCIAL BANK CO., LTD.**  
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For the three months ended March 31, 2019	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	Total
Beginning balance	\$ 3,958,283	-	146,814	1,751,916	-	5,857,013
The change on the financial instrument since initial recognition :						
- The change to lifetime expected credit losses	(63,131)	-	63,231	(100)	-	-
- The change to the credit risk on impairment of financial assets	(2,969)	-	(3,001)	5,970	-	-
- The change to 12-month expected credit losses	39,056	-	(39,055)	(1)	-	-
- Current offsetting financial assets	(452,869)	-	(961)	(1,694)	-	(455,524)
The new purchased or originated credit-impaired financial assets	1,724,407	-	463	3,245	-	1,728,115
Exchange rate effect and others	(233,278)	-	(15,362)	(5,925)	-	(254,565)
Ending balance	<u>\$ 4,969,499</u>	<u>-</u>	<u>152,129</u>	<u>1,753,411</u>	<u>-</u>	<u>6,875,039</u>

The abovementioned changes in total receivables include accounted for bad debts-overdue receivable of other financial assets; The amounts for interest receivable and advance receivable of receivables relate to loans are excluded.

(h) Discounts and loans — net

	March 31, 2020	December 31, 2019	March 31, 2019
Overdraft	\$ 2,064	744	4,283
Export bills negotiated	52,461	8,684	38,677
Short-term loans	36,354,548	36,333,409	36,484,857
Medium-term loans	71,881,531	74,734,937	68,834,983
Long-term loans	91,148,592	90,817,016	88,615,410
Non-accrual loans	<u>1,112,138</u>	<u>1,730,618</u>	<u>1,462,917</u>
Subtotal	200,551,334	203,625,408	195,441,127
Less: Allowance for bad debts	(2,898,018)	(3,527,073)	(2,992,681)
Less: Adjustment of discount and premium	<u>(130,431)</u>	<u>(140,438)</u>	<u>(153,581)</u>
Total	<u>\$ 197,522,885</u>	<u>199,957,897</u>	<u>192,294,865</u>

The loans shown above included clients taking fiduciary loans who were involved in debt repayment negotiation with the Bank.

Please refer to Note 6(AN) for the industry information.

As of March 31, 2020, December 31 and March 31, 2019, non-performing loans amounted to \$1,223,196, \$1,846,817 and \$1,635,652 respectively.

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For the three months ended March 31, 2020 and 2019 suspended accrual of interest for all of non-accrual accounts amounted to \$8,550 and \$15,602 respectively.

For the three months ended March 31, 2020 and 2019, there were no loans written off without prior recourse.

As of March 31, 2020, December 31 and March 31, 2019, the outstanding contracts of financial assets with recourse activities and reversal were amounted \$34,271,945, \$33,686,329 and \$33,589,499 respectively.

The changes in allowance for bad debts of discounts and loans was as follow:

For the three months ended March 31, 2020	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 273,393	16,156	253,440	543,919	-	1,086,908	2,440,165	3,527,073
The change on the financial instrument since initial recognition :								
- The change to lifetime expected credit losses	(16,863)	14,668	4,259	(2,064)	-	-	-	-
- The change to the credit risk on impairment of financial assets	(213)	-	(11,477)	11,690	-	-	-	-
- The change to 12-month expected credit losses	23,278	-	(22,259)	(1,019)	-	-	-	-
- Current offsetting financial assets	(88,048)	(3,341)	(14,202)	(96,996)	-	(202,587)	-	(202,587)
The new purchased or originated credit-impaired financial assets	274,653	12,287	10,500	4,600	-	302,040	-	302,040
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	(1,150,414)	(1,150,414)
Current charge-off	-	-	-	(693,691)	-	(693,691)	-	(693,691)
Recovery of bad debts	-	-	-	88,856	-	88,856	-	88,856
Exchange rate effect and others	207,582	75,577	154,352	589,230	-	1,026,741	-	1,026,741
Ending balance	\$ 673,782	115,347	374,613	444,525	-	1,608,267	1,289,751	2,898,018

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For the three months ended March 31, 2019	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 225,845	25,510	207,428	456,827	-	915,610	1,845,050	2,760,660
The change on the financial instrument since initial recognition :								
- The change to lifetime expected credit losses	(2,446)	-	5,178	(2,732)	-	-	-	-
- The change to the credit risk on impairment of financial assets	(627)	-	(11,374)	12,001	-	-	-	-
- The change to 12-month expected credit losses	24,083	-	(23,102)	(981)	-	-	-	-
- Current offsetting financial assets	(62,202)	(2,910)	(8,148)	(84,752)	-	(158,012)	-	(158,012)
The new purchased or originated credit-impaired financial assets	78,107	2,762	985	-	-	81,854	-	81,854
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	211,902	211,902
Current charge-off	-	-	-	(115)	-	(115)	-	(115)
Recovery of bad debts	-	-	-	81,871	-	81,871	-	81,871
Exchange rate effect and others	(35,495)	(6,257)	37,295	18,978	-	14,521	-	14,521
Ending balance	\$ 227,265	19,105	208,262	481,097	-	935,729	2,056,952	2,992,681

The abovementioned changes in total amounts of discount and loans include amounts for interest receivable and advance receivable of receivables.

The changes in total amounts of discount and loans were as follow:

For the three months ended March 31, 2020	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	Total
Beginning balance	\$ 191,817,980	390,417	5,721,196	5,862,591	-	203,792,184
The change on the financial instrument since initial recognition :						
- The change to lifetime expected credit losses	(5,555,987)	4,316,854	1,262,100	(22,967)	-	-
- The change to the credit risk on impairment of financial assets	(132,496)	-	(78,133)	210,629	-	-
- The change to 12-month expected credit losses	383,867	-	(368,087)	(15,780)	-	-
- Current offsetting financial assets	(43,706,121)	(61,325)	(1,021,868)	(279,482)	-	(45,068,796)
The new purchased or originated credit-impaired financial assets	44,160,075	841,556	834,959	230,141	-	46,066,731
Current charge-off	-	-	-	(693,691)	-	(693,691)
Exchange rate effect and others	(2,870,152)	(218,392)	(154,918)	(138,480)	-	(3,381,942)
Ending balance	\$ 184,097,166	5,269,110	6,195,249	5,152,961	-	200,714,486

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

<b>For the three months ended March 31, 2019</b>	<b>12-month expected credit losses</b>	<b>Lifetime expected credit losses (assessed on collective)</b>	<b>Lifetime expected credit losses (assessed on individual)</b>	<b>Lifetime expected credit losses (Not purchased or originated credit- impaired financial assets)</b>	<b>Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)</b>	<b>Total</b>
Beginning balance	\$ 182,066,832	512,330	5,509,561	5,956,974	-	194,045,697
The change on the financial instrument since initial recognition :						
- The change to lifetime expected credit losses	(782,640)	-	791,213	(8,573)	-	-
- The change to the credit risk on impairment of financial assets	(313,733)	-	(107,204)	420,937	-	-
- The change to 12-month expected credit losses	442,315	-	(423,862)	(18,453)	-	-
- Current offsetting financial assets	(35,380,251)	(69,959)	(345,136)	(10,936)	-	(35,806,282)
The new purchased or originated credit-impaired financial assets	42,620,218	58,973	171,535	-	-	42,850,726
Current charge-off	-	-	-	(114)	-	(114)
Exchange rate effect and others	(4,121,173)	(15,288)	(1,250,578)	(76,316)	-	(5,463,355)
Ending balance	<u>\$ 184,531,568</u>	<u>486,056</u>	<u>4,345,529</u>	<u>6,263,519</u>	<u>-</u>	<u>195,626,672</u>

The abovementioned changes in total amounts of discount and loans include amounts for interest receivable and advance receivable of receivables.

## (i) Other financial assets – net

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Overdue receivable	\$ 7,888	4,467	6,564
Less: Allowance for bad debts – overdue receivable	(7,888)	(4,467)	(6,564)
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>

For the three months ended March 31, 2020 and 2019, the changes in allowance for bad debts-overdue receivable of other financial assets please refer to Note 6(G).

## (j) Property, plant, and equipment – net

<b>March 31, 2020</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
Land	\$ 470,249	-	470,249
Buildings	167,618	69,981	97,637
Leasehold improvements	511,591	486,129	25,462
Machinery equipment	417,897	360,942	56,955
Transportation equipment	72,406	59,004	13,402
Miscellaneous equipment	212,975	192,244	20,731
Total	<u>\$ 1,852,736</u>	<u>1,168,300</u>	<u>684,436</u>

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**ENTIE COMMERCIAL BANK CO., LTD.**  
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<b>December 31, 2019</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
Land	\$ 470,249	-	470,249
Buildings	167,618	69,161	98,457
Leasehold improvements	511,591	481,810	29,781
Machinery equipment	425,911	364,417	61,494
Transportation equipment	72,816	58,415	14,401
Miscellaneous equipment	213,193	190,842	22,351
<b>Total</b>	<b>\$ 1,861,378</b>	<b>1,164,645</b>	<b>696,733</b>

<b>March 31, 2019</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
Land	\$ 470,249	-	470,249
Buildings	167,618	66,700	100,918
Leasehold improvements	518,217	478,097	40,120
Machinery equipment	407,408	352,681	54,727
Transportation equipment	72,750	57,054	15,696
Miscellaneous equipment	219,880	194,004	25,876
<b>Total</b>	<b>\$ 1,856,122</b>	<b>1,148,536</b>	<b>707,586</b>

Changes in the cost were as below:

	<b>January 1, 2020</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>March 31, 2020</b>
Land	\$ 470,249	-	-	470,249
Buildings	167,618	-	-	167,618
Leasehold improvements	511,591	-	-	511,591
Machinery equipment	425,911	11	8,025	417,897
Transportation equipment	72,816	133	543	72,406
Miscellaneous equipment	213,193	565	783	212,975
<b>Total</b>	<b>\$ 1,861,378</b>	<b>709</b>	<b>9,351</b>	<b>1,852,736</b>

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2019</u>
Land	\$ 470,249	-	-	470,249
Buildings	167,618	-	-	167,618
Leasehold improvements	541,635	-	23,418	518,217
Machinery equipment	360,861	47,510	963	407,408
Transportation equipment	73,157	656	1,063	72,750
Miscellaneous equipment	220,841	781	1,742	219,880
Leased assets	<u>49,761</u>	<u>-</u>	<u>49,761</u>	<u>-</u>
Total	<u>\$ 1,884,122</u>	<u>48,947</u>	<u>76,947</u>	<u>1,856,122</u>

Note: Decrease of leased assets transferred to machinery equipment and intangible assets amounted to \$45,319 and \$4,442 in 2019 respectively.

Changes in accumulated depreciation were as below:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2020</u>
Buildings	\$ 69,161	820	-	69,981
Leasehold improvements	481,810	4,319	-	486,129
Machinery equipment	364,417	4,550	8,025	360,942
Transportation equipment	58,415	1,120	531	59,004
Miscellaneous equipment	<u>190,842</u>	<u>2,182</u>	<u>780</u>	<u>192,244</u>
Total	<u>\$ 1,164,645</u>	<u>12,991</u>	<u>9,336</u>	<u>1,168,300</u>

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2019</u>
Buildings	\$ 65,879	821	-	66,700
Leasehold improvements	495,905	5,610	23,418	478,097
Machinery equipment	313,123	40,517	959	352,681
Transportation equipment	56,938	1,165	1,049	57,054
Miscellaneous equipment	193,209	2,501	1,706	194,004
Leased assets	<u>38,410</u>	<u>-</u>	<u>38,410</u>	<u>-</u>
Total	<u>\$ 1,163,464</u>	<u>50,614</u>	<u>65,542</u>	<u>1,148,536</u>

Note: Decrease of leased assets transferred to machinery equipment and intangible assets amounted to \$34,338 and \$4,072 in 2019 respectively.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

## (k) Right-of-use assets

<u>March 31, 2020</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Buildings	\$ 983,959	295,741	688,218
Transportation equipment	12,735	4,754	7,981
<b>Total</b>	<b>\$ 996,694</b>	<b>300,495</b>	<b>696,199</b>

  

<u>December 31, 2019</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Buildings	\$ 957,240	239,627	717,613
Transportation equipment	11,792	4,955	6,837
<b>Total</b>	<b>\$ 969,032</b>	<b>244,582</b>	<b>724,450</b>

  

<u>March 31, 2019</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Buildings	\$ 840,032	67,555	772,477
Transportation equipment	10,667	1,313	9,354
<b>Total</b>	<b>\$ 850,699</b>	<b>68,868</b>	<b>781,831</b>

Changes in the cost were as below:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2020</u>
Buildings	\$ 957,240	35,462	8,743	983,959
Transportation equipment	11,792	2,454	1,511	12,735
<b>Total</b>	<b>\$ 969,032</b>	<b>37,916</b>	<b>10,254</b>	<b>996,694</b>

  

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2019</u>
Buildings	\$ 824,624	15,860	452	840,032
Transportation equipment	10,667	-	-	10,667
<b>Total</b>	<b>\$ 835,291</b>	<b>15,860</b>	<b>452</b>	<b>850,699</b>

Changes in accumulated depreciation were as below:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2020</u>
Buildings	\$ 239,627	64,857	8,743	295,741
Transportation equipment	4,955	1,310	1,511	4,754
<b>Total</b>	<b>\$ 244,582</b>	<b>66,167</b>	<b>10,254</b>	<b>300,495</b>

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	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2019</u>
Buildings	\$ -	68,007	452	67,555
Transportation equipment	-	1,313	-	1,313
Total	<u>\$ -</u>	<u>69,320</u>	<u>452</u>	<u>68,868</u>

## (I) Intangible assets-net

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Goodwill	\$ 137,326	137,326	137,326
Computer software	54,021	50,141	53,541
Total	<u>\$ 191,347</u>	<u>187,467</u>	<u>190,867</u>

Goodwill of the Bank was acquired from assuming the outstanding assets and liabilities of the Taipei Seventh Credit Cooperative on July 27, 1998.

When testing assets for impairment, the Bank defined each branch as a cash-generating unit (CGU). The recoverable amount of a CGU is determined at its value in use, and the key assumptions on the economic conditions that will occur over the remaining useful life of the CGU, such as estimated future cash flows, are based on each CGU's operations or objective data on its business cycle to estimate the future operating cash flows of the Bank.

After assessing the recoverable amount of CGUs as above, the Bank does not have to state goodwill impairment loss for the three months ended March 31, 2020 and 2019.

Changes in intangible assets were as follows:

	<u>January 1, 2020</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2020</u>
Goodwill	\$ 137,326	-	-	137,326
Computer software	50,141	9,466	5,586	54,021
Total	<u>\$ 187,467</u>	<u>9,466</u>	<u>5,586</u>	<u>191,347</u>

  

	<u>January 1, 2019</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>March 31, 2019</u>
Goodwill	\$ 137,326	-	-	137,326
Computer software	53,347	6,236	6,042	53,541
Total	<u>\$ 190,673</u>	<u>6,236</u>	<u>6,042</u>	<u>190,867</u>

Note: Increase of computer software was transferred from leased assets amounted to \$370 in 2019.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

## (m) Other assets — net

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Prepayments	\$ 73,512	36,694	84,690
Refundable deposits	1,916,298	1,350,375	1,092,155
Temporary payments	213	497	538
Total	<u>\$ 1,990,023</u>	<u>1,387,566</u>	<u>1,177,383</u>

## (n) Deposits from Central Bank and other banks

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Deposits from post offices	\$ 249,806	331,530	331,530
Due to other banks	6,019,120	4,813,000	5,160,700
Total	<u>\$ 6,268,926</u>	<u>5,144,530</u>	<u>5,492,230</u>

## (o) Securities sold under repurchase agreements

(In Thousands of New Taiwan Dollars)

<u>March 31, 2020</u>				
<u>Assets</u>	<u>Par value</u>	<u>Selling price (Note)</u>	<u>Designated repurchase amount</u>	<u>Designated repurchase date</u>
Financial assets at fair value through profit or loss	<u>\$ 1,874,880</u>	<u>1,804,720</u>	<u>1,807,327</u>	Prior to Apr 14, 2020
<u>March 31, 2019</u>				
<u>Assets</u>	<u>Par value</u>	<u>Selling price (Note)</u>	<u>Designated repurchase amount</u>	<u>Designated repurchase date</u>
Financial assets at fair value through profit or loss	<u>\$ 1,378,040</u>	<u>1,343,605</u>	<u>1,346,758</u>	Prior to Apr 22, 2019

Note: Accounted for securities sold under repurchase agreements.

There is no securities sold under repurchase agreements on December 31, 2019.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

## (p) Payables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable	\$ 168	200	1,684
Accrued expenses	295,423	453,585	305,300
Interest payable	364,974	337,116	344,840
Acceptances payable	208,166	50,178	121,414
Collection payable	41,672	56,370	49,560
Other tax payable	23,381	49,545	26,883
Checks for clearance	142,260	185,943	818,855
Accounts payable factoring	318,065	732,849	659,620
Purchase of bonds and securities payable	564,918	556,832	1,414,985
Dishonored account	30,268	30,261	30,219
Other payables	<u>95,952</u>	<u>91,533</u>	<u>107,579</u>
Total	<u>\$ 2,085,247</u>	<u>2,544,412</u>	<u>3,880,939</u>

## (q) Deposits and remittances

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
NTD deposits			
Checking accounts	<u>\$ 1,101,895</u>	<u>1,123,700</u>	<u>1,669,209</u>
Demand deposits			
Demand deposits	19,366,627	19,759,486	19,021,005
Demand savings deposits	<u>41,931,900</u>	<u>41,396,002</u>	<u>40,107,780</u>
Subtotal of demand deposits	<u>61,298,527</u>	<u>61,155,488</u>	<u>59,128,785</u>
Time deposits			
Time deposits	58,443,581	60,318,908	67,016,146
Time savings deposits	83,915,130	83,998,504	82,999,420
Negotiable certificates of deposits	<u>886,500</u>	<u>888,700</u>	<u>2,194,600</u>
Subtotal of time deposits	<u>143,245,211</u>	<u>145,206,112</u>	<u>152,210,166</u>
Staff demand savings deposits	<u>746,281</u>	<u>692,951</u>	<u>756,438</u>
Subtotal of NTD deposits	<u>206,391,914</u>	<u>208,178,251</u>	<u>213,764,598</u>

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**ENTIE COMMERCIAL BANK CO., LTD.**  
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	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Foreign currency deposits			
Foreign currency demand deposits	\$ 11,113,414	11,177,238	11,383,810
Foreign currency time deposits	<u>43,360,953</u>	<u>41,408,283</u>	<u>38,842,905</u>
Subtotal of foreign currency deposits	<u>54,474,367</u>	<u>52,585,521</u>	<u>50,226,715</u>
Remittances under custody	10,444	37,616	43,689
Remittances outstanding	<u>6,725</u>	<u>97,771</u>	<u>38,973</u>
Total	<u>\$ 260,883,450</u>	<u>260,899,159</u>	<u>264,073,975</u>

(r) Preferred stock liabilities

On November 7, 2007, the Bank issued its perpetual noncumulative registered convertible preferred stock A, with a par value of \$10 per share, at a fixed rate of 6.75% (“Annual Dividends”), and payable in cash, through private placement at a discount price for a total of \$5,907,955 (NT\$9.50 dollars per share). Dividends are paid in cash annually and are calculated based on the issuance amounts. The Bank was authorized to revise its issuance terms to non-perpetual preferred stock A during the shareholders’ meeting held on June 16, 2017. Other important issuance terms are as follows:

Under the Bank’s Articles, upon closing of accounts, if there is profit, the Bank shall first offset any deficit in the previous years and pay the income tax in accordance with the financial accounting standards, then set aside a legal reserve of 10 percent of the remaining profits and reclassify its earnings as special reserve in accordance with the financial accounting standards. Distributions to dividend payments of the preferred stock are then made.

Holder of preferred stock shall be entitled, in addition to the Annual Dividends distributable, if so resolved by the Board of Directors, to participate in the dividends declared on Common Share at a ratio of every 2 shares of preferred stock for each Common Share dividend; provided that such participation right shall be available only if, after the distributions of cash dividends for Common Share at an amount equal to the cash dividends distributed for preferred stock per share, there is any remaining balance.

Preferred shareholders shall be entitled to vote, have rights to elect and be elected as same as common shareholders in shareholders’ meeting.

A preferred stock can be converted into one common stock after one month of the issuance date. In addition, the preferred shareholders have the following rights and obligations:

- (i) As of November 7, 2017, the remaining shares of preferred stock A after conversion shall not exceed 222,586,035 shares.
- (ii) As of November 7, 2018, the remaining shares of preferred stock A after conversion shall not exceed 139,116,272 shares.
- (iii) As of November 7, 2019, the conversion of all of the preferred stocks A shall be completed.

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**Notes to the Financial Statements**

For the shares which have not been converted, each preferred shareholders of such shares will be deemed to agree to the conversion of the preferred stock A to common stocks as of the conversion date of such year. The Bank may proceed with the conversion in due course and the preferred shareholders may not object. For the shares which have not been converted to common stocks pursuant to aforementioned, the Bank may redeem all of or part of the unconverted preferred stock A at the actual issued price subject to the applicable law and the approval of the competent authorities.

The chairman of the Bank is authorized by the Bank to proceed and determine on the conversion date, the execution methods and any other matter not covered herein of the preferred stock A pursuant to the applicable law, the Articles of the Bank and the regulations of the competent authorities. The rate of the dividends per annum shall be adjusted to 5.75% from the second day upon the 10th anniversary from the issue date.

Upon the issuance of preferred stock A, the Bank bifurcated its liability component and the conversion rights embedded in the preferred stock A amounting to \$3,382,305 and \$2,525,650, respectively, which were accounted for under capital surplus. On July 11, 2008, the Bank offset its deficit by reducing its capital; thus, the liability component of preferred stocks and capital surplus decreased by \$1,967,440 and \$1,469,135 respectively.

The Bank was authorized to revise its article regarding the conditions for issuing preferred stocks during the shareholders' meeting held on June 16, 2017. Based on the report on the valuation of preferred stock at fair value by external consultant, the liability component of preferred stocks and capital surplus were adjusted to \$1,163,944 and \$1,295,298 respectively. The dividend payable recognized on the books was reversed and an amount of \$12,138, which is the difference between the original carrying amount and fair value of the preferred stock, was recognized as other capital surplus.

As of March 31, 2020, all preferred stocks were converted to 278,233 thousand shares of common stocks, thus capital surplus and other capital surplus was written-off by \$1,295,298 and \$12,138 respectively. The bank recognized accumulation of interest expense \$15,708 in accordance with valuation at amortized cost for the liability component of preferred stocks, paid dividends and written-off \$1,035,471 of the preferred stocks. As of March 31, 2020, the remaining amount \$144,181 is distributable preferred stock dividend.

As of March 31, 2020, December 31 and March 31, 2019, Interest expense of current period please refer to Note 6(AD) .

(s) Other financial liabilities

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Structured commodity principal	\$ 3,691,648	1,522,828	2,329,063
Others	240,326	150,924	39,620
Total	<u>\$ 3,931,974</u>	<u>1,673,752</u>	<u>2,368,683</u>

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## (t) Provisions

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Employee benefits provision	\$ 303,386	303,386	321,398
Guarantee reserve	146,017	165,931	121,203
Financing commitment reserve	20,593	17,062	9,218
Other provisions	5,842	6,206	6,525
<b>Total</b>	<b>\$ 475,838</b>	<b>492,585</b>	<b>458,344</b>

(i) Employees benefits provision please refer to Note 6(W).

(ii) The changes in allowance for bad debts of guarantee reserve and financing commitment reserve were as follows :

For the three months ended March 31, 2020	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 17,853	-	2,168	-	-	20,021	162,972	182,993
The change on the financial instrument since initial recognition :								
- The change to lifetime expected credit losses	(151)	71	80	-	-	-	-	-
- The change to 12-month expected credit losses	174	-	(174)	-	-	-	-	-
- Current offsetting financial assets	(2,050)	-	(12)	-	-	(2,062)	-	(2,062)
The new purchased or originated credit-impaired financial assets	18,288	1,095	7	-	-	19,390	-	19,390
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	(63,056)	(63,056)
Exchange rate effect and others	27,623	209	1,513	-	-	29,345	-	29,345
<b>Ending balance</b>	<b>\$ 61,737</b>	<b>1,375</b>	<b>3,582</b>	<b>-</b>	<b>-</b>	<b>66,694</b>	<b>99,916</b>	<b>166,610</b>

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## ENTIE COMMERCIAL BANK CO., LTD.

## Notes to the Financial Statements

For the three months ended March 31, 2019	12-month expected credit losses	Lifetime expected credit losses (assessed on collective)	Lifetime expected credit losses (assessed on individual)	Lifetime expected credit losses (Not purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 8,008	-	1,190	9	-	9,207	86,512	95,719
The change on the financial instrument since initial recognition :								
- The change to lifetime expected credit losses	(190)	-	190	-	-	-	-	-
- The change to 12-month expected credit losses	264	-	(255)	(9)	-	-	-	-
- Current offsetting financial assets	(1,376)	-	(18)	(13)	-	(1,407)	-	(1,407)
The new purchased or originated credit-impaired financial assets	1,743	-	8	-	-	1,751	-	1,751
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	33,214	33,214
Recovery of bad debts	-	-	-	13	-	13	-	13
Exchange rate effect and others	(321)	-	1,452	-	-	1,131	-	1,131
Ending balance	\$ 8,128	-	2,567	-	-	10,695	119,726	130,421

(iii) Other provisions were mainly the settlement compensation provision for structured notes and litigation loss. Changes in employee benefits provision and other provisions were as follows:

	January 1, 2020	Current increase	Current decrease	March 31, 2020
Employee benefits provision	\$ 303,386	2,384	(2,384)	303,386
Other provisions	6,206	-	(364)	5,842
Total	\$ 309,592	2,384	(2,748)	309,228
	January 1, 2019	Current increase	Current decrease	March 31, 2019
Employee benefits provision	\$ 321,398	2,455	(2,455)	321,398
Other provisions	6,438	87	-	6,525
Total	\$ 327,836	2,542	(2,455)	327,923

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**ENTIE COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

(u) Lease liabilities

The lease liabilities were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Lease liabilities	\$ <u>709,951</u>	<u>726,173</u>	<u>795,525</u>

The maturity analysis of the lease liabilities please refer to Note 6(AD).

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>2,885</u>	<u>2,203</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>59,908</u>	<u>60,032</u>

(i) Real estate leases

The Bank leases buildings for its office space. The leases of office space typically run for a period of five years.

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

(ii) Other leases

The Bank leases vehicles with lease terms of three to five years.

(v) Other liabilities

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Unearned revenue	\$ 6,220	31,692	3,971
Advance interest receipts	1,024	1,070	1,238
Temporary receipts and suspense accounts	23,845	35,627	38,938
Other advance receipts	50,205	52,313	304,954
Guarantee deposits received	<u>1,292</u>	<u>116</u>	<u>116</u>
Total	<u>\$ 82,586</u>	<u>120,818</u>	<u>349,217</u>

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements****(w) Employee benefits****(i) Defined benefits plan**

The Bank believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying financial statements was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

For the three months ended March 31, 2020 and 2019, the expenses are \$2,384 and \$2,455 respectively.

The employee benefits were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Defined benefits plan	\$ <u>303,386</u>	<u>303,386</u>	<u>321,938</u>

**(ii) Defined contribution plan**

In accordance with the Labor Pension Act of the R.O.C., the Bank is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages. Under this plan, the Bank does not have the statutory/constructive obligations of additional payment after contributing the fixed amounts to Bureau of Labor Insurance.

For the three months ended March 31, 2020 and 2019, the pension expense under the defined contribution plan of the Bank amounted to \$17,030 and \$16,941 respectively. Payment was made to the Bureau of Labor Insurance.

**(x) Income tax expense**

The components of income tax expenses were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Current tax expenses		
Current period	\$ -	-
Basic tax payable	35,663	31,519
Deferred tax expenses	<u>117,374</u>	<u>77,285</u>
Income tax expense	<u>\$ 153,037</u>	<u>108,804</u>

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**ENTIE COMMERCIAL BANK CO., LTD.**  
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The amount of income tax (expenses) revenues recognized under other comprehensive income was as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Items that may be subsequently reclassified into profit and loss		
Exchange differences on translation of foreign financial statements	\$ <u><u>(6,511)</u></u>	<u><u>(464)</u></u>

The Bank's income tax returns through 2018 have been assessed and approved by the Tax Authority; The amount of income tax returns through 2017 have not been assessed and approved.

(y) Common stock and capital surplus

As of March 31, 2020 and 2019, the Bank's authorized capital were \$47,600,000 and paid-in capital for common stock were \$19,579,101 and \$18,187,938 respectively.

As of March 31, 2020, The Bank's stockholders of convertible preferred stocks exercised conversion options, consequently, the Bank issued the new thousand shares and 139,116 thousand shares with par value, amounted to and \$1,391,163, and the registration procedure had been done.

The Bank's details of capital surplus were as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Conversion of financial debentures	\$ 359,507	359,507	359,507
Rights of conversion of preferred stock to common stock	-	-	647,649
Treasury stock transaction	2,496	2,496	2,496
Redemption of convertible financial bonds	40,600	40,600	40,600
Others	2,387	2,387	2,387
<b>Total</b>	<b>\$ 404,990</b>	<b>404,990</b>	<b>1,052,639</b>

Pursuant to the amended Company Law realized capital surplus shall be used initially to cover a deficit (or a loss) and the balance, if any, can be transferred to capital or distributed as cash dividends. Also, realized capital surplus includes the premium income derived from the issuance of new shares and endowments received by the Bank. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be used purposely to increase capital shall not exceed 10% of total paid-in capital.

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

(z) Earnings distribution and dividend policy

In compliance with the Bank's articles of incorporation, annual earnings, if any, shall be allocated in the following order:

- (i) Payment of all taxes and making certain adjustments in accordance with SFAS;
- (ii) Offset cumulative losses in prior years;
- (iii) Provision or reversal for legal reserve in compliance with the Banking Law of the Republic of China and provision for special reserve in compliance with related Acts, requests of competent authority and the needs of business;
- (iv) Distribution of preferred stock A dividends of the current year according to Article 5-1 of the Bank's articles of incorporation;
- (v) The remainder, plus undistributed earnings in prior years, distributed base on the following percentage determined by the board of directors in consideration of the changes of operating environment, the maintenance of sound capital adequacy ratios as well as the capital needs of long-term financial plan.

Shareholders' bonuses can be distributed as stock, cash or the combination of stock and cash under the approval of the shareholders' meeting. When the Bank's tier 1 capital adequacy ratio is less than the legal standard, stock dividends will be distributed instead of cash dividends as shareholders' bonuses.

The shareholders' meeting approved the year 2018 earnings distribution on June 28, 2019 and decided to distribute cash dividends to common stock shareholders for NT\$1.0 (dollar) per share and the total amount of cash dividends distributed was \$1,818,794.

The board of directors' meeting plan to approve the year 2019 earnings distribution on May 13, 2020 and decided to distribute cash dividends to common stock shareholders for NT\$0.73 (dollar) per share and the total amount of cash dividends distributed was \$1,429,274.

Earnings distribution should be resolved by the shareholders' meeting in the following year and given effect in the financial statements of the current year.

According to Company Law, where a company incurs no loss, it may pursuant to a resolution approved by the shareholders during the shareholders' meeting distribute its legal reserve and its remaining capital reserve by issuing new shares or by cash. Where legal reserve is distributed by issuing new shares or by cash, only portion of legal reserve which exceeds 25 percent of the paid-in capital stock may be distributed. Furthermore, pursuant to the Banking Act of The Republic of China, before the legal reserve balance reaches the amount of total paid-in capital, cash dividends are limited to 15% of the total paid-in capital.

The relevant information on earnings distribution approved by the shareholders' meeting can be accessed through the Market Observation Post System or other sites.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements****(aa) Share-based payment contracts**

Since October 2007, the Bank has adopted share-based payment agreements to recruit professional managers. Under these agreements, the Bank should issue a certain number of its stock-linked certificates in installments (one certificate represents one unit corresponding to one Bank's share) to these managers on the day they report for work. In addition, the Bank should settle these certificates in cash at a certain preset price if there is a substantial change (the event) occurred, as defined in the agreement. This preset price is a sale price, which should be approved by the Bank's board of directors. The certificates will be vested after three years of the grant date. All certificates that have not been granted or vested will be granted or vested on the date when the event occurred. Furthermore, the Bank should determine the aggregate amount payable on all certificates no later than 30 days after the event and make the payment in proportion to the major shareholders' share disposal. All certificates will be forfeited and cancelled if the Bank terminated the preceding professional managers' employment for cause or if the managers end their employment, become disabled or die.

	<b>For the three months ended March 31,</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Numbers</b>	<b>Weighted average exercise price</b>	<b>Numbers</b>	<b>Weighted average exercise price</b>
Outstanding at the beginning of the period	8,942	-	10,060	-
Granted during the period	1,397	-	-	-
Forfeited during the period	1,788	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	8,551	-	10,060	-
Exercisable at the end of the period	-	-	-	-

As of March 31, 2020, the Bank had granted 8,551 thousand certificates (would be adjusted to 3,826 thousand certificates by capital reduction ratio on the issue date according to the approval of the shareholders' meeting on July 11, 2008) to several managers. For the three months ended March 31, 2020 and 2019, the Bank recognized reward cost (reversal gain) and payables amounting to \$(14,795) and \$4,328 respectively, accounted for personnel expenses and payables respectively.

The share-based contracts were priced using the Black-Scholes pricing model. The fair value of the stock price-linked certificate was \$13.05 (dollars) per unit. The parameters used by pricing model, stock price on valuation date was \$13.05 (dollars), exercise price was nil, expected volatility was 21.52%, expected life was 13 years and risk-free interest rate was 0.40%.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

## (ab) Earnings per share

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<b>Basic EPS:</b>		
Net income	\$ <u>703,550</u>	<u>560,323</u>
Weighted-average shares of common stock outstanding (in thousands)	<u>1,957,910</u>	<u>1,818,794</u>
Basic EPS (in dollars)	\$ <u>0.36</u>	<u>0.31</u>
<b>Diluted EPS:</b>		
Net income	\$ 703,550	560,323
Interest expense of convertible preferred stock (after tax)	<u>-</u>	<u>884</u>
Net income attributable to common shareholders used to calculate diluted EPS	\$ <u>703,550</u>	<u>561,207</u>
Weighted-average shares of common stock outstanding (in thousands)	1,957,910	1,818,794
Bonuses to employees (in thousands)	766	578
Shares of convertible preferred stock (in thousands)	<u>-</u>	<u>139,116</u>
Weighted-average shares of common stock outstanding used to calculate diluted EPS (in thousands)	<u>1,958,676</u>	<u>1,958,488</u>
Diluted EPS (in dollars)	\$ <u>0.36</u>	<u>0.29</u>

## (ac) Compensations of employees and directors

In compliance with the Bank's articles of incorporation, annual earnings, if any, the Bank shall contribute no less than 1% to employees' compensations and no more than 1% of directors' compensations. But the offset amount should be reserved in advance when the Bank still has cumulative losses.

For the three months ended March 31, 2020 and 2019, the Bank estimated compensations for employees to be \$9,996 and \$7,808 respectively. Compensation for directors were estimated to be \$2,608 and \$2,037, respectively. This is calculated on the basis of the net income before tax for the period, before excluding compensation of employees, directors and supervisors, then multiplying the separate parameter in compliance with the Bank's articles. The benefits were charged to profit or loss under operating costs or operating expenses for the period. If there is a difference between estimate and actual allocation next year, in accordance with processing of changes in accounting estimates, the difference will be recognized as gain or loss for the next year.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

For the year 2019 and 2018, the compensation of employees amounted to \$28,682 and \$33,201 respectively; and compensation of the directors and supervisors amounted to \$7,482 and \$8,661 respectively. The compensation of employees has not been distributed for the year 2019. The compensation of employees carries a difference of \$24 between actual payment and accrual in financial statement for the year 2018. According to processing of changes in accounting estimates, this difference should be recognized as gain or loss for the year 2019. The information is available on the Market Observation Post System website.

## (ad) Net interest income

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b><u>Interest income</u></b>		
Discount and loans interest	\$ 1,323,183	1,383,893
Revolving credit interest	7,373	8,492
Due from Central Bank interest	7,825	8,321
Due from banks and call loans to banks interest	38,666	48,016
Securities interest	177,528	196,792
Others	<u>3,708</u>	<u>5,021</u>
Subtotal	<u>1,558,283</u>	<u>1,650,535</u>
<b><u>Interest expense</u></b>		
Deposit interest	586,135	651,241
Borrowing from banks	23,939	46,363
Due to bank interest	812	919
Interest of bonds under repurchase agreement	1,816	5,904
Interest of preferred stock liability (Note (R))	405	1,105
Structured notes interest expense	15,530	27,093
Interest expense of leased assets	2,885	2,203
Others	<u>-</u>	<u>10</u>
Net interest income	<u>631,522</u>	<u>734,838</u>
	<b><u>\$ 926,761</u></b>	<b><u>915,697</u></b>

Interest income and expense from financial assets and liabilities measured at fair value through profit and loss are excluded.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

(ae) Net service fee and commission income

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<b><u>Service fee income</u></b>		
Credit card service fee income	\$ 18,571	29,266
Loan service fee income	110,537	117,195
Trust service fee income	172,273	105,848
Factoring purchase service fee income	2,703	4,018
Insurance commission income	46,415	98,733
Guarantee fee income	61,488	57,893
Others	<u>8,293</u>	<u>8,648</u>
Total service fee income	<u>420,280</u>	<u>421,601</u>
<b><u>Service fee expense</u></b>		
ATM service fee	2,491	2,712
Agency service fee	3,396	6,979
Business promotion service fee	423	345
Others	<u>5,934</u>	<u>5,849</u>
Total service fee expense	<u>12,244</u>	<u>15,885</u>
Net service fee income	<u>\$ 408,036</u>	<u>405,716</u>

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**ENTIE COMMERCIAL BANK CO., LTD.**  
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(af) Gains and losses on financial assets or liabilities at fair value through profit or loss

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b><u>Disposal gain and loss</u></b>		
Commercial paper	\$ 8,829	12,637
Negotiable certificates of deposit	38	3,104
Listed and OTC securities	(13,869)	1,073
Corporate bonds	(1,544)	4,247
Beneficiary certificate	(682)	280
Financial debentures	992	2,084
Government bonds	50,405	26,749
Derivative financial instruments	123,599	103,855
Structured products	<u>2,500</u>	<u>7,291</u>
Subtotal	<u>170,268</u>	<u>161,320</u>
<b><u>Valuation gain and loss</u></b>		
Commercial paper	(721)	(1,625)
Negotiable certificates of deposit	(748)	1,342
Listed and OCT securities	(1,261)	81
Corporate bonds	(30,531)	7,660
Beneficiary certificate	(200)	(1,305)
Financial debentures	(43)	(440)
Government bonds	2,962	13,710
Derivative financial instruments	<u>(23,697)</u>	<u>(27,587)</u>
Subtotal	<u>(54,239)</u>	<u>(8,164)</u>
Total	<u>\$ 116,029</u>	<u>153,156</u>

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

- (ag) Realized gains and losses on financial assets measured at fair value through other comprehensive income

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Gain (losses) on derecognition of debt instruments measured at fair value through other comprehensive income		
Government bonds	\$ 21,833	36,829
Corporate bonds	-	1,438
Dividends of equity instruments measured at fair value through other comprehensive income	10,326	-
Total	<u>\$ 32,159</u>	<u>38,267</u>

- (ah) Net impairment (losses) reversal gains on assets

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
(Loss) reversal on impairment of debt instruments measured at fair value through other comprehensive income	\$ (3,687)	1,466
Reversal on impairment of investment in debt instruments measured at amortized cost	444	325
Total	<u>\$ (3,243)</u>	<u>1,791</u>

- (ai) Other net non-interest income (loss)

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Loss on disposal of property and equipment	\$ (15)	(54)
Gain (loss) on reversal of operating loss	364	(87)
Others	77	175
Total	<u>\$ 426</u>	<u>34</u>

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(aj) Bad debts expense, commitment and guarantee liability provision

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
(Reversal) provisions of allowance for bad debts – discounts and loans	\$ (26,111)	151,665
(Reversal) provisions of allowance for bad debts – receivables	(5,470)	1,251
(Reversal) provisions of allowance for bad debts – guarantee reserve	(19,914)	33,477
(Reversal) provisions of allowance for bad debts – financing commitment	3,527	1,221
(Reversal) provisions of non-accrual of non loans	-	(99)
Total	<u>\$ (47,968)</u>	<u>187,515</u>

(ak) Employee benefits expenses

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Salary expenses	\$ 354,673	356,930
Insurance expenses	27,393	28,676
Retirement expenses	19,414	19,396
Remuneration of directors	7,544	7,225
Other personnel (reversal) expenses	(11,470)	7,628
Total	<u>\$ 397,554</u>	<u>419,855</u>

The Bank's number of employees on March 31, 2020 and 2019 were 1,499 and 1,513 respectively. The number of directors who have not served as employees were 11 and 10.

(al) Depreciation and amortization expenses

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Buildings	\$ 820	821
Leasehold improvements	4,319	5,610
Machinery equipment	4,550	6,179
Transportation equipment	1,120	1,165
Miscellaneous equipment	2,182	2,501
Right-of-use assets	<u>66,167</u>	<u>69,320</u>
Subtotal of depreciation expenses	<u>79,158</u>	<u>85,596</u>
Amortization of computer software	<u>5,586</u>	<u>6,042</u>
Total	<u>\$ 84,744</u>	<u>91,638</u>

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## (am) Other general and administrative expenses

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Site usage and general equipment expenses	\$ 12,965	13,773
General administration expenses	65,828	65,522
Marketing and promotion expenses	3,273	18,891
Business tax	72,515	76,351
Other expenses	<u>51,147</u>	<u>47,852</u>
Total	<u>\$ 205,728</u>	<u>222,389</u>

## (an) Financial instruments

- (i) The Bank valuation techniques and assumptions used for financial instruments at fair value are as follows:
- 1) Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income and Investment in debt instruments measured at amortized cost, above financial instruments are if there any quotes in active market, hereafter using it to be its fair value; if not, using evaluation method for measurement. The information of the Bank and active market use in measurement and assumptions are consistency; therefore, the evaluation method is reasonable.
  - 2) Discounts and loans and Deposits are due to the financial assets and liabilities which attached interest; therefore, its book value will be similar with present fair value. The book value of overdue receivable is the amount expecting to recover which after reducing bad debt, and employs it to be fair value.
  - 3) Measurements of fair value of financial instruments without an active market are based on a valuation technique. Fair value measured by a valuation technique can be extrapolated from the discounted cash flow method.
  - 4) The Bank uses foreign exchange rate by Reuters to calculate the fair value of forward exchange. Using quoted price by Reuters to calculate the fair value of currency swap and interest rate swap.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

## (ii) Financial instruments not measured at fair value

The financial instruments of the Bank such as Cash and cash equivalents, Due from Central Bank and call loans to banks, Securities purchased under resell agreements, Receivables, Current tax assets, Other financial assets, Discounts and loans, Deposits from Central Bank and other banks, Due to the Central Bank and banks, Securities sold under repurchase agreements, Payables, Current tax liabilities, Deposits and remittances, Financial debentures, Preferred stock liabilities and Other financial liabilities where book value is reasonable approximation of fair value. Disclosure of fair value of lease liabilities is not required.

<b>Financial Assets</b>	<b>March 31, 2020</b>	
	<b>Book value</b>	<b>Fair value</b>
Investment in debt instruments measured at amortized cost	\$ 35,059,704	35,064,171

<b>Financial Assets</b>	<b>December 31, 2019</b>	
	<b>Book value</b>	<b>Fair value</b>
Investment in debt instruments measured at amortized cost	\$ 35,165,480	35,168,596

<b>Financial Assets</b>	<b>March 31, 2019</b>	
	<b>Book value</b>	<b>Fair value</b>
Investment in debt instruments measured at amortized cost	\$ 33,215,529	33,213,117

## (iii) Fair value hierarchy information on financial instruments and the statements of changes in fair value of Level 3

## 1) Fair value hierarchy information on financial instruments

<b>Assets and Liabilities</b>	<b>Total</b>	<b>March 31, 2020</b>		
		<b>Level 1 (Note 1)</b>	<b>Level 2 (Note 2)</b>	<b>Level 3 (Note 3)</b>
<b><u>Instruments measured at fair value</u></b>				
<b><u>Instruments measured at fair value on a recurring basis</u></b>				
<b><u>Non-Derivative Financial Instruments</u></b>				
<b>Assets:</b>				
Financial assets at FVTPL				
Investment in bonds	\$ 1,156,427	1,156,427	-	-
Others	11,189,788	11,189,788	-	-
Financial assets at FVOCI				
Investment in stocks	705,629	195,715	-	509,914
Investment in bonds	37,257,529	37,257,529	-	-
Others	497,004	497,004	-	-
<b><u>Derivative Financial Instruments</u></b>				
<b>Assets:</b>				
Financial assets at FVTPL	\$ 1,449,410	42,825	680,547	726,038
<b>Liabilities:</b>				
Financial liabilities at FVTPL	1,283,694	-	549,457	734,237
<b><u>Instruments not measured at fair value</u></b>				
Investment in debt instruments measured at amortized cost	35,064,171	33,245,000	1,819,171	-

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<u>Assets and Liabilities</u>	<u>December 31, 2019</u>			
	<u>Total</u>	<u>Level 1 (Note 1)</u>	<u>Level 2 (Note 2)</u>	<u>Level 3 (Note 3)</u>
<b><u>Instruments measured at fair value</u></b>				
<b><u>Instruments measured at fair value on a recurring basis</u></b>				
<b><u>Non-Derivative Financial Instruments</u></b>				
<b>Assets:</b>				
Financial assets at FVTPL				
Investment in stocks	\$ 44,394	44,394	-	-
Investment in bonds	4,738,413	4,738,413	-	-
Others	4,781,405	4,781,405	-	-
Financial assets at FVOCI				
Investment in stocks	755,988	247,221	-	508,767
Investment in bonds	31,389,106	31,389,106	-	-
Others	510,450	510,450	-	-
<b><u>Derivative Financial Instruments</u></b>				
<b>Assets:</b>				
Financial assets at FVTPL	\$ 680,368	952	249,278	430,138
<b>Liabilities:</b>				
Financial liabilities at FVTPL	533,371	48	123,593	409,730
<b><u>Instruments not measured at fair value</u></b>				
Investment in debt instruments measured at amortized cost	35,168,596	33,355,000	1,813,596	-
<b>March 31, 2019</b>				
<u>Assets and Liabilities</u>	<u>Total</u>	<u>Level 1 (Note 1)</u>	<u>Level 2 (Note 2)</u>	<u>Level 3 (Note 3)</u>
<b><u>Instruments measured at fair value</u></b>				
<b><u>Instruments measured at fair value on a recurring basis</u></b>				
<b><u>Non-Derivative Financial Instruments</u></b>				
<b>Assets:</b>				
Financial assets at FVTPL				
Investment in bonds	\$ 9,581,048	9,581,048	-	-
Others	12,420,718	12,420,718	-	-
Financial assets at FVOCI				
Investment in stocks	864,609	335,762	-	528,847
Investment in bonds	36,698,320	36,698,320	-	-
Others	500,000	500,000	-	-
<b>Liabilities:</b>				
Financial liabilities at FVTPL				
<b><u>Derivative Financial Instruments</u></b>				
<b>Assets:</b>				
Financial assets at FVTPL	\$ 945,407	4,467	472,635	468,305
<b>Liabilities:</b>				
Financial liabilities at FVTPL	720,771	-	228,551	492,220
<b><u>Instruments not measured at fair value</u></b>				
Investment in debt instruments measured at amortized cost	33,213,117	32,385,000	828,117	-

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

- 2) The definition of fair value of three levels
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 has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.
  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). The examples of observable price are as follows:
    - A. The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical financial instrument. 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 occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.
    - B. The quoted market price of the same or identical financial instruments in an inactive market.
    - C. The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
    - D. A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

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3. Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from market but based on assumption to make appropriate estimates and adjustments. If it's not possible to develop a valuation model, quoted price from the counterparty is used as fair value. According to the regulation of IFRS13 p.93(d), fair value measurement for a financial instrument classifies as Level 3, the Bank should provide relevant significant unobservable input quantifiable information which is used in fair value evaluation. The Bank does not need to create quantifiable information to comply with this disclosed regulation, if the quantified unobservable input quantification is not be created under the situation of evaluating fair values (such as the Bank uses transaction price without adjustment or a third-party pricing information). Then there will no significant unobservable input quantified information. Some of the derivative instruments and equity instruments without active market of the Bank belong to such category.

4. Fair value adjustment

- A. Evaluated model limitations and uncertain input values

The output of evaluation model is budget estimated, and the technique of evaluation might not reflect all relevant factors about financial instruments and non-financial instruments holding by the Bank. Therefore, the estimates value of evaluation model will properly be adjusted by extra parameter, such as model risk or liquidity risk. According to the management policy and relevant control processes of fair value evaluation model of the Bank, the management believe that in order to properly express the fair value of financial instruments and non-financial instruments on the merger balance sheet, adjustment of evaluation is proper and necessary. In the process of evaluation, the use of pricing information and parameters are after careful assessment and suitably adjusted according to the current market situation.

- B. Credit risk value adjustment

Credit risk value adjustment can mainly be classified into Credit value adjustments and Debit value adjustments. The definition is as followings:

- a. Credit value adjustments means adjusting the derivative contract, Over the counter (OTC), evaluation through decentralized trading markets. By doing this, it can reflect the counterparty's delay for repayment and the probability that the Bank is not able to receive all market value in the fair value.
    - b. Debit value adjustments means adjusting the derivative contract, Over the counter (OTC), evaluation through decentralized trading markets. By doing this, it can reflect the Bank's delay for repayment and the probability that the Bank is not able to pay all market value in the fair value.

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The Bank would calculate Credit valuation adjustment (CVA) by assessing Probability of default (PD) and Loss given default (LGD) of the counterparty before multiplying Exposure at default (EAD) of the counterparty. On the contrary, Debit valuation adjustment (DVA) is computed by applying Probability of default of the Bank and considering Loss given default of the Bank before being multiplied by the amount of Exposure at default of the Bank.

The Bank apply the assumption of 60% standard loss given at default to most of its counterparties. But in a nature of risk and data is obtainable, the Bank might apply other assumptions of loss given at default.

The Bank adopts the joint chart of Probability of default which is announced by International credit rating agency to estimate counterparties' PD. If there is no external rating agency, the Bank will estimate PD on the basis of the Probability of default corresponding to the final rating, estimate LGD on the basis of the average experience of foreign financial institutions (60%) and estimate exposures EAD on the basis of market evaluation value minus collateral value. Taking evaluation adjustment of credit risk into consideration on fair value of financial instruments, in order to reflect on the credit risk on counterparties and credit quality of the Bank.

3) Statements of changes in financial assets which were classified as Level 3 based on fair value measurement.

For the three months ended March 31, 2020										
Items	The amount of profit or loss valuation			Current increase			Current decrease			Ending balance
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or Issue	Transfer in of Level 3	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer out of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets at FVTPL	\$ 430,138	295,900	-	-	-	-	-	-	-	726,038
Financial assets at FVOCI - stocks investment	508,767	-	1,147	-	-	-	-	-	-	509,914
<b>Total</b>	<b>\$ 938,905</b>	<b>295,900</b>	<b>1,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,235,952</b>

  

For the three months ended March 31, 2019										
Items	The amount of profit or loss valuation			Current increase			Current decrease			Ending balance
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or Issue	Transfer in of Level 3	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer out of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets at FVTPL	\$ 468,871	(366)	-	-	-	-	-	-	-	468,305
Financial assets at FVOCI - stocks investment	460,863	67,984	-	-	-	-	-	-	-	528,847
<b>Total</b>	<b>\$ 929,734</b>	<b>67,418</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>997,152</b>

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## Notes to the Financial Statements

- 4) Statements of changes in financial liabilities which were classified as Level 3 based on fair value measurement

For the three months ended March 31, 2020								
Items	Beginning balance	The amount recognized in current net income	Current increase		Current decrease			Ending balance
			Purchase or Issue	Transfer in of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	Sale, disposal, or settlement	Transfer out of Level 3	
Financial liabilities at FVTPL	\$ 409,730	324,507	-	-	-	-	-	734,237

  

For the three months ended March 31, 2019								
Items	Beginning balance	The amount recognized in current net income	Current increase		Current decrease			Ending balance
			Purchase or Issue	Transfer in of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	Sale, disposal, or settlement	Transfer out of Level 3	
Financial liabilities at FVTPL	\$ 476,834	15,386	-	-	-	-	-	492,220

- 5) The quantitative information about the significant unobservable inputs (Level 3) used in fair value measurement.

The third level of financial assets and liabilities is that the input parameters for measuring fair value are not based on marketable data and must be properly estimated and adjusted based on the assumptions. The Bank's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss" and "financial assets measured at fair value through other comprehensive income". However, the positions belonging to the data source of the third-party and the valuation based on the market evidences assessed by the professional agency are not shown below because the relationship between the significant unobservable inputs and fair value is difficult to be fully established. Therefore, the amounts of the fair value of quantitative information which were not disclosed were \$759,129, \$462,082 and \$500,663 on March 31, 2020, December 31 and March 31, 2019, respectively. The quantitative information about the significant unobservable inputs is as follows:

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements****March 31, 2020**

<u>Items</u>	<u>Valuation techniques</u>	<u>The significant unobservable inputs</u>	<u>The relationship between the significant unobservable inputs and fair value</u>	
Financial assets at fair value through other comprehensive income - equity – non-listed and TPEX securities	Comparable listed or TPEX company	Evaluation multiplier is 13.97	If the evaluation multiplier is higher, then the fair value will be higher	
		Lack of market liquidity discount is 19.94%	If the lack of market liquidity discount is higher, then the fair value will be lower	
		Discounted Cash Flow Method	Long-term revenues growth rate is 1.04%	If the long-term revenues growth rate is higher, then the fair value will be higher
		WACC is 7.15%	If the WACC is higher, then the fair value will be lower	
	Net Asset Value Method	Lack of market liquidity discount is 19.96%	If the lack of market liquidity discount is higher, then the fair value will be lower	
		Net asset value	Not applicable	
		Lack of market liquidity discount is 23.32%	If the lack of market liquidity discount is higher, then the fair value will be lower	

**December 31, 2019**

<u>Items</u>	<u>Valuation techniques</u>	<u>The significant unobservable inputs</u>	<u>The relationship between the significant unobservable inputs and fair value</u>	
Financial assets at fair value through other comprehensive income - equity – non-listed and TPEX securities	Comparable listed or TPEX company	Evaluation multiplier is 13.97	If the evaluation multiplier is higher, then the fair value will be higher	
		Lack of market liquidity discount is 19.94%	If the lack of market liquidity discount is higher, then the fair value will be lower	
		Discounted cash flow	Long-term revenues growth rate is 1.04%	If the long-term revenues growth rate is higher, then the fair value will be higher
		WACC is 7.15%	If the WACC is higher, then the fair value will be lower	
	Net assets value	Lack of market liquidity discount is 19.96%	If the lack of market liquidity discount is higher, then the fair value will be lower	
		Net asset value	Not applicable	
		Lack of market liquidity discount is 23.32%	If the lack of market liquidity discount is higher, then the fair value will be lower	

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March 31, 2019

Items	Valuation techniques	The significant unobservable inputs	The relationship between the significant unobservable inputs and fair value
Financial assets at fair value through other comprehensive income - equity — non-listed and TPEX securities	Comparable listed or TPEX company	Evaluation multiplier is 14.16	If the evaluation multiplier is higher, then the fair value will be higher
		Lack of market liquidity discount is 19.56%	If the lack of market liquidity discount is higher, then the fair value will be lower
	Discounted cash flow	Long-term revenues growth rate is 1.07%	If the long-term revenues growth rate is higher, then the fair value will be higher
		WACC is 7.25%	If the WACC is higher, then the fair value will be lower
		Lack of market liquidity discount is 20.16%	If the lack of market liquidity discount is higher, then the fair value will be lower
Net assets value	Net asset value	Not applicable	
	Lack of market liquidity discount is 24.66%	If the lack of market liquidity discount is higher, then the fair value will be lower	

- 6) Sensitivity analysis of reasonable substitute assumptions for fair value measurements categorized within Level 3 of the fair value hierarchy.

The measurements of the Bank for financial instruments' fair value are reasonable. However, if the Bank uses different valuation models or inputs, the results would be different. For fair value measurements categorized within Level 3 of the fair value hierarchy, the effects of changes in inputs on profit and loss or other comprehensive income are as follows:

	Inputs	Upstream or downstream	Changes in fair value recognized in other comprehensive income	
			Profitable changes	Unprofitable changes
<b>March 31, 2020</b>				
Financial assets at fair value through other comprehensive income - equity — non-listed and TPEX securities	Evaluation multiplier	+1%	\$ 568	-
	Evaluation multiplier	-1%	-	(572)
	Lack of market liquidity discount	+1%	-	(5,977)
	Lack of market liquidity discount	-1%	5,983	-
	Long-term revenue growth rate	+0.1%	2,601	-
	Long-term revenue growth rate	-0.1%	-	(2,565)
	WACC	+1%	-	(26,673)
	WACC	-1%	37,574	-

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	Inputs	Upstream or downstream	Changes in fair value recognized in other comprehensive income	
			Profitable changes	Unprofitable changes
<b>December 31, 2019</b>				
Financial assets at fair value through other comprehensive income - equity – non-listed and TPEX securities	Evaluation multiplier	+1%	\$ 568	-
	Evaluation multiplier	-1%	-	(572)
	Lack of market liquidity discount	+1%	-	(5,977)
	Lack of market liquidity discount	-1%	5,983	-
	Long-term revenue growth rate	+0.1%	2,601	-
	Long-term revenue growth rate	-0.1%	-	(2,565)
	WACC	+1%	-	(26,673)
	WACC	-1%	37,574	-
<b>March 31, 2019</b>				
Financial assets at fair value through other comprehensive income - equity – non-listed and TPEX securities	Evaluation multiplier	+1%	\$ 774	-
	Evaluation multiplier	-1%	-	(804)
	Lack of market liquidity discount	+1%	-	(6,265)
	Lack of market liquidity discount	-1%	6,205	-
	Long-term revenue growth rate	+0.1%	2,557	-
	Long-term revenue growth rate	-0.1%	-	(2,490)
	WACC	+1%	-	(26,241)
	WACC	-1%	36,818	-

The above-mentioned favorable and unfavorable changes in sensitivity analysis of the Bank were deemed as the fluctuation of fair value, wherein the fair value is calculated based on the evaluation technology with different levels of unobservable input parameters. The above table only reflects the impact of a single input value change and does not take into account any correlation and variability between the input values.

7) The valuation process used for fair value measurements categorized within Level 3

The Bank has two main approaches of the fair value measurement classified as Level 3—“Internal evaluation model” and “Quoted price from the counterparties”. When using “Internal evaluation model”, market risk management department of the Bank is in charge of independently testifying the fair value through applying independent data sources so that the information can be close to the current market status, making sure that the data sources are independent, reliable, consistent with other information and representable as an exercisable price. Additionally, periodically calibrating the pricing model, conducting retrospective testing, renewing inputs and information required for pricing model, and making any other necessary fair value adjustment are used to verify the reasonableness of valuation.

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If without Internal evaluation model, price quoted by the counterparty is used as fair value. Market risk management department of the Bank is responsible for regularly updating the latest quoted price, maintaining stable source evaluation, excluding anomaly appraisal numbers and verify significant differences to assure the result of valuation is still familiar with market value, reliable, consistent, and achievable in a scope of reasonable price.

Finance and risk management department jointly set fair value evaluation policies and procedures of financial instruments, and confirm that is compliance with IAS. The risk management department is responsible for the management and review for the evaluation of the results.

(iv) Financial risk management

The financial management objectives of the Bank is to effectively diversify, transfer and avoid risk and to create a win-win-win situation for the customers, the shareholders and the employees by catering the need of customers while taking into account the financial related business operations and bearing the overall risk and statutory limitations. The major risks that the Bank might possibly face are credit risk, market risk (including interest rate, foreign exchange rate, equity security and commodity risk) and liquidity risk of on- and off-balance sheet items.

The organization structure of risk management of the Bank is a monitoring unit directed by the board of directors or a risk management committee authorized by the board of directors to regularly monitor whether the risk management mechanism operates effectively.

The risk management department and other operating departments are responsible for enforcing various risk management strategies approved by the board of directors and the risk management committee to identify, evaluate and hedge the financial risk. In addition, the audit office of the board of directors is responsible for an independent audit of risk management and control environment.

1) Credit Risk

a) Description of credit risk

Credit risk is the risk of financial loss if a client or counterparty fails to meet its contractual obligations. Credit risk arises from both on-balance sheet items and off-balance sheet items. The credit exposure of the Bank consists of on-balance sheet items, which include Discounts and loans and Credit card, Due from Central Bank and call loans to banks, Debt investments and Derivatives instruments; and off-balance sheet items, which mainly include Guarantees, Bank acceptance, Letter of credit and Loan commitments.

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b) Credit risk management policy

To ensure that the credit risk is within a tolerable range, the credit risk management specifications of the Bank state that the product provided and business engaged in, including all the transactions on- and off- the balance sheet should be analyzed in detail to identify the existing and potential credit risk; before introducing new products and services, related credit risks should be examined and confirmed in accordance with the relevant provisions. For more complex credit business, such as factoring and credit derivatives, risk management mechanism has also been drawn on related business management guideline. The credit quality is controlled within an acceptable level and a balance between risk and reward is pursued in accordance with the government regulations, the practical needs and risk tolerance level of the Bank to improve the overall operating structure and shareholder's equity.

In addition, the asset quality assessment and loss reserve provision are in accordance with the Bank's risk management measure.

The credit risk management procedures and measurement methods of the major business of the Bank are described as below:

i) Loan (including loan commitment and guarantee)

The credit assets of the Bank are classified into 5 categories. Normal credit assets shall be classified as "Category One". The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two", assets that are substandard shall be classified as "Category Three", assets that are doubtful shall be classified as "Category Four" and assets for which there is loss shall be classified as "Category Five". To regulate problematic credit, the Bank have set the "Guidelines governing the procedures to evaluate assets and deal with non-performing/non-accrual loans" as the basis for managing problematic loans and remaining debt.

Authorities responsible for credit risk management and risk control department have established an appropriate internal credit rating system and scoring models to measure the borrower's risk level (rating level). The system is run by using professional judgments and quantitative information of a statistical model to predict the probability of a borrower that cannot meet its debt commitments and its default loss rate.

Authority responsible for credit risk management uses the internal scoring model to establish an appropriate rating system as an important basis for credit approval or refusal, credit limit control, risk pricing and loss reserve provision.

The Bank's credit examination authority may use qualified external rating information (including but not limited to the S&P, Moody's, Fitch, TRC, TCRI and JCIC) as an instrument for the approval or refusal of cases and for the credit portfolio management.

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The Bank credit quality is divided into 4 levels: low risk, moderate risk, medium risk and high risk.

ii) Due and call loans to banks

The Bank always assess the credit situation of the counterparty before entering into a transaction. The counterparty's rating and information on financial condition from domestic and international credit rating agency are being considered and different credit risk limits are set. The usage of the counterparty's credit limit from financial industry peer is evaluated to monitor the exposure condition.

iii) Debt instrument and investment and derivative instrument

The Bank manages the risk of debt instrument by using credit rating from external institutions, bond's credit quality, regional condition and counterparties' risk to identify credit risk.

The counterparties of the Bank derivative transactions are classified as financial peers, they shall be deemed as mostly above investment grade and will be controlled according to their credit limit (including interbank credit limit); for counterparties that have no credit rating or are classified as non-investment grade, individual cases review are needed. For general customers, credit exposure is controlled in accordance with the derivative instrument risk limit that is approved when applying for the credit by following a general procedure.

Except for the general customers that follow general credit procedures, the Bank classifies the credit quality of debt instrument and investment and derivative instrument into 3 grades, namely investment grade, non-investment grade and no credit rating.

iv) Determining the credit risk has increased significantly since initial recognition

At each reporting date, the Bank shall assess the change in the risk of a default occurring over the expected life of the various financial assets to determine whether the credit risk has increased significantly since initial recognition. To make that assessment, the Bank considers reasonable and supportable information (including forward-looking information) that is indicative of significant increases in credit risk since initial recognition. The main considerations include:

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1. Changes in internal/external credit rating

- a. All types of credit assets of the Bank are classified into 4 levels: low risk, moderate risk, medium risk, and high risk, according to the grade of credit quality and internal rating. If the following conditions are met after comparing the grade of internal rating on financial instruments at the reporting date to the date of initial recognition, the credit risk is believed to have increased significantly:
  - i. It is of high risk at the reporting date and the grade of internal rating at the reporting date has decreased by one or more levels as compared to the rating at initial recognition.
  - ii. It is of medium risk at the reporting date and the grade of internal rating at the reporting date has decreased by two or more levels as compared to the rating at initial recognition.
  - iii. It is of moderate risk at the reporting date and the grade of internal rating at the reporting date has decreased by three or more levels as compared to the rating at initial recognition.
  - iv. It is not of low risk nor it has any internal rating at the reporting date. In addition, there is no internal rating at initial recognition as well.
- b. If the following conditions are met after comparing the rating assessed by the credit rating agency (approved by the competent authority) at the reporting date to that of the financial assets at initial acquisition, the credit risk is believed to have increased significantly:
  - i. Those with ratings at initial acquisition, the credit rating should be non-investment grade at the reporting date, and the grade of internal rating at the reporting date has decreased by two or more levels as compared to the rating at initial acquisition.
  - ii. Those without ratings at initial acquisition, the credit rating should be non-investment grade at the reporting date.

2. The past due information and changes in internal credit rating

- a. The credit risk is deemed to have increased significantly since initial recognition when loan contracts are overdue 31~90 days; mortgage and credit contracts are overdue 31~90 days; and credit card contracts are overdue 38~67 days.
- b. Loan contracts are classified under 2nd category of cautious account according to the internal management system.

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3. Actual operating conditions and meeting debt obligations

- a. Existing or forecasted adverse changes in business, financial or economic conditions are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- b. An actual or forecasted significant change in the business operation of the borrower can result in a significant increase in its credit risk on other financial instruments.

4. Other sufficient objective facts to identify a significant increase in credit risk

In principle, low credit risk and Stage 1 include the normal repayment or credit account overdue for less than 30 days; and the investment grade of financial assets, or non-investment grade with a rating that has not been significantly reduced. In addition, considering the attribution of the counterparties and financial instruments, there was no historical impairment occurring, and it is estimated that there will be a very low probability of impairment in the future (such as due from and call loans to banks).

v) Definitions of default and credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired (including observable data) are as follows:

1. Significant financial difficulty of the issuer or the borrower;
2. A breach of contract, such as a default or past due event (loans: days in default > 90 days, credit cards: days in default > 67 days);
3. The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
5. The disappearance of an active market for that financial asset because of financial difficulties; or
6. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event — instead, the combined effect of several events may have caused the financial assets to become credit-impaired.

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vi) Write-off policy

The integral part or the portion of the financial assets that needs to be written-off should first be approved during the board of directors' meeting; particularly, the portion that is deemed uncollectible.

The following are indicators that the financial assets are uncollectible:

1. Follow-up procedure has ceased
2. After assessment, the borrower does not have sufficient resources or income to pay.

To exercise its right, the Bank will conduct a regular follow-up procedure on financial assets that have been written-off.

vii) Measuring the expected credit losses

The measurement of expected credit losses for the Bank is calculated using the Probability of default (PD) and Loss given default (LGD) of corporate / retail banking with Exposure at default (EAD) at the reporting date.

With regards to measurement of Probability of default (PD), for corporate banking, customers' credit rating is divided into 12 grades (4 risk levels) using the credit rating model based on internal historical data and Probability of default (PD) of International Fitch Ratings; for retail banking, according to the behavioral rating model based on internal historical data, customers' credit ratings of mortgages, credit and credit cards are divided into 10 grades, 11 grades and 8 grades, respectively.

Loss given default (LGD) is calculated by using 1 minus possibility of recovery, while the possibilities of recovery of individual products are calculated based on historical data. Additionally, Exposure at default (EAD) is assessed considering the book value, irrevocable amount, unused amount, interest receivables, discounts and premium, and other receivables at the reporting date.

If the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the allowance for impairment of the financial instrument using the 12-month expected credit losses; if the credit risk on a financial instrument has increased significantly since initial recognition, the Bank shall measure the allowance for impairment using the lifetime expected credit losses; if a financial instrument has been impaired, the expected credit losses are measured by using 100% of the Probability of default (PD).

For the three months ended March 31, 2020 and 2019, there were no significant changes in evaluation techniques and significant assumption used in the measurement of expected credit losses.

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viii) Consideration of forward-looking information

The Bank obtains forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments has increased significantly since initial recognition and assessing the expected credit losses. Forward-looking information includes the use of macroeconomic data which is indicative of credit losses on financial instruments, such as changes on unemployment rate, political and economic environment or other factors. The forward-looking information may vary with regard to different exposures, and it is appropriate to include the information which is more sensitive to the exposures. The current regulation for the aforementioned forward-looking adjustment requires the forecast of the changes on the Probability of Default (“PD”) in the following year, and the adjustment is made in pursuant to the regulations set by the regulators.

The forward-looking model uses macroeconomic factor and historical probability of default to set up credit risk linked model which will be combined with the time sequence model in forecasting the PD in the following year.

The Bank holds investment in debt instruments at amortized cost and at fair value through other comprehensive income to determine whether the credit risk of these financial instruments has increased significantly. The Bank uses the changes of external ratings published by international credit rating agencies (S&P and Moody’s) as one of the quantitative indicators, while the assessment of expected credit losses are calculated by using the external ratings, as well as PD and Loss Given Default (“LGD”), published by Moody’s. Since the international credit rating agencies have already considered the forward-looking information while evaluating the credit ratings, which the Bank considered to be appropriate after its assessment, the credit ratings will be included in the Bank’s assessment of related expected credit losses.

c) Policy of Mitigation of Credit Risk

i) Collateral

The Bank adopts a series of policies and measures to reduce credit risk, the most commonly used among which is to require the borrower to provide collateral. For the assessment and management of the collateral and calculation of the value of the loan, the Bank have set the range for collateral that can be provided for the procedures for the valuation, management and disposal of collateral to ensure claims.

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The main types of collateral for the Bank's credit business are as follows:

1. Real Estate.
2. Mobile property.
3. Securities.
4. Superficies.
5. Bank certificates of deposit, Negotiable certificates of deposit and Demand deposits of the Bank.
6. The notes receivable arising from the operation of the borrower.
7. Alienable claims or other rights.

The collateral of other non-credit granting business will depend on the nature of the financial instrument. Only asset backed security and other similar financial instruments use financial instruments from a set of asset pool as collateral.

The Bank's policy on collateral has not changed significantly as of March 31, 2020 and there has been no significant changes in the overall quality of collateral as well.

ii) Credit extension limit and credit risk concentration control

To avoid excessive risk concentration, the credit extension guideline of the Bank have set limits of credit balance for a single counterparty or a single group; the investment guideline and risk control rules for equity investment have set various investment limits for the same person (corporation) or the same affiliated (holding) corporation. To control concentration risk of assets, the Bank have set credit limit in accordance with the types of industry, types of holding corporations, countries and loans using stocks as collaterals to monitor concentration risks of assets; that is, the aforementioned management mechanism is used to monitor the concentration of credit risk of a single counterparty, holding corporations, affiliated corporations, industries, nationalities and the ultimate risk countries.

iii) General conventions of net settlement

The transactions of the Bank are usually settled on a gross basis, net settlement is set with certain counterparties or in the case of default when all the transaction with the counterparty are terminated and settled on a net basis to reduce credit risk.

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## iv) Other credit enhancement

If a loan contract of the Bank contains protection of claims, and also includes the terms of collateral, and there is a clear occurrence of a defined credit event, the credit amount of the contract may be reduced and the loan repayment period may be shortened, as well as the entire contract terms can be deemed as having reached their maturities.

v) The Bank intensive observed the value of collateral and considered impairment requirements of credit-impaired financial assets. The information about credit losses for financial assets and reducing potential losses of fair value of collateral were as follows :

<b>March 31, 2020</b>				
	<u>Total book value</u>	<u>Allowance for impairment (expected losses under IFRS9)</u>	<u>Total exposure amount (Amortised cost)</u>	<u>Fair value of collateral</u>
Impaired financial assets				
Discounts and Loans	\$ 5,152,961	444,525	4,708,436	3,950,390
Receivables				
-Credit cards				
Credit cards (Normal)	97,303	2,911	94,392	-
Credit cards (Overdue)	7,888	4,193	3,695	-
-Claim receivables	1,635,175	1,062,235	572,940	673,263
Unused amount of credit cards	229	-	229	-
<b>Total impaired financial assets</b>	<b><u>\$ 6,893,556</u></b>	<b><u>1,513,864</u></b>	<b><u>5,379,692</u></b>	<b><u>4,623,653</u></b>
<b>December 31, 2019</b>				
	<u>Total book value</u>	<u>Allowance for impairment (expected losses under IFRS9)</u>	<u>Total exposure amount (Amortised cost)</u>	<u>Fair value of collateral</u>
Impaired financial assets				
Discounts and Loans	\$ 5,862,591	543,919	5,318,672	4,422,281
Receivables				
-Credit cards				
Credit cards (Normal)	99,758	2,640	97,118	-
Credit cards (Overdue)	4,467	2,435	2,032	-
-Claim receivables	1,635,175	1,062,235	572,940	683,902
Unused amount of credit cards	218	-	218	-
<b>Total impaired financial assets</b>	<b><u>\$ 7,602,209</u></b>	<b><u>1,611,229</u></b>	<b><u>5,990,980</u></b>	<b><u>5,106,183</u></b>

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March 31, 2019				
	Total book value	Allowance for impairment (expected losses under IFRS9)	Total exposure amount (Amortised cost)	Fair value of collateral
Impaired financial assets				
Discounts and Loans	\$ 6,263,519	481,097	5,782,422	4,866,259
Receivables				
-Credit cards				
Credit cards (Normal)	111,178	2,819	108,359	-
Credit cards (Overdue)	6,508	3,674	2,834	-
-Claim receivables	1,635,175	1,062,235	572,940	687,502
Unused amount of credit cards	212	-	212	-
<b>Total impaired financial assets</b>	<b>\$ 8,016,592</b>	<b>1,549,825</b>	<b>6,466,767</b>	<b>5,553,761</b>

d) Maximum exposure to 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.

The maximum exposure to credit risk of off-balance sheet financial instruments (without taking collateral or other credit enhancement mitigation effect into account and irrevocable maximum exposure) is the maximum amount that may be paid when the item is required to be fulfilled. The related information please refer to Note 6(AN)(2)(d) Maturity analysis of off-balance sheet items.

The assets on the balance sheet and off the balance sheet can be categorized into the following collaterals that affect the financial statements:

Retail banking mortgage can be divided into six levels by the location of collateral and about the borrowers' credit risk valuation in the Bank. It is set to standard granted loan ratios by using two-dimensional crossed classification. When a customers in a low risk, their granted loan ratios are between 50% and 90%. Customers who are moderate risk and medium risk, only the top-five levels of collateral will be accepted and granted loan ratios between 70% and 80%. Customers who are considered high risk levels, only the top-three levels of collateral will be accepted and granted loan ratios between 70% and 75%.

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The lowest principle of corporate banking credit account to levy collateral is according to the Bank's provision of Credit Rating. The Bank differentiate customers into Low risk, Moderate risk, Medium risk and High risk. For Medium risk customers, the required collateral percentage is between 10% and 20%. High risk level customers are required a collateral percentage of at least 70%. The highest recognize ratio of all kinds of guarantees is according to the difference of its price volatility, liquidity, and legal rule. The Bank calculate 50%~90% of guarantee ratio and value by market price and acquisition costs.

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

e) Concentrations of credit risk

Significant concentrations of credit risk exist when there are significant exposures to an individual counterparty to a transaction or a number of related counterparties engage in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The credit risk concentration of the Bank originates from assets, liabilities or off-balance sheet items that are generated by the transaction (irrespective of the product or service), performance, execution or cross-category exposure combination, including credit extension, deposits and call loans to banks, securities investments, receivables and derivatives instruments. There is no significant concentration of credit risk within the Bank in terms of a single client or counterparty to a transaction, and the transaction amount of a single client or counterparty does not account for a significant amount of the Bank' balance of discounts and loans and non-accrual account. The following table illustrates the diversification of the loan portfolio among geographical regions, industry sectors and collateral types.

By Industry

Industry	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%
Private business	\$ 98,873,368	49.30	102,111,558	50.15	95,150,085	48.68
Non-Profit Organization	494	-	575	-	3,942	-
Individual	101,405,312	50.56	101,513,275	49.85	100,287,100	51.32
Other	272,160	0.14	-	-	-	-
Total	<u>\$ 200,551,334</u>	<u>100.00</u>	<u>203,625,408</u>	<u>100.00</u>	<u>195,441,127</u>	<u>100.00</u>

By Area

The Bank primarily engage its business in Taiwan and there is no significant geographically concentrated credit risk.

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<u>Collateral</u>	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Financial collateral	\$ 13,757,807	6.86	14,429,244	7.09	13,759,909	7.04
Accounts receivable	538,240	0.27	450,158	0.21	574,460	0.29
Real estate	113,036,286	56.36	111,174,705	54.60	108,377,975	55.45
Guaranty	837,648	0.42	833,770	0.41	1,163,303	0.60
Other collateral	18,148,851	9.05	17,381,115	8.54	18,726,673	9.58
Credit guarantee	<u>54,232,502</u>	<u>27.04</u>	<u>59,356,416</u>	<u>29.15</u>	<u>52,838,807</u>	<u>27.04</u>
Total	<u>\$ 200,551,334</u>	<u>100.00</u>	<u>203,625,408</u>	<u>100.00</u>	<u>195,441,127</u>	<u>100.00</u>

## f) Credit quality analysis of financial assets

Cash and cash equivalents, Due from Central Bank and Call loans to banks, Financial assets measured at fair value through profit or loss, Securities purchased under resell agreements, refundable deposits, Guaranty bond and clearing and settlement fund are excluded from this analysis since the counterparty is normally with good credit quality.

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i) Credit quality analysis of discounts and loans as well as receivables

Total book value of the following items	March 31, 2020						Total
	12 months			Lifetime (unimpaired)			
	Low risk	Moderate risk	High risk	Medium risk	High risk	High risk (impaired)	
Discounts and loans	\$ 70,078,653	72,738,996	315,538	40,963,979	2,622,334	8,214,220	200,714,486
Credit card business	1,160,898	139,900	19,880	99,679	33,719	62,197	1,664,648
Acceptances receivables	142,951	65,216	-	-	-	-	208,167
Accounts receivable factoring	-	310,312	-	776,464	-	-	1,086,776
Claims receivables	-	-	-	-	-	-	1,635,175
Allowance for impairment	71,382,502	73,254,424	335,418	41,840,122	2,656,053	8,276,417	205,309,252
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	(21,512)	(189,720)	(21,188)	(439,967)	(27,785)	(291,789)	(2,685,947)
Total	\$ 71,354,990	73,064,704	314,230	41,400,155	2,628,268	7,984,628	201,302,625
Total book value of the following items	December 31, 2019						Total
	12 months			Lifetime (unimpaired)			
	Low risk	Moderate risk	High risk	Medium risk	High risk	High risk (impaired)	
Discounts and loans	\$ 71,704,624	74,628,104	342,832	45,142,419	1,106,699	4,268,099	203,792,184
Credit card business	1,241,280	156,575	22,135	107,969	36,993	66,713	1,779,251
Acceptances receivables	-	50,178	-	-	-	-	50,178
Accounts receivable factoring	722,740	-	-	827,026	-	-	1,549,766
Claims receivables	-	-	-	-	-	-	1,635,175
Allowance for impairment	73,668,644	74,834,857	364,967	46,077,414	1,143,692	4,334,812	208,806,554
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	(13,256)	(75,217)	(12,411)	(176,148)	(6,579)	(119,285)	(2,160,681)
Total	\$ 73,655,388	74,759,640	352,556	45,901,266	1,137,113	4,215,527	204,179,153

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Total book value of the following items	March 31, 2019						Total
	12 months			Lifetime (unimpaired)			
	Low risk	Moderate risk	High risk	Moderate risk	High risk	High risk (impaired)	
Discounts and loans	\$ 68,886,013	64,343,519	362,148	925,783	3,072,315	833,487	195,628,672
Credit card business	1,339,178	126,354	28,896	37,373	68,923	45,033	1,920,875
Acceptances receivables	82,659	16,296	-	-	-	-	121,414
Accounts receivable factoring	555,927	99,139	699,363	-	-	-	1,354,429
Claims receivables	-	-	-	-	-	-	1,635,175
Allowance for impairment	70,663,777	64,616,386	391,044	963,156	3,141,238	878,520	200,658,565
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	(9,733)	(50,672)	(11,796)	(3,166)	(81,948)	(145,520)	(2,012,437)
Total	\$ 70,654,044	64,565,714	379,248	959,990	3,059,290	733,000	196,554,166

Note : The abovementioned total book value included interest receivables, advance, premium, discount and overdue receivable of other financial assets.

ii) Credit quality analysis of guarantee, letter of credit as well as loan and finance commitment

Total book value of the following items	March 31, 2020						Total
	12 months			Lifetime (unimpaired)			
	Low risk	Moderate risk	High risk	Moderate risk	High risk	High risk (impaired)	
Guarantee receivables	\$ 1,298,803	4,463,733	-	7,695,769	975,291	-	14,433,596
Letter of credit receivables	187,274	504,939	-	712,208	-	-	1,404,421
Unused amount of irrevocable loan commitments	796,513	3,257,174	-	9,099,077	111,727	-	13,264,491
Unused amount of credit cards	5,860,911	729,457	5,113	196,622	99,871	229	7,073,578
Allowance for impairment	8,143,501	8,955,303	5,113	196,622	1,186,889	18,542	36,176,036
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	(874)	(9,728)	(159)	(91)	(4,291)	(575)	(66,694)
Total	\$ 8,142,627	8,945,575	4,954	196,531	1,182,598	229	36,009,426

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	December 31, 2019									
	12 months					Lifetime (unimpaired)				
	Low risk	Moderate risk	Medium risk	High risk	Total	Moderate risk	Medium risk	High risk	High risk	Total
<b>Total book value of the following items</b>										
Guarantee receivables	\$ 1,774,832	4,524,708	10,243,375	-	-	-	6,791	-	-	16,549,706
Letter of credit receivables	198,083	250,311	377,194	-	-	-	-	-	-	823,588
Unused amount of irrevocable loan commitments	1,335,745	3,203,373	5,956,330	-	-	-	105,834	-	-	10,601,282
Unused amount of credit cards	5,844,268	740,213	168,619	5,623	195,223	102,045	-	17,000	218	7,073,218
Allowance for impairment	(486)	(3,283)	(13,974)	(110)	(66)	(1,771)	-	(331)	-	(20,021)
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-recrual Loans"	-	-	-	-	-	-	-	-	-	(162,972)
<b>Total</b>	<b>\$ 9,152,442</b>	<b>8,715,372</b>	<b>16,731,544</b>	<b>5,513</b>	<b>195,157</b>	<b>212,809</b>	<b>16,678</b>	<b>218</b>	<b>34,866,801</b>	
	March 31, 2019									
<b>Total book value of the following items</b>										
Guarantee receivables	\$ 1,482,513	2,350,436	7,908,158	-	-	73,798	229,213	-	-	12,044,118
Letter of credit receivables	34,510	890,454	316,791	3,200	-	-	-	-	-	1,244,955
Unused amount of irrevocable loan commitments	1,026,117	2,084,445	2,291,429	-	-	-	207,670	-	-	5,609,661
Unused amount of credit cards	6,018,027	755,740	208,789	8,308	204,878	117,832	-	23,292	212	7,337,085
Allowance for impairment	(661)	(1,871)	(5,421)	(175)	(89)	(2,004)	-	(474)	-	(10,695)
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-recrual Loans"	-	-	-	-	-	-	-	-	-	(119,726)
<b>Total</b>	<b>\$ 8,560,506</b>	<b>6,079,204</b>	<b>10,719,246</b>	<b>11,333</b>	<b>278,587</b>	<b>552,711</b>	<b>22,825</b>	<b>212</b>	<b>26,105,398</b>	

Note : The abovementioned unused amount of irrevocable loan commitment excluded the position whose credit risk transfer coefficient was nil.

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	March 31, 2019					
	12-month expected credit losses		Lifetime expected credit losses (unimpaired)		Lifetime expected credit losses (unimpaired)	
	Investment grade	Non investment grade	Investment grade	Non investment grade	Investment grade	Non investment grade
Total book value of the following items						
Debt instruments measured at fair value through other comprehensive income	\$ 36,928,899	-	-	-	-	-
Accumulated impairment	(14,977)	-	-	-	-	-
Total	<u>\$ 36,913,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,977)</u>
						<u>36,928,899</u>
						<u>36,913,922</u>
						<u>(1,611)</u>
						<u>33,269,972</u>
						<u>33,271,583</u>
						<u>(1,611)</u>
						<u>33,269,972</u>

Note: The abovementioned total book value included interest receivables, accounted under Receivables-accrued income; the accumulated impairment of debt instruments measured at fair value through other comprehensive income adjusted other equity.

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**Notes to the Financial Statements**

2) Liquidity risk

a) Definition and sources of liquidity risk

Liquidity risk of the Bank refers to the risk of bearing financial losses because of 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 and early exertion of right of rescission of interest sensitive product by the assured. The aforementioned situation may reduce the cash source of loans, transactions and investments. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments. Liquidity risk is inherent in banking operations and can be affected by various industry-specific or overall market events, including but not limited to credit events, mergers or acquisitions, systematic impact and natural disasters.

b) Management policy of liquidity risk

The Bank carries out its liquidity management procedures respectively and is monitored by its respective independent risk management departments. The procedures include:

- i) Operate funds and monitor future cash flows to ensure that all the demands can be fulfilled.
- ii) Maintain adequate stock of liquid assets to buffer unexpected events that may interrupt cash flow.
- iii) Monitor liquidity ratios of balance sheets in accordance with the internal management purposes and external regulatory requirements.
- iv) Administrate the maturity dates of debt instruments.

The monitoring and reporting procedures are based on the estimation of future one-day, one-week and one-month capital flow. The estimation of future cash flow is based on the contract maturity date of financial liabilities and estimated collection date of financial assets. The risk management department also monitors the extent and pattern of contingent liabilities such as middle-term and long-term borrowing commitments, credit limits of discounts and letters of guarantee.

Related information is regularly provided to the risk management committee and the board of directors.

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## c) Maturity analysis of financial assets and liabilities

The management policy of the Bank is to match the contractual maturity profile with the interest rate risk exposures on assets and liabilities and manage unexpected cash outflow. Because of uncertainty, the maturities did not fully match the interest rates, resulting in gaps that may potentially give rise to gain or loss. The Bank applied appropriate ways to group assets and liabilities. The maturity analysis of assets and liabilities was as follows:

March 31, 2020						
Items	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	Over 7 years	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 2,248,450	-	170,364	-	-	2,418,814
Due from Central Bank and call loans to banks	11,609,894	1,512,000	604,800	-	-	13,726,694
Financial assets at FVTPL (Note 1)	6,949,143	2,951,493	2,147,684	1,619,065	126,485	13,793,870
Financial assets at FVOCI - debt instruments	-	750,814	4,046,591	31,383,451	1,076,673	37,257,529
Investment in debt instruments measured at amortized cost	23,949,769	2,343,504	6,567,054	2,199,377	-	35,059,704
Securities purchased under resell agreements	2,354,306	-	-	-	-	2,354,306
Receivables—gross	265,562	2,481,369	1,386,727	1,654,664	-	5,788,322
Discounts and loans—gross	15,930,707	25,738,931	21,547,494	50,324,118	87,010,084	200,551,334
<b>Liabilities</b>						
Deposits from Central Bank and other banks	\$ 5,414,320	847,430	7,176	-	-	6,268,926
Financial liabilities at FVTPL	16,978	594,866	39,532	523,356	108,291	1,283,023
Securities sold under repurchase agreements	1,804,720	-	-	-	-	1,804,720
Payables	836,106	71,273	1,000,476	177,392	-	2,085,247
Deposits and remittances	34,766,939	55,142,758	130,328,939	40,644,814	-	260,883,450
Preferred stock liability	-	-	144,181	-	-	144,181
Other financial liabilities—structured commodity principal	7,486	151,433	128,835	903,894	2,500,000	3,691,648
Lease liabilities	22,268	45,283	176,705	465,695	-	709,951

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December 31, 2019						
Items	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	Over 7 years	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 3,649,239	-	172,816	-	-	3,822,055
Due from Central Bank and call loans to banks	11,441,360	2,558,500	301,000	-	-	14,300,860
Financial assets at FVTPL (Note 1)	2,035,740	1,880,055	1,159,152	3,629,407	1,475,421	10,179,775
Financial assets at FVOCI - debt instruments	1,860,937	801,444	4,136,735	23,446,230	1,143,760	31,389,106
Investment in debt instruments measured at amortized cost	22,449,842	1,709,935	8,806,326	2,199,377	-	35,165,480
Securities purchased under resell agreements	1,435,000	-	-	-	-	1,435,000
Receivables—gross	340,833	1,999,092	1,850,864	1,652,345	-	5,843,134
Discounts and loans—gross	16,292,204	25,225,975	25,145,860	50,232,573	86,728,796	203,625,408
<b>Liabilities</b>						
Deposits from Central Bank and other banks	\$ 4,069,300	820,320	254,910	-	-	5,144,530
Financial liabilities at FVTPL	44,510	32,960	47,527	354,716	53,338	533,051
Payables	963,779	36,062	1,311,747	232,824	-	2,544,412
Deposits and remittances	28,366,727	51,725,726	136,226,510	44,580,196	-	260,899,159
Preferred stock liability	-	-	143,776	-	-	143,776
Other financial liabilities—structured commodity principal	94,446	57,293	329,241	1,041,848	-	1,522,828
Lease liabilities	14,959	38,476	190,980	481,758	-	726,173
<b>March 31, 2019</b>						
Items	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	Over 7 years	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 2,944,601	-	229,255	-	-	3,173,856
Due from Central Bank and call loans to banks	11,153,434	924,600	924,600	-	-	13,002,634
Financial assets at FVTPL (Note 1)	8,338,907	2,528,508	2,027,472	7,672,941	2,330,417	22,898,245
Financial assets at FVOCI - debt instruments	400,237	1,305,986	7,266,921	26,643,384	1,081,792	36,698,320
Investment in debt instruments measured at amortized cost	25,149,739	299,987	6,039,118	1,726,685	-	33,215,529
Securities purchased under resell agreements	1,378,202	-	-	-	-	1,378,202
Receivables—gross	351,434	3,515,125	1,683,680	1,647,915	-	7,198,154
Discounts and loans—gross	16,512,511	21,483,002	22,523,752	50,515,481	84,406,381	195,441,127
<b>Liabilities</b>						
Deposits from Central Bank and other banks	\$ 5,172,980	242,630	76,620	-	-	5,492,230
Financial liabilities at FVTPL	167,278	55,866	35,524	415,047	46,568	720,283
Securities sold under repurchase agreements	1,343,605	-	-	-	-	1,343,605
Payables	1,402,729	97,020	2,203,997	177,193	-	3,880,939
Deposits and remittances	23,321,748	60,542,630	134,475,275	45,734,322	-	264,073,975
Preferred stock liability	-	-	254,104	144,180	-	398,284
Other financial liabilities—structured commodity principal	145,285	424,669	315,704	1,388,730	54,675	2,329,063
Lease liabilities	23,357	47,572	181,036	543,560	-	795,525

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Note 1 : As of December 31 and March 31, 2019, the amount of Financial assets at FVTPL excluding beneficiary certificate were \$19,461 and \$48,351. As of December 31, 2019 the amount of Financial assets at FVTPL excluding listed and OTC securities were \$44,394, .

## d) 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 until the contractual maturity date. For issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period. The amount disclosed is based on contractual cash flows and may be different from that included in the balance sheets.

(In Thousands of New Taiwan Dollars)

	March 31, 2020					
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Unused amount of irrevocable loan commitments	\$ -	251,750	1,147,980	948,312	14,523,063	16,871,105
Unused amount of letter of credit	1,018,704	313,927	64,720	7,070	-	1,404,421
Various guarantee proceeds	5,619,731	2,971,038	803,333	833,894	4,212,480	14,440,476
	December 31, 2019					
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Unused amount of irrevocable loan commitments	\$ -	16,000	256,603	2,136,105	11,126,498	13,535,206
Unused amount of letter of credit	358,102	415,701	1,611	43,006	7,168	825,588
Various guarantee proceeds	6,687,047	3,896,407	132,198	453,784	5,387,714	16,557,150
	March 31, 2019					
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Unused amount of irrevocable loan commitments	\$ -	-	589,760	586,950	7,639,285	8,815,995
Unused amount of letter of credit	493,926	547,621	203,408	-	-	1,244,955
Various guarantee proceeds	4,190,417	2,368,927	2,098,857	1,701,265	1,693,772	12,053,238

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e) Maturity analysis of capital expenditure commitment

The capital expenditure commitment of the Bank is the contractual commitments signed for obtaining equipment.

Maturity analysis of lease contract and capital expenditure commitment of the Bank was as follows:

(In Thousands of New Taiwan Dollars)

<u>March 31, 2020</u>	<u>Under 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Capital expenditure commitments	4,880	-	-	4,880
<u>December 31, 2019</u>	<u>Under 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Capital expenditure commitments	11,907	-	-	11,907
<u>March 31, 2019</u>	<u>Under 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Capital expenditure commitments	7,850	-	-	7,850

3) Market Risk

a) Sources and definition of market risk management

Market risk is the risk that the fair value and future cash flow of the on- and off-balance sheet financial instruments of the Bank fluctuate. Factors that result in the fluctuation of market prices usually include interest rates, exchange rates and prices of equity securities and commodities price. When the aforementioned risk factors change, the net income and values of portfolios may fluctuate.

The major market risk of the Bank is the risk of equity securities, interest rates and exchange rates. The market risk positions of equity securities include domestic listed stocks, emerging stocks, domestic stock index options and stock index futures; the positions of interest risk include bonds and interest rate derivatives; exchange rate risk position is the overall position of the investment held by the Bank such as derivative instruments and bonds denominated in foreign currency.

b) Market risk management policy

The market risk positions and tolerable losses of the Bank are monitored in accordance with the risk management objectives and limits approved by the management committee authorized by the board of directors.

Establishing market risk management mechanism helps effectively monitor the financial instruments positions of the Bank using credit management, profit and loss evaluation, sensitivity analysis, and stress test execution. All of above will be reported to the risk management committee and the board as references for decision making.

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c) Market risk management process

i) Recognition and evaluation

In order to evaluate market risk, the business units and risk management units of the Bank should regularly identify the sources of market risk and risk factors by using business analysis and product analysis methods. Appropriate market risk measuring methods are built for different risk factors including position limits management (normal principal limits, bonds position limits and stock position limits) and sensitivity limits management (PVBP, Duration, VaR and Greeks, etc).

ii) Monitoring and reporting

The risk management units of the Bank regularly submit the information about the execution status of market risk management objectives, the control of positions and profits and losses, sensitivity analysis and stress testing to the board to help them fully understand the situation of market risk management. Clear notification procedures are built for the Bank. Every transaction has limits, and stop-loss regulations which will be executed immediately, if any, of the transaction has reached the stop-loss limit. If the stop-loss regulation is not executed, the trading units should state the reason and the coping plan for the approval of the top management to continue to hold the position.

d) Risk management of trading book and banking book positions

The trading book is the position of financial instruments and physical goods that are held for trading or for hedging. Held-for-trading position means the position that is held with the intent to make a profit from actual or expected bid-ask spread. Positions that do not belong to the aforementioned trading book are classified as banking book positions.

Trading book position is evaluated according to its daily fair value. When there is no fair value in the market, the trading book position will be evaluated by models, methods approved by the Bank, or other practicable methods. Appropriateness of the valuation models should be assessed at least once a year. Market price data needed by the valuation models should be updated daily.

The products, the nature of the business, and the existing evaluation resources should be taken into account for the evaluation of market risk in order to adopt appropriate limits for risk management.

Transactions of investments and derivatives instruments that do not belong to the trading book are regarded as banking book. Investments are conducted in accordance with the investment limits set by the authority and are evaluated at least once a month to be reported to the top management.

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e) Banking book interest rate risk management

The function of interest rate risk management for the Banking book is to enhance the Bank's ability to measure and manage the risk of shocks on the earnings and the economic value of the balance sheet due changes in interest rates. The effect on the earnings and the present value of expected cash flows discounted by market risks for assets, liabilities and off-balance sheets positions due to changes in interest rates should be taken into account.

Interest rate sensitivity gap (IRSG) method is adopted to evaluated banking book interest rate risk and the results of which are reported to the asset and liability management committee and risk management committee regularly.

f) Market risk factor sensitivity analysis

The Bank uses market risk factor sensitivity as a tool to manage risks. Market risk factor sensitivity is the change of the value of positions due to the change of specific market risk factors by one unit.

Interest rate factor sensitivity is the change in the present value of one basis point (PVBP) of future cash flow of interest rate commodity position as the yield curves shift up by one basis point (0.01%) on the balance sheet date. Interest rate commodity includes bonds, interest rate swaps, cross currency swaps, etc.

Option risk sensitivity measures the effects on the option prices as the prices of the underlying assets change on the balance sheet date, that is, the hedging ratio required when options are undertaken.

In addition, the Bank does not have a significant net foreign currency position. Therefore, exchange rate fluctuation will not cause any significant exchange rate risk to the Bank.

Summaries of sensitivity analysis were as follows:

Risk Items	Items	March 31, 2020		
		Cost/par value	Amount	
			Equity	Profit and loss
Interest Rate Risk	Government, corporate bonds and financial debentures	39,794,777	(10,827)	(364)
(PVBP)	IRS	38,443,180	-	870

  

Risk Items	Items	December 31, 2019		
		Cost/par value	Amount	
			Equity	Profit and loss
Interest Rate Risk	Government, corporate bonds and financial debentures	37,489,410	(8,080)	(2,424)
(PVBP)	IRS	42,018,020	-	1,793

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Risk Items	Items	March 31, 2019		
		Cost/par value	Amount	
			Equity	Profit and loss
Interest Rate Risk	Government, corporate bonds and financial debentures	46,548,470	(8,936)	(4,748)
(PGBP)	IRS	42,853,208	-	(244)

## g) Exchange rate risk concentration information

(In Thousands of Dollars)

	March 31, 2020		
	Foreign currency Amount	Exchange Rate	Expression amount NTD Amount
<b>Financial assets</b>			
<b>Monetary items</b>			
USD	\$ 2,619,754	30.2400	79,221,357
CNY	1,381,236	4.2591	5,882,824
HKD	1,068,496	3.9010	4,168,204
EUR	55,018	33.2700	1,830,447
ZAR	888,996	1.6860	1,498,848
<b>Non-monetary items</b>			
USD	\$ 23	30.2400	699
<b>Financial liabilities</b>			
<b>Monetary items</b>			
USD	\$ 2,561,137	30.2400	77,448,792
CNY	1,374,709	4.2591	5,855,022
HKD	1,065,917	3.9010	4,158,142
EUR	54,733	33.2700	1,820,971
ZAR	887,004	1.6860	1,495,448
<b>Non-monetary items</b>			
USD	\$ 567	30.2400	17,155
ZAR	607	1.6860	1,024
EUR	10	33.2700	333
AUD	2	18.6600	38

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**ENTIE COMMERCIAL BANK CO., LTD.**  
**Notes to the Financial Statements**

December 31, 2019			
	<u>Foreign currency Amount</u>	<u>Exchange Rate</u>	<u>Expression amount NTD Amount</u>
<b><u>Financial assets</u></b>			
<b><u>Monetary items</u></b>			
USD	\$ 2,385,115	30.1000	71,791,971
CNY	1,353,261	4.3204	5,846,630
HKD	726,571	3.8650	2,808,198
BRL	243,300	7.4882	1,821,879
ZAR	845,791	2.1410	1,810,838
<b><u>Non-monetary items</u></b>			
USD	30	30.1000	898
<b><u>Financial liabilities</u></b>			
<b><u>Monetary items</u></b>			
USD	\$ 2,328,324	30.1000	70,082,548
CNY	1,348,413	4.3204	5,825,685
HKD	723,509	3.8650	2,796,360
BRL	243,186	7.4882	1,821,025
ZAR	845,592	2.1410	1,810,413
<b><u>Non-monetary items</u></b>			
USD	\$ 76	30.1000	2,302

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

				<b>March 31, 2019</b>			
				<b>Foreign currency</b>			<b>Expression</b>
				<b>Amount</b>	<b>Exchange Rate</b>	<b>amount</b>	
				<b>NTD Amount</b>			
<b><u>Financial assets</u></b>							
<b><u>Monetary items</u></b>							
USD	\$	2,512,322		30.8200			7,749,771
CAD		202,324		22.9500			4,643,326
CNY		898,388		4.5809			4,115,426
BRL		450,482		7.8999			3,558,763
HKD		700,632		3.9260			2,750,681
<b><u>Non-monetary items</u></b>							
USD		40		30.8200			1,247
<b><u>Financial liabilities</u></b>							
<b><u>Monetary items</u></b>							
USD	\$	2,458,215		30.8200			75,762,188
CAD		202,293		22.9500			4,642,621
CNY		856,703		4.5809			3,924,470
BRL		450,320		7.8999			3,557,483
HKD		699,081		3.9260			2,744,593
<b><u>Non-monetary items</u></b>							
USD	\$	7,783		30.8200			239,882
ZAR		1,493		2.1110			3,151
AUD		44		21.8500			961
CNY		184		4.5809			844

## (v) Transferred financial assets

## 1) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank conduct during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank's obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liability. For such transactions, the Bank cannot use, sell or pledge these transferred financial assets within the transaction validity period, but the Bank is still responsible for interest rate risk and credit risk. Thus, they are not fully derecognized.

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March 31, 2020					
Types of financial assets	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets (Note)	Fair value of transferred financial liabilities (Note)	Net fair value (Note)
Financial assets measured at fair value through other comprehensive income					
Repurchase agreement	\$ 1,875,545	1,804,720	-	-	-
March 31, 2019					
Types of financial assets	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Net fair value
Financial assets measured at fair value through profit or loss					
Repurchase agreement	\$ 728,947	700,000	-	-	-
Financial assets measured at fair value through other comprehensive income					
Repurchase agreement	675,592	643,605	-	-	-

Note 1: Counterparties of Repurchase transactions have right of recourse to the Bank, not just to the transferred assets. According to IFRS7p42D(d), there is no need to list the fair value of transferred assets, the fair value of related liabilities and net position.

Note 2: There is no Repurchase agreement on December 31, 2019

2) Transferred financial assets that are fully derecognized

The Bank has not engaged in financial assets securitization. There is no financial assets transferred to individual trust company with special purpose and that is qualified for derecognition. But the Bank still retains the Call option for subject assets.

(vi) Offsetting financial assets and financial liabilities

IAS 32 section 42 about Offsetting financial instruments transaction is not applicable to the Bank, and the transactions related to financial assets and financial liabilities are not expressed as net value on the balance sheet.

The Bank does not qualify to use the offsetting rules. However, the Bank has an exercisable master netting arrangement or similar agreements (such as Global master repurchase agreement, Global securities lending agreement, or transactions of repurchase and reverse repurchase) in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

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## ENTIE COMMERCIAL BANK CO., LTD.

## Notes to the Financial Statements

The following tables present the aforementioned offsetting financial assets and financial liabilities.

March 31, 2020						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instrument	\$ 1,447,655	-	1,447,655	419,008	293,214	735,433
Resell and securities borrowing agreement	2,354,306	-	2,354,306	-	-	2,354,306
Total	\$ 3,801,961	-	3,801,961	419,008	293,214	3,089,739

  

March 31, 2020						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instrument	\$ 1,283,023	-	1,283,023	419,008	1,417,614	(553,599)
Repurchase and securities borrowing agreement	1,804,720	-	1,804,720	-	-	1,804,720
Derivative financial instrument	\$ 3,087,743	-	3,087,743	419,008	1,417,614	1,251,121

  

December 31, 2019						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instrument	\$ 679,418	-	679,418	161,491	12,557	505,370
Resell and securities borrowing agreement	1,435,000	-	1,435,000	-	-	1,435,000
Total	\$ 2,114,418	-	2,114,418	161,491	12,557	1,940,370

  

December 31, 2019						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instrument	\$ 533,051	-	533,051	161,491	782,635	(411,075)

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March 31, 2019						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instrument	\$ 944,830	-	944,830	344,630	23,096	577,104
Resell and securities borrowing agreement	1,378,202	-	1,378,202	-	-	1,378,202
<b>Total</b>	<b>\$ 2,323,032</b>	<b>-</b>	<b>2,323,032</b>	<b>344,630</b>	<b>23,096</b>	<b>1,955,306</b>

  

March 31, 2019						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instrument	\$ 720,283	-	720,283	344,630	545,206	(169,553)
Repurchase and securities borrowing agreement	1,343,605	-	1,343,605	-	-	1,343,605
<b>Total</b>	<b>\$ 2,063,888</b>	<b>-</b>	<b>2,063,888</b>	<b>344,630</b>	<b>545,206</b>	<b>1,174,052</b>

Note : Master netting arrangements and non-cash financial collaterals are included.

(ao) Capital management

(i) Capital management objectives

The capital management objective of the Bank is that their eligible capital is sufficient to meet the capital requirements and the minimum legal capital adequacy rate. The eligible capital and the authorized capital are calculated in pursuant to the regulations set by the regulators.

To enable the Bank to have an adequate capital to cover various risks, the required capital should be calculated based on the risk portfolios and the risk characteristics that the Bank face. Optimal allocation of resources can be achieved by regularly reviewing the objectives of capital management.

(ii) Capital management procedures

The Bank maintains adequate capital to meet the requirements of the authority and to report to the authority on a quarterly basis.

The Bank's regulatory capital is divided into Tier 1 Capital and Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

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**Notes to the Financial Statements**

Tier I capital includes common equity and additional Tier I capital. Common equity includes common stocks, capital surplus (except for additional paid-in capital in excess of par-preferred stocks), accumulated profit or loss and adjustment items of equity. Items that should be deducted are: intangible assets (including goodwill), unamortized loss on sales of non-performing loans, investments on financial institutions, deferred income tax assets, deferred pension costs and the deduction items of the former Tier I capital and Tier II capital (except for major investments on financial institutions). Additional Tier I capital includes non-cumulative perpetual preferred stocks, non-cumulative perpetual subordinated debts.

Tier II capital consists of cumulative perpetual preferred stocks, cumulative perpetual subordinated debts, value increased through revaluation, convertible bonds, operating reserve and loan-loss provisions.

To properly monitor and maintain the capital adequacy ratio, the Bank calculates the capital adequacy ratio on a quarterly basis, examines the risk exposure and the changes in eligible capital and analyzes the situation of achieving the objectives and the changes in factors that may influence the capital adequacy ratio such as expected profit, provision of allowance for bad debts, changes in non-performing loans, investments in securities (financial and non-financial) and risky assets. If the estimated and actual result differs materially, reviews for improvements are conducted. When it is possible that the capital adequacy ratio is significantly lower than the management objectives, top management or risk management committee should be reported, and strategies should be developed, such as adjusting the asset structures or planning to issue qualified asset instruments in order to reduce risk exposures or to increase eligible capital.

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

**(a) Names of the related parties and their relationship with the Bank**

<u>Name of Related Party</u>	<u>Relationship with the Bank</u>
LEI Cooperatief3, UA	The Bank's director.
OLHE Cayman Limited Partnership	"
Reng Hsing Co., Ltd.	"
Hong Wei Construction Co., Ltd.	"
Hontai Life Insurance Co., Ltd.	The Bank's primary stockholder.
Fubon Futures Co., Ltd.	An immediate family member of the manager of the Bank is its director.
Cooperative Construction Co., Ltd	Related party in substance.
Capital Securities Co., Ltd.	"
Tai He Real Estate Management Co.,Ltd	"
Bao Sheng Investment Co, Ltd.	"
Tai Chun Investment Co, Ltd.	"
Tai Jian Investment Co, Ltd.	"
Tai Lian Investment Co, Ltd.	"

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Name of Related Party	Relationship with the Bank
Tai Chun Industrial Co, Ltd.	Related party in substance.
Zhen Hui Industrial Co, Ltd.	//
Yin Feng Industrial Co, Ltd.	//
Hong Sheng Industrial Co, Ltd.	//
Kai Da Industrial Co, Ltd.	//
De Yeh Building Management and Maintenance Company, Ltd.	//
Hong Yong Construction Co., Ltd.	//
Rui Cheng Construction Co., Ltd.	//
CYUAN SHENG Investment Co., Ltd.	//
Quan Shun Construction Development Co., Ltd.	//
Yung Lien Temple	//
○○, LIN	//
Others	Directors of the company (including independent directors), supervisors, managers and their relatives, spouses, staff, etc.

(b) Significant transactions between related parties and the Bank

(i) Loans:

For the three months ended March 31, 2020							
Categories	No./name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan	41	\$ 16,628	8,939	8,939	-	None	No difference
Home loan mortgage	107	527,723	517,590	517,590	-	Real estate	//
Others	○○, LO	465	465	465	-	Time deposits of the Bank	//
"	○○, CHANG	728	530	530	-	Time deposits	//

  

For the three months ended March 31, 2019							
Categories	No./name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan	53	\$ 19,502	13,894	13,894	-	None	No difference
Home loan mortgage	108	544,280	541,837	541,837	-	Real estate	//
Others	○○, LAI	1,057	1,057	1,057	-	Time deposits of the Bank	//
"	○○, JI	1,952	-	-	-	Time deposits of the Bank	//
"	○○, LO	458	458	458	-	Time deposits of the Bank	//
"	○○, LIANG	1	1	1	-	Time deposits of the Bank	//
"	○○, CHANG	555	286	286	-	Time deposits	//

For the three months ended March 31, 2020 and 2019, the interest income arising from the above loan of the Bank amounted to \$2,091 and \$2,267 respectively.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

## (ii) Deposit:

<u>Related party</u>	<u>For the three months ended March 31, 2020</u>			
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Range of interest rates</u>	<u>Interest expenses</u>
Fubon Futures Co., Ltd.	\$ 2,062,563	2,045,684	0.03-0.3%	7,190
Hontai Life Insurance Co., Ltd.	1,120,522	677,674	0.00-1.04%	1,061
○○, YEH	105,343	105,343	0.00-3.74%	321
Others	<u>2,762,093</u>	<u>2,309,479</u>	0.00-5.85%	<u>9,048</u>
Total	<u>\$ 6,050,521</u>	<u>5,138,180</u>		<u>17,620</u>

  

<u>Related party</u>	<u>For the three months ended March 31, 2019</u>			
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Range of interest rates</u>	<u>Interest expenses</u>
Fubon Futures Co., Ltd.	\$ 2,083,927	2,071,707	0.10-0.30%	6,979
Hontai Life Insurance Co., Ltd.	649,426	346,884	0.00-0.90%	834
○○, YEH	100,622	100,622	0.00-3.74%	335
Others	<u>2,756,737</u>	<u>2,318,886</u>	0.00-5.85%	<u>8,922</u>
Total	<u>\$ 5,590,712</u>	<u>4,838,099</u>		<u>17,070</u>

The deposits interest rates for related parties above are substantially on the same terms as for comparable transactions with non-related parties.

## (iii) Other general and administrative expense:

Other transactions between the Bank and Capital Securities Co., Ltd. are as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Stock management fee and allocation of site-use expense	<u>\$ 1,564</u>	<u>1,428</u>

## (iv) Leases:

In July 2014, the Bank rented an office from a relative of one of its staff, to be used as its branch. A five-year lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$7,200. The Bank applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction resulted in the recognition of an additional amount of \$718 on right-of-use assets and lease liabilities. The lease liabilities were fully amortized in June 2019, and the contract was renewed in July 2019 for another five years at a total amount of \$7,200. The amount of the recognized right-of-use assets and lease liabilities were both \$6,921. For the three months ended March 31, 2020 and 2019, the Bank recognized the amount of \$25 and \$1 as interest expense. As of March 31, 2020, December 31 and March 31, 2019, the balance of lease liabilities amounted to \$5,909, \$6,244 and \$359.

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(v) Others:

The interest rates shown for related parties above are substantially on the same terms as for comparable transactions with non-related parties, except for the deposits interest rates on deposits given to managers of the Bank which were the same as the saving deposits of employees for a certain amount.

Under Articles 32 and 33 of "The Banking Act of the Republic of China", non-secured credit can only be granted by the Bank, except for consumer loans and loans extended to government, meanwhile, the secured credit should accompany with eligible collateral. Furthermore, the terms of credits extended to related parties should not be more favorable than terms offered to other customers in the same category.

(c) Key management personnel compensation in total

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
Salary and other short-term employee benefits	<u>\$ 13,257</u>	<u>14,574</u>

(8) Pledged assets:

Pledged assets of the Bank were as follows:

(In Thousands of New Taiwan dollars)

Assets	Type of securities	March 31, 2020 Par Value	Purpose of collateral
Financial assets measured at FVOCI - debt instruments	Government bond	\$ 10,000	Guarantee deposits for bonds dealer
	Government bond	50,000	Guarantee deposits for bills dealer
	Government bond	50,000	Bond settlement guarantee
	Government bond	50,000	Trust funds reserves
	Government bond	4,800	VISA transaction reserves
	Government bond	3,000	Profession guarantee deposit for dual-status insurance brokers
Investment in debt instruments measured at amortized cost	CDs Issued by CBC	100,000	Tax collection collateral
	CDs Issued by CBC	2,800,000	Collateral for fund dispatching
	CDs Issued by CBC	1,000,000	Local settlement account guarantee (USD)
<b>Total</b>		<b>\$ 4,067,800</b>	

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<b>Assets</b>	<b>Type of securities</b>	<b>December 31, 2019 Par Value</b>	<b>Purpose of collateral</b>
Financial assets measured at FVOCI - debt instruments	Government bond	\$ 10,000	Guarantee deposits for bonds dealer
	Government bond	50,000	Guarantee deposits for bills dealer
	Government bond	50,000	Bond settlement guarantee
	Government bond	50,000	Trust funds reserves
	Government bond	4,800	VISA transaction reserves
	Government bond	3,000	Profession guarantee deposit for dual-status insurance brokers
	Government bond	100,000	Tax collection collateral
Investment in debt instruments measured at amortized cost	CDs Issued by CBC	2,800,000	Collateral for fund dispatching
	CDs Issued by CBC	1,000,000	Local settlement account guarantee (USD)
<b>Total</b>		<b>\$ 4,067,800</b>	

<b>Assets</b>	<b>Type of securities</b>	<b>March 31, 2019 Par Value</b>	<b>Purpose of collateral</b>
Financial assets measured at FVOCI - debt instruments	Government bond	\$ 10,000	Guarantee deposits for bonds dealer
	Government bond	50,000	Guarantee deposits for bills dealer
	Government bond	50,000	Bond settlement guarantee
	Government bond	50,000	Trust funds reserves
	Government bond	4,700	VISA transaction reserves
	Government bond	3,000	Profession guarantee deposit for dual-status insurance brokers
Investment in debt instruments measured at amortized cost	CDs Issued by CBC	120,000	Tax collection collateral
	CDs Issued by CBC	2,800,000	Collateral for fund dispatching
	CDs Issued by CBC	1,000,000	Local settlement account guarantee (USD)
<b>Total</b>		<b>\$ 4,087,700</b>	

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements****(9) Commitments and contingencies:****(a) Major commitments and contingencies:**

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Contingent liabilities from guarantee and letter of credit business	\$ 15,844,897	17,382,738	13,298,193
Pledged securities	4,067,800	4,067,800	4,087,700
Client notes in custody	4,856,161	4,966,127	5,517,004
Marketable securities in custody	185,000	185,000	185,000
Consigned travelers' checks in custody	3,755	3,843	5,191
Designated purpose trust accounts	30,242,754	31,497,412	32,521,292

**(b) Others:**

- (i) During the period from April 2007 to May 2008, the Bank sold its structured notes amounting to US\$52,925 thousand issued by GVEC Resource Inc.. According to the U.S. Securities and Exchange Commission's investigation, Private Equity Management Group LLC ("PEM Group"), of which GVEC Resource Inc. is an affiliate, has been engaged in the fraudulent offering of securities. A resolution was approved by the board of directors in the end of April 2009 that the Bank would repurchase the structure notes from its investors and claim the compensation from the issuing agency. During the 7th board of directors' meeting held on December 16, 2010, the Bank was authorized to hold its policy assets through an overseas "trust structure" and will continue to pay the premium to keep the policy effective. During the 9th board of directors' meeting held on February 24, 2011, the Bank was authorized to operate its management committee to cooperate with the receivers' plan in connection with the US PEM case, as well as to receive the policy assets amounting to US\$11.3 million. On March 2, 2011, the Bank signed a contract for the transfer of its policy assets; the net amount of the original cost for receiving PEMG's assets, including the said policy assets, and the follow-up premium, minus, the indemnity received by the Bank, was accounted for under other receivable of \$1,635,175. Furthermore, as of March 31, 2020, the accumulated allowance for bad debt provision of \$1,062,235 was made for such receivable based on the Bank's assessment of its recoverability in consideration of the latest assets appraisal report provided by the receiver.
- (ii) The Bank filed a lawsuit with the Taipei District Court against HOWARM UNITED INDUSTRIES CO., LTD. (HOWARM) for breach of contract, after HOWARM denied being a guarantor and refused to pay a liability of NT\$0.7 billion. However, on March 31, 2017, the Taipei District Court ruled in favor of HOWARM. On April 17, 2017, the Bank's attorney evaluated the whole case and suggested that the verdict handed down by the Court was unjustly decided, wherein it had refused to accept certain important documents provided by the Bank that could have served as evidence on its behalf. Therefore, on April 28, 2017, the Bank appealed to the Taiwan High Court regarding this matter. Hence, on March 27, 2020, the Bank's attorney reviewed the whole case and concluded that the Taipei District Court failed to consider HOWARM had already admitted its part as a guarantor, did not examine the actual use of proceeds, and so on. According to the attorney's assessment, if the Court takes all of the said conditions into consideration, the Bank will have a higher chance of winning the case.

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(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

- (a) Average value of the Bank's interest-bearing assets and liabilities and average interest rates (or yield) were as follows:

	<u>For the three months ended March 31, 2020</u>	
	<u>Average value</u>	<u>Average interest rate (%)</u>
<b>Assets:</b>		
Cash and cash equivalents—due from banks	\$ 1,469,081	0.79
Due from Central Bank and call loans to banks	10,788,204	1.62
Financial assets at FVTPL	9,469,978	0.90
Securities purchased under resell agreements	1,723,467	0.52
Credit card receivable	245,365	12.02
Discounts and loans	199,616,981	2.59
Financial assets at FVOCI - debt instruments	33,933,658	1.75
Investment in debt instruments measured at amortized cost	36,322,637	0.66
<b>Liabilities:</b>		
Deposits from post offices	301,925	1.08
Due to Central Bank and other banks	7,723,739	1.24
Securities sold under repurchase agreements	555,032	1.31
Demand deposits	31,028,988	0.24
Demand savings deposits	42,885,183	0.23
Time deposits	99,212,939	1.39
Time savings deposits	84,183,548	0.94
Negotiable certificates of deposit	887,689	0.67
Other financial liabilities- structured commodity principal	1,901,395	3.27

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	<u>For the three months ended March 31, 2019</u>	
	<u>Average value</u>	<u>Average interest rate (%)</u>
<b>Assets:</b>		
Cash and cash equivalents—due from banks	\$ 1,715,201	1.80
Due from Central Bank and call loans to banks	9,662,031	2.01
Financial assets at FVTPL	17,872,675	0.86
Securities purchased under resell agreements	2,438,603	0.58
Credit card receivable	276,214	12.30
Discounts and loans	193,206,985	2.78
Financial assets at FVOCI - debt instruments	38,874,903	1.87
Investment in debt instruments measured at amortized cost	34,175,358	0.65
<b>Liabilities:</b>		
Deposits from post offices	\$ 331,530	1.11
Due to Central Bank and other banks	9,419,361	1.97
Securities sold under repurchase agreements	1,462,271	1.62
Demand deposits	30,777,544	0.27
Demand savings deposits	40,637,157	0.24
Time deposits	105,497,219	1.56
Time savings deposits	81,596,969	0.94
Negotiable certificates of deposit	2,166,154	0.70
Other financial liabilities-structured commodity principal	2,436,276	4.45

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

- (b) Supplementary disclosures of asset quality, concentration of credit extensions, interest rate sensitivity information, profitability, and the structure analysis of assets and liabilities time to maturity are as follows:

## (i) Asset quality

(In Thousands of New Taiwan Dollars, %)

Month/Year		March 31, 2020					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate banking	Secured	264,930	27,187,253	0.97 %	351,002	132.49 %	
	Unsecured	544,011	73,063,125	0.74 %	1,097,736	201.79 %	
Retail banking	Residential mortgages	105,077	57,153,764	0.18 %	868,262	826.31 %	
	Cash cards	-	-	- %	-	- %	
	Micro-credit loans	Original	225,768	11,278,566	2.00 %	245,728	108.84 %
		Purchase	-	-	- %	-	- %
	Others	Secured	83,232	31,755,738	0.26 %	334,010	401.30 %
		Unsecured	178	112,888	0.16 %	1,280	719.10 %
Total loan business		1,223,196	200,551,334	0.61 %	2,898,018	236.92 %	
		Overdue receivable	Balance of Receivable	Delinquency Ratio	Allowance for credit losses	Coverage ratio	
Credit cards (Note 8)		9,557	1,663,195	0.57 %	29,795	311.76 %	
Without-recourse factoring		-	1,082,886	- %	10,829	- %	

Month/Year		December 31, 2019					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate banking	Secured	264,930	25,974,800	1.02 %	330,945	124.92 %	
	Unsecured	1,167,328	77,249,185	1.51 %	1,754,830	150.33 %	
Retail banking	Residential mortgages	126,411	57,198,747	0.22 %	875,573	692.64 %	
	Cash cards	-	-	- %	-	- %	
	Micro-credit loans	Original	208,160	11,458,056	1.82 %	234,919	112.86 %
		Purchase	-	-	- %	-	- %
	Others	Secured	79,833	31,632,827	0.25 %	329,523	412.77 %
		Unsecured	155	111,793	0.14 %	1,283	827.74 %
Total loan business		1,846,817	203,625,408	0.91 %	3,527,073	190.98 %	
		Overdue receivable	Balance of Receivable	Delinquency Ratio	Allowance for credit losses	Coverage ratio	
Credit cards (Note 8)		5,960	1,777,829	0.34 %	19,095	320.39 %	
Without-recourse factoring		-	1,546,140	- %	15,461	- %	

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

Month/Year		March 31, 2019					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate banking	Secured	516,278	27,604,360	1.87 %	434,535	84.17 %	
	Unsecured	645,361	69,197,388	0.93 %	1,122,383	173.92 %	
Retail banking	Residential mortgages	163,322	55,803,527	0.29 %	841,320	515.13 %	
	Cash cards	-	-	- %	-	- %	
	Micro-credit loans	Original	253,512	11,868,465	2.14 %	265,706	104.81 %
		Purchase	-	-	- %	-	- %
	Others	Secured	57,008	30,802,873	0.19 %	326,878	573.39 %
Unsecured		171	164,514	0.10 %	1,859	1,087.13 %	
Total loan business		1,635,652	195,441,127	0.84 %	2,992,681	182.97 %	
		Overdue receivable	Balance of Receivable	Delinquency Ratio	Allowance for credit losses	Coverage ratio	
Credit cards (Note 8)		8,978	1,919,073	0.47 %	31,258	348.16 %	
Without-recourse factoring		-	1,353,643	- %	13,471	- %	

Note 1: Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans." The credit card overdue loans represent the amount of overdue loans as reported in accordance with former Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

Note 2: Non-performing loans ratio = Non-performing loans ÷ Total loans; Credit card delinquency ratio = Overdue receivables ÷ Balance of receivables.

Note 3: Coverage ratio for loans=Allowance for credit losses ÷ Non-performing loans; Converge ratio for credit card=Allowance for credit losses ÷ Overdue receivables.

Note 4: For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.

Note 5: Microcredit loans are defined by former Jin-Kuan-Yin-(4)-Zi No.09440010950, dated December 19, 2005, and do not include credit cards or cash cards.

Note 6: Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash cards, and microcredit loans, and do not include credit cards.

Note 7: In accordance with former Jin-Kuan-Yin-(5)-Zi No. 094000494, dates July 19, 2005, the amount of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies reject to compensate the loss.

Note 8: Overdue receivables of other financial assets are included.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

The information below shows supplemental disclosures of loans and receivables that may be exempted from reporting as non-performing loans and overdue receivables, respectively.

(In Thousands of New Taiwan Dollars)

	March 31, 2020		December 31, 2019		March 31, 2019	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan (Note 1)	5,381	17,600	5,663	19,175	6,518	25,050
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	28,071	69,836	28,117	71,584	25,002	75,733
Total	33,452	87,436	33,780	90,759	31,520	100,783

Note 1: In accordance with former Jin-Kuan-Yin-(1)-Zi No.09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure reporting credit information which was approved under the debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.

Note 2: In accordance with former Jin-Kuan-Yin-(1)-Zi No.09700318940, dated September 15, 2008, a bank is required to make supplemental disclosure reporting credit information once debtors apply for pre-negotiation, relief and liquidation under the "Consumer Debt Clearance Act."

## (ii) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

March 31, 2020			
Ranking	Enterprise group	Credit amount	Percentage of current year's equity ratio (%)
1	A group. Real Estate Developing	4,867,501	14.14 %
2	B group. Cable Telecommunications	3,085,229	8.96 %
3	C group. Other Holding	3,020,691	8.77 %
4	D group. Real Estate Developing	2,978,000	8.65 %
5	E group. Real Estate Developing	2,953,760	8.58 %
6	F corporate. Wireless Telecommunications	2,783,333	8.08 %
7	G group. Real Estate Developing	2,545,686	7.39 %
8	H group. Real Estate Developing	2,372,000	6.89 %
9	I group. Smelting and Refining of Iron and Steel	2,175,340	6.32 %
10	J corporate. Real Estate Developing	2,100,000	6.10 %

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

(In Thousands of New Taiwan Dollars, %)

<b>December 31, 2019</b>			
<b>Ranking</b>	<b>Enterprise group</b>	<b>Credit amount</b>	<b>Percentage of current year's equity ratio (%)</b>
1	A group. Real Estate Developing	5,158,347	15.31 %
2	C group. Management Consulting	3,696,779	10.97 %
3	B group. Cable Telecommunications	3,287,712	9.76 %
4	E group. Real Estate Developing	3,054,192	9.06 %
5	F corporate. Wireless Telecommunications	2,816,667	8.36 %
6	G group. Real Estate Developing	2,476,547	7.35 %
7	J corporate. Real Estate Developing	2,100,000	6.23 %
8	K corporate. Management Consulting	2,000,000	5.94 %
9	L group. Other Wholesale	1,882,153	5.59 %
10	M group. Cleaning Products and Cosmetics Manufacturing	1,787,200	5.30 %

(In Thousands of New Taiwan Dollars, %)

<b>March 31, 2019</b>			
<b>Ranking</b>	<b>Enterprise group</b>	<b>Credit amount</b>	<b>Percentage of current year's equity ratio (%)</b>
1	A group. Real Estate Developing	5,942,275	17.84 %
2	B group. Cable Telecommunications	3,170,277	9.52 %
3	E group. Real Estate Developing	2,707,680	8.13 %
4	L group. Uncategorized Other Wholesale	2,654,565	7.97 %
5	N corporate. Real Estate Developing	2,400,000	7.21 %
6	C group. Management Consulting	2,381,097	7.15 %
7	H group. Real Estate Developing	2,299,850	6.90 %
8	J corporate. Construction Engineering	2,100,000	6.30 %
9	F corporate. Wireless Telecommunications	1,925,000	5.78 %
10	G group. Smelting and Refining of Iron and Steel	1,922,775	5.77 %

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**ENTIE COMMERCIAL BANK CO., LTD.**

**Notes to the Financial Statements**

- Note 1: The top ten enterprise groups other than government or stated-owned enterprises are ranked according to their total outstanding loan balance of enterprise group. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.
- Note 2: Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."
- Note 3: The total outstanding credit amount is the sum of the balances of all loan types (including import and export bill negotiations, bills and notes discounted, overdrafts, short/medium/long-term secured and unsecured loans, nonaccrual loans, and margin loans receivable), exchange bills negotiated, without recourse factoring, acceptances receivable, and guarantees receivable.

(iii) Interest rate sensitivity information

1) Sensitivity analysis of interest rate for assets and liabilities (NTD)

March 31, 2020

(In Thousands of New Taiwan Dollars, %)

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 202,259,660	12,057,911	6,933,425	28,327,456	249,578,452
Interest-rate-sensitive liabilities	134,711,463	24,180,371	46,228,750	4,226,078	209,346,662
Interest rate sensitivity gap	67,548,197	(12,122,460)	(39,295,325)	24,101,378	40,231,790
Net worth					34,431,580
Ratio of interest-rate-sensitive assets to liabilities (%)					119.22
Ratio of interest rate sensitivity gap to net worth (%)					116.85

(Continued)

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

December 31, 2019

(In Thousands of New Taiwan Dollars, %)

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 197,850,664	10,009,842	10,052,402	24,035,626	241,948,534
Interest-rate-sensitive liabilities	125,633,185	31,353,125	45,594,667	5,825,836	208,406,813
Interest rate sensitivity gap	72,217,479	(21,343,283)	(35,542,265)	18,209,790	33,541,721
Net worth					33,693,629
Ratio of interest-rate-sensitive assets to liabilities (%)					116.09
Ratio of interest rate sensitivity gap to net worth (%)					99.55

March 31, 2019

(In Thousands of New Taiwan Dollars, %)

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 199,189,062	11,355,127	10,221,153	15,837,592	236,602,934
Interest-rate-sensitive liabilities	129,244,840	32,315,525	46,198,407	6,481,415	214,240,187
Interest rate sensitivity gap	69,944,222	(20,960,398)	(35,977,254)	9,356,177	22,362,747
Net worth					33,994,952
Ratio of interest-rate-sensitive assets to liabilities (%)					110.44
Ratio of interest rate sensitivity gap to net worth (%)					65.78

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

Note 2: Interest-rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities will be 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 (denominated in NTD).

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

## 2) Sensitivity analysis of interest rate for assets and liabilities (U.S. Dollars)

March 31, 2020

(In Thousands of U.S. Dollars, %)

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 958,823	227,180	14,420	199,580	1,400,003
Interest-rate-sensitive liabilities	1,140,488	444,156	248,514	-	1,833,158
Interest rate sensitivity gap	(181,665)	(216,976)	(234,094)	199,580	(433,155)
Net worth					1,138,610
Ratio of interest-rate-sensitive assets to liabilities (%)					76.37
Ratio of interest rate sensitivity gap to net worth (%)					(38.04)

December 31, 2019

(In Thousands of U.S. Dollars, %)

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 1,131,037	110,221	5,862	200,750	1,447,870
Interest-rate-sensitive liabilities	1,042,745	472,703	170,494	796	1,686,738
Interest rate sensitivity gap	88,292	(362,482)	(164,632)	199,954	(238,868)
Net worth					1,119,390
Ratio of interest-rate-sensitive assets to liabilities (%)					85.84
Ratio of interest rate sensitivity gap to net worth (%)					(21.34)

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

March 31, 2019

(In Thousands of U.S. Dollars, %)

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 541,688	70,584	67,170	609,654	1,289,096
Interest-rate-sensitive liabilities	844,425	433,482	316,813	470	1,595,190
Interest rate sensitivity gap	(302,737)	(362,898)	(249,643)	609,184	(306,094)
Net worth					1,103,016
Ratio of interest-rate-sensitive assets to liabilities (%)					80.81
Ratio of interest rate sensitivity gap to net worth (%)					(27.75)

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

Note 2: Interest-rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities will be 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 (denominated in U.S. dollars)

## (iv) Profitability

Unit: %

Items		March 31, 2020	December 31, 2019	March 31, 2019
Return on assets ratio	Before income tax	0.28	0.80	0.21
	After income tax	0.23	0.67	0.18
Return on equity ratio	Before income tax	2.51	7.34	1.99
	After income tax	2.07	6.21	1.67
Net income ratio		47.01	32.46	35.23

Note 1: Return on assets ratio = Net income (loss) before/after income tax ÷ Average total assets.

Note 2: Return on equity ratio = Net income (loss) before/after income tax ÷ Average total equity.

Note 3: Net income ratio = Net income (loss) after income tax ÷ Net revenue.

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements**

Note 4: Net income (loss) before/after tax represented accumulated income (loss) of the current year.

## (v) Structure analysis of assets and liabilities time to maturity

## 1) Structure analysis of New Taiwan Dollars time to maturity

March 31, 2020

(In thousands of New Taiwan Dollars)

	Total	Amount remaining to due date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Major capital inflow at maturity	\$ 270,879,398	33,617,743	22,365,736	26,676,218	14,490,444	24,741,656	148,987,601
Major capital outflow at maturity	330,777,368	12,226,642	22,025,394	53,512,636	61,577,562	102,388,431	79,046,703
Gap	(59,897,970)	21,391,101	340,342	(26,836,418)	(47,087,118)	(77,646,775)	69,940,898

December 31, 2019

(In thousands of New Taiwan Dollars)

	Total	Amount remaining to due date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Major capital inflow at maturity	\$ 267,166,009	37,494,070	18,373,614	28,392,833	14,342,461	25,787,832	142,775,199
Major capital outflow at maturity	322,188,879	14,861,333	15,426,632	48,216,408	69,121,679	96,452,443	78,110,384
Gap	(55,022,870)	22,632,737	2,946,982	(19,823,575)	(54,779,218)	(70,664,611)	64,664,815

March 31, 2019

(In thousands of New Taiwan Dollars)

	Total	Amount remaining to due date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Major capital inflow at maturity	\$ 280,473,113	33,226,516	31,722,446	31,489,262	20,692,849	22,785,740	140,556,300
Major capital outflow at maturity	333,981,177	12,527,588	21,174,220	57,589,695	65,216,474	97,047,278	80,425,922
Gap	(53,508,064)	20,698,928	10,548,226	(26,100,433)	(44,523,625)	(74,261,538)	60,130,378

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

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**Notes to the Financial Statements**

2) Structure analysis of U.S. Dollars time to maturity

March 31, 2020

(In thousands of U.S. Dollars)

	Total	Amount remaining to due date				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Major capital inflow at maturity	\$ 2,560,419	846,202	442,968	250,222	247,548	773,479
Major capital outflow at maturity	2,973,780	1,148,174	540,025	613,217	566,024	106,340
Gap	(413,361)	(301,972)	(97,057)	(362,995)	(318,476)	667,139

December 31, 2019

(In thousands of U.S. Dollars)

	Total	Amount remaining to due date				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Major capital inflow at maturity	\$ 2,316,665	628,295	465,918	328,132	136,545	757,775
Major capital outflow at maturity	3,058,867	1,067,675	734,289	674,451	426,565	155,887
Gap	(742,202)	(439,380)	(268,371)	(346,319)	(290,020)	601,888

March 31, 2019

(In thousands of U.S. Dollars)

	Total	Amount remaining to due date				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Major capital inflow at maturity	\$ 2,474,900	867,306	439,559	201,644	232,146	734,245
Major capital outflow at maturity	2,859,189	953,257	680,225	596,674	517,135	111,898
Gap	(384,289)	(85,951)	(240,666)	(395,030)	(284,989)	622,347

Note1: The above amounts included only US dollar amounts held by the Bank.

Note2: If the overseas assets accounted for over 10% of the total assets, additional disclosure should be provided.

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**Notes to the Financial Statements**

**(13) Other disclosures:**

- (a) Information on significant transactions:None
- (i) Loans to other businesses or individuals:Not applicable to bank and no case to its subsidiary.
  - (ii) Endorsements and guarantees for others:Not applicable to bank and no case to its subsidiary.
  - (iii) Marketable securities held as of December 31, 2019:Not applicable to bank.
  - (iv) Cumulative purchase or sale of the same investee's capital stock up to \$300,000 or 10% of paid-in capital:None.
  - (v) Acquisition of real estate up to \$300,000 or 10% of paid-in capital:None.
  - (vi) Disposal of real estate up to \$300,000 or 10% of paid-in capital:None.
  - (vii) Discount on commission fees for transaction with related parties up to \$5,000:None.
  - (viii) Receivables from related parties up to \$300,000 or 10% of paid-in capital:None.
  - (ix) Financial derivative transactions:Not applicable to bank and no case to its subsidiaries.
  - (x) Transaction information on NPL disposal:None.
  - (xi) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information:None.
  - (xii) Business relationship and material transaction between the parent company and its subsidiary:None.
  - (xiii) Other significant transactions that may have substantial influence upon the decisions made by users of financial statement:None.
- (b) Information on investees:None
- (c) Information on investment in mainland China:None
- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Longreach Edith Investment Cooperatief, U.A.		359,526,243	18.36 %
Longreach Edith Investment Cooperatief 2, U.A.		359,526,243	18.36 %
Longreach Edith Investment Cooperatief 3, U.A.		263,709,343	13.47 %
OLHE Cayman Limited Partnership		146,565,937	7.49 %

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**ENTIE COMMERCIAL BANK CO., LTD.****Notes to the Financial Statements****(14) Segment information:**

The Bank chief decision-maker is the board of directors, which is responsible for consolidating business plans, verifying budgets and evaluating operating achievements. To present the operating activities reasonably, the Bank has three segments which should be reported: Retail Banking, Corporate Banking and Operating Management. Retail Banking includes the business of consumer finance and wealth management; Corporate Banking includes the business of corporate and financial market; Operating Management is responsible for the business relevant to operating management.

The reported segments are strategic business units to classify the same customer service attribute to the same operating segments in order to provide integrative products and service and to plan diversified marketing strategies.

The income and losses of operating segments of the Bank are evaluated based on net income before tax and the amounts reported are consistent with the reports provided to decision-makers as the basis to allocate resources and evaluate achievements.

**(a) Segment information:**

<b>For the three months ended</b>		<b>Corporate</b>	<b>Operating</b>			
<b>March 31, 2020</b>	<b>Retail Banking</b>	<b>Banking</b>	<b>Management</b>	<b>Subtotal</b>	<b>Adjustment</b>	<b>Total</b>
Net interest income (losses)	\$ 481,463	615,636	(170,338)	926,761	-	926,761
Non-interest income	229,955	342,978	(3,049)	569,884	-	569,884
Net revenue (losses)	711,418	958,614	(173,387)	1,496,645	-	1,496,645
Reversal of (provision for) bad debt expenses	47,008	(1,622)	2,582	47,968	-	47,968
Operating expenses	(323,907)	(107,020)	(257,099)	(688,026)	-	(688,026)
Net income (losses) before tax	\$ 434,519	849,972	(427,904)	856,587	-	856,587
Total assets	\$ -	-	-	-	-	312,222,467
<b>For the three months ended</b>		<b>Corporate</b>	<b>Operating</b>			
<b>March 31, 2019</b>	<b>Retail Banking</b>	<b>Banking</b>	<b>Management</b>	<b>Subtotal</b>	<b>Adjustment</b>	<b>Total</b>
Net interest income (losses)	\$ 472,704	625,946	(182,953)	915,697	-	915,697
Non-interest income	216,235	436,253	22,339	674,827	-	674,827
Net revenue (losses)	688,939	1,062,199	(160,614)	1,590,524	-	1,590,524
Reversal of (provision for) bad debt expenses	18,720	(205,238)	(997)	(187,515)	-	(187,515)
Operating expenses	(336,035)	(119,476)	(278,371)	(733,882)	-	(733,882)
Net income (losses) before tax	\$ 371,624	737,485	(439,982)	669,127	-	669,127
Total assets	\$ -	-	-	-	-	313,934,306

(b) Geographic information: There is no relevant geographic information to be disclosed since the Bank operates mainly in Taiwan.

(c) Information on major customers: The Bank's revenues from a customer were less than 10% of the Bank's revenues in the statements of income.