

Stock Code : 2886

**Mega Financial Holding Co., Ltd.**  
**Handbook for the 2018 Annual Meeting of Shareholders**

**Meeting Time: 9:00 a.m., June 15, 2018**  
**Venue: 13th Floor, No. 100, Jilin Road, Taipei**

**(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)**

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# **Mega Financial Holding Co., Ltd.**

## **Procedure for the 2018 Annual Meeting of Shareholders**

1. Call the Meeting to Order
2. Chairperson Remarks
3. Company Reports
4. Matters for Recognition
5. Matters for Election and Discussion
6. Questions and Motions
7. Adjournment

**Mega Financial Holding Co., Ltd.**  
**Year 2018**  
**Agenda of Annual Meeting of Shareholders**

**Time :** 09:00 a.m. on Friday, June 15, 2018

**Venue:** 13/F, Jilin Bldg. of Mega International Commercial Bank (the “Bank”)  
No. 100, Jilin Road, Taipei, Taiwan

**Attendants:** Shareholders or their representatives

**Chairperson:** Chairman Chao-Shun Chang

**1. Announce a quorum is present and call the meeting to order**

**2. Chairperson Remarks**

**3. Company Reports**

(1) 2017 Business Report

(2) Audit Committee’s Review Report on the 2017 Business Report and Financial Statements

(3) Report on the Distribution of Employees' and Directors' Compensation for 2017

**4. Matters for Recognition**

(1) 2017 Business Report and Financial Statements

(2) Proposal for Distribution of 2017 Earnings

**5. Matters for Election and Discussion**

(1) The Election of the 7th Term Board of Directors

(2) Proposal of Releasing the Prohibition on the 7th Term Board of Directors from Participation in Competitive Business

**6. Questions and Motions**

**7. Adjournment**

## **Company Reports**

**Agenda 1:** 2017 Business Report. (Proposed by the Board of Directors)

Explanation: The 2017 Business Report is attached as Attachment 1 (p. 12).

**Agenda 2:** Audit Committee's Review Report on the 2017 Business Report and Financial Statements. (Proposed by the Board of Directors)

Explanation: The 2017 Audit Committee's Review Report is attached as Attachment 2 (p. 22).

**Agenda 3:** Report on the Distribution of Employees' and Directors' Compensation for 2017 (Proposed by the Board of Directors)

Explanation:

- (1) This proposal is made in accordance with Article 31-1 of the Company's Articles of Incorporation.
- (2) As approved by the 42nd meeting of the 6th term of Board of Directors on March 27, 2018, the employees' and directors' remuneration for 2017 are NT\$13,405,999 and NT\$128,903,840, respectively. Both remunerations are distributed in cash.

## **Matters for Recognition**

**Agenda 1:** 2017 Business Report and Financial Statements. (Proposed by the Board of Directors)

Explanation: The Company financial statements were audited by CPA, Huang, King-Tse and Lai, Chung-Hsi, of PricewaterhouseCoopers. The Financial Statements described above and the Business Report of 2017 have been authorized by the Board and examined by the Audit Committee. The 2017 Business Report and Financial Statements are attached as Attachment 1 (p. 12) and Attachment 3 (p. 23).

RESOLUTION:

**Agenda 2:** Proposal for Distribution of 2017 Earnings. (Proposed by the Board of Directors)

**Explanation:**

- (1) The proposal is handled pursuant to Article 228 of the Company Act and Article 31 of the Company's Articles of Incorporation.
- (2) The Company's initial undistributed retained earnings for 2017 is NT\$34,960,446,968, plus reversal of special reserve for first-time adoption of TIFRSs amounted to NT\$6,506, plus reversal of special reserve from decreased amount of "Other equity reduction" amounted to NT\$459,159,787, and less actuarial loss on defined benefit plans amounted to NT\$1,512,832,859, the adjusted undistributed retained earnings for 2017 become NT\$33,906,780,402.
- (3) The 2017 adjusted beginning undistributed retained earnings plus the Company's 2017 after-tax net profit of NT\$25,734,514,381 and less NT\$2,573,451,438, 10% legal reserve from the after-tax net profit in 2017, the distributable earnings for 2017 is NT\$57,067,843,345. Pursuant to the Company's Articles of Incorporation and related regulation, the Board of Directors propose to distribute NT\$1.5 per share in cash with aggregate cash dividends of NT\$20,399,735,975.
- (4) After this proposal is approved by the annual general shareholders' meeting, the board is authorized to set the ex-dividend date.
- (5) If the number of shares outstanding is changed due to share buyback, transfer, conversion, cancellation of treasury shares or other circumstances, the board is authorized to adjust the dividend payout ratio based on the cash dividend resolved to be distributed and the number of shares outstanding on the ex-dividend record date.
- (6) The 2017 Profit Distribution Proposal is attached as Attachment 4 (p. 43).
- (7) The proposal has been approved by the 43rd meeting of the 6th term of Board of Directors on April 24, 2018 and duly reviewed by Audit Committee.

**RESOLUTION:**

## **Matters for Election and Discussion**

### **Agenda 1:** The Election of the 7th Term Board of Directors. (Proposed by the Board of Directors)

#### Explanation:

- (1) The tenure of the Company's 6th term Board of Directors will expire on June 30, 2018. According to The Company's Article, the Company proposes to elect board members at this Annual Meeting of Shareholders.
- (2) According to Article 19 of the Company's Articles of Incorporation, the Company shall have 15 to 21 directors, of which the number of independent directors shall not be less than three and shall not be less than 1/5 of the board seats. Directors shall be elected by means of the candidate nomination system.
- (3) As approved by the board meeting, the Company will elect 15 directors (including 3 independent directors) for the 7th term Board of Directors. The tenure of the 7th term Board of Directors shall be 3 years, commencing from July 1, 2018 to June 30, 2021. The director candidates nominated have been reviewed and approved by the 43rd meeting of the 6th term Board of Directors on April 24, 2018. For candidates' profiles, please refer to Attachment 5 (p. 44).

No.	Position	Name	Representative of Legal Entity
1	Director	Chao-Shun Chang	Ministry of Finance, R.O.C.
2		Kuang-Hua Hu	Ministry of Finance, R.O.C.
3		Chia-Chi Hsiao	Ministry of Finance, R.O.C.
4		Cheng-Te Liang	Ministry of Finance, R.O.C.
5		Chun-Lan Yen	Ministry of Finance, R.O.C.
6		Tzong-Yau Lin	Ministry of Finance, R.O.C.
7		Pei-Chun Chen	Ministry of Finance, R.O.C.
8		Wen-Ling Hung	Ministry of Finance, R.O.C.
9		Chi-Hsu Lin	Ministry of Finance, R.O.C.
10		Jiunn-Rong Chiou	National Development Fund, Executive Yuan, R.O.C.
11		Jui-Chi Chou	Chunghwa Post Co., Ltd.
12		Ye-Chin Chiou	Bank of Taiwan Co., Ltd



<b>13</b>	Independent Director	Jiun-Wei Lu	—
<b>14</b>		Ying-ko Lin	—
<b>15</b>		Chang-Ching Lin	—

RESOLUTION:

**Agenda 2:** Proposal of Releasing the Prohibition on the 7th Term Board of Directors from Participation in Competitive Business (Proposed by the Board of Directors)

**Explanation:**

- (1) In accordance with Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure its approval.
- (2) The Company's 7th term Board of Directors, including juristic person and its representative, participate in the operations, or appoint representative to serve as Director, Supervisor or Executive Vice President, of another company that is engaged in the same or similar business as the Company. It is proposed that the shareholders' meeting release the prohibition on the following directors from participation in competitive business according to the Article 209 of the Company Act.

Position	Name of Director	Concurrent Position	Position Held
Juristic Person shareholder	Ministry of Finance, R.O.C	Taiwan Financial Holding Co., Ltd.	Director
		Land Bank of Taiwan Co., Ltd.	Director
		The Export-Import Bank of the Republic of China	Director
		Taiwan Cooperative Holding Co., Ltd.	Director
		First Financial Holding Co., Ltd.	Director
		Hua Nan Financial Holdings Co., Ltd.	Director
		Chang Hwa Commercial Bank, Ltd.	Director
		Taiwan Business Bank, Ltd.	Director
Juristic Person shareholder	National Development Fund, Executive Yuan, R.O.C.	iPASS Corporation	Director
		Chang Hwa Commercial Bank, Ltd.	Director
Juristic Person shareholder	Bank of Taiwan Co., Ltd.	First Financial Holding Co., Ltd.	Director
		Hua Nan Financial Holdings Co., Ltd	Director
		China Development Financial Holding Corporation	Director
		Taiwan Business Bank, Ltd.	Director
		Taiwan Fire & Marine Insurance Company	Director
		United Taiwan Bank S.A.	Director
		Taiwan Stock Exchange Corporation	Director
		Taipei Forex Inc.	Director
		Taiwan Futures Exchange Corporation	Director
		Taiwan Insurance Brokers Co., Ltd.	Director
		Financial eSolution Co., Ltd.	Director

Chairman	Chao-Shun Chang	Financial Information Service Co., Ltd.	Director
		Taiwania Capital Buffalo Fund Co., Ltd.	Supervisor
Director	Jui-Chi Chou	Chunghwa Post Co., Ltd.	Executive Vice President
Director	Ye-Chin Chiou	Taipei Forex Inc.	Director
		Bank of Taiwan Co., Ltd.	Executive Vice President

RESOLUTION:

## Questions and Motions

## **Attachment 1**

### **Mega Financial Holding Co., Ltd. 2017 Business Report**

The trend of simultaneous strengthening among the economies of developed and emerging markets appeared for the first time in late 2016 which continues in 2017. The leading international economic forecast institutions raised their global economic growth predictions many times in 2017. Economic recovery is robust with the highest growth rates since 2011. The US economy performed exceptionally well with private investments providing the main growth impetus. The Eurozone benefited from diminishing political risks and recovering trade momentum. The overall economic outlook is bright. In Japan, exports and capital expenditures increased significantly and the deflation pressures decreased. The Chinese economy is staging a comeback, and imports and exports are picking up steam. Looking ahead to 2018, the International Monetary Fund (IMF) forecasts the stable growth of investments and consumption in advanced economies, which will spur economic expansion. On April 17, 2018, the IMF forecasted the global economic growth rate of 3.9% for 2018. The IMF believes that the US tax reform will stimulate the US economy and provide a boost for the main trading partners of the US. This will also strengthen the global economy.

Despite the global economic recovery, the global markets still face numerous risks and challenges that are worth constant monitoring. Current challenges include the looming US-Chinese trade war, the attitude of the newly appointed Federal Reserve, Chair Jerome Powell, toward interest rate hikes and balance sheet reduction, debt problems of Chinese enterprises, industry structural adjustments, promotion of monetary policy normalization, geopolitical conflicts and international price fluctuations of crude oil and bulk commodities. These challenges will result in cost fluctuations for global industry chains and generate significant impacts on the global economic outlook.

The domestic economy rebounded in the second half of 2017. In the first half of the year, the economy was sluggish because capital formation failed to meet the expectations. In the second half, the economy benefited from better-than-expected exports and private consumption. The economic growth rate in Q3 and Q4 reached 3.18% and 3.28%, respectively. Exports grew by 13.2% YoY in 2017, which represents the widest margin over the last seven years. The annual economic growth rate was therefore adjusted to 2.86%, which marks a three-year high. Looking into the future, the Directorate General of Budget, Accounting and Statistics forecasts an economic growth rate of 2.42% for 2018. The stable growth momentum is benefiting from the continued growth of global trade and new business opportunities arising from innovative application such as high-performance computing, automotive electronics, the internet of things (IoT) and smart technologies.

Export momentum is likely to remain steady. As far as domestic demand is concerned, the overall investment outlook is rosy due to the active promotion of forward-looking infrastructure projects by the government and continued investment in advanced process technologies by semiconductor manufacturers.

The Company's profits were affected by a fine of US\$180 million imposed on the subsidiary Mega International Commercial Bank by the New York State Department of Financial Services (NYDFS) in 2016 for a violation of the US anti-money laundering regulations, and another fine of US\$29 million imposed by the Board of Governors of the Federal Reserve System and the Illinois Department of Financial and Professional Regulation, Division of Banking on January 17, 2018 for the past deficiencies during the same period as the sanction in 2016. After reduction of the fine of US\$29 million, the Company's consolidated net income after tax reached NT\$25,729 million in 2017, which represents an increase by NT\$3,286 million or 14.64% compared to 2016, while after-tax EPS was NT\$1.89. The Company's operation guidelines, implementation overview, implementation of business plans, implementation of budget, financial results and profitability analysis, and R&D in 2017 are shown below.

## **I. Operation Guidelines**

- (1) Cultivating customer relationships and creating group synergy
- (2) Concentrating and focusing on our core business to create the greatest value for shareholders
- (3) Shaping a culture of risk management and enhancing risk management
- (4) Strengthening the information security management and promoting digital processing capability
- (5) Reinforcing corporate governance and fulfilling corporate social responsibility
- (6) Promoting relationships with institutional investors and increasing information transparency

## **II. Implementation Overview**

- (1) Continue to enhance the subsidiary's business

The subsidiaries of the Company had continued to enhance their business operations in 2017 based on the existing foundation. In terms of corporate finance business, Mega International Commercial Bank's syndicated loan business had a market share of 8.54% in 2017, ranked 2nd in the syndicated loan market in Taiwan. By the end of 2017, its credit business captured the third position among local banks, with a market share of 7.06%. The loan business captured the fourth position among local banks, with a market share of 6.56%. The corporate loan business had a market share of 7.06%, ranking on the third place. The SME loan business had a market share of 7.49%, ranking on the 5th place among the local

banks. In terms of consumer finance and wealth management business, the Bank had a consumer loan outstanding of NT\$407.9 billion by the end of 2017, increasing by 3.60% from the previous year. However, the business momentum of wealth management business slowed down in 2017, largely because the experienced employees are transferred to be in charge on operations of anti-money laundering and compliance, leading to frequent rotation of bank tellers. The Group's total wealth management profit in 2017 declined by 17.71% to NT\$3 billion from the previous year. The CP2 issued amounts of Mega Bills had a market share of 27.00% in 2017. The bills trading in the secondary market had a market share of 32.89%; the bond trading had a market share of 28.50% and the bills guarantee business had a market share of 29.74%, all ranking on the first place in the market. Mega Securities' securities brokerage market share grew to 3.06% in 2017, ranking on the 9th place in the market. Chung Kuo Insurance's aviation insurance business had a market share of 12.13%, ranking on the 2nd place in market. The marine insurance business had a market share of 8.35% in 2017, ranking in the 5th place in the market.

## (2) Strengthened regulatory compliance and risk control

After signing the consent order with NYDFS, Mega International Commercial Bank, in 2017, continues to be proactively dedicated to implementation of corrective measures, promoting legal compliance culture, strengthening corporate governance and reinforcing employee training. More than NT\$1 billion has been spent on the improvement measures. Its concrete corrective measures are as follows:

### a. Reinforcing the supervisory functions of the board of directors

The bank's board of director was completely re-organized. Newly appointed directors and supervisors include certified public accountants, lawyers, finance and economics scholars and anti-money laundering experts. The supervisory functions of board of directors are enhanced.

### b. Shaping a culture of compliance

Instead of "business first" that was followed in the past, the Bank has been "taking care of both regulatory compliance and business expansion at the same time". In accordance with the improvement plans submitted by the compliance consultant designated by NYDFS, the Bank has taken actions to enhance regulatory compliance such as organizational adjustment, modification to policies and procedures, employment of full-time compliance staff, system upgrade, increased employee's training and modification to performance evaluation criteria, etc.

### c. Comprehensive upgrade of the anti-money laundering standards

To promote the Bank's overall professional competence of anti-money laundering, the Bank has conducted a comprehensive review of its anti-money laundering and legal compliance operations, and carried out organizational reforms. The management framework of the head office has been adjusted and a dedicated management unit has been established. Manpower for legal compliance and anti-money laundering has been

increased. In addition to reinforcement of employee's training, an anti-money laundering system has been established to promote their capabilities of monitoring suspicious activities. These endeavors aim at set-up of a sound legal compliance system to keep pace with international anti-money laundering standards and meet the requirements of the US competent authority.

d. Continued strengthening of effective risk management

The Bank keeps an eye on the regional market dynamics and industrial economy, and adjusts its operating strategies in due course. The internal control and internal audit system, and risk management are reinforced to accomplish sustainable development.

### III • Implementation of Business Plans

According to the Financial Holding Company Act, the business scope of a Financial Holding Company shall be limited to investment in, and management of, its invested enterprise(s). As of the end of 2017, the number of subsidiary companies, in which the Company has direct controlling interest, remains the same as they were in 2016. The subsidiary companies are Mega International Commercial Bank Co., Ltd., Mega Securities Co., Ltd., Mega Bills Finance Co., Ltd., Chung Kuo Insurance Co., Ltd., Mega International Investment Trust Co., Ltd., Mega Asset Management Co., Ltd., Mega Life Insurance Agency Co., Ltd. and Mega Venture Capital Co., Ltd. The operation results of our subsidiary companies are summarized as follows:

(1) Mega International Commercial Bank Co., Ltd.

Units: NT\$ million, except otherwise indicated

Item \ Year	2017	2016	Change (%)
Deposits (including due to Chunghwa Post Co.)	2,261,201	2,189,718	3.26
Bills discounted, import/export bills negotiated and loans	1,701,601	1,739,548	-2.18
Corporate financing	1,309,372	1,356,748	-3.49
Consumers financing (excluding credit card loans)	392,229	382,800	2.46
Foreign exchange business undertaken (in US\$ million)	845,753	805,160	5.04
Securities purchased	502,291	435,646	15.30
Long-term equity investments	20,497	22,208	-7.70
Credit card loans outstanding	1,131	1,155	-2.08

Note: 1. All figures above are average monthly balance, except foreign exchange business which is the amount undertaken.

2. The non-performing loans at the end of 2017 amounted to NT\$2,099 million, representing a non-performing loan ratio of 0.12%, while its bad debt coverage ratio was 1,334.92%.



**(2) Mega Securities Co., Ltd. (MSC)**

Item		2017	2016	Change (%)
Securities brokerage	Market share	3.06% (rank 9)	2.79% (rank 9)	0.27
Equity underwriting	Number of initial public offering lead managed by MSC	2 (rank 7)	4 (rank 6)	-50.00
	Number of subsequent public offering lead managed by MSC	8 (rank 8)	5 (rank 7)	60.00
Bond underwriting	Number of issues lead managed by MSC	2 (rank 6)	2 (rank 4)	-
	Amount of issues lead managed by MSC (NT\$ billion)	2.6 (rank 9)	2.9 (rank 6)	-10.34
New financial products	Number of warrants issued	1,434 (rank 9)	1,688 (rank 6)	-15.05
	Amount of warrants issued (NT\$ billion)	11.6 (rank 10)	11.9 (rank 8)	-2.52

Note: The above ranking is ranked among the top 20 local securities firms with highest brokerage market share.

**(3) Mega Bills Finance Co., Ltd.**

Units: NT\$ million

Item	2017	2016	Change (%)
Underwriting and purchasing of bills	2,632,704	2,457,301	7.14
CP2 issued amounts	2,237,849	2,165,844	3.32
Trading volume of bills	8,661,278	8,427,016	2.78
Trading volume of bonds	5,116,324	5,646,907	-9.40
Guaranteed issues of CP2 outstanding balance	152,652	152,160	0.32
Overdue credit amounts	0	0	-
Percentage of overdue credits (%)	0	0	-

Note: CP2 stands for commercial paper issued for funding purpose without underlying transaction.

**(4) Chung Kuo Insurance Co., Ltd.**

Unit: NT\$ million

Item	2017	2016	Change (%)
Direct written premiums	6,498	6,415	1.29
Inward reinsurance premiums	688	590	16.61
Total	7,186	7,004	2.60

**(5) Mega International Investment Trust Co., Ltd.**

Unit: NT\$ million

Item	2017	2016	Change (%)
Public funds under management	88,766	96,858	-8.35
Private funds under management	18,380	19,573	-6.09
Discretionary investment account	1,190	1,041	14.31
Total	108,337	117,472	-7.78

**(6) Mega Asset Management Co., Ltd**

Unit: NT\$ million

Item	2017	2016	Change (%)
Gains on disposal of NPL and the underlying collateral	106	177	-40.11
Rental revenues	0	0	0
Interest income	4	120	-96.67
Service income	370	419	-11.69
Total	481	715	-32.73

Note : Interest income for NT\$120 million in 2016 was generated from account receivable resulting from disposal of NT\$3,500 million non-performing loans, which was received in 2017.

**(7) Mega Venture Capital Co., Ltd.**

Unit: NT\$ million

Item	2017	2016	Change (%)
Drawdown of long term equity investment	399	140	185.00
Original cost of long term equity investment	997	916	8.84

Note: In 2017, the company actively participated in the case of IPO through book building or competitive auction, so the drawdown of long term equity investment grew dramatically.

**(8) Mega Life Insurance Agency Company Co., Ltd.**

Unit: NT\$ million

Item	2017	2016	Change (%)
Commission income	1,344	1,944	-30.86

## IV 、Implementation of Budget

(1) The Company's 2017 budget and its implementation are as follows:

Unit: NT\$ million, except EPS in NT\$

Item	Final accounting figure, 2017	Budget figure, 2017	Implemented (%)
Revenues	26,120.19	25,027.53	104.37
Expenses and losses	483.47	456.08	106.01
Net income before tax from continuing operations	25,636.72	24,571.45	104.34
Net income	25,734.72	24,246.57	106.14
Earnings per share	1.89	1.78	106.18

(2) The Company's Subsidiaries' 2017 budget and its implementation are as follows:

Unit: NT\$ million

Name of subsidiary	Net income before tax - actual	Net income before tax - budget	Implemented (%)
Mega International Commercial Bank Co., Ltd.	24,237.49	24,126.13	100.46
Mega Securities Co., Ltd.	692.68	562.54	123.13
Mega Bills Finance Co., Ltd.	3,211.52	2,945.84	109.02
Chung Kuo Insurance Co., Ltd.	456.60	469.88	99.09
Mega Asset Management Co., Ltd.	327.99	325.30	100.83
Mega Life Insurance Agency Co., Ltd.	458.87	355.13	129.21
Mega Venture Capital Co., Ltd.	19.21	17.01	112.93
Mega International Investment Trust Co., Ltd.	92.10	144.95	80.12

Mega International Investment Trust Company's budget achievement rate is 80.12%, mainly due to the decline in size of the money markets fund and its management fee rates, which is under its management.

## V 、Financial Results and Profitability Analysis

The Company's consolidated net profit before tax in 2017 amounts to NT\$29,280.73 million, an increase of NT\$1,363.51 million or 4.88% compared to 2016. The increase in consolidated net profit before tax is mainly due to the increase in revenue other than interest of NT\$6,409.80 million, which offsets the decrease in net interest income of NT\$1,813.53 million, while the operating expenses increased by NT\$2,778.43 million and provisions for

bad debts expense and guarantee liability increased by NT\$454.32 million. The increase in revenues other than interest is mainly due to the increase in financial assets and liabilities at fair value through profit or loss and reduction in penalty imposed by US government, which offsets the decrease in service fee revenue and commissions and foreign exchange gain. The consolidated net profit after tax of the Company and its subsidiaries reached NT\$25,729.10 million, an increase of NT\$3,286.20 million or 14.64%. Its consolidated return on assets was 0.75% while the consolidated return on equity reached 8.72%. A breakdown of the financial results of the Company and its subsidiaries in 2017 are shown in the table below:

Unit: NT\$ million, except EPS in NT\$

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share	Return on Assets (%)	Return on Equity (%)
Mega FHC & Its Subsidiaries	29,280.73	25,729.10	1.89	0.75	8.72
Mega FHC (Unconsolidated)	25,636.72	25,734.52	1.89	7.81	8.72
Mega International Commercial Bank Co., Ltd.	24,237.49	21,523.41	2.52	0.70	8.26
Mega Securities Co., Ltd.	692.68	596.83	0.51	1.10	4.07
Mega Bills Finance Co., Ltd.	3,211.52	2,705.23	2.06	0.99	7.75
Chung Kuo Insurance Co., Ltd.	465.60	350.64	1.17	2.17	5.66
Mega Asset Management Co., Ltd.	327.99	272.30	1.36	2.27	9.67
Mega Life Insurance Agency Co., Ltd.	458.87	380.86	190.43	55.68	75.25
Mega Venture Capital Co., Ltd.	19.21	19.00	0.19	2.44	2.47
Mega International Investment Trust Co., Ltd.	92.10	78.46	1.49	8.40	9.39

Note: Return on assets = Net income after tax / Average assets; Return on equity = Net income after tax / Average equity

## VI. Research and Development

The Company and its subsidiaries' research and development progress in 2017 are summarized as follows:

1. The Company assessed the feasibility of mergers with and acquisitions of domestic and international financial institutions, established application functions of the VaR management system for financial products, developed credit risk limit control reports and application functions of the operational risk database systems, revised consolidated financial statements and financial risk reporting system in accordance with IFRS 9. An equity evaluation system for the Group is also developed.

2. Mega International Commercial Bank published the Mega Bank Monthly, which includes monographs and articles covering the latest international and domestic economic and financial news and is made public periodically on the bank's website. The bank finished creating the ATM white list mechanism, reinforcing various necessary security measures according to the Customer Security Programme (CSP) of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the network traffic management system and the X86 cloud platforms. In terms of digital financial innovations, as of the end of 2017, a total of 96 financial patents were applied for and 46 of them were approved in 2017. In addition, continuous efforts have been made to optimize the big data core system, to explore customer demands, to develop and optimize digital savings accounts in New Taiwan Dollars and in foreign currencies, mobile ATM cards and robotic services, among other digital financial services. By working together with external consultants, the bank's capabilities in analyzing data have been effectively enhanced and so has its digital marketing efficiency.
3. Mega Securities Company continued to reinforce its front office and back office system configuration, optimize the comprehensive e-commerce platform and its customer service features. It has also deployed the Channel Sales service model for wealth management business, offered central depository e-passbook services, Line@ "Mega wealth management secretary", AI voice recognition and security online services, and "e-radar" with individual stock price and quantity real-time alert services. Efforts in enhancement/upgrade or establishment of the functions of its information system will also be continued.
4. Mega Bills Finance Company studied the feasibility of undertaking RP transaction of US dollar bonds with life insurance companies. It has been planning the Basel III system framework and practice, and strengthening AML/CFT and related risk monitoring. Besides, it called for the competent authority to relax the scope of derivatives transactions of bills finance companies. It also promoted book-entry system for issuance of short-term bills in primary market and the establishment of relevant information systems.
5. Chung Kuo Insurance Company developed a total of 316 new insurance products in 2017, including 2 products filed with the competent authority on a "prior approval" basis, 245 products on "file for recordation" basis and 69 products on "simple file for recordation" basis.
6. Mega International Investment Trust Company introduced multiple currencies products to develop the foreign currency investor base. It issued three funds namely Mega Taiwan Blue Chip 30 Umbrella ETF, Mega 3-Year Emerging Market Bond Fund, Mega 3-Year Emerging Asia Bond Fund. The Mega Taiwan Blue Chip 30 Umbrella ETF is

composed of two sub-funds, Mega Taiwan Blue Chip 30 ETF and Mega Taiwan Blue Chip 30 Daily Inverse ETF.

Chairman: Chao-Shun Chang    President: Kuang-Hua Hu    Chief-Accountant: Jui-Ying Tsai

## **Attachment 2**

### **Mega Financial Holding Co., Ltd. Audit Committee's Review Report**

The Board of Directors has compiled and delivered the Company's 2017 consolidated financial statements audited by CPA Huang, King-Tse and Lai, Chung-Hsi of PricewaterhouseCoopers, business report and earning distribution proposal. The above reports and statements have been examined by the Audit Committee and considered in compliance with relevant rules and regulations. We hereby prepare this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your ratification.

To:

2018 General Shareholders' Meeting

Mega Financial Holding Co., Ltd.

Chairman of the Audit Committee: Tsun-Siou Lee

Date : May 8, 2018

## **Attachment 3**

**MEGA FINANCIAL HOLDING CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND  
2016**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.



## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR17000299

To the Board of Directors and Stockholders

Mega Financial Holding Co., Ltd.

***Opinion***

We have audited the accompanying consolidated balance sheets of Mega Financial Holding Co., Ltd. and its subsidiaries (collectively the “Mega Group”) as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Mega Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Public Held Bills Finance Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

We conducted our audits in accordance with the “Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Mega Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical

responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Mega Group's key audit matters for the year ended December 31, 2017 are addressed as follows:

### **Impairment assessment of bills discounted and loans**

#### **Description**

For the accounting policy for the impairment assessment of bills discounted and loans, please refer to Note 4(9) of the consolidated financial statements; for critical accounting judgments, estimates, and key sources of assumption uncertainty of impairment assessment of bills discounted and loans, please refer to Note 5(2) of the consolidated financial statements; for the details of bills discounted and loans, please refer to Note 6(5) of the consolidated financial statements. Gross bills discounted and loans and allowance for bad debts as at December 31, 2017, was \$1,790,516,261 thousand and \$28,355,505 thousand, respectively.

The credit services provided by the subsidiary, Mega International Commercial Bank Co., Ltd (MICB), which are their main business activity, are primarily corporate credit facilitations. Impairment losses on bills discounted and loans are losses as a result of existing objective evidence of impairment that estimated future cash flows of loans may not be recovered. MICBs' impairment assessment on bills discounted and loans is conducted in accordance with related regulations of IAS 39, 'Financial Instruments: Recognition and Measurement' and meet the related requirements of the competent authority. If there is existing objective evidence of impairment loss for significant credit facilitations which exceed a certain amount, then such facilitations are individually assessed. Impairment loss is primarily provisioned according to the future cash flows and collateral value of the borrower; if there is no existing objective evidence of impairment or if there is existing objective evidence of impairment but the credit facilitation does not exceed a certain amount, then assessment is conducted on a collective basis and impairment losses are estimated according to impairment parameters such as the impairment probability, recovery rate, and effective interest rate under each industry group.

The aforementioned provision of impairment loss for bills discounted and loans includes the determination of future cash flows of individual assessment and impairment parameters for collective assessment. Because this involves subjective judgment and numerous assumptions and estimates, the method of determining assumptions and estimates will directly affect the related recognized amounts. Also, considering that loans account for approximately 50% of total assets, we have thus included the individual and collective impairment assessment of MICBs' bills discounted and loans as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Understood and assessed the related policies, internal control system, and operation procedures of assumptions and estimates (including the impairment probability, recovery rate, future cash flows, and collateral value) used by MICB in provisioning impairment losses for bills discounted and loans.
2. Sampled and tested internal controls related to the provision of impairment loss, including the identification of objective evidence for impairment loss, annual reviews, management of collateral and their value assessment, value assessment of collateral, controls for changing impairment parameters, and approval for provisioning of impairment loss.
3. Collective assessment
  - (1) Evaluated the model parameter assumptions of MICBs' collective assessments; understood the calculation logic of different group parameters (e.g. the impairment probability, recovery rate, and effective interest rate), as well as the status of periodic updates.
  - (2) Sampled and tested the accuracy of impairment loss balances.
  - (3) Filtered loan portfolio amounts of corporate facilitations under loans accounts using the system logic which incorporated the Group's policy to sample and test the accuracy of their respective impairment probability, recovery rate, and effective interest rates, as well as to examine their consistency with the financial statements.
4. Individual assessment (for credit facilitations with existing objective evidence of impairment loss that exceeded a certain amount)
  - (1) Assessed the completeness of the watch list for credit facilitations for which objective evidence is existed.



- (2) Sampled and compared the consistency of the system's judgment with samples which had been judged to have objective evidence of impairment.
- (3) Assessed the reasonableness of parameter assumptions (including the borrower's time of past due, financial and operational status, and historical experience) for estimated future cash flows and the accuracy of calculation results for estimated future cash flows.

### **Impairment assessment of equity investments carried at cost**

#### Description

For the accounting policy for the impairment assessment of equity investment carried at cost (accounted under other financial assets), please refer to Note 4(9) of the consolidated financial statements; for critical accounting judgments, estimates, and key sources of assumption uncertainty of equity investments carried at cost, please refer to Note 5(3) of the consolidated financial statements; for details of other financial assets-equity investments carried at cost, please refer to Note 6(10) of the consolidated financial statements. Other financial assets-equity investments carried at cost and its accumulated impairment as at December 31, 2017, was \$12,461,719 thousand and \$1,293,532 thousand, respectively.

For the provision of impairment for other financial assets-equity investments carried at cost accounted for by the Mega Group, in accordance with the Mega Group's accounting policy, upon the end of each reporting period, the Mega Group shall estimate impairment losses when it is assessed that there is objective evidence of impairment. When individual equity investments have existing objective evidence of impairment loss, provision of impairment loss is determined by the recoverable amount of cash flows based on the financial and operating status.

Because the aforementioned determination on whether there is existing objective evidence of impairment for equity investments carried at cost and the provision of impairment (including the determination of recoverable cash flows) involve subjective judgment and numerous assumptions and estimates, the method of determining assumptions and estimates will directly affect recognized amounts. Thus, we have included the impairment assessment of Mega Group's equity investments carried at cost as one of the key audit matters in our audit.

#### How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit

matter are summarised as follows:

1. Understood and assessed the Mega Group's related policies, stop-loss and exception management controls, and handling procedures for determining impairment evidence and the provision of impairment for equity investments measured at cost.
2. Sampled and tested the evaluations provided by management to determine whether there are documents that support the existence of impairment evidence.
3. Sampled and tested the appropriateness of management's estimate future cash flows (e.g. documents related expected recoverable cash flows of investees) and recalculated the accuracy of provisioned impairment amounts.

### **Claims reserve and ceded claims reserve**

#### Description

For the accounting policy for claims reserve (including those prior to and after reinsurance), please refer to Note 4(18)4. of the financial statements; for critical accounting estimates and key sources of assumption uncertainty of claims reserve (including ceded reserves), please refer to Note 5(5) of the financial statements; for detail of claims reserve (including ceded reserves), please refer to Note 6(23) and (6) of the financial statements. On December 31, 2017, the Group's claims reserve and ceded claims reserve was \$3,512,496 thousand and \$1,670,558 thousand, respectively.

The subsidiary, Chung Kuo Insurance Co., Ltd (CKI)'s claims reserve (including ceded reserves) uses the loss development triangle method to estimate the reasonable amount of ultimate claims according to the Actuarial Department's historical claim experience and expenses by insurance type. Because the calculation method and assumptions for claims reserve involve the professional judgment of management, and because claims reserve is material, we have thus included the estimation of claims reserve and ceded claims reserve as one of the key audit matters in our audit.

#### How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Checked the accuracy and completeness of historical values used in the loss development triangle for calculating claims reserve.
2. Elected the work of actuarial specialists to assists us in assessing the reasonableness of the



calculation method and assumptions used in calculating claims reserve (including those prior to and after reinsurance). This included the following procedures:

- (1) Checked whether the elected actuarial method agreed with generally accepted actuarial methods;
- (2) Sampled and inspected the reasonableness of method used in the estimation of claims reserve;
- (3) Established the interval estimation for claims reserve. On a sampling basis, compared the interval estimation and the account balances of the reserves for any significant differences in order to confirm the reasonableness of the reserves.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Public Held Bills Finance Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Mega Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Mega Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing Mega Financial Holding Company’s financial reporting process.



*Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

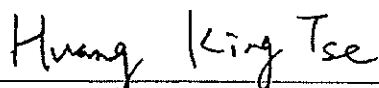
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mega Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Mega Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Mega Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

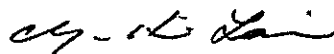
We communicate with those charged with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Huang, King-Tse



Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 27, 2018

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2017		December 31, 2016			
			AMOUNT	%	AMOUNT	%		
Assets								
11000	Cash and cash equivalents	6(1)	\$	143,864,749	4	\$	98,131,357	3
11500	Due from the Central Bank and call loans to banks	6(2) and 11		567,201,934	16		540,011,742	16
12000	Financial assets at fair value through profit or loss, net	6(3), 11 and 12		191,581,454	5		186,317,373	6
12100	Available-for-sale financial assets, net	6(7), 11 and 12		442,557,049	13		354,464,708	11
12500	Bills and bonds purchased under resale agreements			2,553,228	-		2,855,885	-
13000	Receivables, net	6(4)(5)		96,055,863	3		86,825,802	3
13200	Current income tax assets			786,198	-		577,485	-
13500	Bills discounted and loans, net	6(5) and 11		1,762,160,756	50		1,715,278,766	52
13700	Reinsurance contract assets, net	6(6)(23)		3,555,454	-		4,261,668	-
14500	Held-to-maturity financial assets, net	6(8) and 12		284,687,657	8		280,997,362	8
15000	Equity investments accounted for under the equity method, net	6(9)		3,184,501	-		3,108,470	-
15500	Other financial assets, net	6(5)(10)		15,089,381	-		14,955,209	-
18000	Investment property, net	6(11) and 12		1,696,863	-		1,711,561	-
18500	Property and equipment, net	6(12) and 12		21,981,154	1		21,787,452	1
19000	Intangible assets, net			382,728	-		270,438	-
19300	Deferred income tax assets	6(39)		6,018,307	-		5,463,227	-
19500	Other assets, net	6(13) and 12		3,964,038	-		2,772,911	-
Total Assets			\$	3,547,321,314	100	\$	3,319,791,416	100

(Continued)

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Stockholders' equity		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Liabilities						
21000	Due to the Central Bank and financial institutions	6(14) and 11	\$ 400,547,065	11	\$ 401,731,599	12
21500	Funds borrowed from the Central Bank and other banks	6(15)	33,457,560	1	39,974,427	1
22000	Financial liabilities at fair value through profit or loss	6(16)	9,966,779	-	12,105,231	1
22500	Bills and bonds sold under repurchase agreements	6(17)	237,706,429	7	231,191,763	7
22600	Commercial paper payable, net	6(18) and 11	20,165,421	1	11,701,649	-
23000	Payables	6(19)	71,839,997	2	59,001,999	2
23200	Current income tax liabilities		7,525,373	-	8,589,599	-
23500	Deposits and remittances	6(20)	2,386,555,016	67	2,171,287,924	66
24000	Bonds payable	6(21)	31,670,036	1	41,924,088	1
24400	Other loans	6(22)	1,325,368	-	5,954,030	-
24600	Provisions for liabilities	6(23)	26,182,764	1	25,047,224	1
25500	Other financial liabilities	6(24)	12,698,470	1	10,849,706	-
29300	Deferred income tax liabilities	6(39)	2,266,455	-	2,201,659	-
29500	Other liabilities	6(25)	7,319,019	-	6,203,075	-
Total Liabilities			3,249,225,752	92	3,027,763,973	91
Equity						
Equity attributable to owners of parent						
Share capital						
31100	Common stock	6(26)	135,998,240	4	135,998,240	4
31500	Capital surplus	6(26)	68,194,233	2	68,194,233	2
Retained earnings						
32001	Legal reserve	6(26)	32,682,332	1	30,436,714	1
32003	Special reserve	6(26)	3,004,318	-	2,545,158	-
32011	Unappropriated retained earnings	6(27)	59,182,128	1	56,976,974	2
Other equity interest						
32500	Other equity interest		( 1,007,118)	-	( 2,165,966)	-
39500	Non-controlling interests		41,429	-	42,090	-
Total Stockholders' Equity			298,095,562	8	292,027,443	9
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY						
			\$ 3,547,321,314	100	\$ 3,319,791,416	100

The accompanying notes are an integral part of these consolidated financial statements.

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

		Year ended December 31				Changes Percentage (%)	
		2017		2016			
Items	Notes	AMOUNT	%	AMOUNT	%		
41000	Interest income	6(29) and 11	\$ 57,094,672	96	\$ 54,113,662	98	6
51000	Less: interest expense	6(29) and 11	( 21,215,148)	( 36)	( 16,420,610)	( 30)	29
	<b>Interest income, net</b>		<u>35,879,524</u>	<u>60</u>	<u>37,693,052</u>	<u>68</u>	( 5)
	<b>Revenues other than interest, net</b>						
49800	Service fee revenue and commissions, net	6(30)	9,430,560	16	10,237,640	19	( 8)
49810	Insurance revenue, net		1,773,954	3	1,682,081	3	5
49820	Financial assets and liabilities at fair value through profit or loss	6(31) and 11	7,588,210	13	4,596,354	8	65
49825	Gain on investment property		18,462	-	18,578	-	( 1)
49830	Realized gain on available- for-sale financial assets, net	6(32) and 11	1,918,710	3	1,988,048	4	( 3)
49840	Realized loss on held-to- maturity on financial assets		-	-	( 189)	-	( 100)
49870	Foreign exchange gain		1,705,046	3	2,089,104	4	( 18)
49890	Share of profit of associates and joint ventures accounted for under equity method	6(9)	212,015	-	229,098	-	( 7)
49900	Other revenue other than interest income	6(34)	1,751,776	3	2,058,557	4	( 15)
49999	Net other miscellaneous loss	6(35)	( 414,866)	( 1)	( 5,147,557)	( 9)	( 92)
55000	Loss on asset impairment	6(33)	( 203,003)	-	( 380,646)	( 1)	( 47)
	<b>Net revenue</b>		<u>59,660,388</u>	<u>100</u>	<u>55,064,120</u>	<u>100</u>	8
58100	Bad debts expense and guarantee liability provisions	6(4)(5)(6)( 10)(23)	( 4,336,814)	( 7)	( 3,613,467)	( 7)	20
58300	Net change in provisions for insurance liabilities	6(23)	152,758	-	( 116,264)	-	( 231)
	<b>Operating expenses</b>						
58501	Employee benefit expenses	6(36)	( 16,933,655)	( 29)	( 14,953,836)	( 27)	13
58503	Depreciation and amortization	6(37)	( 761,012)	( 1)	( 711,525)	( 1)	7
58599	Other business and administrative expenses	6(38)	( 8,500,938)	( 14)	( 7,751,815)	( 14)	10
61000	<b>Income before income tax</b>		<u>29,280,727</u>	<u>49</u>	<u>27,917,213</u>	<u>51</u>	5
61003	Income tax expense	6(39)	( 3,551,632)	( 6)	( 5,474,318)	( 10)	( 35)
69000	<b>Profit for the year</b>		<u>\$ 25,729,095</u>	<u>43</u>	<u>\$ 22,442,895</u>	<u>41</u>	15

(Continued)

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

		Year ended December 31				Changes Percentage (%)
		2017		2016		
Items	Notes	AMOUNT	%	AMOUNT	%	
<b>Other comprehensive income (after income tax)</b>						
69561	Remeasurement of defined benefit plan	(\$ 1,822,689)	( 3)	(\$ 566,997)	( 1)	221
69569	Income tax related to the components of other comprehensive income that will not be classified subsequently	309,856	1	96,389	-	221
<b>Potentially reclassifiable to profit or loss subsequently</b>						
69571	Cumulative translation differences of foreign operations	6(28) ( 1,890,094)	( 3)	( 1,278,555)	( 3)	48
69572	Unrealized gain on valuation of available-for-sale financial assets	6(28) 3,037,736	5	( 1,658,397)	( 3)	( 283)
69575	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(9)(28) 15,965	-	( 63,464)	-	( 125)
69500	<b>Total other comprehensive income (after income tax)</b>	(\$ 349,226)	-	(\$ 3,471,024)	( 7)	( 90)
69700	<b>Total comprehensive income</b>	\$ 25,379,869	43	\$ 18,971,871	34	34
<b>Profit attributable to:</b>						
69901	Owners of parent	\$ 25,734,515	43	\$ 22,456,183	41	15
69903	Non-controlling interests	( 5,420)	-	( 13,288)	-	( 59)
		\$ 25,729,095	43	\$ 22,442,895	41	15
<b>Comprehensive income (loss) attributable to:</b>						
69951	Owners of parent	\$ 25,380,530	43	\$ 18,981,010	34	34
69953	Non-controlling interests	( 661)	-	( 9,139)	-	( 93)
		\$ 25,379,869	43	\$ 18,971,871	34	34
<b>Earnings per share</b>						
70000	<b>Basic and diluted earnings per share (in dollars)</b>	6(40) \$ 1.89		\$ 1.65		

The accompanying notes are an integral part of these consolidated financial statements.

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent								Non- controlling interests	Total equity
	Retained Earnings				Other equity interest					
	Share capital – common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for- sale financial assets	Total		
For the year ended December 31, 2016										
Balance at January 1, 2016	\$ 135,998,240	\$ 68,194,233	\$ 27,494,993	\$ 2,545,158	\$ 58,332,856	\$ 427,764	\$ 410,835	\$ 293,404,079	\$ 51,229	\$ 293,455,308
Earnings distribution for 2015										
Legal reserve	-	-	2,941,721	-	( 2,941,721 )	-	-	-	-	-
Cash dividends	-	-	-	-	( 20,399,736 )	-	-	( 20,399,736 )	-	( 20,399,736 )
Profit (loss) for the year	-	-	-	-	22,456,183	-	-	22,456,183	( 13,288 )	22,442,895
Other comprehensive (loss) income for the year	-	-	-	-	( 470,608 )	( 1,281,146 )	( 1,723,419 )	( 3,475,173 )	4,149	( 3,471,024 )
Balance at December 31, 2016	<u>\$ 135,998,240</u>	<u>\$ 68,194,233</u>	<u>\$ 30,436,714</u>	<u>\$ 2,545,158</u>	<u>\$ 56,976,974</u>	<u>\$ 853,382</u>	<u>\$ 1,312,584</u>	<u>\$ 291,985,353</u>	<u>\$ 42,090</u>	<u>\$ 292,027,443</u>
For the year ended December 31, 2017										
Balance at January 1, 2017	\$ 135,998,240	\$ 68,194,233	\$ 30,436,714	\$ 2,545,158	\$ 56,976,974	( \$ 853,382 )	( \$ 1,312,584 )	\$ 291,985,353	\$ 42,090	\$ 292,027,443
Earnings distribution for 2016										
Legal reserve	-	-	2,245,618	-	( 2,245,618 )	-	-	-	-	-
Cash dividends	-	-	-	-	( 19,311,750 )	-	-	( 19,311,750 )	-	( 19,311,750 )
Special reserve	-	-	-	459,160	( 459,160 )	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	25,734,515	-	-	25,734,515	( 5,420 )	25,729,095
Other comprehensive (loss) income for the year	-	-	-	-	( 1,512,833 )	( 1,899,975 )	3,058,823	( 353,985 )	4,759	( 349,226 )
Balance at December 31, 2017	<u>\$ 135,998,240</u>	<u>\$ 68,194,233</u>	<u>\$ 32,682,332</u>	<u>\$ 3,004,318</u>	<u>\$ 59,182,128</u>	<u>( \$ 2,753,357 )</u>	<u>\$ 1,746,239</u>	<u>\$ 298,054,133</u>	<u>\$ 41,429</u>	<u>\$ 298,095,562</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Years ended December 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 29,280,727	\$ 27,917,213
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	696,276	649,559
Amortization	64,736	61,966
Bad debts expense and guarantee liability provision	4,336,814	3,613,467
Interest expense	21,525,218	17,075,355
Interest income	( 59,200,791 )	( 56,336,478 )
Dividend income	( 1,459,735 )	( 1,480,289 )
Net change in provisions for insurance liabilities	( 152,759 )	116,264
Loss on asset impairment	203,003	380,646
(Gain) loss on disposal of property and equipment	( 1,266 )	1,323
(Gain) loss on disposal of investment property	( 221 )	1,075
Share of profit of associates accounted for under equity method	( 212,015 )	( 229,098 )
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease in due from Central Bank and call loans to other banks	34,914,999	6,827,796
Increase in financial assets at fair value through profit or loss	( 5,264,081 )	( 4,280,709 )
Increase in available-for-sale financial assets	( 85,192,365 )	( 9,765,082 )
(Increase) decrease in receivables	( 8,516,076 )	89,851,276
(Increase) decrease in bills discounted and loans	( 50,940,398 )	54,310,193
Decrease (increase) in reinsurance contract assets	706,214	( 952,854 )
Increase in held-to-maturity financial assets	( 3,690,295 )	( 79,763,423 )
(Increase) decrease in other financial assets	( 637,457 )	1,383,351
Increase in other assets	( 1,152,259 )	( 168,328 )
Changes in operating liabilities		
Decrease in due to the Central Bank and financial institutions	( 1,184,534 )	( 26,674,240 )
Decrease in financial liabilities at fair value through profit or loss	( 2,138,452 )	( 10,875,461 )
Increase in bills and bonds purchased under resale agreements	6,514,666	38,255,113
Increase (decrease) in payables	8,909,720	( 7,909,521 )
Increase (decrease) in deposits and remittances	215,267,092	( 58,855,505 )
Increase in other financial liabilities	1,848,764	128,845
(Decrease) increase in liabilities reserve	( 542,200 )	1,062,654
Decrease in other liabilities	( 79,220 )	( 3,312,125 )
Cash inflow (outflow) generated from operations	103,904,105	( 18,967,017 )
Interest received	58,218,582	54,950,261
Cash dividend received	1,614,856	1,639,225
Interest paid	( 20,864,314 )	( 17,211,322 )
Income tax paid	( 3,284,750 )	( 4,527,024 )
Net cash flows from operating activities	139,588,479	15,884,123

(Continued)

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from disposal of investments accounted for under the equity method	\$ -	\$ 2,747
Proceeds from capital reduction of investments measured at cost	410,894	69,384
Acquisition of property and equipment	( 912,318 )	( 542,060 )
Proceeds from disposal of property and equipment	30,150	5,422
Acquisition of intangible assets	( 283,478 )	( 13,893 )
Acquisition of investment property	( 825 )	( 91,825 )
Proceeds from disposal of investment property	<u>1,209</u>	<u>12,175</u>
Net cash flows used in investing activities	( <u>754,368</u> )	( <u>558,050</u> )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Decrease in due to the Central Bank and financial institutions	( 6,516,867 )	( 5,484,667 )
Increase (decrease) in commercial papers payable	8,465,000	( 8,245,579 )
Redemption of financial bonds	( 10,300,000 )	-
(Decrease) increase in other loans	( 4,628,662 )	3,674,030
Increase (decrease) in guarantee deposits received	1,192,790	( 677,718 )
Cash dividends paid	( <u>17,719,905</u> )	( <u>18,718,378</u> )
Net cash flows used in financing activities	( <u>29,507,644</u> )	( <u>29,452,312</u> )
Effect of exchange rate changes on cash and cash equivalents	( <u>1,790,543</u> )	( <u>1,265,138</u> )
Net increase (decrease) in cash and cash equivalents	107,535,924	( 15,391,377 )
Cash and cash equivalents at beginning of year	<u>429,341,320</u>	<u>444,732,697</u>
Cash and cash equivalents at end of year	<u>\$ 536,877,244</u>	<u>\$ 429,341,320</u>
The components of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	\$ 143,864,749	\$ 98,131,357
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	390,459,267	328,354,078
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	<u>2,553,228</u>	<u>2,855,885</u>
Cash and cash equivalents at end of reporting period	<u>\$ 536,877,244</u>	<u>\$ 429,341,320</u>

The accompanying notes are an integral part of these consolidated financial statements.

MEGA FINANCIAL HOLDING CO., LTD.  
BALANCE SHEETS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	December 31, 2017	December 31, 2016	%	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016	%
Assets				Liabilities			
Cash and cash equivalents	\$ 307,833	\$ 83,306	269.52	Financial liabilities at fair value	\$ 183,860	\$ 156,600	17.41
Current income tax assets	505,311	225,605	123.98	through profit or loss	10,397,276	6,398,631	62.49
Receivables, net	389	-	100.00	Commercial paper payable, net	18,093,250	16,481,538	9.78
Available-for-sale financial assets, net	6,196,895	5,844,300	6.03	Payables	1,720,249	1,789,244	( 3.86)
Equity investments accounted				Current income tax liabilities	5,770,036	5,724,088	0.80
for under the equity method, net	325,981,280	316,539,845	2.98	Bonds payable	-	1,600,000	( 100.00)
Other financial assets, net	758,293	758,293	-	Other loans	62,523	57,935	7.92
Investment property	135,615	137,126	( 1.10)	Provisions for liabilities	205	1,124	( 81.76)
Property and equipment, net	595,029	603,350	( 1.38)	Deferred tax liabilities	215,872	11,108	1,843.39
Deferred tax assets	8,092	8,092	-	Other liabilities			
Other assets, net	8,667	5,704	51.95	Total liabilities	36,443,271	32,220,268	
				Equity			
				Common stock	135,998,240	135,998,240	-
				Capital surplus	68,194,233	68,194,233	-
				Retained earnings			
				Legal reserve	32,682,332	30,436,714	7.38
				Special reserve	3,004,318	2,545,158	18.04
				Unappropriated retained earnings	59,182,128	56,976,974	3.87
				Other equity interest	( 1,007,118)	( 2,165,966)	( 53.50)
				Total equity	298,054,133	291,985,353	
				TOTAL LIABILITIES AND EQUITY	\$ 334,497,404	\$ 324,205,621	3.17
TOTAL ASSETS	\$ 334,497,404	\$ 324,205,621	3.17				



MEGA FINANCIAL HOLDING CO., LTD.  
STATEMENTS OF COMPREHENSIVE INCOME  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenues		
Interest income	\$ 11,307	\$ 2,173
Share of profit of associates and joint ventures accounted for under equity method	25,926,293	23,132,410
Other revenue except for interest income	182,583	164,328
Foreign exchange gain	5	-
Total revenue	<u>26,120,188</u>	<u>23,298,911</u>
Expenses and losses		
Interest expense	( 78,968)	( 66,094)
Financial assets and liability at fair value through profit or loss	( 27,260)	( 1,160)
Foreign exchange loss	-	( 3)
Employee benefit expense	( 288,562)	( 265,501)
Depreciation and amortization	( 13,353)	( 14,619)
Other business and administrative expenses	( 75,325)	( 85,155)
Total expenses and losses	<u>( 483,468)</u>	<u>( 432,532)</u>
Income before income tax	25,636,720	22,866,379
Income tax benefit (expense)	97,795	( 410,196)
Profit for the year	<u>25,734,515</u>	<u>22,456,183</u>
Other comprehensive income		
Non-reclassifiable to profit or loss subsequently		
Remeasurement of defined benefit plans	( 5,402)	( 1,837)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	( 1,508,349)	( 469,083)
Income tax relating to components of other comprehensive income	918	312
Potentially reclassifiable to profit or loss subsequently		
Unrealized gain on valuation of available-for -sale financial assets	352,594	257,812
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	<u>806,254</u>	<u>( 3,262,377)</u>
Other comprehensive income for the year, (after income tax)	<u>( 353,985)</u>	<u>( 3,475,173)</u>
Total comprehensive income (after income tax)	<u>\$ 25,380,530</u>	<u>\$ 18,981,010</u>
Earnings Per Share (in dollars)		
Basic and Diluted Earnings Per Share (in dollars)	<u>\$ 1.89</u>	<u>\$ 1.65</u>

MEGA FINANCIAL HOLDING CO., LTD.  
STATEMENTS OF CHANGES IN EQUITY  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained earnings				Other equity interest		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statement	Unrealized gain or loss on available-for-sale financial assets
For the year ended December 31, 2016							
Balance at January 1, 2016	\$ 135,998,240	\$ 68,194,233	\$ 27,494,993	\$ 2,545,158	\$ 58,332,856	\$ 427,764	\$ 410,835
Earnings distribution for 2015							
Legal reserve	-	-	2,941,721	-	( 2,941,721)	-	-
Cash dividends	-	-	-	-	( 20,399,736)	-	( 20,399,736)
Profit for the year	-	-	-	-	22,456,183	-	22,456,183
Other comprehensive loss for the year	-	-	-	-	( 470,608)	( 1,281,146)	( 1,723,419)
Balance, December 31, 2016	\$ 135,998,240	\$ 68,194,233	\$ 30,436,714	\$ 2,545,158	\$ 56,976,974	\$ 853,382	\$ 291,985,353
For the year ended December 31, 2017							
Balance at January 1, 2017	\$ 135,998,240	\$ 68,194,233	\$ 30,436,714	\$ 2,545,158	\$ 56,976,974	\$ 853,382	\$ 1,312,584
Earnings distribution for 2016							
Legal reserve	-	-	2,245,618	-	( 2,245,618)	-	-
Cash dividends	-	-	-	-	( 19,311,750)	-	( 19,311,750)
Special reserve	-	-	-	459,160	( 459,160)	-	-
Profit for the year	-	-	-	-	25,734,515	-	25,734,515
Other comprehensive (loss) income for the year	-	-	-	-	( 1,512,833)	( 1,899,975)	( 3,058,823)
Balance, December 31, 2017	\$ 135,998,240	\$ 68,194,233	\$ 32,682,332	\$ 3,004,318	\$ 59,182,128	\$ 2,753,357	\$ 1,746,239
							\$ 298,054,133

MEGA FINANCIAL HOLDING CO., LTD.  
STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the year ended December 31, 2017	For the year ended December 31, 2016
<u>Cash Flows from Operating Activities</u>		
Profit before tax	\$ 25,636,720	\$ 22,866,379
Income and expenses having no effect on cash flows		
Income and expenses		
Depreciation	11,566	12,642
Amortization	1,787	1,977
Interest expense	78,968	66,094
Interest revenue	( 11,308)	( 2,173)
Dividend income	( 171,475)	( 162,310)
Share of profit of associates accounted for under equity method	( 25,926,293)	( 23,132,410)
Changes in assets/liabilities relating to operating activities		
Changes in assets relating to operating activities:		
Increase in receivables	( 389)	-
(Increase) decrease in other assets	( 4,750)	42
Changes in liabilities relating to operating activities:		
Decrease in financial liabilities at fair value through profit or loss	27,260	1,160
Increase (decrease) in payables	20,165	( 35,935)
Increase in provisions for liabilities	104	71
Increase in other liabilities	204,764	8,523
Cash used in operations	( 132,881)	( 375,940)
Interest received	11,308	2,173
Cash dividend received	15,954,237	16,167,077
Interest paid	( 34,673)	( 20,414)
Income tax paid	( 251,825)	( 759,486)
Net cash provided by operating activities	15,546,166	15,013,410
<u>Cash Flows from Investing Activities</u>		
Acquisition of property and equipment	( 1,734)	( 2,659)
Acquisition of intangible assets	-	( 1,779)
Net cash used in investing activities	( 1,734)	( 4,438)
<u>Cash Flows from Financing Activities</u>		
Increase in commercial papers payable	4,000,000	200,000
(Decrease) increase in other loans	( 1,600,000)	1,300,000
Cash dividends paid	( 17,719,905)	( 18,718,378)
Net cash used in financing activities	( 15,319,905)	( 17,218,378)
Net increase (decrease) in cash and cash equivalents	224,527	( 2,209,406)
Cash and cash equivalents at beginning of year	83,306	2,292,712
Cash and cash equivalents at end of year	\$ 307,833	\$ 83,306

**Attachment 4****Mega Financial Holding Co., Ltd.  
2017 Profit Distribution Proposal**

Unit : NT\$

Items	Amount
Beginning undistributed retained earnings in 2017	34,960,446,968
Add : Reverse of special reserve for first-time adoption of TIFRS	6,506
Add : Reverse of special reserve for other equity interest loss	459,159,787
Less : Retained earnings due to re-measurements of defined benefit plans	(1,512,832,859)
Adjusted retained earnings	33,906,780,402
Add : Net income of 2017	25,734,514,381
Less : 10% legal reserve	(2,573,451,438)
Total distributable earnings	57,067,843,345
Less : Distribution item	
Cash dividend to shareholders(NT\$1.5 per share)	(20,399,735,975)
Unappropriated retained earnings	36,668,107,370
Note1 : The 2017 earnings shall be distributed as a priority.	
Note2 : The amount of cash dividends per share shall be calculated and truncated to NT\$1. The sum of all cash dividends less than NT\$1 shall be allocated in line with a progressive decrease in decimal numbers and a progressive increase in shareholders' ID number so that the total dividend distribution is fully paid.	

## Attachment 5

### Profiles of Director & Independent Director Candidates

Position	Name of Director (Representative of Legal Entity)	Concurrent Position	Experience (Education)	Shareholding
Director	Chao-Shun Chang (Ministry of Finance, R.O.C)	Chairman of Mega Financial Holding Co., Ltd. & Mega Int'l Commercial Bank Co., Ltd.	Chairman of Franklin Templeton SinoAm Securities Investment Management Inc.; Chairman of Oversea-Chinese Banking Corporation Limited; Chairman of Taiwan Business Bank; Chairman of First Financial Holding Co., Ltd. & First Commercial Bank  (M.A. in Public Finance, National Chengchi University)	1,143,043,883
Director	Kuang-Hua Hu (Ministry of Finance, R.O.C)	President of Mega Financial Holding Co., Ltd.	Chief Secretary, Secretariat, Board of Directors, and Executive Vice President of Taiwan Cooperative Bank; Chairman of Taiwan Cooperative Bills Finance Corporation Ltd.; Executive Vice President of Taiwan Cooperative Financial Holding Co., Ltd. & Taiwan Cooperative Bank  (MBA, College of Business, Iowa State University, USA)	1,143,043,883
Director	Chia-Chi Hsiao (Ministry of Finance, R.O.C)	Director-General, Department of Fiscal, Statistical and Financial Affairs, Executive Yuan, R.O.C.	Director-General, Department of Accounting, Ministry of Finance, R.O.C; Deputy Director-General, National Treasury Administration, Ministry of Finance, R.O.C.  (M.A. in Management Science, National Chiao Tung University)	1,143,043,883
Director	Cheng-Te Liang (Ministry of Finance, R.O.C)	Chairman of Chung Kuo Insurance Co., Ltd.	Manager of Research Department, Vice President, Executive Vice President, President of Taiwan Insurance Institute  (Ph.D. in Social Welfare, National Chung Cheng University)	1,143,043,883

Director	Chun-Lan Yen (Ministry of Finance, R.O.C)	Deputy Director-General, National Treasury Administration, Ministry of Finance, R.O.C.	Senior Executive Officer, Deputy Director, Director National Treasury Administration, Ministry of Finance, R.O.C.; Supervisor, BankTaiwan Securities Co., Ltd.; Director, First Financial Holding Co., Ltd.; Managing Director, Land Bank of Taiwan Co., Ltd.  (Master in Agricultural Economics, National Taiwan University)	1,143,043,883
Director	Tzong-Yau Lin (Ministry of Finance, R.O.C)	Director General, Dept. of Economic Research, Central Bank of the R.O.C.	Assistant Director General, Department of Banking, Central Bank of the R.O.C.; Representative, New York Representative Office, Central Bank of the R.O.C.; Advisor, Central Bank of the R.O.C.; Deputy Director General, Department of Economic Research, Central Bank of the R.O.C.  (Ph. D in Economics, University of Southern California, U. S. A.)	1,143,043,883
Director	Pei-Chun Chen (Ministry of Finance, R.O.C)	President of Mega Securities Co., Ltd.	Manager of Yuanta Core Pacific Securities Co., Ltd.; Vice President of PineBridge Investments Management Taiwan Ltd.; Legal Director of Prestige Law Firm, Chief Auditor of Mega Securities Co., Ltd.  (LLM, Boston University)	1,143,043,883
Director	Wen-Ling Hung (Ministry of Finance, R.O.C)	Professor, Department of Administration Police of Central Police University	Director, Department of Administration Police, Director, Graduate Institute of Police Policy, Central Police University; Adjunct Professor, Department of Law, National Chengchi University  (Ph.D. in Law, National Chengchi University)	1,143,043,883

Director	Chi-Hsu Lin (Ministry of Finance, R.O.C)	Assistant Vice President of Mega Int'l Commercial Bank Co., Ltd. (Mega ICBC)	Assistant Vice President, Corporate Finance Division & Credit Management Division of Mega ICBC; Vice President of Mega ICBC Labor Union; Deputy Chairman of Mega ICBC Staff Welfare Committee  (MBA, Graduate School of Business Management, National Taichung University of Science and Technology)	1,143,043,883
Director	Jiunn-Rong Chiou (National Development Fund, Executive Yuan, R.O.C.)	Deputy Minister of National Development Council, Executive Yuan, R.O.C.	President, Takming University of Science and Technology; Vice Dean, College of Management, National Central University; Vice President, Taiwan Institute of Economic Research  (Ph.D. in Economics, National Taiwan University)	830,973,202
Director	Jui-Chi Chou (Chunghwa Post Co., Ltd.)	Executive Vice President of Chunghwa Post Co., Ltd.	Manager of Banqiao Post Office, Vice Chairperson of Strategic Planning Committee of Chunghwa Post Co., Ltd.  (B.A. in Journalism & Communication, Chinese Culture University)	487,484,910
Director	Ye-Chin Chiou (Bank of Taiwan Co., Ltd.)	Executive Vice President, Bank of Taiwan Co., Ltd.	Executive Vice President & General Manager, Bank of Taiwan; Senior Executive Vice President & Acting President, Bank of Taiwan  (B.A. in Economics, National Taiwan University)	334,951,379
Independent Director	Jiun-Wei Lu	Associate Research Fellow, Research Division II in Taiwan Institute of Economic Research	Associate Research Fellow, Research Division II in Taiwan Institute of Economic Research; Committee Member, National Financial Stabilization Fund; Independent Director, Taiwan Finance Corporation  (Ph.D. in Political Science, National Taiwan University)	0

Independent Director	Ying-ko Lin	Professor, Department of Finance, National Chung Hsing University	Assistant Professor, Associate Professor, Professor and Chairperson, Department of Finance, National Chung Hsing University  (Ph.D. in Finance, Department of Finance and Real Estate at the University of Texas at Arlington)	0
Independent Director	Chang-Ching Lin	Associate Professor, Department of Economics & Graduate Institute of Political Economy, National Cheng Kung University	Assistant Research Fellow, Institute of Economics, Academia Sinica; Adjunct Assistant Professor, Department of Economics, National Central University; Adjunct Assistant Professor, Department of Economics, National Taiwan University; Associate Dean, College of Social Sciences, National Cheng Kung University  (Ph.D. in Economics, University of Michigan - Ann Arbor)	0



## **Appendix 1**

# **Mega Financial Holding Company Limited**

## **Articles of Incorporation**

### **CHAPTER I**

#### **GENERAL PROVISIONS**

#### **ARTICLE 1**

The Mega Financial Holding Company Ltd. (hereinafter referred to as the "Company") is hereby organized under the Financial Holding Company Act and the Company Act to enhance the economic scale, achieve synergy of the financial holding company and promote the development of the financial market.

#### **ARTICLE 2**

The Company shall establish its head office at Taipei, Taiwan, the Republic of China and may set up branch offices as deemed necessary for its business operations.

The establishment, dissolution and change of status of branches as referred to in the preceding Paragraph shall be executed pursuant to the resolutions to be adopted by the Board of Directors.

### **CHAPTER II**

#### **SCOPE OF BUSINESS**

#### **ARTICLE 3**

The scope of business of the Company shall be financial holding company (business code H801011).

#### **ARTICLE 4**

The Company shall engage in the following business:

1. To invest in the following industry:

- (1) financial holding company;
- (2) banks;
- (3) bills finance company;
- (4) credit card company;
- (5) trust company;
- (6) insurance company;
- (7) securities company;
- (8) futures company;
- (9) venture capital company;
- (10) foreign financial company approved by the competent authority; and
- (11) other financial related company recognized by the competent authority

2. To manage the investment of the aforesaid company invested

3. To apply to the competent authority to invest in industry not specified in the first Paragraph of this Article but not involved in the operation of the company invested
4. To conduct other business approved by the competent authority

#### **ARTICLE 5**

The Company is a professional investment company. The total amount of investments made by the Company may exceed forty percent of the amount of its own paid-up capital without being subject to the requirement set out in Paragraph 1, Article 13 of the Company Act.

### **CHAPTER III CAPITAL STOCK**

#### **ARTICLE 6**

The total authorized capital of the Company is two hundred twenty billion New Taiwan Dollars (NT\$220,000,000,000), divided into twenty two billion (22,000,000,000) shares at par value of ten New Taiwan Dollars (NT\$10.00) per share. The shares are issued in installments determined by the Board of Directors.

#### **ARTICLE 7**

Prior to the reunification of the country, all shares held by shareholders in mainland China are treated as reserved shares according to the law. Such reserved shares are not entitled to vote at any shareholders' meeting of the Company, and the number of such reserved shares is not counted in the total number of the issued and outstanding shares of the Company.

#### **ARTICLE 8**

All share certificates of the Company shall indicate thereon the name of the shareholder thereof, shall be affixed with the signatures or personal seals of three Directors of the Company, and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof.

For the shares to be issued by the Company, the Company may be exempted from printing any share certificate for the share issued, while the Company shall appoint a centralized securities custody enterprise to make recordation of the issue of such shares.

#### **ARTICLE 9**

Each of the shareholders shall submit to the shareholders' registrar retained by the Company his/her/its seal specimen card. Shareholders applying to the shareholders' registrar retained by the Company for processing of share matters or exercise of shareholders' rights in writing should sign or affix the seal as shown in the specimen card.

The shareholders' registrar referred to in the preceding Paragraph shall provide the relevant information of the shareholders upon the Company's request.

#### **ARTICLE 10**

Any juristic person or a government agency shareholder may be elected as a Director;

provided, however, that it shall appoint a natural person to act on its behalf.

#### **ARTICLE 11**

Share registrar matters shall be handled pursuant to the Guidelines Governing Share Registrar Matters of Public Companies, as promulgated by the competent authority, and other relevant laws and regulations.

### **CHAPTER IV MEETINGS OF SHAREHOLDERS**

#### **ARTICLE 12**

The meeting of shareholders shall be convened by the Board of Directors unless the Company Act shall require otherwise.

The shareholders' meetings are of the following two kinds:

- (1) Regular meetings of the shareholders: to be convened at least once a year; and
- (2) Special meetings of the shareholders: to be convened whenever necessary.

Regular meetings of the shareholders shall be convened within six months after the close of each fiscal year.

#### **ARTICLE 13**

The entries in the shareholders' book shall be closed in a period from 60 days prior to the convening date of a regular shareholders' meeting, from 30 days prior to the convening date of a special shareholders' meeting, or from 5 days prior to the record date set by the Company for distribution of dividends, bonus or other benefits.

#### **ARTICLE 14**

A shareholder who is unable to attend a shareholders' meeting may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy.

A shareholder may only execute one power of attorney and appoint one proxy only. Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the Company, otherwise, the portion of excessive voting power shall not be counted.

When the government or a juristic person is a shareholder, its proxy shall not be limited to one person.

#### **ARTICLE 15**

Unless otherwise required by laws and regulations, each share holding by the shareholders shall have one vote.

A shareholder who has conflict of interest in the matter under discussion at a shareholders' meeting, which will likely impair the interest of the Company, shall not vote nor exercise the voting right on behalf of other shareholders.

## **ARTICLE 16**

A written notice to convene a regular meeting of shareholders shall be sent to each shareholder no later than 30 days prior to the scheduled meeting date. In case of a special meeting of shareholders, a meeting notice shall be sent to each shareholder no later than 15 days prior to the scheduled meeting date. The agenda of a meeting of shareholders shall be stated in the meeting notice to be sent to shareholders. A public notice to shareholders holding less than 1000 shares may be placed instead of a written notice.

The aforesaid agenda of a meeting may be proposed by "extemporary motions"; provided, however, that matters which shall be stated in the meeting notice in accordance with relevant laws and regulations may not be proposed by "extemporary motions".

The first Paragraph of this Article shall not apply to the situation where the meeting of shareholders resolves to postpone or reconvene the meeting within five days.

## **ARTICLE 17**

Unless otherwise required by law, resolutions of the shareholders' meeting shall be adopted by a majority of the issued shares held by the shareholders present at the meeting (quorum), and a majority of shareholders present at the meeting vote for such resolution.

## **ARTICLE 18**

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within 20 days after the meeting. The distribution of the minutes of shareholders' meeting may be made by means of public announcement. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the Chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

The attendance list bearing the signatures of shareholders present at the meeting and the proxies shall be kept by the Company for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the above documents shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

## **CHAPTER V BOARD OF DIRECTORS**

## **ARTICLE 19**

The Company shall have a Board of Directors composed of fifteen to twenty one Directors. Starting from 2013, the candidate nomination system is adopted for directors; the shareholders shall elect directors from a list of the candidates. The term of office of a director is three years, and may be eligible for re-election.

Among the directors prescribed in the preceding Paragraph, at least three independent directors and a number of independent directors no less than 1/5 of the board seats shall be included.

The independent directors' professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election, and other compliance requirements shall be handled in accordance with the relevant laws and regulations.

The remuneration of the independent directors of the Company shall be determined by the Board, considering degrees of participation and value of contribution of said directors in business operation of the Company, as well as based on levels of remuneration generally adopted by the same industry. The total number of the shares held by all the Directors shall not be less than that required by the competent authority in charge of securities affairs. The Company may purchase liability insurance for Directors with respect to their liabilities resulting from exercising their duties during their terms of occupancy.

#### **ARTICLE 19-1**

The Fifth Term of the Board of Directors of the Company starts to set up the audit committee, composed entirely of independent directors. It shall be no less than three in number, one of whom shall serve as the convener, and at least one of whom shall have accounting or finance expertise. The exercise of powers, organizational charter, and other compliance requirements of the audit committee shall be handled in accordance with the relevant laws and regulations, as well as the Company's internal guidelines.

#### **ARTICLE 19-2**

The Company shall set up a remuneration committee in accordance with the laws, and may set up other functional committees. Organizational charter of such committees shall be approved by the Board of Directors.

#### **ARTICLE 20**

The Chairman of the Board of Directors shall be elected by and among the directors and shall hold such office for a period corresponding to the term of director.

The remuneration of the Chairman of the Board of Directors is calculated based on 1.25 times the remuneration of the President of the Company.

The pension or severance pay of the Chairman of the Board of Directors shall be calculated in accordance with the relevant pension provisions of the Labor Standards Act, but not being subject to restrictions on age and seniority.

#### **ARTICLE 21**

Business operations of the Company shall be executed pursuant to the resolutions to be adopted by the Board of Directors, except for the matters the execution of which shall be effected pursuant to the resolutions of the shareholders' meeting as required by the Company Act or the Articles of Incorporation of the Company. The powers of the Board of Directors shall be as follows:

- (1) To review and approve the business policies and plans of the Company;
- (2) To review and approve the regulations with respect to the organization structure and unit functions of the Company;

- (3) To review and approve the budget and the financial statements of the Company;
- (4) To appoint or discharge a financial, accounting, internal auditor or senior officers;
- (5) To review and approve important rules and regulations of the Company and contracts entered into by the Company;
- (6) To review and approve the increase or reduction of the capital, and the issuance of the stocks of the Company;
- (7) To review and approve a material asset transaction;
- (8) To determine the date for regular or special meetings of shareholders;
- (9) To determine the proposals for earning distribution or loss off-setting;
- (10) To determine the proposal for buying back of the stocks of the Company;
- (11) To appoint or discharge the directors and supervisors of subsidiaries of the Company;
- (12) To retain or release a certifying CPA, or the compensation given thereto;
- (13) To review and approve the organizational charters of functional committees;
- (14) To conduct any other business pursuant to the laws and the authorization of the shareholders' meeting.

The Board of Directors consists of one Chief Secretariat, Secretariats and staffs, handling the proposal, documents of the meeting of the Board of Directors and other secretariat related matters.

## **ARTICLE 22**

The Auditing Department organized under the Board of Directors, consists of one Chief Auditor, one Deputy Chief Auditor, Auditors and staffs, handling internal auditing and related matters. Divisions can be set up in need to engage in different business.

The Chief Auditor is ranking the same as Executive Vice President and the Deputy Chief Auditor is ranking the same as Senior Vice President or Vice President of the Company.

## **ARTICLE 23**

The Chairman of the Board of Directors shall internally chair the shareholders' meeting and the meeting of the Board of Directors; and shall externally represent the Company. In case the Chairman of the Board of Directors is absent or cannot exercise his power and authority for any cause, the Chairman of the Board of Directors shall designate one of the Directors to act on his behalf. In the absence of such a designation, the Directors shall elect from among themselves an acting Chairman of the Board of Directors.

## **ARTICLE 24**

A meeting of the Board of Directors shall, unless otherwise provided for in relevant laws and regulations, be convened by the Chairman of the Board of Directors. Unless otherwise provided in laws, resolutions of the Board of Directors shall be adopted by the approval of a majority of the Directors at a meeting of the Board of Directors, attended by a majority of all the Directors.

Directors shall attend the meetings of the Board of Directors in person. In the event a Director is unable to attend the meeting for cause, he may execute a power of attorney appointing another Director as his proxy, stating therein the scope of his authorities with

reference to the items on the agenda. The aforesaid proxy may serve as proxy for one Director only.

In case a meeting of the Board of Directors is proceeding via video conference, then the Directors attending such video conference shall be deemed to have attended the meeting in person.

#### **ARTICLE 25**

Meeting of the Board of Directors shall be held once a month. In the case of emergency, the meeting of the Board of Directors may be convened at any time. The procedure for meetings of the Board of Directors shall be governed by the relevant laws and regulations, the Articles of Incorporation of the Company, and the rules otherwise adopted by the Board of Directors.

The notice of the Board meeting may be served in writing by mail, E-mail or fax.

#### **ARTICLE 26**

Minutes of the meeting of the Board of Directors shall be prepared to record all resolutions passed at said meetings.

Article 18 hereof shall apply mutatis mutandis to the preparation and safekeeping of the minutes referred to in the preceding Paragraph.

### **CHAPTER VI MANAGERIAL OFFICERS**

#### **ARTICLE 27**

The Company shall have a President and several Executive Vice Presidents, Senior Vice Presidents and Vice Presidents, all of whom shall be nominated by the Chairman for the consent of the Board of Directors.

#### **ARTICLE 28**

The President shall, pursuant to the instructions of the Chairman of the Board of Directors, manage all the business of the Company, implement all the resolutions adopted at the meeting of Board of Directors.

The Executive Vice President(s) shall assist the President in the matters referred to in the preceding Paragraph. In the event that the President is unable to perform his duties for cause, one of the Executive Vice Presidents shall be appointed by the Chairman to act on behalf of the President.

### **CHAPTER VII ACCOUNTING**

#### **ARTICLE 29**

The fiscal year of the Company shall be from January 1 to December 31 of every year.

### **ARTICLE 30**

At the close of each fiscal year, the Board of Directors shall prepare the following statements and reports, and shall submit the same to the regular meeting of shareholders for ratification in accordance with the legal procedures:

1. the business report;
2. the financial statements; and
3. the earning distribution or loss off-setting proposals.

After the ratification of the statements and reports mentioned in the preceding Paragraph by the regular meeting of shareholders, the Board of Directors shall announce or distribute to each shareholder the ratified financial statements and the resolutions on the earning distribution and/or loss offsetting.

### **ARTICLE 31**

After paying all taxes and covering its accumulated losses of the previous years in accordance with the laws, the Company shall set aside a legal reserve in accordance with the laws. Aside from the aforesaid legal reserve, the Company may set aside special reserve, in accordance with laws or its actual needs. The remaining balance plus prior years' accumulated undistributed earnings are earnings available for distribution, for which the Company shall appropriate 30% to 100% as earnings distribution subject to the Board of Directors' decision to propose a distribution plan and to be submitted to the shareholders' meeting for approval.

At least 50% of the shareholders' dividends in the above Paragraph shall be paid in cash, and the rest paid by stock dividend. However, the percentage of cash dividend and stock dividend may be adjusted by resolution at a shareholders' meeting.

### **ARTICLE 31-1**

The current year's earnings (pre-tax income before deducting the remuneration to employees and Directors) of the Company shall first be applied to cover all its accumulated losses, and the remaining balance shall be appropriated 0.02% to 0.15% as remuneration to employees; and not more than 0.5% as remuneration to Directors.

The employees' remuneration mentioned in the preceding Paragraph of this Article shall be distributed in cash or stock. Employees of the affiliated companies meeting certain specific requirements may be entitled to the employees' stock remuneration, subject to the rules set forth by the Board of Directors.

## **CHAPTER VIII ADDENDUM**

### **ARTICLE 32**

Any matters not otherwise provided in the Articles of Incorporation of the Company shall be governed by the Financial Holding Company Act, the Company Act, the Banking Act and other applicable regulations.



### **ARTICLE 33**

These Articles of Incorporation were promulgated on December 19, 2001. The first amendment was made on June 12, 2002, the second amendment was made on November 11, 2002, the third amendment was made on June 6, 2003, the fourth amendment was made on June 11, 2004, the fifth amendment was made on June 23, 2006, the sixth amendment was made on June 13, 2008, the seventh amendment was made on June 19, 2009, the eighth amendment was made on June 23, 2010, the ninth amendment was made on June 28, 2011, the tenth amendment was made on June 15, 2012 and the eleventh amendment was made on June 24, 2014, and the twelfth amendment was made on June 24, 2016.

## **Appendix 2**

### **Mega Financial Holding Company Rules of Procedures for Shareholders Meetings**

Established on June 12, 2002

Amended on November 11, 2002

Amended on June 11, 2004

Amended on June 21, 2013

#### **Article 1**

To establish a strong governance system and sound supervisory functions for this Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted.

#### **Article 2**

The rules of procedures for this Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

#### **Article 3**

The venue for a shareholders meeting shall be the premises of this Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting shall not start earlier than 9 a.m. or later than 3 p.m.

#### **Article 4**

When attending shareholders meetings, shareholders or their proxies shall exchange a sign-in card for attendance cards in lieu of signing.

Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards. Solicitors soliciting proxy forms shall also bring identification documents for verification.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

#### **Article 5**

If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.

If a shareholders meeting is convened by any person, other than the board of directors, entitled to convene the meeting, such person or the person elected from among the convening persons shall chair the meeting.

It is advisable that this Company's shareholders meetings convened by the board of directors be attended by a majority of the directors.

This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

#### **Article 6**

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated based on the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronic transmission.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.

If the attending shareholders have constituted a majority of all issued shares by the end of the meeting, the chair may resubmit the tentative resolution for approval pursuant to Article 174 of the Company Act.

#### **Article 7**

If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party, other than the board of directors, entitled to convene such meeting.

Unless otherwise resolved by the meeting, the chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions).

After adjournment of the meeting, shareholders may not elect a new chair and then resume the meeting at the same venue or another place.

#### **Article 8**

Before speaking at the shareholders meeting, an attending shareholder must specify on a speaker's slip the summary of the speech, his/her shareholder account number (or attendance

card number), and account name. The sequence of shareholders' speech will be determined by the chair.

If any attending shareholder submits a speaker's slip but does not actually speak, no speech shall be deemed to have been made by the shareholder. In case the content of the speech does not correspond to the contents given on the speaker's slip, the contents of actual speech shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the above rules or exceeds the scope of the agenda item, the chair may stop the speech of the shareholder.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders speech on non-proposal at the proceedings of extraordinary motions.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless otherwise permitted by chair and the speaking shareholder; otherwise, the chair shall stop such interruption.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After the speech of an attending shareholder, the chair may respond in person or designate relevant personnel to respond.

#### **Article 9**

When the chair is of the opinion that a proposal has been sufficiently discussed to put it to a vote, the chair may announce the discussion closed and call for a vote.

#### **Article 10**

Except as otherwise provided by laws and regulations, a resolution of a shareholders meeting shall be adopted by the majority vote represented at the meeting. Upon voting for resolution on a proposal, if no opposition is expressed by any of the shareholders present at the meeting in response to the chairperson's invitation for opinion on that proposal, and no shareholders express opposition or waive the rights by electronic or correspondence means, the resolution shall be deemed adopted unanimously and will function just as one adopted by voting.

If the same agenda has an amended or substitute agenda, the chair shall decide the sequence of voting for such agenda; provided that if any one of them has been approved, the others shall be deemed vetoed and no further voting will be required.

## **Article 11**

Voting at a shareholders meeting shall be calculated based on the number of shares.

A shareholder shall be entitled to one vote for each share held.

Except for trust enterprises or a shareholder services agent approved by the competent securities authority, the proxy right of a person who acts as the proxy for two or more shareholders shall not exceed 3 percent of the total issued voting shares of this Company. If that percentage is exceeded, the excess portion of voting rights shall not be counted.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder, unless otherwise provided by laws or regulations.

## **Article 12**

The voting right at a shareholders meeting shall be exercised by electronic transmission or correspondence. A shareholder exercising voting rights by correspondence or electronic transmission will be deemed to have attended the meeting in person, but shall be deemed to have waived his/her voting rights with respect to the extraordinary motions and amendments to the original proposals of that meeting.

In case a shareholder has exercised his/her/its voting right by way of electronic transmission or correspondence, and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, then the voting right exercised by the authorized proxy for the said shareholder shall prevail.

## **Article 13**

Vote monitoring and counting personnel for the voting on proposals or elections shall be appointed by the chair, provided, however, that all monitoring personnel shall be shareholders of this Company. Vote counting shall be conducted in public at the meeting venue. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

## **Article 14**

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

**Article 15**

This Company shall make an audio and video recording of the proceedings of the shareholders meeting. The recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

**Article 16**

Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm badges.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or arm badges bearing the word "Proctor."

If the meeting place is equipped with loudspeaker equipment, the chairman may stop any shareholders using equipment not installed by the Company from speaking.

When a shareholder violates these Rules and defies the chair's correction, obstructs the proceedings of the meeting and fails to desist, the chair may direct the proctors or security personnel to escort the shareholder to leave the meeting place.

**Article 17**

Any matters not otherwise provided in these Rules shall be governed by the Company Act, other applicable regulations and the Articles of Incorporation.

**Article 18**

These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings

## **Appendix 3**

### **Mega Financial Holding Company Procedures for Election of Directors**

Established on June 12, 2002

Amended on November 11, 2002

Amended on June 13, 2008

Amended on June 15, 2012

#### **Article 1**

The Company's directors shall be elected in accordance with the Procedures.

#### **Article 2**

The number of directors of the Company is specified in the Company's Articles of Incorporation and shall be determined by the resolution of the board of directors.

#### **Article 3**

Starting from 2013, the Company's directors shall be elected by means of the candidate nomination system. The shareholders shall elect the directors from among the nominees listed in the roster of director candidates.

If the candidate nomination system is adopted, the company shall, prior to the share transfer suspension date dedicated before the meeting date of a shareholders' meeting, announce in a public notice, the period for accepting the nomination of director candidates, the quota of directors to be elected, the place designated for accepting the roster of director candidates nominated, and other necessary matters according to the applicable laws.

#### **Article 4**

The Company's directors shall be duly elected by means of the registered form accumulated balloting system. Each share is entitled to voting rights equivalent to the number of directors to be elected. Such voting right may be cast for a single candidate or split among several candidates.

The independent directors and non-independent directors shall be elected at the same time, with voting rights separately calculated for independent and non-independent director position. The independent directors shall be duly elected in accordance with the "Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies" and the laws and ordinances concerned.

#### **Article 5**

The candidates receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any

person not in attendance.

#### **Article 6**

The ballots shall be produced by the Board of Directors and shall specify the number of each shareholder's voting rights and the number of the attendance card, and be affixed with the seal of the board of directors.

#### **Article 7**

Before the election commences, the chair shall designate several scrutineers with shareholder status, and several ballot counting personnel.

#### **Article 8**

The ballot box for the election shall be prepared by the Board of Directors and inspected by the scrutineers publicly prior to the voting.

#### **Article 9**

If the candidate is a shareholder, electors shall enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's name and ID number.

Where the candidate referred to in the preceding paragraph is a government or juristic-person shareholder, it is also necessary to enter the government's or juristic-person shareholder's name. Where the candidate is the representative of a government or juristic-person shareholder, it is necessary to enter both the name of the government or juristic-person shareholder and the representative. Where there are multiple representatives, it is necessary to enter the name of the government or juristic-person shareholder and also the representatives separately.

#### **Article 10**

In the event of any of the following circumstances, ballots shall become invalid:

1. Where the ballots are not prepared by the Board of Directors.
2. Where ballots cast into the ballot box remain blank.
3. Where ballots are not cast into the ballot box.
4. Where the account name or shareholder's account number of the candidate who is a shareholder does not conform to those given in the roster of shareholders.
5. Where the name and ID number of the candidate who is not a shareholder are found inconsistent upon verification, or unable to cross check.
6. Where there are other graphic, marks, or unknown objects written on or attached with the ballots, in addition to the candidate's account name (name) and shareholder's account number or ID number.



7. Where the writing is unclear and indecipherable, or has been altered.
8. Where the candidate's account name (name), shareholder's account number or ID number is not written in the ballots.
9. Where two or more candidates are filled out in the same ballot.

#### **Article 11**

The ballots shall be counted on site upon the completion of the voting process. The ballot counting result shall be announced by the chairperson on site.

#### **Article 12**

Matters not addressed by these Articles shall be governed by the Company Act, other applicable laws and regulations, and the Company's Articles of Incorporation.

#### **Article 13**

The Procedures shall be enforced upon resolution of the shareholders' meeting. The same shall apply where the Procedures are amended.

## Appendix 4

### Mega Financial Holding Co., Ltd. Shareholding of Directors

Book closure date: April 17, 2018

Position	Name	Shareholding (shares)	Percentage
Chairman	Chao-Shun Chang (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Kuang-Hua Hu (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Chia-Chi Hsiao (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Cheng-Te Liang (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Chun-Lan Yen (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Tzong-Yau Lin (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Shiow-Huey Yeh (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Wen-Ling Hung (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Chiu-Fa Tsai (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Jiunn-Rong Chiou (Representative of National Development Fund, Executive Yuan, R.O.C.)	830,973,202	6.11%
Director	Jui-Chi Chou (Representative of Chunghwa Post Co. Ltd.)	487,484,910	3.58%
Director	Ye-Chin Chiou (Representative of Bank of Taiwan Co. Ltd.)	334,951,379	2.46%
Independent Director	Tsun-Siou Li	0	-
Independent Director	Chi-Hung Lin	0	-
Independent Director	Keh-Nan Sun	0	-
Number of the shares held by all directors: 2,796,453,374 shares (20.55%)			
Minimum number of directors' shareholding required by the FSC: 160,000,000 shares (1.18%)			

Note: As the Company has established the Audit Committee, the minimum shareholding requirements for supervisors shall not apply.