

# **Mega Financial Holding Company**

## **Minutes of the 2021 Annual General Shareholders' Meeting**

Date and Time: 9:00 a.m., July 20, 2021

Venue: No. 35, Fuxing 2nd Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.) (The parking lot of the Lizhi Building, which is belonged to Mega International Commercial Bank Co., Ltd.,)

Attendance: The number of shares in attendance is 9,359,610,407 shares (including 8,982,567,759 shares attended through electronic means). This constitutes 76.72% of the total 12,198,692,252 shares issued, excluding 1,401,131,731 shares retained in China.

Attending directors: (8 directors, more than half of directors)

### Directors

Chao-Shun Chang, Kuang-Hua Hu, Yong-Yi Tsai, Cheng-Te Liang, Chun-Lan Yen,  
Chi-Hsu Lin

### Independent Directors

Jiun-Wei Lu (Chair of the Audit Committee), Chang-Ching Lin

Observers:

Hwa-Inn Kai, Attorney-at-Law, Lotus International Law Office  
Shu-Mei Chi, CPA, PricewaterhouseCoopers, Taiwan

Chairman: Chao-Shun Chang, Chairman of the Board of Directors

Minutes taken down by Ching-Lun Liao

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

### **2. Chairman's Remarks (omitted)**

### **3. Reports Items**

(1) 2020 Business Report (Please refer to Attachment 1 for the 2020 Business Report)

(Noted)

(2) Audit Committee's Review Report on 2020 Business Report and Financial Statements.

(Please refer to Attachment 2 for the Audit Committee's Review Report)

(Noted)

(3) The Distribution of Remuneration of Directors and Employees in 2020.

(Noted)

(4) Issuance of Corporate Bonds in 2020.

(Noted)

Statement Summary:

1. Shareholder (No. 1407671) inquired about the penalties imposed against the Mega International Commercial Bank and Mega International Investment Trust Co., Ltd. by the FSC.
2. Shareholder (No. 0596415) raised two questions, including the shareholder's portrait rights in the shareholder meeting and the incidents of violating the Labor Standards Act stated of Mega International Commercial Bank, Mega Securities Co., Ltd. and Chung Kuo Insurance Co., Ltd in the Annual Report.
3. Shareholder (No. 0837354) raised question on profit decline, future strategies and adjustment of operating targets of 2021 for the Company and the Bank subsidiary.
4. Shareholder (No. 0827304) proposed to raise the statutory contribution rate of pension fund of bank subsidiary in order to retain talents.
5. Shareholder (No. 0962593) recommended that the group's relevant anti-epidemic subsidy measures be standardized. Furthermore, the profit of Mega Securities has been raising significantly in recent year, the Company should honor system to reward employees to avoid labor conflicts.
6. Shareholder (No. 0970388) inquired in spite of the leading position of the Bank subsidiary in initiating digital transformation, the applications for loans are still falling behind the industry, and the company should check out the cause. In addition, the Shareholder proposed that the Company or its subsidiaries could found an innovative working group in the Sustainability Committee to improve the group digital products and promote the innovative service.
7. Shareholder (No.0596415) inquired the operation items such as reduced bank deposit spreads and non-performing loans

(The above questions and suggestions were responded by the Chairman and the President)

#### **4. Matters for Recognition**

**Proposal 1:** 2020 Business Report and Financial Statements. (Proposed by the Board of Directors)

Explanation: The Company's 2020 financial statements have been audited by CPA Chi, Shu-Mei and Lai, Chung-Hsi of PricewaterhouseCoopers, Taiwan (PwC). The above-mentioned financial statements and the business report of 2020 have been approved by the Board and reviewed by the Audit Committee. Please refer to Attachments 1 and 3 for the 2020 Business Report and Financial Statements.

Statement Summary:

1. Shareholder (No. 1133074) inquired the disposal of employees getting COVID-19
2. Shareholder (No. 1456790) proposed to increase the employee benefits of Mega Security to improve jobs retention.
3. Shareholder (No. 1133027) inquired about the poor integration on information system of Mega Securities that cause turn off customers and should check out the cause.
4. Shareholder (No. 0596415) inquired about the follow up litigation cases in past two years that stated and quirefy of “Increase in investments in debt instruments measured at amortized cost” in the Annual Report . Suggest the Company should establish directors’ emoluments system by the surplus of the Company.

(The above questions and suggestions were responded by the Chairman.)

**RESOLVED:** Approved as proposed, voting results are as follows:

Total votes	Approval votes	Disapproval votes	Abstention votes	Invalid votes
9,359,610,407	8,711,220,721	6,004,629	642,385,057	0
100%	93.07%	0.06%	6.87%	0%

**Proposal 2:** The Proposal for Distribution of 2020 Earnings. (Proposed by the Board of Directors)

Explanation: The Board of Directors proposed to distribute a dividend of NT\$1.58 per share in cash with aggregate cash dividends of NT\$21,487,721,893. 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 per share based on the cash dividend resolved to be distributed and the number of shares outstanding on the ex-dividend record date. Please refer to Attachment 4 for the 2020 Earnings Distribution Table.

Statement Summary:

Shareholder (No.0596415) inquired about the cash dividends in this and last year that stated in the Annual Report.

(The above question was responded by the Chairman.)

**RESOLVED:** Approved as proposed, voting results are as follows:

Total votes	Approval votes	Disapproval votes	Abstention votes	Invalid votes
9,359,610,407	8,714,548,342	14,366,494	630,695,571	0
100%	93.10%	0.15%	6.75%	0%

## 5. Matters for Election and Discussion

**Proposal 1:** The Election of the 8th Term Board of Directors. (Proposed by the Board of Directors)

Explanation: 1.The tenure of the Company's 7th term Board of Directors will expire on June 30, 2021. 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 5 independent directors) for the 8th term Board of Directors. The tenure of the 8th term Board of Directors shall be 3 years, commencing from July 1, 2021 to June 30, 2024. The director candidates nominated have been reviewed and approved by the 35rd meeting of the 7th term Board of Directors on April 27, 2021.

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-Chung Chen	Ministry of Finance, R.O.C.
4		Pei-Chun Chen	Ministry of Finance, R.O.C.
5		Yih-Jiuan Wu	Ministry of Finance, R.O.C.
6		Chun-Lan Yen	Ministry of Finance, R.O.C.
7		I-Kan Chiu	Ministry of Finance, R.O.C.
8		Keh-Her Shih	National Development Fund, Executive Yuan, R.O.C.
9		Hong-Mo Wu	Chunghwa Post Co., Ltd.
10		Guo-Shin Lee	Bank of Taiwan Co., Ltd
11	Independent Director	Hung-Ju Chen	—
12		Tsai-Jyh Chen	—
13		Chi-Chang Yu	—
14		Ying Wu	—
15		Chang-Ching Lin	—

4. For candidates' profiles, please refer to Attachment 5.

5. Supplement :

The company's 2021 shareholders' meeting was scheduled to be held on June 25, 2021 originally. Due to Covid-19 epidemic, it was postponed to this date. We would

like to cooperate with the extension of the seventh term of directors in accordance with the Company Law. According to the regulations of the competent authority, the term of office of new directors shall be calculated from the actual re-election date. Therefore, the term of office of the eighth directors of the company was revised from July 20, 2021 to July 19, 2014. The elected directors will take office at the end of the shareholders' meeting.

#### **Voting Results:**

No.	Category	Shareholder or ID No.	Name of Elected Directors	Shares in Favor
1	Director	100001	Chao-Shun Chang (Representative of Ministry of Finance, R.O.C.)	13,103,551,864
2	Director	300237	Keh-Her Shih (Representative of National Development Fund, Executive Yuan, R.O.C.)	9,058,403,380
3	Director	100001	Kuang-Hua Hu (Representative of Ministry of Finance, R.O.C.)	8,382,941,167
4	Director	100001	Chun-Lan Yen (Representative of Ministry of Finance, R.O.C.)	7,664,225,865
5	Director	100001	Chia-Chung Chen (Representative of Ministry of Finance, R.O.C.)	7,567,793,596
6	Director	837938	Hong-Mo Wu (Representative of Chunghwa Post Co., Ltd.)	7,428,490,957
7	Director	637985	Guo-Shin Lee (Representative of Bank of Taiwan Co., Ltd.)	7,396,661,940
8	Director	100001	Pei-Chun Chen (Representative of Ministry of Finance, R.O.C.)	7,316,210,779
9	Director	100001	Yih-Jiuan Wu (Representative of Ministry of Finance, R.O.C.)	7,218,200,333
10	Director	100001	I-Kan Chiu (Representative of Ministry of Finance, R.O.C.)	6,746,594,213
11	Independent Director	D12095xxxx	Chang-Ching Lin	5,093,868,494
12	Independent Director	V22085xxxx	Hung-Ju Chen	5,002,220,589
13	Independent Director	U20045xxxx	Ying Wu	4,999,721,739
14	Independent Director	E22151xxxx	Tsai-Jyh Chen	4,998,793,252

15	Independent Director	B10092xxxx	Chi-Chang Yu	4,998,317,413
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**Proposal 2:** Proposal of Releasing the Prohibition on the 8th 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. Certain directors, including juristic person and its representative, of the Company participate in the operations, or appoint representative to serve as director of another company that is engaged in the same or similar business as the Company. It is proposed that the shareholders' meeting release the following directors from participation in competitive business during the tenure, according to Article 209 of the Company Act.

sition	Name of Director	Company	Concurrent Post
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
		Central Reinsurance Co., Ltd.	Director
Juristic Person shareholder	National Development Fund, Executive Yuan, R.O.C.	iPASS Corporation	Director
		Chang Hwa Commercial Bank, Ltd.	Director
		Taiwan Business Bank, Ltd.	Director
Juristic Person shareholder	Bank of Taiwan Co., Ltd.	First Financial Holding Co., Ltd.	Director
		Hua Nan Financial Holdings Co., Ltd.	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
		Taiwan Financial Asset Service Corporation	Director
		Taiyi Real-Estate Management Co., Ltd.	Director
		Taiwan Urban Regeneration & Financial Services Co., Ltd.	Director
Juristic Person shareholder	Chunghwa Post Co., Ltd.	Chang Hwa Commercial Bank, Ltd.	Director
Director	Chao-Shun Chang	Taipei Financial Center Corp.	Director
		Taiwan Asset Management Corporation	Director
		Taiwania Capital Management Corporation	Director
		Taiwania Capital Buffalo Fund Co., Ltd.	Supervisor
Director	Kuang-Hua Hu	Next Commercial Bank Co., Ltd.	Director
Director	Hong-Mo Wu	Chunghwa Post Co., Ltd.	Chairman

Statement Summary:

1. Shareholder (No. 0837354) inquired about the construction progress of Group's new headquarters, and proposed to provide employee extra paid leave with COVID-19 vaccination and subsidize for the pandemic insurance.

2. Shareholder (No. 0596415) made suggestion on the progress of releasing the prohibition on the Directors from participating in competitive business in the shareholders' meeting.  
(The above questions and suggestions were responded by the Chairman.)

**RESOLVED:** Proposal was approved as proposed, voting results are as follows:

Director	Shares voted *	Votes in favor (%)	Votes against (%)	Votes abstained (%)	Votes invalid
Ministry of Finance	8,216,566,524	7,476,615,424 (90.99%)	5,085,328 (0.06%)	734,865,772 (8.95%)	0
National Development Fund, Executive Yuan, R.O.C.	8,528,637,205	7,788,830,218 (91.32%)	5,054,552 (0.05%)	734,752,435 (8.63%)	0
Bank of Taiwan Co., Ltd	9,024,659,028	8,284,816,567 ( 91.80%)	5,028,771 ( 0.05%)	734,813,690 ( 8.15%)	0
Chunghwa Post Co., Ltd.	8,868,831,497	8,128,944,737 (91.65%)	5,077,962 (0.05%)	734,808,798 (8.30%)	0
Chao-Shun Chang (Ministry of Finance, R.O.C)	8,216,278,811	7,472,907,124 (90.95%)	8,580,483 (0.10%)	734,791,204 (8.95%)	0
Kuang-Hua Hu (Ministry of Finance, R.O.C)	8,216,566,524	7,476,163,892 (90.98%)	5,625,520 (0.06%)	734,777,112 (8.96%)	0
Hong-Mo Wu (Chunghwa Post Co., Ltd. )	8,868,831,497	8,128,151,887 (91.64%)	5,809,566 (0.06%)	734,870,044 (8.30%)	0

\* Shareholders having conflicts of interest recuse themselves from voting.

## 6. Special Motions

Statement Summary:

Shareholder (No. 0596415) made suggestions which are about the remit and the proposal review of Shareholders' Meeting.

(The above suggestion was responded by the Chairman.)

After inquiring all participating shareholders by the Chairman, no shareholder's provisional motion was submitted.



## **7. Meeting adjournment: (11:41 a.m.)**

### **Attachments :**

**Attachment 1.** 2020 Business Report

**Attachment 2.** Audit Committee's Review Report

**Attachment 3.** 2020 Financial Statements

**Attachment 4.** 2020 Profit Distribution Proposal

**Attachment 5.** Profiles of Director & Independent Director Candidates

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Note 1: The Meeting Minutes extract only the keynote of shareholder statements. Details are subject to live recordings and videos.

Note2: The two proposals in Matters for Recognition were put to the vote at the same time after discussion, and the voting results were recorded separately in the resolution of each proposal.

## **Attachment 1**

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

#### **2020 Business Report**

The impact of COVID-19 on the global economy has been a once-in-a-century event. In the latest edition of "World Economic Situation and Prospects" published by the United Nations on January 25, 2021, it can be seen that in the context of the pandemic's large-scale disruption of global supply chains and tourism, worldwide trade shrank 7.6% in 2020 while the global economy declined 4.3%. The magnitude of the recession thus exceeded that of the financial crisis by more than 2.5 times. On the other hand, the game between the two major powers of the United States and China continues. As far as the impact is concerned, the global technology supply chain is undergoing reorganization. The long industrial chain, originally based on comparative benefits, has been transformed into a localized and decentralized global layout of deconstruction and reorganization. The U.S.-China trade war has been extended into a war over science and technology, and confrontation between the two countries is gradually taking shape. The COVID-19 pandemic has hindered trade and investment and has had a long-term impact on the world. Uneven distribution of income has worsened, and the unemployment rate of low-skilled workers has risen. Meanwhile, extremely loose monetary policies have injected considerable liquidity into markets, and funds flowing into real estate and financial assets have heightened the risk of financial market bubbles. Under circumstances of a negative base period, major international economic forecasting agencies including the World Bank, IHS Markit, EIU, United Nations, IMF, and so on have announced their projections of the new year's global economic growth rate between 4.0% and 6.0%.

Benefiting from the government's advanced pandemic prevention measures as well as the impact of global pandemic prevention materials and remote business opportunities, Taiwan's economic performance in 2020 ranked first among the world's top 30 countries in GDP. Intermediary trade cooled at the start of the pandemic and the economic growth rate in the first quarter of 2020 was 2.51%. As the pandemic spread, many countries showed exponential growth in their numbers of cases. Global demand thus fell sharply, and continued tensions between the US and China extended the impact on industrial supply chains. The decline in oil prices, along with shrinking private consumption in areas such as tourism, lodging, and catering, brought the economic growth rate in the second quarter to a low of 0.35%. Fortunately, thanks to the government's stimulus measures and the emergence of the stay-at-home economy, commodity exports and industrial production were able to grow. Coupled with the formation of high-end capital in areas such as semiconductors, the Three Major Programs for Investing in Taiwan have been gradually implemented, thereby pushing economic growth in the third and fourth quarters to 4.26% and 5.09% respectively. The total economic growth rate for all of 2020 was 3.11%. Taiwan's advanced pandemic prevention and solid economic strengths have propelled continued growth in the economy. In December 2020, monitoring indicators flashed yellow-red, setting a new record for

the past ten years; and in January 2021, export values marked a new high. The prospects for semiconductors, passive components, and the information and communications industries continue to be bright, and green energy industries such as offshore wind power continue to expand. Taiwan's economic growth rate is thus expected to continue rising this year: the Directorate General of Budget, Accounting and Statistics of the Executive Yuan has substantially revised up its projection of the economic growth rate in 2021 to 4.64%, its highest level in the past seven years. Major economic forecasting agencies predict that Taiwan's economic growth will range between 3.2% and 5.9%.

The Company and its subsidiaries continue to develop business and digital transformation. In 2020, Mega International Commercial bank was rewarded the excellent "The Best Oversea Development" for its global expansion; the excellent "The Best Risk Management" and the excellent "The Best Consumer Finance" for its intelligent risk system and promotion of consumer finance. Mega Bill was rewarded the excellent "The Best Bill Finance." The outstanding performance is the best among government-owned. Although the operation environment was tough in 2020 under global-wide interest rate cut and government bail outs, the Company still performed well in 2020: The consolidated profit of 2020 reached NT\$25,018 million. The EPS was NT\$1.84. The operation guidelines, implementation overview, implementation of business plans, implementation of budget, financial results and profitability analysis, and research and development of the Company in 2020 are shown below:

## **I. Operational Guidelines**

1. Optimizing oversea deployment and deepening customer relationships.
2. Strengthening existing profit base and diversifying revenue sources.
3. Cultivating risk management culture and implementing risk management.
4. Perfecting information security management and optimizing service innovation.
5. Fulfilling corporate social responsibility and adding Company's long-term value.
6. Strengthening institutional investor relationship and increasing information transparency.
7. Fortifying anti-money laundering practice and optimizing legal compliance management.

## **II. Implementation Overview**

### **(1) Continue to enhance the subsidiary's business**

The subsidiaries of the Company had continued to enhance their business operations in 2020 based on the existing foundation. In terms of corporate finance business, the Bank's syndicated loan business had a market share of 13.10% in 2020, ranked 2<sup>nd</sup> in the syndicated loan market in Taiwan. By the end of 2020, its credit business captured the 4<sup>th</sup> position among local banks, with a market share of 6.25%. The loan business captured the

6<sup>th</sup> position among local banks, with a market share of 6.04%. The corporate loan business had a market share of 6.01%, ranking on the 6<sup>th</sup> place. The SME loan business had a market share of 6.78%, ranking on the 5<sup>th</sup> place among the local banks. In terms of consumer finance business, after making every effort to expand the business and expansion of the second profit generating source, the Bank had a consumer loan outstanding of NT\$497.5 billion by the end of 2020, increasing by 16.07% from the NT\$428.6 billion in 2019. The CP2 issued amounts of Mega Bills Finance had a market share of 26.80% in 2020. Its bills trading and bond trading in the secondary market had a market share of 29.48% and 28.95%, respectively, and the bills guarantee business had a market share of 30.16%, all ranking as the first place in the market. Mega Securities' securities brokerage market share grew to 3.29% in 2020, ranking on the 8<sup>th</sup> place in the market. Number of IPO underwriting ranked 1<sup>st</sup> and number of bond underwriting lead managed ranked 3<sup>rd</sup>. Chung Kuo Insurance Company's aviation insurance business had a market share of 14.61% in 2020, ranking on the 3<sup>rd</sup> place in market. The marine insurance business had a market share of 9.61% in 2020, ranking in the 3<sup>rd</sup> place in the market.

## (2) Management Goals

To cope with the pandemic and the challenge from China-US tension, the Company use "Change, Challenge, and Chance" as the slogan for the upcoming year. In the future, the Company will continue to renovate and conduct business structure adjustment to obtain new business opportunities for profit growth. The methods are as below:

### 1. Implementation of ESG plan gradually

To pursue sustainable growth and construct sustainable development blue print, and to guild the Company and its subsidiaries develop a business model that is balanced between economic growth and environmental protection, the Company will construct an intact ESG action plan and implement, to assist the corporates' sustainable transformation and play a positive force for the sustainable development of the society.

### 2. Deepen or adjust the core business of the subsidiary companies

The company will continue to upgrade digital finance services and develop/optimize fintech application to strengthen core business and optimize profitability. To strengthen risk management and increase operation efficiency, the Bank implemented three re-organization. First it expanded the back office into four centers: operation, risk management, IT, and administration. Second it appointed 16 branches as center foreign exchange branch to handle foreign exchange transactions. Also the wealth management business upgrade to one-stop operation from headquarters to branches. As for other business, full function branch operation is adapted. Bill finance subsidiary has implemented ESG and digital transformation.

### 3. Aggressively support wealth management 2.0 business

To cope with the competent authority to develop Taiwan as the high wealth management and fund procurement center for corporates in Asia, the Bank and Security subsidiaries

were approved to run wealth management 2.0 business at the end of 2020. They will integrate the group's resources and focus on high wealth customers' wealth management need and provide diversified financial products and consulting services to continuously develop fee income of related products.

4. Strengthen the performance and position of financial operations

The Company focuses the currency policy of main countries, stay on top of fluctuation of foreign exchange rate and international stock and bond market, actively conduct various financial operation, and maintain its leading position in the bills and bond market. Also the Company will optimize the performance of securities proprietary trading, increase premium high yield stock investment, and activate the assets allocation to improve investment performance.

5. Accelerate digital transformation of the Group.

The pandemic has accelerated the change of life style and operation model. The Company promotes digital transformation. Based the customers' need and integrated digital finance and innovation mindset, the Company rolled out many online platform and new digital services such as online foreign exchange settlement, intelligent customer service, robot wealth management, intelligent ATM, mortgage e-service. Also, through the optimization of digital finance and user experience, the AI ATM assistant provides in-time translation, multiple payment methods, and function confirmation to accelerate the digital transformation of the Group, simplify operation process, and provide more convenient and intact services to the clients.

### **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 investee enterprises. In May 2020, Mega Life Insurance Agency Co., Ltd. has officially merged into Mega International Commercial Bank Co., Ltd. as the life insurance agency division. As of the end of 2020, the seven subsidiary companies, in which the Company has direct controlling interest are Mega International Commercial Bank Co., Ltd (Mega Bank)., Mega Securities Co., Ltd (Mega Security)., Mega Bills Finance Co., Ltd. (Mega Bill Finance), Chung Kuo Insurance Co., Ltd. (Chung Kuo Insurance), Mega International Investment Trust Co., Ltd., Mega Asset Management 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 foreign exchange business in US\$ million

Item \ Year	2020	2019	Change (%)
Deposits (including due to Chunghwa Post Co., Ltd.)	2,466,983	2,406,806	2.50
Loans, Import/export bills negotiated	1,878,342	1,841,478	2.00
Corporate financing	1,424,607	1,436,729	-0.84
Consumers financing (excluding credit card revolving loans)	453,735	404,749	12.10
Foreign exchange business	845,295	880,043	-3.95
Securities purchased	712,320	564,119	26.27
Long-term equity investments	20,903	19,059	9.68
Credit card revolving loans	1,436	1,274	12.72

Note: 1. All figures above are in average yearly basis, except foreign exchange business as in aggregation basis. All loan balances are excluded of bad-debt.

2. The non-performing loans outstanding at the end of 2020 amounted to NT\$3,977 million, representing a non-performing loan ratio of 0.21%, while the bad debt coverage ratio reached 725.59%.

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

Item		2020	2019	Change (%)
Securities brokerage	Market share of brokerage	3.29% (Rank 8 <sup>th</sup> )	3.23% (Rank 9 <sup>th</sup> )	0.06
	Market share of margin loan	5.36% (Rank 6 <sup>th</sup> )	5.53% (Rank 6 <sup>th</sup> )	-0.17
Equity underwriting	Number of IPO lead managed	3(Rank 1 <sup>th</sup> )	2(Rank 6 <sup>th</sup> )	50.00
Bond underwriting	Number of corporate bond issues lead managed	8(Rank 6 <sup>th</sup> )	2(Rank 10 <sup>th</sup> )	300.00
	Amount of corporate bond issues lead managed (NT\$ billion)	23.2 (Rank 10 <sup>th</sup> )	10.5 (Rank 9 <sup>th</sup> )	120.95
New financial products	Number of warrants issued	1,545 (Rank 8 <sup>th</sup> )	1,243 (Rank 10 <sup>th</sup> )	24.30
	Amount of warrants issued (NT\$ billion)	8.7 (Rank 11 <sup>th</sup> )	10.5 (Rank 10 <sup>th</sup> )	-17.14

Note: It is the ranking among local securities peers in 2020.

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

Units: NT\$ million

Item	2020	2019	Change (%)
Underwriting and purchasing of bills	2,912,991	2,705,942	7.65
Underwriting amount of commercial paper issued for funding purpose (CP2)	2,701,061	2,472,063	9.26
Trading volume of bills	9,104,451	8,634,497	5.44
Trading volume of bonds	4,324,507	4,779,451	-9.52
Average outstanding balance of guaranteed issues of commercial paper	167,654	165,614	1.23
Overdue credit amounts	0	0	-
Percentage of overdue credits (%)	0	0	-

Note: The decrease of underwriting and purchasing of bills in 2020 compared to 2019 is due to exchange rate fluctuation of foreign bond transaction and longer trading terms.

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

Unit: NT\$ million

Item	2020	2019	Change (%)
Direct written premiums	7,813	7,468	4.62
Reinsurance premiums	752	770	-2.34
Total	8,565	8,238	3.97

Note: The decrease of reinsurance premiums in 2020 compared to 2019 is due to the control of reinsurance business loss and thus adjust the higher risk reinsurance business upon renewal.

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

Unit: NT\$ million

Item	2020	2019	Change (%)
Public funds under management	88,172	92,398	-4.57
Private placement funds under management	15,626	16,248	-3.83
Discretionary account	758	795	-4.65
Total	104,556	109,441	-4.46

Note: The decrease of public funds under management in 2020 compared to 2019 is mainly due to the pandemic and US-China trade tension, plus the liquidation of two funds matured. The decrease of private placement funds under management and discretionary account is due to the change of NTD/USD exchange rate.

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

Unit: NT\$ million

Item	2020	2019	Change (%)
Service Income (Note 1)	413	331	24.77
Gain from recovery of NPL purchased and the disposal of related collateral (Note 2)	7	79	-91.14
Rental income (Note 3)	4	1	300.00
Interest income	2	2	—
Total	426	413	3.15

Note:1.The increase of service income is from the continuous development of urban renewal/dangerous old building rebuilt business.

2.The decrease is due to the recognition of loss of the disposal of Hua-Chi hospital in 2019.

3.The increase is from the rent of invested properties since Jan 2019, Dec.2019, and Jun 2020.

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

Unit: NT\$ million

Item	2020	2019	Change (%)
Drawdown of long term equity investment	195	214	-8.88
Balance of long term equity investment	709	686	3.35

Note: In 2020 the impact of the pandemic cause huge volatilization on financial market thus the company invest conservatively to maintain the stability of the portfolio.

**IV. Implementation of Budget**

(1) The Company's 2020 budget and its implementation are as follows:

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

Item	Final accounting figure, 2020	Budget figure, 2020	Achievement Rate (%)
Revenues	25,588.70	25,307.49	101.11
Expenses and losses	468.96	498.70	94.04
Net income before tax from continuing operations	25,119.74	24,808.79	101.25
Net income	25,017.97	24,682.94	101.36
Earnings per share	1.84	1.81	101.66

Note: The figures are in unconsolidated basis



(2) The Company's Subsidiaries' 2020 budget and its implementation are as follows:

Unit: NT\$ million

Name of subsidiary	Net income before tax - actual	Net income before tax - budget	Achievement Rate (%)
Mega International Commercial Bank Co., Ltd.	23,409.10 (Note 2)	24,056.69	96.87 (Note 2)
Mega Securities Co., Ltd.	1,772.51	911.39	194.48
Mega Bills Finance Co., Ltd.	3,605.41	3,212.27	112.24
Chung Kuo Insurance Co., Ltd.	397.96	553.47	71.90
Mega Asset Management Co., Ltd.	260.55	256.65	101.52
Mega Venture Capital Co., Ltd.	69.66	34.03	204.70
Mega International Investment Trust Co., Ltd.	101.96	114.92	88.72

Note: 1.The figures are in unconsolidated basis.

- 2.On May 12, 2020, Mega Bank merged Mega Life Insurance Agency. According to IFRS, the merger is viewed as happened from the beginning of the year. Thus, net income before tax-actual of Mega Bank includes the income of Mega Life Insurance Agency, which is 105 million. If the 105 million is excluded, the net income before tax-actual of Mega Bank is 23,303.90 million, representing an achievement rate of 96.87%.
- 3.The global-wide interest rate cut and slower economic growth caused by the COVID-19 pandemic impacted the interest net income and fee net income below as expected. Thus the above caused Mega Bank achieved only 96.87%, not being able to reach the target.
- 4.Chung Kuo Insurance failed to reach the budget with achievement rate of 71.90% is because the underwriting profit is lower.
- 5.Mega International Investment Trust Co., Ltd. failed to reach the budget with achievement rate of 88.72% is because the fund size shrank because of investors' redemption.

## V. Financial Results and Profitability Analysis

The Company and its subsidiaries' consolidated net income before tax in 2020 amounts to NT\$29,331 million, a decrease of NT\$4,324 million or 12.85% compared to 2019. The decrease are mainly due to the below: net interest revenue decreased NT\$ 3,516 million; revenue other than interest decreased NT\$949 million, which is caused by the decrease of gain on financial asset and liabilities at fair value through profit or loss and the decrease of foreign exchange gains, offset by increase of realized gain on financial assets at fair value through other comprehensive income and increase of service fee revenue and commissions; bad debts expense and provisions increased by NT\$ 1,657 million; operating expense decreased NT\$1,798 million. The Company and its

subsidiaries' consolidated net income after tax is NT\$ 25,018 million, a decrease of NT\$3,937 million or 13.60% compared to 2019. The Company's consolidated ROA is 0.66%, and ROE 7.69%. A breakdown of the financial results of the Company and its subsidiaries in 2020 are shown in the table below:

Unit: NT\$ million,

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share (NT\$)	Return on Assets (%)	Return on Equity (%)
Mega FHC & Its Subsidiaries (Consolidated)	29,330.64	25,017.97	1.84	0.66	7.69
Mega FHC (Unconsolidated)	25,119.74	25,017.97	1.84	6.84	7.69
Mega International Commercial Bank Co., Ltd.	23,409.10	20,332.08	2.38	0.60	6.93
Mega Securities Co., Ltd.	1,772.51	1,546.60	1.33	2.22	9.13
Mega Bills Finance Co., Ltd.	3,605.41	2,931.00	2.23	1.04	7.36
Chung Kuo Insurance Co., Ltd.	397.96	301.83	1.01	1.65	4.22
Mega Asset Management Co., Ltd.	260.55	208.44	1.04	1.61	7.53
Mega Venture Capital Co., Ltd.	69.66	68.30	0.68	8.58	8.58
Mega International Investment Trust Co., Ltd.	101.96	82.06	1.56	8.79	9.68

Note: 1.Return on assets = Net income after tax / Average assets; Return on equity = Net income after tax / Average equity.

2.Except for the consolidated financials of Mega FHC & its subsidiaries, all financials are in unconsolidated basis.

## VI. Research and Development

The Company and its subsidiaries' research and development progress in 2020 are summarized as follows:

- (1) At the beginning of 2020, the Company obtained a new patent for the enterprise financial warning detection system. In 2021, it plans to start building an ESG sustainable management platform to climate change risk measurement and management mechanisms (including those for high-carbon emission industries, high-risk industries/customer risk insurance statistics for customers in high-climate risk areas, and distribution of high-climate risk in the real estate collateral of banks and securities subsidiaries under RCP 8.5). In addition, we continue to evaluate the feasibility analysis of mergers and acquisitions, strengthen network architecture and information security protection systems, develop a negative information warning system for enterprises and industries while

cooperating with IFRS to promote the continuous development and optimization of financial reporting systems such as group equity evaluation, subsidiary financial performance management, and IFRS 16 lease measurement.

- (2) In order to promote technological and digital financial development, Mega Bank developed and optimized new financial products and digital financial applications in 2020 such as: optimize the “MegaBee Home Loan” online service to satisfy the various needs of borrowers through a one-stop service; improved the Proactive Money Laundering Prevention Risk Management Intelligent Global Risk Assessment System with advanced information systems, strengthening money laundering prevention mechanisms and risk management efficiency; developed online banking/mobile banking 24-hour foreign currency purchase/settlement transaction functions; and expanded the Data Application Platform function to assist business units in gaining in-depth knowledge of corporate customer-related information. While the Bank is investing in digital financial research and development, it is also actively applying for financial patent protection. As of the end of December 2020, a total of 215 new patents and 56 invention patents had been approved by the Ministry of Economic Affairs; in addition, there were 3 new model patents and 45 invention patents pending.
- (3) Mega Security listed on the OTC at the end of 2020 to issue the first track, "TPEx 200 Total Return Index Daily Return Leveraged 2X Index" ETN, providing customers with more diverse financial services. System functionality was improved in response to continuous trading introduced in March 2020 and intraday odd lot trading introduced in October 2020. At the same time, Mega Security continued to improve electronic transaction services, for example, through quarterly updates and expansion of Line@, the official website intelligent customer service, the welcome robot back-end knowledge base, and the addition of Line@ Mega Power Run warrant trading and screening functionality.
- (4) Mega Bill Finance has built a report management and accounting standardization operation platform, implemented a paperless conference system and paperless core report management system, launched the functions of "short-term bills bidding" and "sub-market electronic delivery of orders (concurrently operating as bills merchants)," promoted the electronic operation of bond passbooks and transaction orders, promoted the financial blockchain letter certification industry, developed a visual supervisory decision-making system, strengthened the implementation and transaction monitoring of anti-money laundering and anti-terrorism operations, and continued to improve the current operational risk self-assessment systems.
- (5) Chung Kuo Insurance used data to analyze the market and consumer behavior and develop marketable, competitive and niche insurance products. There was a total of 166 insurance products submitted in 2020. Among them, there were 9 approved products, 107 items for inspection, and 50 items for simple inspection.

## **Attachment 2**

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

The Board of Directors has prepared and delivered this Company's 2020 consolidated financial statements, audited by CPA Chi, Shu-Mei and Lai, Chung-Hsi of PricewaterhouseCoopers, Taiwan (PwC), the business report and earning distribution proposal. The above statements, report and proposal have been reviewed by the Audit Committee and considered in compliance with applicable laws and regulations. We hereby submit 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:

2021 Annual General Shareholders' Meeting

Mega Financial Holding Co., Ltd.

Chairman of the Audit Committee: Jiun-Wei Lu

Date : May 11, 2021



INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000428

To the Board of Directors and Shareholders of Mega Financial Holding Co., Ltd.

***Opinion***

We have audited the accompanying consolidated balance sheets of Mega Financial Holding Co., Ltd. and subsidiaries (collectively the "Mega Group") as of December 31, 2020 and 2019, 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, 2020 and 2019, 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***

For the year ended December 31, 2020, we conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Mega Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, 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, 2020 are addressed as follows:

#### **Recognition and measurement of expected credit losses on loans discounted**

##### Description

The recognition and measurement of expected credit losses on loans discounted complies with the regulations under IFRS 9 "Financial Instruments" and relevant regulations issued by the competent authority. For the accounting policy of recognition and measurement of expected credit losses on loans discounted, please refer to Note 4(9); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on loans discounted, please refer to Note 5(2). For information on gross loans discounted and allowance for bad debts, which amounted to \$1,919,124,189 thousand and \$29,165,967 thousand, respectively, as at December 31, 2020, please refer to Note 6(7); for disclosures of related credit risks, please refer to Note 8(3).

The subsidiary, Mega International Commercial Bank Co., Ltd. ("MIBC"), assesses the impairment of its loans discounted based on the expected credit loss model. At each financial reporting date, financial instruments are categorized into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (i.e. stage 1, there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (i.e. stage 2, there has been a significant increase in credit risk since initial recognition; or stage 3, the credit has impaired). The measurement of expected credit losses is based on a complex model, which includes various parameters and assumptions and reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. For example, the probability of default and loss given default are estimated using grouping and historical data and subsequently calibrated according to forward-looking information.

The aforementioned recognition and measurement of expected credit losses on loans discounted use a complex model, which involves various assumptions, estimates, and judgements, as well as predictions

and assessments of future economic conditions and credit behavior of debtors. The amounts, recognised in a manner consistent with regulations and interpretations, are directly subject to the measurement results. Thus, we have included recognition and measurement of expected credit losses on loans discounted as one of the key audit matters in our audit.

#### How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and assessed the related written policies and internal control system of loans discounted, the expected credit loss impairment model and methodology (including various parameters and assumptions, reasonableness of the measurement criteria for the three stages of credit risk, and the relevancy of future economic condition criteria in forward-looking information), and the approval process.
2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and its value assessment, controls for changes in parameters, and approval for provisioning of expected credit losses.
3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.
4. Sampled and tested probability of default, loss given default, exposure at default, and the discount rate.
  - (1) Sampled and tested assumptions for the parameters of the expected credit loss model, including the reasonableness of historical data on probability of default, loss given default, and exposure at default.
  - (2) Sampled and tested whether the calculation method of the discount rate of loss given default is in accordance with existing policy.
5. Sampled and tested forward-looking information.
  - (1) Sampled and tested the reliability of data on historical economic conditions (economic growth rate, annual inflation rate, etc.) adopted by management to measure expected credit losses under IFRS 9.
  - (2) Assessed the reasonableness of the forward-looking scenarios and their respective weights adopted by the management.



6. Assessed cases in stage 3 (credit impaired) with material amounts that were previously assessed individually.

Assessed the reasonableness and calculation accuracy of the various assumed parameter values (including debtor due period, financial and operational conditions, guarantees by external parties and historical data) adopted in the estimation of future cash flows.

### **Fair value measurement of unlisted stocks without an active market**

#### Description

For the accounting policy for unlisted stocks without an active market (included financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income), please refer to Note 4(7) ; for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(1); for details on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, please refer to Notes 6(3) and (4). The fair values of unlisted stocks without an active market were classified as financial assets at fair value through profit or loss amounting to \$6,899,919 thousand and financial assets at fair value through other comprehensive income amounting to \$17,657,661 thousand as at December 31, 2020.

The fair value of unlisted stocks is determined by valuation methods since these financial instruments have no quoted prices from active market. Management uses the market approach and net asset approach to measure the fair value. The market approach is based on the fair value of comparable listed companies in similar industries or recently published price-to-book ratios of industries in which the valuation target operates, and incorporates discounting according to market liquidity or specified risk.

The aforementioned fair value measurement involves various assumptions and significant inputs that are not observable. This leads to estimates that are highly uncertain and rely on the subjective judgement of management. Any changes to the judgements and estimates will affect the final measurement results, and in turn affect the financial condition of the Mega Group. Thus, we have included the fair value measurement of unlisted stock without active market as one of the key audit matters in our audit.



#### How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and assessed the related written policies, internal control system, fair value measurement models, and approval process of the fair value measurement of stocks of unlisted companies.
2. Ascertained whether the measurement used by the management is commonly utilized by the industry.
3. Assessed the reasonableness of similar and comparable companies used by management.
4. Examined inputs and calculation formulas used in valuation methods and agreed such data to their supporting documents.

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

#### Description

For the accounting policy for claims reserve (including those prior to and after reinsurance), please refer to Notes 4(20)4 and (26); for critical accounting judgements, estimates, and assumption uncertainty of claims reserve (including ceded reserves), please refer to Note 5(4); for details on claims reserve (and ceded reserves), please refer to Note 6(26).

The subsidiary, Chung Kuo Insurance Co., Ltd (CKI)'s claims reserve (including ceded reserve) uses the loss development triangle to estimate the reasonable amount of ultimate claims according to the Actuarial Department's historical claim experience and expenses by insurance type. As of December 31, 2020, subsidiary CKI's claims reserve and ceded claims reserve was \$4,377,670 thousand and \$2,355,094 thousand, respectively. Because the calculation method and assumptions for claims reserve involve the professional judgment of management, and because claims reserve is material to the financial statements, we have thus included the estimation of claims reserve and ceded claims reserve as a key audit matter 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 summarized as follows:

1. Obtained an understanding and assessed CKI's policies, internal controls and processing procedures for the calculation of the Company's claims reserves (included ceded reserves). Also, on a sampling basis tested the effectiveness of internal controls for provisions.

2. Sampled and inspected whether there were differences between the numbers referred to claims reserves (including those prior to and after reinsurance) and carrying amount in order to confirm the accuracy and completeness.
3. Used the work of actuarial specialists to assist us in assessing the reasonableness of the claims reserves (including those prior to and after reinsurance). This included the following procedures:
  - (1) Sampled and inspected the reasonableness of method used in the estimation of claims reserves;
  - (2) Sampled and inspected how provision were calculated to ensure the accuracy of the Company's contributed provision.
4. Sampled and inspected significant reported but not paid cases to assess the reasonableness of the estimated amount.

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

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with 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 Publicly Held Bill 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 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 Group's financial reporting process.



### *Auditors' responsibilities for the audit of the consolidated financial statements*

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



資誠

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 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 auditors' 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.

*Chi, Shu-Mei*

Chi, Shu-Mei

*Lai, Chung-Hsi*

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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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 independent auditors' review report 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.

Assets			December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Assets								
11000	Cash and cash equivalents	6(1)	\$	119,427,578	3	\$	146,189,216	4
11500	Due from the Central Bank and call loans to banks	6(2) and 11		375,465,228	10		487,453,457	13
12000	Financial assets at fair value through profit or loss	6(3), 11 and 12		228,608,073	6		208,313,130	6
12150	Financial assets at fair value through other comprehensive income	6(4) and 12		560,779,813	15		536,232,599	15
12200	Investments in debt instruments at amortised cost	6(5) and 12		534,327,284	14		275,214,156	7
12500	Securities purchased under resell agreements			950,137	-		3,584,364	-
13000	Receivables, net	6(6)		89,970,775	2		99,308,276	3
13200	Current tax assets			379,014	-		483,744	-
13300	Assets classified as held for sale, net	6(8)(15) and 12		15,813	-		276,900	-
13500	Loans discounted, net	6(7) and 11		1,889,958,222	49		1,873,677,834	51
13700	Reinsurance contract assets, net	6(9)(26)		5,170,035	-		3,984,617	-
15000	Investments accounted for using equity method, net	6(10)		5,519,229	-		3,115,829	-
15500	Other financial assets, net	6(11) and 12		5,134,375	-		7,418,321	-
18000	Investment property, net	6(14) and 12		1,111,518	-		1,025,375	-
18500	Property and equipment, net	6(15) and 12		21,950,817	1		22,080,894	1
18600	Right-of-use asset, net	6(12)		1,837,841	-		1,777,500	-
19000	Intangible assets, net			960,918	-		610,731	-
19300	Deferred income tax assets	6(41)		5,629,637	-		5,801,886	-
19500	Other assets, net	6(16) and 12		9,180,225	-		6,998,951	-
Total Assets			\$	3,856,376,532	100	\$	3,683,547,780	100

(Continued)

Liabilities and equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Liabilities						
21000	Deposits from the Central Bank and banks	6(17) and 11	\$ 405,296,111	11	\$ 420,833,162	11
21500	Due to the Central Bank and banks	6(18)	20,363,979	1	21,161,321	1
22000	Financial liabilities at fair value through profit or loss	6(19)	20,934,933	1	22,115,709	1
22500	Securities sold under repurchase agreements	6(20)	269,355,119	7	259,192,262	7
22600	Commercial paper issued, net	6(21) and 11	22,392,125	1	19,963,897	1
23000	Payables	6(22)	89,502,574	2	75,207,489	2
23200	Current tax liabilities		11,007,264	-	9,149,946	-
23500	Deposits and remittances	6(23)	2,613,890,191	68	2,459,457,135	67
24000	Bonds payable	6(24)	18,000,000	-	12,000,000	-
24400	Other borrowings	6(25)	338,028	-	3,464,909	-
24600	Provisions	6(26)	30,059,406	1	28,110,114	1
25500	Other financial liabilities	6(27)	13,160,602	-	15,818,346	-
26000	Lease liabilities	6(12)	1,881,625	-	1,801,315	-
29300	Deferred income tax liabilities	6(41)	3,370,193	-	3,164,054	-
29500	Other liabilities	6(28)	10,235,422	-	8,046,873	-
Total Liabilities			3,529,787,572	92	3,359,486,532	91
Equity						
Equity attributable to owners of parent						
31100	Capital					
31101	Common stock	6(29)	135,998,240	3	135,998,240	4
31500	Capital surplus	6(29)	68,194,233	2	68,194,233	2
	Retained earnings					
32001	Legal reserve	6(29)	40,962,325	1	38,066,701	1
32003	Special reserve	6(29)	2,538,952	-	2,545,151	-
32011	Unappropriated earnings	6(30)	64,706,477	2	66,899,512	2
	Other equity interest	6(31)				
32500	Other equity interest		14,188,733	-	12,357,411	-
Total Equity			326,588,960	8	324,061,248	9
TOTAL LIABILITIES AND EQUITY						
			\$ 3,856,376,532	100	\$ 3,683,547,780	100

			Year ended December 31				Changes Percentage (%)
			2020		2019		
Items	Notes		AMOUNT	%	AMOUNT	%	
41000	Interest income	6(32) and 11	\$ 49,724,053	82	\$ 71,681,244	110	( 31)
51000	Less: interest expense	6(32) and 11	( 18,173,179)	( 30)	( 36,614,396)	( 56)	( 50)
	Net interest revenue		<u>31,550,874</u>	<u>52</u>	<u>35,066,848</u>	<u>54</u>	( 10)
	Net revenue other than interest						
49800	Net service fee revenue and commissions	6(33)	9,876,263	16	9,236,835	14	7
49810	Net insurance revenue		2,042,767	3	1,700,648	3	20
49820	Gain on financial assets and liabilities at fair value through profit or loss	6(34) and 11	9,002,001	15	12,022,391	19	( 25)
49825	Gain on investment property	6(8)(14)	357,223	1	91,876	-	289
49835	Realized gain on financial assets at fair value through other comprehensive income	6(4)(35)	5,568,609	9	3,427,508	5	62
49850	Loss arising from derecognition of financial assets measured at amortised cost	6(5)	( 155,917)	-	( 4)	-	3897825
49870	Foreign exchange gains		1,399,058	2	2,175,522	3	( 36)
49890	Share of (loss) profit of associates and joint ventures accounted for using equity method	6(10)	( 19,633)	-	145,443	-	( 113)
49898	Gain (loss) on reclassification under the overlay approach	6(3)(31)	37,841	-	( 104,084)	-	( 136)
48000	Net other revenue other than interest income	6(37)	1,213,657	2	1,542,353	2	( 21)
55000	Impairment losses on assets	6(36)	( 62,821)	-	( 30,474)	-	106
	Net revenue		60,809,922	100	65,274,862	100	( 7)
58100	Bad debts expense, commitment and guarantee liability provision	6(9)(11) and 8(3)	( 2,151,568)	( 4)	( 687,183)	( 1)	213
58300	Net change in provisions for insurance liabilities	6(26)	( 227,160)	-	( 34,968)	-	550
	Operating expenses						
58501	Employee benefit expenses	6(38)	( 19,736,020)	( 32)	( 19,538,641)	( 30)	1
58503	Depreciation and amortization expense	6(39)	( 1,544,318)	( 3)	( 1,456,326)	( 3)	6
58599	Other general and administrative expenses	6(40)	( 7,820,218)	( 13)	( 9,903,470)	( 15)	( 21)
61000	Profit from continuing operations before tax		29,330,638	48	33,654,274	51	( 13)
61003	Income tax expense	6(41)	( 4,312,670)	( 7)	( 4,699,474)	( 7)	( 8)
69000	Profit		\$ 25,017,968	41	\$ 28,954,800	44	( 14)

(Continued)



Items		Notes	Year ended December 31				Changes Percentage (%)
			2020		2019		
			AMOUNT	%	AMOUNT	%	
<b>Components of other comprehensive income that will not be reclassified to profit or loss, net of tax</b>							
69561	Loss on remeasurement of defined benefit plan	6(26)	( \$ 644,353) (	1) ( \$	934,867) (	1) (	31)
69563	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		2,242	-	1,493	-	50
69567	Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	6(4)(31)	616,713	1	1,921,689	3 (	68)
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(41)	128,278	-	187,272	- (	32)
<b>Components of other comprehensive income that will be reclassified to profit or loss, net of tax</b>							
69571	Exchange differences on translation	6(31)	( 1,692,991) (	3) (	809,797) (	1)	109
69575	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(10)(31)	58,197	-	23,110	-	152
69585	Revaluation gains from investments in debt instruments measured at fair value through other comprehensive income	6(4)(31)	2,440,898	4	3,973,149	6 (	39)
69587	Impairment loss from investments in debt instruments measured at fair value through other comprehensive income	6(4)(31)	94,520	-	29,568	-	220
69590	Other comprehensive (losses) income on reclassification under the overlay approach	6(3)(31)	( 37,841)	-	104,084	- (	136)
69579	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(31)(41)	( 336,218)	-	( 513,276)	( 1) (	34)
69500	<b>Other comprehensive income</b>		<u>629,445</u>	<u>1</u>	<u>3,982,425</u>	<u>6</u> (	84)
69700	<b>Total comprehensive income</b>		<u>\$ 25,647,413</u>	<u>42</u>	<u>\$ 32,937,225</u>	<u>50</u> (	22)
Profit (loss) attributable to:							
69901	Owners of parent		\$ 25,017,968	41	\$ 28,956,244	44 (	14)
69903	Non-controlling interests		<u>-</u>	<u>-</u>	<u>( 1,444)</u>	<u>-</u> (	100)
			<u>\$ 25,017,968</u>	<u>41</u>	<u>\$ 28,954,800</u>	<u>44</u> (	14)
Comprehensive income (loss) attributable to:							
69951	Owners of parent		\$ 25,647,413	42	\$ 32,938,669	50 (	22)
69953	Non-controlling interests		<u>-</u>	<u>-</u>	<u>( 1,444)</u>	<u>-</u> (	100)
			<u>\$ 25,647,413</u>	<u>42</u>	<u>\$ 32,937,225</u>	<u>50</u> (	22)
Earnings per share							
70000	Basic and diluted earnings per share (in dollars)	6(42)	\$ 1.84	\$	2.13		



For the year ended December 31, 2019

Equity at beginning of year		\$ 135,998,240	\$ 68,194,233	\$ 35,255,784	\$ 2,545,151	\$ 64,774,415	(\$ 1,600,479 )	\$ 9,232,789	(\$ 102,177 )	(\$ 55,676 )	\$ 314,242,280	\$ 13,149	\$ 314,255,429
Profit (loss)		-	-	-	-	28,956,244	-	-	-	-	28,956,244	( 1,444 )	28,954,800
Other comprehensive income (loss)	6(31)	-	-	-	-	( 747,595 )	( 813,101 )	5,413,454	104,084	25,583	3,982,425	-	3,982,425
Total comprehensive income (loss)		-	-	-	-	28,208,649	( 813,101 )	5,413,454	104,084	25,583	32,938,669	( 1,444 )	32,937,225
Earnings distribution for 2018													
Legal reserve		-	-	2,810,917	-	( 2,810,917 )	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 23,119,701 )	-	-	-	-	( 23,119,701 )	-	( 23,119,701 )
Disposal of investment in equity instruments designated at fair value through other comprehensive income	6(4)	-	-	-	-	( 152,934 )	-	152,934	-	-	-	-	-
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	( 11,705 )	( 11,705 )
Equity at end of year		\$ 135,998,240	\$ 68,194,233	\$ 38,066,701	\$ 2,545,151	\$ 66,899,512	(\$ 2,413,580 )	\$ 14,799,177	\$ 1,907	(\$ 30,093 )	\$ 324,061,248	\$ -	\$ 324,061,248
For the year ended December 31, 2020													
Equity at beginning of year		\$ 135,998,240	\$ 68,194,233	\$ 38,066,701	\$ 2,545,151	\$ 66,899,512	(\$ 2,413,580 )	\$ 14,799,177	\$ 1,907	(\$ 30,093 )	\$ 324,061,248	\$ -	\$ 324,061,248
Profit		-	-	-	-	25,017,968	-	-	-	-	25,017,968	-	25,017,968
Other comprehensive income (loss)	6(31)	-	-	-	-	( 516,075 )	( 1,694,048 )	2,864,029	( 37,841 )	13,380	629,445	-	629,445
Total comprehensive income (loss)		-	-	-	-	24,501,893	( 1,694,048 )	2,864,029	( 37,841 )	13,380	25,647,413	-	25,647,413
Earnings distribution for 2019													
Legal reserve		-	-	2,895,624	-	( 2,895,624 )	-	-	-	-	-	-	-
Reversal of special reserve		-	-	-	( 6,199 )	6,199	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 23,119,701 )	-	-	-	-	( 23,119,701 )	-	( 23,119,701 )
Disposal of investment in equity instruments designated at fair value through other comprehensive income	6(4)	-	-	-	-	( 685,802 )	-	685,802	-	-	-	-	-
Equity at end of period		\$ 135,998,240	\$ 68,194,233	\$ 40,962,325	\$ 2,538,952	\$ 64,706,477	(\$ 4,107,628 )	\$ 18,349,008	(\$ 35,934 )	(\$ 16,713 )	\$ 326,588,960	\$ -	\$ 326,588,960

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before tax		\$	29,330,638	\$	33,654,274
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation expense	6(39)		1,467,409		1,384,068
Amortization expense	6(39)		76,909		72,258
Bad debts expense, commitment and guarantee liability provision			2,151,568		687,183
Interest expense	6(32)		18,173,179		36,614,396
Interest income	6(32)	(	49,724,053 )	(	71,681,244 )
Dividend income	6(34)(35)	(	1,833,208 )	(	1,896,440 )
Net change in provisions for insurance liabilities			227,160		34,968
Impairment losses on assets	6(36)		62,821		30,474
Gain on disposal of property and equipment		(	561 )	(	35 )
Gain on disposal of investment property			-	(	25,199 )
Gain on disposal of assets classified as held for sale	6(8)	(	334,651 )	(	55,980 )
Share of loss (profit) of associates accounted for using equity method	6(10)		19,633	(	145,443 )
(Profit) loss reclassified by applying overlay approach	6(3)	(	37,841 )		104,084
Changes in operating assets and liabilities					
Changes in operating assets					
(Increase) decrease in due from Central Bank and call loans to other banks		(	42,487,815 )		19,115,755
Increase in financial assets at fair value through profit or loss		(	20,294,943 )	(	12,112,100 )
Increase in financial assets at fair value through other comprehensive income		(	21,584,077 )	(	109,190,792 )
Increase in investments in debt instruments measured at amortised cost		(	259,124,391 )	(	2,297,550 )
Decrease (increase) in receivables			7,427,837	(	6,998,218 )
Increase in discounts and loans		(	18,623,564 )	(	10,377,993 )
Increase in reinsurance contract assets		(	1,185,418 )	(	130,153 )
Increase in other financial assets		(	226,808 )	(	2,256,431 )
Increase in other assets		(	1,865,190 )	(	3,615,295 )
Changes in operating liabilities					
(Decrease) increase in deposits from the Central Bank and banks		(	15,537,051 )		9,189,774
Decrease in financial liabilities at fair value through profit or loss		(	1,180,776 )	(	5,241,753 )
Increase in bills and bonds purchased under resale agreements			10,162,857		6,893,997
Increase in payables			14,269,286		6,073,689
Increase in deposits and remittances			154,433,056		138,819,872
(Decrease) increase in other financial liabilities		(	2,657,744 )		492,979
Increase in liabilities reserve			1,194,669		427,476
Increase in other liabilities			989,186		621,512
Cash (outflow) inflow generated from operations		(	196,711,883 )		28,192,133
Interest received			51,685,274		72,287,776
Cash dividend received			1,978,950		2,044,738
Interest paid		(	20,524,076 )	(	36,228,366 )
Income tax paid		(	1,843,956 )	(	2,503,981 )
Net cash flows (used in) from operating activities		(	165,415,691 )		63,792,300

(Continued)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of property and equipment	6(15)	( \$ 774,165 )	( \$ 876,055 )
Proceeds from disposal of property and equipment		2,160	774
Acquisition of intangible assets		( 733,515 )	( 461,912 )
Acquisition of investment properties		( 93,642 )	( 549 )
Proceeds from disposal of investment property		-	426,010
Proceeds from disposal of assets classified as held for sale	6(8)	611,551	110,050
Proceeds from capital reduction of liquidation		-	75,754
Net cash flows used in investing activities		( 987,611 )	( 725,928 )

**CASH FLOWS FROM FINANCING ACTIVITIES**

Decrease in due to the Central Bank and banks		( 797,342 )	( 32,759,560 )
Increase in commercial papers payable		2,423,000	4,038,000
Proceeds from issuing bonds		5,000,000	-
Increase (decrease) in bank notes payable		1,000,000	( 1,300,000 )
Decrease in other borrowings		( 3,126,881 )	( 1,469,620 )
Increase in guarantee deposits received		1,220,380	152,040
Cash dividends paid	6(30)	( 20,737,777 )	( 20,737,777 )
Payment of lease liabilities	6(12)	( 574,619 )	( 557,437 )
Changes in non-controlling interests		-	( 11,705 )
Net cash flows used in financing activities		( 15,593,239 )	( 52,646,059 )
Effect of exchange rate changes on cash and cash equivalents		( 1,875,383 )	( 581,672 )
Net (decrease) increase in cash and cash equivalents		( 183,871,924 )	9,838,641
Cash and cash equivalents at beginning of year		496,998,144	487,159,503
Cash and cash equivalents at end of year		<u>\$ 313,126,220</u>	<u>\$ 496,998,144</u>
The components of cash and cash equivalents			
Cash and cash equivalents reported in the balance sheet		\$ 119,427,578	\$ 146,189,216
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	6(2)	192,748,505	347,224,564
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7		950,137	3,584,364
Cash and cash equivalents at end of reporting period		<u>\$ 313,126,220</u>	<u>\$ 496,998,144</u>

(11) Financial statements of the Company and condensed financial statements of its subsidiaries:MEGA FINANCIAL HOLDING CO., LTD.BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	December 31, 2020	December 31, 2019	Changes percentage %	LIABILITIES AND EQUITY	December 31, 2020	December 31, 2019	Changes percentage %
Assets				Liabilities			
Cash and cash equivalents	\$ 58,854	\$ 87,474	( 32.72)	Commercial paper payable, net	\$ 11,483,855	\$ 13,338,100	( 13.90)
Financial assets at fair value through other comprehensive income	2,278,091	2,687,373	( 15.23)	Payables	23,753,085	23,220,100	2.30
Current tax assets	319,360	1,582,395	( 79.82)	Current tax liabilities	1,476,085	1,256,310	17.49
Investments accounted for using equity method, net	364,965,483	358,254,779	1.87	Other borrowings	-	1,400,000	( 100.00)
Other financial assets	100	100	-	Bonds payable	5,000,000	-	100.00
Investment property, net	131,083	132,593	( 1.14)	Provisions	33,969	74,076	( 54.14)
Property and equipment, net	588,220	593,195	( 0.84)	Lease liabilities	3,080	3,278	( 6.04)
Right-of-use assets, net	3,066	3,267	( 6.15)	Other liabilities	16,152	4,189	285.58
Deferred income tax assets	6,629	9,651	( 31.31)	Total liabilities	41,766,226	39,296,053	
Other assets, net	4,300	6,474	( 33.58)				
				Equity			
				Common stock	135,998,240	135,998,240	-
				Capital surplus	68,194,233	68,194,233	-
				Retained earnings			
				Legal reserve	40,962,325	38,066,701	7.61
				Special reserve	2,538,952	2,545,151	( 0.24)
				Unappropriated earnings	64,706,477	66,899,512	( 3.28)
				Other equity interest	14,188,733	12,357,411	14.82
				Total equity	326,588,960	324,061,248	
TOTAL ASSETS	\$ 368,355,186	\$ 363,357,301	1.38	TOTAL LIABILITIES AND EQUITY	\$ 368,355,186	\$ 363,357,301	1.38

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

	For the years ended December 31,	
	2020	2019
Revenues		
Interest income	\$ 6,081	\$ 4,166
Gain on financial assets and liabilities at fair value through profit or loss	-	49,327
Share of profit of associates and joint ventures accounted for using equity method	25,470,382	29,345,776
Other revenue other than interest income	112,239	105,097
Total revenue	<u>25,588,702</u>	<u>29,504,366</u>
Expenses and losses		
Interest expense	( 65,042)	( 60,928)
Foreign exchange loss	( 4)	( 9)
Employee benefit expenses	( 298,580)	( 330,824)
Depreciation and amortization expenses	( 15,532)	( 14,686)
Other general and administrative expenses	( 89,807)	( 66,926)
Total expenses and losses	<u>( 468,965)</u>	<u>( 473,373)</u>
Profit from continuing operations before tax	25,119,737	29,030,993
Income tax expense	<u>( 101,769)</u>	<u>( 74,749)</u>
Profit	<u>25,017,968</u>	<u>28,956,244</u>
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Loss on remeasurement of defined benefit plans	15,108 (	24,583)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	500,076	661,026
Revaluation gains or losses on investments in equity instruments at fair value through other comprehensive income	( 409,282)	532,793
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	( 3,022)	4,917
Components of other comprehensive income that will be reclassified to profit or loss		
Share of other comprehensive income of associates and joint ventures accounted for using equity method	<u>526,565</u>	<u>2,808,272</u>
Other comprehensive income	<u>629,445</u>	<u>3,982,425</u>
Total comprehensive income	<u>\$ 25,647,413</u>	<u>\$ 32,938,669</u>
Earnings Per Share (in dollars)		
Basic and Diluted Earnings Per Share (in dollars)	<u>\$ 1.84</u>	<u>\$ 2.13</u>

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

	Retained earnings					Other equity interest				
	Share capital- common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operation	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Reserve of overlay approach	Other equity- others	Total equity
<u>For the year ended December 31, 2019</u>										
Equity at beginning of year	\$ 135,998,240	\$ 68,194,233	\$ 35,255,784	\$ 2,545,151	\$ 64,774,415	(\$ 1,600,479)	\$ 9,232,789	(\$ 102,177)	(\$ 55,676)	\$ 314,242,280
Profit	-	-	-	-	28,956,244	-	-	-	-	28,956,244
Other comprehensive income (loss)	-	-	-	-	( 747,595)	( 813,101)	5,413,454	104,084	25,583	3,982,425
Total comprehensive income (loss)	-	-	-	-	28,208,649	( 813,101)	5,413,454	104,084	25,583	32,938,669
Earnings distribution for 2018										
Legal reserve	-	-	2,810,917	-	( 2,810,917)	-	-	-	-	-
Cash dividends	-	-	-	-	( 23,119,701)	-	-	-	-	( 23,119,701)
Disposal of investments in equity instruments measured at fair value through other comprehensive income (loss)	-	-	-	-	( 152,934)	-	152,934	-	-	-
Equity at end of year	<u>\$ 135,998,240</u>	<u>\$ 68,194,233</u>	<u>\$ 38,066,701</u>	<u>\$ 2,545,151</u>	<u>\$ 66,899,512</u>	<u>(\$ 2,413,580)</u>	<u>\$ 14,799,177</u>	<u>\$ 1,907</u>	<u>(\$ 30,093)</u>	<u>\$ 324,061,248</u>
<u>For the year ended December 31, 2020</u>										
Equity at beginning of year	\$ 135,998,240	\$ 68,194,233	\$ 38,066,701	\$ 2,545,151	\$ 66,899,512	(\$ 2,413,580)	\$ 14,799,177	\$ 1,907	(\$ 30,093)	\$ 324,061,248
Profit	-	-	-	-	25,017,968	-	-	-	-	25,017,968
Other comprehensive income (loss)	-	-	-	-	( 516,075)	( 1,694,048)	2,864,029	( 37,841)	13,380	629,445
Total comprehensive income (loss)	-	-	-	-	24,501,893	( 1,694,048)	2,864,029	( 37,841)	13,380	25,647,413
Earnings distribution for 2019										
Legal reserve	-	-	2,895,624	-	( 2,895,624)	-	-	-	-	-
Reversal of special reserve	-	-	-	( 6,199)	6,199	-	-	-	-	-
Cash dividends	-	-	-	-	( 23,119,701)	-	-	-	-	( 23,119,701)
Disposal of investments in equity instruments measured at fair value through other comprehensive income (loss)	-	-	-	-	( 685,802)	-	685,802	-	-	-
Equity at end of year	<u>\$ 135,998,240</u>	<u>\$ 68,194,233</u>	<u>\$ 40,962,325</u>	<u>\$ 2,538,952</u>	<u>\$ 64,706,477</u>	<u>(\$ 4,107,628)</u>	<u>\$ 18,349,008</u>	<u>(\$ 35,934)</u>	<u>(\$ 16,713)</u>	<u>\$ 326,588,960</u>

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

	For the years ended December 31,	
	2020	2019
<u>Cash Flows from Operating Activities</u>		
Profit before tax	\$ 25,119,737	\$ 29,030,993
Income and expenses having no effect on cash flows		
Income and expenses		
Depreciation expense	13,670	12,776
Amortization expense	1,862	1,910
Interest revenue	( 6,081)	( 4,166)
Interest expense	65,042	60,928
Dividend income	( 104,612)	( 98,569)
Gain on financial assets and liabilities at fair value through profit or loss	-	( 49,327)
Share of profit of associates accounted for using equity method	( 25,470,382)	( 29,345,776)
Loss on disposal of property and equipment	1,521	-
Changes in operating assets and liabilities		
Changes in operating assets:		
Decrease in financial assets at fair value through profit or loss	-	252,389
Decrease in other assets	344	2,210
Changes in operating liabilities:		
(Decrease) increase in payables	( 273,597)	694,369
Decrease in provisions for liabilities	( 28,021)	( 7,391)
Increase (decrease) in other liabilities	11,963	( 3,082)
Cash flows generated from (used in) operations	( 668,554)	547,264
Interest received	6,081	4,166
Cash dividend received	19,749,744	19,730,626
Interest paid	( 38,924)	( 60,139)
Income tax paid	( 211,621)	( 1,268,893)
Net cash flows from operating activities	18,836,726	18,953,024
<u>Cash Flows from Investing Activities</u>		
Proceeds from disposal of ownership interests in subsidiaries	141,187	-
Acquisition of property and equipment	( 6,924)	( 6,927)
Acquisition of intangible assets	( 32)	( 1,976)
Net cash flows from (used in) investing activities	134,231	( 8,903)
<u>Cash Flows from Financing Activities</u>		
(Decrease) increase in commercial papers issued	( 1,860,000)	330,000
(Decrease) increase in other borrowings	( 1,400,000)	1,400,000
Proceeds from issuance of bonds	5,000,000	-
Cash dividends paid	( 20,737,777)	( 20,737,777)
Payment of lease liabilities	( 1,800)	( 1,563)
Net cash flows used in financing activities	( 18,999,577)	( 19,009,340)
Net decrease in cash and cash equivalents	( 28,620)	( 65,219)
Cash and cash equivalents at beginning of year	87,474	152,693
Cash and cash equivalents at end of year	\$ 58,854	\$ 87,474

**Attachment 4**

**Mega Financial Holding Co., Ltd.**  
**Earnings Distribution Statement**  
**Year 2020**

Unit : NT\$

Items	Amount
<b>Beginning undistributed retained earnings in 2020</b>	<b>40,890,386,387</b>
Net profit after income tax in 2020	25,017,967,584
Less : Remeasurements of defined benefit plans	(516,075,509)
Less : Loss on disposal of investments in equity instruments measured at fair value through other comprehensive income	(685,801,169)
<b>Distributable earnings occurred in 2020</b>	<b>23,816,090,906</b>
Less : 10% legal reserve	(2,381,609,091)
Total distributable earnings	62,324,868,202
Less : Distribution item	
Cash dividend to shareholders(NT\$1.58 per share)	(21,487,721,893)
<b>Unappropriated retained earnings</b>	<b>40,837,146,309</b>
Note1 : The 2020 earnings shall be distributed as a priority, and retained earnings adjustment for first-time adoption of IFRS 9 will be allocated for the insufficiency.	
Note2 : The amount of cash dividend 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-Chung Chen (Ministry of Finance, R.O.C)	Independent Director of DIMERCO data system Corp.	Executive VP, CEO of E.SUN Commercial Bank, Ltd.;  General manager, Chairman of E.SUN Securities Co., Ltd.;  (Master in Agricultural Economics, National Taiwan University)	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.  (M.A. in Law, Boston)	1,143,043,883

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			University, U. S. A.)	
Director	Yih-Jiuan Wu (Ministry of Finance, R.O.C)	Director General, Dept. of Economic Research, Central Bank of the R.O.C.	Assistant Director General / Deputy Director General / Director General of Department of Economic Research, Central Bank of the R.O.C.  (Ph.D. in Economics, Iowa State University, U.S.A.)	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	I-Kan Chiu (Ministry of Finance, R.O.C)	Assistant Vice President of General Affairs and Occupational Safety & Health Dept., Mega Int'l Commercial Bank Co., Ltd.	Deputy Manager, Manager, Mega Int'l Commercial Bank Co., Ltd.;  President of Mega Int'l Commercial Bank Labor Union  (College degree in Finance and Taxation, Tamsui Oxford College)	1,143,043,883
Director	Keh-Her Shih (National Development Fund, Executive Yuan, R.O.C.)	Deputy Minister of National Development Council, Executive Yuan, R.O.C.	Deputy Magistrate, Yunlin County Government;  Deputy Secretary-General, Executive Yuan;  Consultant, Executive Yuan;  Political Deputy Minister, Ministry of Labor;  Deputy Secretary-General, Office of the President;  Senior Secretary, Office of the	830,973,202

Position	Name of Director (Representative of Legal Entity)	Concurrent Position	Experience (Education)	Shareholding
			President  (Ph.D. in Economics, National Taiwan University)	
Director	Hong-Mo Wu (Chunghwa Post Co., Ltd.)	Chairman of Chunghwa Post Co., Ltd.	Deputy Mayor of Kaohsiung City Government; Minister without Portfolio, Executive Yuan & concurrently Minister, Public Construction Commission, Executive Yuan; Chairman of Taiwan International Ports Corporation; Minister of Ministry of Transportation and Communications  (B.A. in Journalism & Communication, Chinese Culture University)	490,778,910
Director	Guo-Shin Lee (Bank of Taiwan Co., Ltd.)	Deputy Minister of DGBAS, Executive Yuan (Note : Deputy Secretary-General , Executive Yuan since May,2021)	Comptroller of Ministry of the Interior; Comptroller of Ministry of Transportation and Communications; Comptroller and Director of First Bureau, DGBAS, Executive Yuan; Comptroller and Director, Department of General Fund, DGBAS, Executive Yuan;  (B.A. in Accounting, Tamkang University)	334,951,379
Independent Director	Hung-Ju Chen	Distinguished Professor, Department of Economics, National Taiwan University	Assistant Professor, Professor, Department of Economics, National Taiwan University;  Directors, First Financial Holding Co., Ltd.;  Managing Director, First Commercial Bank Co., Ltd.  (Ph.D., Economics, University of California, Los Angeles, U. S. A.)	0

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Independent Director	Tsai-Jyh Chen	Professor, Department of Risk Management and Insurance, National Chengchi University	Associate professor, Professor of Dept. of Risk Management and Insurance of National Chengchi University; Independent Director, Mega Bills Finance Co., Ltd.  (Ph.D. of Insurance, Wharton School, University of Pennsylvania, U. S. A.)	0
Independent Director	Chi-Chang Yu		Judge, Taiwan Haulien, Yilan, New Taipei District court;  Partner, Lee and Li, Attorneys-at-Law;  Independent Managing Director, Agriculture Bank of Taiwan;  Independent Director, Chang Hwa Bank;  Adjunct Associate Professor, Department of Accounting, National Taiwan University  (Doctor of the Science of Law, School of Law, Stanford University, U. S. A.)	0
Independent Director	Ying Wu	Independent Director of Mega Int'l Commercial Bank Co., Ltd.	Chief Auditor, Senior Executive Vice President, Director of First Commercial Bank;  Chief Auditor, Director & President of First Financial Holding Co., Ltd.;  Supervisor of International Bills Finance Corp;  Director & Vice Chairman of IBF Financial Holdings  (Bachelor of Department of Finance and Taxation, National Chengchi University)	0
Independent Director	Chang-Ching Lin	Professor, Department of Economics, National Cheng Kung University	Assistant Research Fellow, Institute of Economics, Academia Sinica;  Adjunct Assistant Professor,	0

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			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)	