

Stock Code : 2886

**Mega Financial Holding Co., Ltd.**  
**Handbook for the 2021 Annual Shareholders' Meeting**

**Meeting Time: 9:00 a.m., June 25, 2021**

**Venue: 13th Floor, No. 100, Jilin Road, Taipei**

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

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

## **Procedure for the 2021 Annual Meeting of Shareholders**

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

**Mega Financial Holding Co., Ltd.**  
**Year 2021**  
**Agenda of Annual Meeting of Shareholders**

**Time :** 09:00 a.m. on Friday, June 25, 2021

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

**Attendants:** Shareholders or their representatives

**Chairperson:** Chairman Chao-Shun Chang

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

**2. Chairperson Remarks**

**3. Company Reports**

- (1) 2020 Business Report
- (2) Audit Committee’s Review Report on 2020 Business Report and Financial Statements
- (3) The Distribution of Remuneration of Directors and Employees in 2020
- (4) Issuance of Corporate Bonds in 2020

**4. Matters for Recognition**

- (1) 2020 Business Report and Financial Statements
- (2) The Proposal for Distribution of 2020 Earnings

**5. Matters for Election and Discussion**

- (1) The Election of the 8th Term Board of Directors
- (2) Proposal of Releasing the Prohibition on the 8th Term Board of Directors from Participation in Competitive Business

**6. Questions and Motions**

**7. Adjournment**

## **Company Reports**

**Agenda 1:** 2020 Business Report. (Proposed by the Board of Directors)

Explanation: The 2020 Business Report is attached as Attachment 1 (p.11).

**Agenda 2:** Audit Committee's Review Report on 2020 Business Report and Financial Statements. (Proposed by the Board of Directors)

Explanation: The 2020 Audit Committee's Review Report is attached as Attachment 2 (p.21).

**Agenda 3:** The Distribution of Remuneration of Directors and Employees in 2020. (Proposed by the Board of Directors)

Explanation:

- (1) This proposal is made in accordance with Article 31-1 of the Company's Articles of Incorporation.
- (2) The directors' and employees' remuneration in 2020 is NT\$126,308,606 (appropriation rate being 0.5 %) and NT\$15,586,482 (appropriation rate being 0.0617%), respectively. Both are distributed in cash.
- (3) This proposal has been approved by the 34th meeting of the 7th term of Board of Directors on March 23, 2021.

**Agenda 4:** Issuance of Corporate Bonds in 2020. (Proposed by the Board of Directors)

Explanation:

- (1) The Company's Board approved the issuance of unsecured corporate bonds for an amount of up to NT\$10 billion on Mar. 24, 2020, and the Company raised NT\$5 billion on May 27, 2020. All the raised funds were used to repay loans from financial institutions.
- (2) The key terms of the bonds are as follows:

Issue	Tranche of Bond	Terms	Issue Amount	Coupon Rate	Issue Date	Maturity Date
109-1	A	7	3.2 billion	Fix Rate 0.66%	2020.5.27	2027.5.27
109-1	B	10	1.8 billion	Fix Rate 0.71%	2020.5.27	2030.5.27

## **Matters for Recognition**

**Agenda 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. The 2020 business report and financial statements are attached as Attachment 1 (p.11) and Attachment 3 (p.22).

RESOLUTION:

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

Explanation:

- (1) The proposal is made in accordance with Article 228 of the Company Act and Article 31 of the Company's Articles of Incorporation.
- (2) The 2020 financial statements have been audited by PricewaterhouseCoopers, Taiwan (PwC). The net profit after income tax of the Company in 2020 is NT\$25,017,967,584, after deducting remeasurements of defined benefit plans amounted to be NT\$516,075,509 and loss on disposal of investments in equity instruments measured at fair value through other comprehensive income amounted to be NT\$685,801,169, the distributable earnings occurred in 2020 is NT\$23,816,090,906, of which needs to deduct the provision for legal reserve NT\$2,381,609,091 and plus the previous retained earnings in 2020 NT\$40,890,386,387; therefore, the total distributable earnings of this year is NT\$62,324,868,202 and the proposed distribution is as follows:
  - A. NT\$21,487,721,893 as cash dividends. (NT\$1.58 per share)
  - B. The balance of unappropriated retained earnings is NT\$40,837,146,309.
- (3) After this proposal is recognized by the annual general shareholders' meeting, the Board is authorized to set the ex-dividend date.
- (4) If the number of the outstanding shares is changed due to share buyback, transfer, conversion, cancellation of treasury shares or other circumstances, the Board is authorized to adjust the dividend pay out ratio based on the cash dividend resolved to be distributed and the number of shares outstanding on the ex-dividend date.
- (5) 2020 Earnings Distribution Statement is attached as Attachment 4 (p.41)
- (6) The proposal has been approved by the 35th meeting of the 7th term of Board of Directors on April 27, 2021 and duly reviewed by the Audit Committee.

RESOLUTION:

## **Matters for Election and Discussion**

**Agenda 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. For candidates' profiles, please refer to Attachment 5 (p.42).

<b>No.</b>	<b>Position</b>	<b>Name</b>	<b>Representative of Legal Entity</b>
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-Juan 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	—

RESOLUTION:



**Agenda 2:** Proposal of Releasing the Prohibition of 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.

Position	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

(3) This proposal has been approved by the 35th meeting of the 7th term of Board of Directors held on April. 27, 2021.

RESOLUTION:

## **Questions and Motions**

## **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		Change (%)
	2020	2019	
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.

Chairman: Chao-Shun Chang    President: Kuang-Hua Hu    Chief-Accountant: Ching-Yi Li

## **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.

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

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Assets</b>						
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	-
<b>Total Assets</b>			<u>\$ 3,856,376,532</u>	<u>100</u>	<u>\$ 3,683,547,780</u>	<u>100</u>

(Continued)

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

Liabilities and equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Liabilities</b>						
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	-
<b>Total Liabilities</b>			<u>3,529,787,572</u>	<u>92</u>	<u>3,359,486,532</u>	<u>91</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
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						
32500	Other equity interest	6(31)	14,188,733	-	12,357,411	-
<b>Total Equity</b>			<u>326,588,960</u>	<u>8</u>	<u>324,061,248</u>	<u>9</u>
<b>TOTAL LIABILITIES AND EQUITY</b>			<u>\$ 3,856,376,532</u>	<u>100</u>	<u>\$ 3,683,547,780</u>	<u>100</u>

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



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

Items	Notes	Year ended December 31				Changes Percentage (%)	
		2020		2019			
		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		<u>60,809,922</u>	<u>100</u>	<u>65,274,862</u>	<u>100</u>	( 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	<b>Profit from continuing operations before tax</b>		<u>29,330,638</u>	<u>48</u>	<u>33,654,274</u>	<u>51</u>	( 13)
61003	Income tax expense	6(41)	( 4,312,670)	( 7)	( 4,699,474)	( 7)	( 8)
69000	<b>Profit</b>		<u>\$ 25,017,968</u>	<u>41</u>	<u>\$ 28,954,800</u>	<u>44</u>	( 14)

(Continued)

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

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		- -	( 1,444) -	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		- -	( 1,444) -	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)	<u>\$ 1.84</u>	<u>\$ 2.13</u>		

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

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

Equity attributable to owners of the parent												
Notes	Retained earnings					Other equity interest				Total	Non-controlling interests	Total equity
	Share capital – common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Reserve of overlay approach	Other equity, others			
<b>For the year ended December 31, 2019</b>												
	\$ 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
	-	-	-	-	28,956,244	-	-	-	-	28,956,244	( 1,444 )	28,954,800
6(31)	-	-	-	-	( 747,595 )	( 813,101 )	5,413,454	104,084	25,583	3,982,425	-	3,982,425
	-	-	-	-	28,208,649	( 813,101 )	5,413,454	104,084	25,583	32,938,669	( 1,444 )	32,937,225
Earnings distribution for 2018												
	-	-	2,810,917	-	( 2,810,917 )	-	-	-	-	-	-	-
	-	-	-	-	( 23,119,701 )	-	-	-	-	( 23,119,701 )	-	( 23,119,701 )
6(4)	-	-	-	-	( 152,934 )	-	152,934	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	( 11,705 )	( 11,705 )
	<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>\$ -</u>	<u>\$ 324,061,248</u>
<b>For the year ended December 31, 2020</b>												
	\$ 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
	-	-	-	-	25,017,968	-	-	-	-	25,017,968	-	25,017,968
6(31)	-	-	-	-	( 516,075 )	( 1,694,048 )	2,864,029	( 37,841 )	13,380	629,445	-	629,445
	-	-	-	-	24,501,893	( 1,694,048 )	2,864,029	( 37,841 )	13,380	25,647,413	-	25,647,413
Earnings distribution for 2019												
	-	-	2,895,624	-	( 2,895,624 )	-	-	-	-	-	-	-
	-	-	-	( 6,199 )	6,199	-	-	-	-	-	-	-
	-	-	-	-	( 23,119,701 )	-	-	-	-	( 23,119,701 )	-	( 23,119,701 )
6(4)	-	-	-	-	( 685,802 )	-	685,802	-	-	-	-	-
	<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>	<u>\$ -</u>	<u>\$ 326,588,960</u>

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

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

	Notes	For the year ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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)		
(Profit) loss reclassified by applying overlay approach	6(3)	( 19,633 )	( 145,443 )
		( 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)

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31	
		2020	2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
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 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
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>

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

(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	LIABILITIES AND EQUITY	December 31, 2020	December 31, 2019	Changes
			percentage %				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	<u>41,766,226</u>	<u>39,296,053</u>	
Other assets, net	<u>4,300</u>	<u>6,474</u>	( 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	<u>326,588,960</u>	<u>324,061,248</u>	
TOTAL ASSETS	<u>\$ 368,355,186</u>	<u>\$ 363,357,301</u>	1.38	TOTAL LIABILITIES AND EQUITY	<u>\$ 368,355,186</u>	<u>\$ 363,357,301</u>	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	( 101,769)	( 74,749)
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					Total equity
	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		
<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>
<p>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.</p> <p>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.</p>	

## 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

<b>Position</b>	<b>Name of Director (Representative of Legal Entity)</b>	<b>Concurrent Position</b>	<b>Experience (Education)</b>	<b>Shareholding</b>
			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

<b>Position</b>	<b>Name of Director (Representative of Legal Entity)</b>	<b>Concurrent Position</b>	<b>Experience (Education)</b>	<b>Shareholding</b>
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

Position	Name of Director (Representative of Legal Entity)	Concurrent Position	Experience (Education)	Shareholding
			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)	

## **Appendix 1**

# **Mega Financial Holding Company Limited Articles of Incorporation**

## **CHAPTER I GENERAL PROVISIONS**

### **ARTICLE 1**

The Company is organized under the Financial Holding Company Act and the Company Act, and its name shall be 兆豐金融控股股份有限公司 in the Chinese language, and Mega Financial Holding Company Limited (hereinafter referred to as the "Company") in the English language to enhance the economic scale, achieve synergy of the financial holding company and promote the development of the financial market.

### **ARTICLE 2**

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

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

## **CHAPTER II SCOPE OF BUSINESS**

### **ARTICLE 3**

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

### **ARTICLE 4**

The Company shall engage in the following business:

1. To invest in the following industry:

- (1) financial holding company;
- (2) banks;
- (3) bills finance company;
- (4) credit card company;
- (5) trust company;
- (6) insurance company;
- (7) securities company;
- (8) futures company;



- (9) venture capital company;
  - (10) foreign financial company approved by the competent authority; and
  - (11) other financial related company recognized by the competent authority
2. To manage the investment of the aforesaid company invested
  3. To apply to the competent authority to invest in industry not specified in the first Paragraph of this Article but not involved in the operation of the company invested
  4. To conduct other business approved by the competent authority

## **ARTICLE 5**

The Company is a professional investment company. The total amount of investments made by the Company may exceed forty percent of the amount of its own paid-up capital without being subject to the requirement set out in Paragraph 2, Article 13 of the Company Act.

## **CHAPTER III CAPITAL STOCK**

## **ARTICLE 6**

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

When the Company issues new shares, employees meeting certain specific requirements, of the subsidiaries are entitled to subscribe new shares reserved for subscription by employees in accordance with applicable laws.

## **ARTICLE 7**

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

## **ARTICLE 8**

All share certificates of the Company shall indicate thereon the name of the shareholder thereof.

For the shares to be issued by the Company, the Company may be exempted from printing any share certificate for the share issued, while the Company shall register the issued shares with a centralized securities depository enterprise and follow the regulations of that enterprise.

## **ARTICLE 9**

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

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

## **ARTICLE 10**

Any juristic person or a government agency shareholder may be elected as a Director; provided, however, that it shall appoint a natural person to act on its behalf.

## **ARTICLE 11**

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

## **CHAPTER IV MEETINGS OF SHAREHOLDERS**

## **ARTICLE 12**

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

The shareholders' meetings are of the following two kinds:

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

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

## **ARTICLE 13**

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

## **ARTICLE 14**

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

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

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

#### **ARTICLE 15**

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

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

#### **ARTICLE 16**

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

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

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

#### **ARTICLE 17**

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

#### **ARTICLE 18**

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within 20 days after the meeting. The distribution of the minutes of shareholders' meeting may be made by means of public announcement. The minutes of shareholders' meeting shall record the date and place of the

meeting, the name of the Chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

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

## CHAPTER V BOARD OF DIRECTORS

### **ARTICLE 19**

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

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

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

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

### **ARTICLE 19-1**

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

## **ARTICLE 19-2**

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

## **ARTICLE 20**

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

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

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

## **ARTICLE 21**

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

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

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

#### **ARTICLE 22**

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

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

#### **ARTICLE 23**

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

#### **ARTICLE 24**

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

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

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

#### **ARTICLE 25**

Meeting of the Board of Directors shall be held once a month in principle. In the case of emergency, the meeting of the Board of Directors may be convened at any time. The notice of the Board meeting may be served in writing by mail, E-mail or fax.

The procedure for meetings of the Board of Directors shall be governed by the relevant laws

and regulations, the Articles of Incorporation of the Company, and the rules otherwise adopted by the Board of Directors.

#### **ARTICLE 26**

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

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

### **CHAPTER VI MANAGERIAL OFFICERS**

#### **ARTICLE 27**

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

#### **ARTICLE 28**

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

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

### **CHAPTER VII ACCOUNTING**

#### **ARTICLE 29**

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

#### **ARTICLE 30**

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

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

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

### **ARTICLE 31**

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

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

### **ARTICLE 31-1**

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

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

## **CHAPTER VIII ADDENDUM**

### **ARTICLE 32**

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

### **ARTICLE 33**

These Articles of Incorporation were promulgated on December 19, 2001. The first amendment was made on June 12, 2002, the second amendment was made on November 11,



2002, the third amendment was made on June 6, 2003, the fourth amendment was made on June 11, 2004, the fifth amendment was made on June 23, 2006, the sixth amendment was made on June 13, 2008, the seventh amendment was made on June 19, 2009, the eighth amendment was made on June 23, 2010, the ninth amendment was made on June 28, 2011, the tenth amendment was made on June 15, 2012, the eleventh amendment was made on June 24, 2014, the twelfth amendment was made on June 24, 2016, and the thirteenth amendment was made on June 21, 2019.

## Appendix 2

# Mega Financial Holding Company Rules of Procedures of Shareholders' Meetings

Established on June 12, 2002

Amended on November 11, 2002

Amended on June 11, 2004

Amended on June 21, 2013

Amended on June 19, 2020

### Article 1

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

### Article 2

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

### Article 3

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

### Article 4

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

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

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

### Article 5

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

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

It is advisable that this Company's shareholders' meetings convened by the board of directors will be attended by a majority of the directors in person. The attendance shall be recorded in the meeting minutes.

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

#### **Article 6**

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

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

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

#### **Article 7**

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

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

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

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

## **Article 8**

Before speaking at the shareholders' meeting, an attending shareholder must specify on a speaker's slip the summary of the speech, his/her shareholder account number (or attendance card number), and account name. The sequence of shareholders' speech will be determined by the chair.

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

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

The provisions of the preceding paragraph apply *mutatis mutandis* to the time and times of an attending shareholder's speech on non-proposal at the proceeding of extraordinary motions.

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

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

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

## **Article 9**

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

## **Article 10**

Except as otherwise provided by laws and regulations, a resolution of a shareholders' meeting shall be adopted by the majority vote represented at the meeting. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

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

## **Article 11**

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

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under paragraph 2 of Article 179 of the Company Act. Except for trust enterprises or a shareholder services agent approved by the competent securities authority, the proxy right of a person who acts as the proxy for two or more shareholders shall not exceed 3 percent of the total issued voting shares of this Company. If that percentage is exceeded, the excess portion of voting rights shall not be counted.

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

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

## **Article 12**

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

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

## **Article 13**

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

**Article 14**

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

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

**Article 15**

This Company, beginning from the time it accepts shareholder attendance registrations, shall make an audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures. The recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

**Article 16**

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

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

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

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

**Article 17**

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

**Article 18**

These Rules shall enter into force after adoption by shareholders' meetings. The same shall apply in case of amendment or revocation.

## Appendix 3

# Mega Financial Holding Company Procedures for Election of Directors

Established on June 12, 2002

Amended on November 11, 2002

Amended on June 13, 2008

Amended on June 15, 2012

Amended on June 19, 2020

### **Article 1 (Purpose and Basis)**

To ensure a just, fair, and open election of directors, these Rules are adopted pursuant to the “Corporate Governance Best-Practice Principles for Financial Holding Companies”.

### **Article 2 (Responsible Unit)**

The agenda working group for board meeting is responsible for maintenance of these Rules.

### **Article 3 (Application Scope)**

Unless otherwise provided for by laws and regulations, or by the Company’s Articles of Incorporation, elections of directors shall be conducted in accordance with these Rules.

### **Article 4 (Number of Directors)**

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

### **Article 5 (Election and By-election of Directors)**

Elections of directors at this Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. And the shareholders shall elect the directors from among the nominees listed in the roster of director candidates.

When the number of directors falls below five due to the dismissal of a director for any reason, this Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Company’s articles of incorporation, the Company shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required by laws and regulations, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

### **Article 6 (Required Qualification of Directors)**

The Company’s directors shall have good moral character and must not be in any of situations as stipulated in Article 30 of the Company Act and subparagraphs of Article 3 of

“Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company”.

Besides complying with the preceding paragraph, qualification of independent directors shall meet the requirements prescribed by the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.

When providing a recommended roster of independent director candidates, the board of directors or shareholders holding one per cent or more of total number of the outstanding shares of the Company shall submit therewith documentation that the nominees meet the requirements of professional qualification, independence and concurrent serving restrictions as required by laws and regulations. Provided that the director candidate so nominated is a professor of college or university, an approval from the school shall be attached as well.

The Board of Directors of the Company shall review in advance the qualifications, education, working experience, background, and the existence of any other matters set forth in the preceding three paragraphs, but may not arbitrarily add requirements for documentation of other qualifications.

#### **Article 7 (Overall Qualification and Structure Restriction for the Board)**

All board members shall comply with the qualification requirement of paragraphs 1 to 3 and paragraph 9 of Article 9 of the “Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company”.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

When there are some among the directors who do not meet the requirement of the preceding paragraph, the election of the director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.

#### **Article 8 (Election Method)**

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

The independent directors and non-independent directors shall be elected at the same time, with voting rights separately calculated for independent and non-independent director position. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.



The independent directors shall be duly elected in accordance with the “Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies”, “Corporate Governance Best-Practice Principles for Financial Holding Companies” and the relevant requirements by the competent authority.

#### **Article 9 (Preparation of Ballots)**

The ballots shall be prepared by the Board of Directors and the format, contents and particulars to be filled in of the ballots shall be determined by the Board of Directors of the Company. Shareholders are not allowed to augment, delete or alter the ballots. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

The ballots must be cast into the ballot box designated by the chair.

#### **Article 10 (Ballot Counting and Vote Monitoring Personnel)**

Before the election commences, the chair shall designate several ballot counting personnel, and vote monitoring personnel with shareholder status to perform their respective duties.

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

#### **Article 11 (Method for Filling in the Ballot)**

Voters shall enter the account name or name of candidates, listed in the roster of director candidates, in the “candidate” column of the ballot. If the name of the candidate entered in the ballot is identical to that of another candidate, the voter should additionally fill in the sequence number of the candidate provided in the roster of director candidates to identify such individual.

According to the ballot format, the sum of voting right filled by voter himself/herself in the ballot shall not exceed the shareholder’s voting right. If the sum of voting right filled in the ballot is less than the shareholder’s voting right, the remaining voting right shall be deemed abstained.

#### **Article 12 (Invalid Ballot)**

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

1. The ballot was not prepared by the Board of Directors.
2. The ballots cast into the ballot box remain blank.
3. The ballots are not cast into the ballot box designated by the chair.
4. The name of candidate filled in the ballot is inconsistent with the name of candidates listed in the roster of director candidates published by the Company.
5. The ballots are not filled in accordance with the stipulation prescribed in paragraph 1 of the Article 11, or there are other graphic or marks written on or attached with the ballots.
6. The writing is unclear and indecipherable or has been altered.
7. The sum of voting rights assigned to candidates exceeds the total number of voting rights allocated to such voter.

**Article 13 (Ballot Counting and Custody)**

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

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the vote monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

**Article 14 (Matters not Specified in these Rules)**

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

**Article 15 (Approval Hierarchy of these Rules)**

These Rules shall be enforced upon resolution of the shareholders' meeting. The same shall apply where these Rules are amended or discarded.

## Appendix 4

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

Book closure date: April 26, 2021

Position	Name	Shareholding (shares)	Percentage
Chairman	Chao-Shun Chang (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Kuang-Hua Hu (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Yong-Yi Tsai (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Yih-Jiuan Wu (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Cheng-Te Liang (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Chun-Lan Yen (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Pei-Chun Chen (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Wen-Ling Hung (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Chi-Hsu Lin (Representative of Ministry of Finance, R.O.C.)	1,143,043,883	8.40%
Director	Keh-Her Shih (Representative of National Development Fund, Executive Yuan, R.O.C.)	830,973,202	6.11%
Director	Hong-Mo Wu (Representative of Chunghwa Post Co., Ltd.)	490,778,910	3.61%
Director	Guo-Shin Lee (Representative of Bank of Taiwan Co., Ltd.)	334,951,379	2.46%
Independent Director	Jiun-Wei Lu	0	-
Independent Director	Ying-Ko Lin	0	-
Independent Director	Chang-Ching Lin	0	-
Number of the shares held by all directors: 2,799,747,374 shares (20.59%)			
Minimum number of directors' shareholding required by the FSC: 160,000,000 shares (1.18%)			

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