



Mega Financial Holding Co., Ltd.

Annual Report 2020

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Contents

Letter to Shareholders	2
1.1 Review of Business Operations in 2020	4
1.2 Business Plan for 2021	11
1.3 Future Development Strategies	11
1.4 Impact from External Competition, Rules and Regulations, and the Overall Macro Environment	12
1.5 Credit Ratings	13
1.6 Rewards and Recognition	14
Company Profile	16
2.1 Date of Incorporation	17
2.2 Company History	17
Corporate Governance Report	19
3.1 Organization	20
3.2 Directors and Management Team	22
3.3 Implementation of Corporate Governance	38
3.4 Information on External Auditor Fee	72
3.5 Changes of External Auditors	72
3.6 The Company's Responsible Persons Hold a Position at the Accounting Firm or its Affiliated Enterprises	73
3.7 Disclosures of changes in the shareholding (stock transfers and pledges) of directors, managerial officers and shareholders as required by law in 2020	73
3.8 Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders	74
3.9 Ownership share amount and percentage to the same company invested by the Company and its subsidiaries, by the Company's director and management, and by the companies directly/indirectly controlled by the Company	75
Capital Overview	76
4.1 Capital and Shares	77
4.2 Issuance of Corporate Bonds	80
4.3 Preferred Stock, Issuance of Depositary Receipts, Employee Stock Options, New Restricted Employee Shares	80
4.4 Mergers with or Acquisitions of Other Financial Institutions	80
4.5 Capital Utilization Plans and Execution Status	80
Operational Overview	81
5.1 Business Overview	82
5.2 Cross Selling Synergies	110
5.3 Market Overview	111
5.4 Human Resources	121
5.5 Corporate Responsibility and Ethical Conduct	124
5.6 Employees Average Welfare of Non-Manual Officer	124
5.7 Information Equipment	125
5.8 Labor Relations	127
5.9 Important Contract	129
Financial Information	130
6.1 Five-Year Financial Summary	131
6.2 Five-Year Financial Analysis	134
6.3 Audit Committee's Review Report	141
6.4 Consolidated Financial Statements	142
6.5 Financial Difficulties of the Company and Affiliated Companies	262
Review of Financial Conditions, Operating Results, and Risk Management	263
7.1 Analysis of Financial Status	264
7.2 Analysis of Financial Performance	265
7.3 Analysis of Cash Flow	266
7.4 Influence from Major Capital Expenditures in 2020	266
7.5 Investment Strategies in the Past Year and Investment Plan for the Coming Year	266
7.6 Risk Management	269
7.7 Crisis Management and Response Mechanism	300
7.8 Other Significant Events	300
Special Disclosure	301
8.1 Affiliated Companies Information	302
8.2 Private placement of securities in the most recent year and current year up till the publication date of this annual report	307
8.3 Disposal or hold of the Company's shares by subsidiaries in the most recent year and current year up till the publication date of this annual report	307
8.4 Other supplementary notes, where applicable	307
8.5 Occurrences that are significant to shareholders' equity or securities prices, as defined in Subparagraph 2, Paragraph 3 of Article 36 of the Securities and Exchange Act	307

Letter to Shareholders



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 global 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



Chao-Shun Chang, Chairman of the Board

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%.



Kuang-Hua Hu, President

The Company and its subsidiaries continue to develop business and digital transformation. In 2020, Mega International Commercial Bank was awarded “The Best Oversea Development” special prize for its global expansion; “The Best Risk Management” excellent prize, and “The Best Consumer Finance” excellent prize for its intelligent risk system and promotion of consumer finance. Mega Bill was awarded “The Best Bill Finance” excellent prize. The outstanding performance is the best among government-owned. Although the operation environment was tough, the Company still performed well in 2020. The consolidated profit of 2020 reached NT\$25,018 million. The EPS was NT\$1.84. The review of business operations of the Company in 2020 are shown below:

1.1 Review of Business Operations in 2020

1.1.1 Changes in Financial Environment and Organization Structure

A. Change in Global and Domestic Financial Environment

As the COVID-19 pandemic began spreading in early 2020, city closures to fight the disease caused a 6.8% decline in China's economy in the first quarter. This was the lowest such value since the release of quarterly economic growth data began in 1992. Meanwhile, as the world's largest economy, the United States experienced a 5% decline in economic growth in the first quarter as well. In the second quarter, the

pandemic's effect caused the economy to shrink by 31.4% in the largest such decline in recent 73 years yet in the third quarter, it rebounded strongly by 33.4%. The Eurozone economy also hit a new low in the second quarter, falling 14.7%, and Japan's economy shrank 27.8% in the same period for the largest contraction since 1955. Various countries have introduced various emergency economic stimulus measures in order to save their economies, their stock markets, and the livelihoods of their citizens affected by the pandemic. With the global economy slowing and trade momentum hindered, the US Federal Reserve took the lead in "releasing liquidity" and triggered a wave of interest rate cuts in various countries. Global funds have ignored the fundamentals and have not yet returned to warm up the party, yet hot money in the stock and foreign exchange markets has been unstoppable. Volatility in global financial markets has increased as major currencies have kept rising against the US dollar starting from March and as stock markets have rebounded sharply across a range of countries.

In terms of the domestic financial environment, in the first quarter of 2020 Taiwan's central bank responded to the pandemic's economic impact by ending its streak of 14 successive quarters of unchanged rates, likewise deciding to cut interest rates by 25 basis points. This was this first such interest rate adjustment in three and a half years. The rediscount rate was lowered to 1.125%, a record low and below the 1.25% level set in February 2009 amid the financial crisis. From January to March 2020, the NT Dollar fluctuated against the US dollar within a narrow range of NT\$30 to NT\$30.5. Subsequently, the Fed announced that it would lower the federal funds rate target range to 0.00-0.25 percent while launching a US\$700 billion quantitative easing program. After the European Central Bank and major countries followed up with unlimited loose monetary policies, the NT dollar has kept rising from its level of NT\$30.506 as of March 19. As Taiwan's economy performs relatively well, and coupled with the government's appropriate anti-pandemic measures, the Three Major Programs have achieved favorable results for Investing in Taiwan as well as various relief and revitalization programs. Capital markets drove net inflows of foreign capital, which in turn have continued to boost the value of the NT dollar against the US dollar. At the end of 2020, the local currency closed at NT\$28.508, marking a sharp appreciation of NT\$1.598 or 5.31 percent from the level of NT\$30.106 seen at the end of 2019. During the same period, the stock market also showed an increase in price and volume, continuously rising from a low of 8,681 points to soar nearly 70 percent to 14,732 points at the closing of the year. However, the low interest rate environment has narrowed the spread of financial industry players, and bank-centric financial holding companies face challenges in their operations. Looking forward to the new year, and despite the fact that the global recovery will still depend on the efficiency of vaccines and their distribution status, economic growth is nonetheless expected to emerge from its haze.

B. Change in Organization Structure

In order to integrate Group resources and enhance the competitiveness of the wealth management business of bank subsidiaries, from May 12, 2020, the Company officially merged Mega Life Insurance Agency Co., Ltd. into Mega International Commercial Bank Co., Ltd. The Bank set up an Insurance Agency Office to take charge of related business. As of the end of 2020, the Company held a controlling stake in seven subsidiaries, namely Mega International Commercial Bank Co., Ltd., Mega Securities Co., Ltd., Mega Bills Finance Co., Ltd., Chung Kuo Insurance Co., Ltd., Mega International Investment Trust Co. Ltd., Mega Asset Management Co., Ltd., and Mega Venture Capital Co., Ltd.; these represented one fewer subsidiary than in 2019.

1.1.2 Implementation of Business Plan and Operation Strategies

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. The operation results of our subsidiary companies are summarized as follows:

Mega International Commercial Bank Co. Ltd.

Units: NT\$ million, except foreign exchange business in US\$ million

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

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

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

Mega Securities Co., Ltd.

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

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

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.

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.

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.

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 gain 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.

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.

1.1.3 Budget Implementation Status

A. The Company's 2020 budget is implemented as follows:

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

Item	Final accounting figure, 2020	Budget figure, 2020	Achievement Rate (%)
Revenues	25,588,702	25,307,491	101.11
Expenses and losses	468,965	498,706	94.04
Net income before tax from continuing operations	25,119,737	24,808,785	101.25
Net income	25,017,968	24,682,943	101.36
Earnings per share	1.84	1.81	101.66

Note : The figures are in unconsolidated basis.

B. The subsidiaries' 2020 budgets are implemented as follows:

Unit: NT\$ thousand

Name of subsidiary	Net income before tax-actual	Net income before tax-budget	Achievement Rate (%)
Mega International Commercial Bank Co., Ltd.	(Note 2)23,409,097	24,056,693	(Note 2)96.87
Mega Securities Co., Ltd.	1,772,505	911,391	194.48
Mega Bills Finance Co., Ltd.	3,605,406	3,212,267	112.24
Chung Kuo Insurance Co., Ltd.	397,959	553,470	71.90
Mega Asset Management Co., Ltd.	260,554	256,652	101.52
Mega Venture Capital Co., Ltd.	69,655	34,029	204.69
Mega International Investment Trust Co., Ltd.	101,959	114,923	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 105,193 thousand. If the 105,193 thousand is excluded, the net income before tax-actual of Mega Bank is 23,303,904 thousand, 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 96.87% of the budget.

4.Chung Kuo Insurance reached the budget with achievement rate of 71.90%. The reason is the underwriting profit is lower than budget.

5.Mega International Investment Trust Co., Ltd. reached the budget with achievement rate of 88.72%. The reason is the fund size shrank because of investors' redemption.

1.1.4 Financial Results

The Company and its subsidiaries' consolidated net income before tax in 2020 amounts to NT\$29,330,638 thousand, a decrease of NT\$4,323,636 thousand or 12.85% compared to 2019. The decrease is mainly due to the below: net interest revenue decreased NT\$ 3,515,974 thousand; revenue other than interest decreased NT\$948,966 thousand, 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\$ 1,656,577 thousand; operating expense decreased NT\$1,797,881 thousand. The Company and its subsidiaries'

consolidated net income after tax is NT\$ 25,017,968 thousand, a decrease of NT\$3,936,832 thousand or 13.60% compared to 2019. The Company's consolidated ROA is 0.66%, and consolidated ROE reached 7.69%. A breakdown of the financial results of the Company and its subsidiaries in 2020 are shown in the table below:

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

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share (NT\$)	Return on Assets (%)	Return on Equity (%)
Mega FHC & Its Subsidiaries (Consolidated)	29,330,638	25,017,968	1.84	0.66	7.69
Mega FHC (Unconsolidated)	25,119,737	25,017,968	1.84	6.84	7.69
Mega International Commercial Bank Co., Ltd.	23,409,097	20,332,081	2.38	0.60	6.93
Mega Securities Co., Ltd.	1,772,505	1,546,600	1.33	2.22	9.13
Mega Bills Finance Co., Ltd.	3,605,406	2,930,997	2.23	1.04	7.36
Chung Kuo Insurance Co., Ltd.	397,959	301,831	1.01	1.65	4.22
Mega Asset Management Co., Ltd.	260,554	208,440	1.04	1.61	7.53
Mega Venture Capital Co., Ltd.	69,655	68,304	0.68	8.58	8.58
Mega International Investment Trust Co., Ltd.	101,959	82,058	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.

1.1.5 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 for 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 bills 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 coping 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 Securities listed on the OTC at the end of 2020 to issue the first tracking "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 Securities 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 Bills 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 confirmation business, developed a visual supervisory decision-making system, strengthened the implementation and transaction monitoring of AML/CFT, 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 profitable insurance products. There were a total of 166 insurance products submitted in 2020. Among them, there were 9 items on prior approval basis, 107 items on file for recordation basis, and 50 items on simple file for recordation basis.



1.2 Business Plan for 2021

1.2.1 Operational Guidelines

- Strengthening existing profit base and diversifying revenue sources.
- Optimizing oversea deployment and deepening customer relationships.
- Strengthening risk information analysis and implementing risk management mechanism.
- Perfecting information security management and optimizing service innovation.
- Fulfilling corporate social responsibility and creating Company's sustainable value.
- Strengthening institutional investor relationship and increasing information transparency.
- Implementing legal compliance and forging legal compliance culture.

1.2.2 Business Objectives

We strive to maintain stable profitability and leadership in the market so as to maintain the Group's position as a leading financial institution in Taiwan. Our business objectives for 2021 are as follows:

Unit: million of NT dollars, except foreign exchange-in million US dollars

Business	Item	Budget for 2021
Banking	Deposits	2,443,877
	Loans	1,972,873
	Foreign exchange	863,403
Bill Finance	Underwriting and purchasing of bills	2,759,628
	Trading volume of bills and bonds	12,675,653
	Average outstanding balance of guaranteed issues of CP2	168,000
Securities	Market share of brokerage	3.40%
P&C Insurance	Premium income	8,820

1.2.3 Major Management Goal

The Company strives to be an Asia Regional Financial Group.

1.3 Future Development Strategies

- Promoting corporate governance and further fulfilling corporate social responsibility
- Seizing the opportunity to develop business in Asian Pacific and creating innovative operating growth model
- Expanding the competitive advantages of corporate banking and foreign exchange and investing in future star industries

- Reinforcing consumer banking and wealth management business as well as developing digital service channels
- Expediting the distribution network reform and enhancing digital platforms integration
- Strengthening business integrations to increase cross-selling synergy
- Cultivating international talents, motivating and promoting employee's value
- Expanding capital and assets scale and improving capital efficiency
- Adjusting global operating structure and promoting risk management skills

1.4 Impact from External Competition, Rules and Regulations, and the Overall Macro Environment

- (1) Interest spreads have narrowed as they have been affected by the loose monetary policies adopted by the central banks of a range of countries. In the short term, the market generally expects that it will be difficult for the economy to return to the stable situation seen before the pandemic, and spreads may not be able to rise. The profitability of bank-centric financial holding companies thus faces a challenge.
- (2) Consumer usage habits have changed in line with the rise of financial technology and online banking. At the end of 2020, the number of domestic bank entity branches decreased by two compared with the end of the previous year. This continued the downward trend seen since 2014, as there were now 57 fewer such branches in the past six years. Moreover, the first purely online domestic bank opened in January 2021. Banks thus are expected to upgrade digital financial services to increase their competitiveness.
- (3) In order to promote the upgrading of Taiwan's wealth management industry, expand the scope of financial services, and drive the transformation of its business model, on August 7, 2020, the Financial Supervisory Commission was set to release its "Regulations Governing Banks Conducting Financial Products and Services for High-Asset Customers". Through a loosening of regulations, banks would be allowed to provide diversified financial products and advisory services to high-asset clients, thereby improving the competitiveness of wealth management among the country's banks.
- (4) On August 18, 2020, the Financial Supervisory Commission proclaimed its "Green Finance Action Plan 2.0." It aims to give full play to the role and function of Taiwan's financial system in promoting the pursuit of sustainable development of the overall society and the role and function of Taiwan's financial system in this pursuit. It also intends to guide companies and investors to pay attention to environmental, social and corporate governance (ESG) issues while promoting a virtuous circle of investment and industry's pursuit of sustainable development. In this way, Taiwan's carbon reduction and sustainable development goals can be attained through public-private cooperation.

- (5) In December 2020, the Central Bank announced the adoption of targeted prudential measures for real estate loans, tightening regulations on loan ratios and grace periods. It did so in order to promote financial stability and improve banking business, prevent excessive flow of bank credit resources to real estate loans, and respond to deepening concerns over financial risk and unfavourability toward substantial investment in manufacturing businesses.
- (6) On January 28, 2021, the Central Bank announced its Amendment to Regulations Governing Foreign Exchange Business of Banking Enterprises. These were made in response to financial digitization and foreign exchange business operating trends and to simplify the application procedures and qualification conditions for banks to apply for a license as a designated bank. This was also done to promote the diversified development of the domestic financial bond market and its financial products, allowing authorized banks to issue foreign currency bank debentures linked to derivatives or are structured notes.
- (7) For the benefit of the trust industry in promoting insurance trusts and for the insurance subsidiaries of the same financial holding company to provide a one-stop shopping service for customers with insurance trust needs, on February 16, 2021 the Financial Supervisory Commission revised Article 6 of the Regulations Governing Cross-selling Among Subsidiaries of Financial Holding Company. This loosens regulation of life insurance trusts handled by banks and securities firms that concurrently operate trust business. They can be promoted and collected by insurance subsidiaries of the same financial holding company. It also authorizes the Trust Association of R.O.C. to formulate the insurance trust payment types that can be included in these marketing promotions. The operating procedures and other matters to be followed shall be reported to the Financial Supervisory Commission for approval.

1.5 Credit Ratings

Company	Credit Rating Agency	Long-Term	Short-Term	Outlook	Date of Issuance
Mega Financial Holding Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Sep. 23, 2020
	Moody's	A2	-	Stable	Nov. 09, 2020
Mega International Commercial Bank Co., Ltd.	Taiwan Ratings Corp.	twAAA	twA-1+	Stable	Apr. 23, 2021
	Moody's	A1	P-1	Stable	Nov. 19, 2020
	S & P	A+	A-1	Stable	Apr. 23, 2021
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	TwAA+	twA-1+	Stable	Sep. 29, 2020
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Oct. 27, 2020
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA	-	Stable	Dec. 17, 2020
	Moody's	A3	-	Stable	Aug. 03, 2020
	S & P	A-	-	Stable	Dec. 17, 2020

1.6 Rewards and Recognition

- (1) In July 2020, Mega International Commercial Bank was awarded Global Private Banking Innovation Awards-Digital Banking and Wealth Management-excellent prize, Best Asset Manager for Investor Experience, Outstanding Wealth Management Offering for Affluent Clients and high recommendation award, Best Private Bank for HNWIs, and Best Wealth Manager for Client Experience by The Digital Banker 2020.
- (2) In August 2020, Mega International Commercial Bank was awarded Best New Credit Card 2020 by International Finance Magazine.
- (3) In August 2020, Mega International Commercial Bank was awarded Best Wealth Appreciation award No.1 by BusinessToday wealth management bank evaluation. Mega Securities was awarded Future Trading Assistance Trade Volume Growth Diamond Award.
- (4) In October 2020, Mega International Commercial Bank credit card segment was awarded 2020 Excellent Customer Service Award by TCCDA.
- (5) In Nov. 2020, Mega Securities was awarded Taiwan ETF Market Creation Award and Best Client Recommendation- financial holding security segment.
- (6) In Dec. 2020, the Company was awarded the 10th Taiwan Financial Business Elite Award by Taiwan Academy of Banking and Finance: Mega International Commercial Bank was awarded the Best Oversea Development Special Award, Best Risk Management Excellent Award, and Best Consumer Finance Excellent Award. Mega Bills was awarded the Best Bill Company Excellent Award.
- (7) In Dec. 2020, Mega International Commercial Bank was awarded the Best Taiwanese Bank by the Banker.

The year 2020 marked a once-in-a-century challenge for the global economy. Now, in the new year, the COVID-19 vaccine has begun to be administered, and US President Biden further signed a relief package of US\$1.9 trillion on March 11 while announcing that restrictions were expected to be lifted by Independence Day (July 4). These moves will undoubtedly provide markets with a shot in the arm. However, the current international economy is still facing many variables. For one thing, herd immunity will still be difficult to achieve despite the administration of the vaccine. There is also the subsequent development of trade and technological disputes arising from tensions between the US and China while rising global public debt risks deepen financial vulnerabilities and geopolitical conflicts; and so on. All these factors will affect international economic prospects and Taiwan's own economic development. In addition to continuing to pay attention to changes in the economic and financial situation at home and abroad, the Company is also enhancing the core competitiveness of its own business. Beyond accelerating the Group's digital transformation, it will also deepen information security governance,



implement legal compliance, AML/CFT, internal audit and internal control operations, upgrade relevant information, digital technology and risk management systems, and respond increasingly stringent supervision and regulatory standards worldwide. Moreover, it will comply with the UN's Sustainable Development Goals (SDGs), following international sustainable finance initiatives and the relevant green finance policies of the competent authorities. We are committed to strengthening corporate governance, paying attention to environmental protection and social and cultural issues, and integrating ESG into business philosophy in order to pursue the sustainable growth of the Group and construct a blueprint for sustainable development. In this way, we will lead the Company and its subsidiaries to develop a business model that coexists with economic growth and environmental protection. We look forward to the shareholders' support. We will face the challenge aggressively (Challenge), be brave to change (Change), and seize new business opportunities (Chance) to create the maximum shareholder value and achieve the goals entrusted with the support of all shareholders.

Thank you!



Chao-Shun Chang
Chairman of the Board



Kuang-Hua Hu
President

Company Profile



2.1 Date of Incorporation: February 4, 2002

2.2 Company History

Date	Milestones
February 4, 2002	Founded by Chiao Tung Bank Co., Ltd. ("CTB") and International Securities Co., Ltd. ("IS") through the exchange of shares, and simultaneously listed on the Taiwan Stock Exchange with the name of CTB Financial Holding Company (Code 2886)
August 22, 2002	Acquired a 100% equity stake in Chung Hsing Bills Finance Corporation (now renamed as Mega Bills Finance Co., Ltd.) and Barits Securities Corp. ("BS") through a share swap
December 31, 2002	Acquired a 100% equity stake in both ICBC and Chung Kuo Insurance Co., Ltd. ("CKI") through a share swap, and change the Company's name from CTB Financial Holding Co., Ltd. to Mega Financial Holding Co., Ltd.
January 31, 2003	IS merged with BS and Chung Hsing Securities Corp., a subsidiary of Chung Hsing Bills Finance Corp., and renaming Barits International Securities Co., Ltd. (now known as Mega Securities Co., Ltd. (MSC))
May 29, 2003	Upgraded the Central Securities Investment Trust Corporation (CSITC), originally an investee of MSC, to become the Company's direct subsidiary through cash purchase of controlling shares, and changed CSITC's name into Mega Investment Trust Corp. ("MITC")
December 5, 2003	Set up a wholly owned subsidiary - Mega Asset Management Co., Ltd., with an issued capital of NT\$2,000 million
September 23, 2005	Upgraded Chung Yin Insurance Agency Company, originally a wholly-owned subsidiary of ICBC, to the Company's direct subsidiary by acquiring its 100% shares in cash and renamed it as Mega Life Insurance Agency Co., Ltd.
December 13, 2005	Established a wholly owned subsidiary - Mega CTB Venture Capital Co., Ltd., (now renamed as Mega Venture Capital Co., Ltd.) with an issued capital of NT\$1,000 million
December 16, 2005	The Board of Directors resolved to acquire 5% to 26% stake in the Taiwan Business Bank.
May 23, 2006	Subscribed new shares of International Investment Trust Co., Ltd. (IIT) in which ICBC originally owned 59.13% equity interest, and achieved a combined equity interest of 97.76% with ICBC
July – August 2006	All direct subsidiaries were renamed "Mega", except the English name of insurance subsidiary - Chung Kuo Insurance Co., Ltd.
August 21, 2006	The two banking units, the International Commercial Bank of China ("ICBC") and Chiao Tung Bank ("CTB"), were merged, with ICBC as the surviving company renamed Mega International Commercial Bank
September 17, 2007	The two security investment trust subsidiaries, IIT and MITC, were merged, with IIT as the surviving company renamed Mega International Investment Trust Co., Ltd.
December 30, 2008	Mega International Investment Trust Co., Ltd. (MIIT) becomes a wholly owned subsidiary of the Company, after the reduction and increase of capital by MIIT to offset loss
April 7, 2009	Mega CTB Venture Capital Co., Ltd. was renamed as Mega Venture Capital Co., Ltd.
April 28, 2009	The Board of Directors resolved to dispose of the stakes in Taiwan Business Bank.
April 26, 2011	The Board of Directors resolved to issue exchangeable bonds to dispose of the shareholding of Taiwan Business Bank.
August 28, 2012	The Board of Directors resolved to entrust the stakes in Taiwan Business Bank to Hua Na Commercial Bank.
September 5, 2012	Subscribed all 300 million shares of private placement offered by subsidiary Mega International Commercial Bank to improve its capital structure.
December 18, 2013	Subscribed all 600 million shares of private placement offered by subsidiary Mega International Commercial Bank to improve its capital structure.
May 26, 2015	The Board of Directors resolved to issue the second domestic unsecured exchangeable bonds to dispose of the stakes in Taiwan Business Bank.

Company Profile

Date	Milestones
June 11, 2015	Subscribed all 300 million shares of private placement offered by subsidiary Mega International Commercial Bank to improve its capital structure.
December 30, 2015	Subscribed all 536 million shares of private placement offered by subsidiary Mega International Commercial Bank to improve its capital structure.
March 28, 2016	Mega Securities Co., Ltd. acquired the businesses of Tai An Securities Co., Ltd.
August 10, 2016	Mega Securities Holdings Co., Ltd. completed the disposal of shares of Mega Securities (Hong Kong) Ltd.
April 26, 2017	The Board of Directors of Mega Securities Co., Ltd. approved the dissolution plan of Mega Securities Holdings Co., Ltd.
April 20, 2018	The Board of Directors of Mega International Commercial Bank resolved to launch reorganization, introducing the business and management model of “business group” and “administration group” in the organization structure.
August 25, 2018	The Company's Exchangeable Bond, exchangeable into shares of Taiwan Business Bank, is repaid at maturity.
January 11, 2019	The Board of Directors of Mega International Commercial Bank resolved to participate in establishing Next Commercial Bank Co., Ltd., an internet only bank.
April 23, 2019	The Board of Directors of the Company resolved to sell shares of its subsidiary Mega Life Insurance Agency Company to another subsidiary Mega International Commercial Bank.
June 24, 2019	The Company sold all shares possessed of Taiwan Business Bank in securities exchange market.
July 15, 2019	The Company's subsidiary Mega I Venture Capital Co. Ltd. obtained authority's approval of dissolution. The liquidation was done on February 10, 2020.
May 12, 2020	The subsidiary Mega Life Insurance Agency Co., Ltd was officially merged into Mega International Commercial Bank.
July 17, 2020	The Board of Directors of subsidiary Mega International Commercial Bank approved the signing of MOU with Bangkok Bank Public Company Limited.



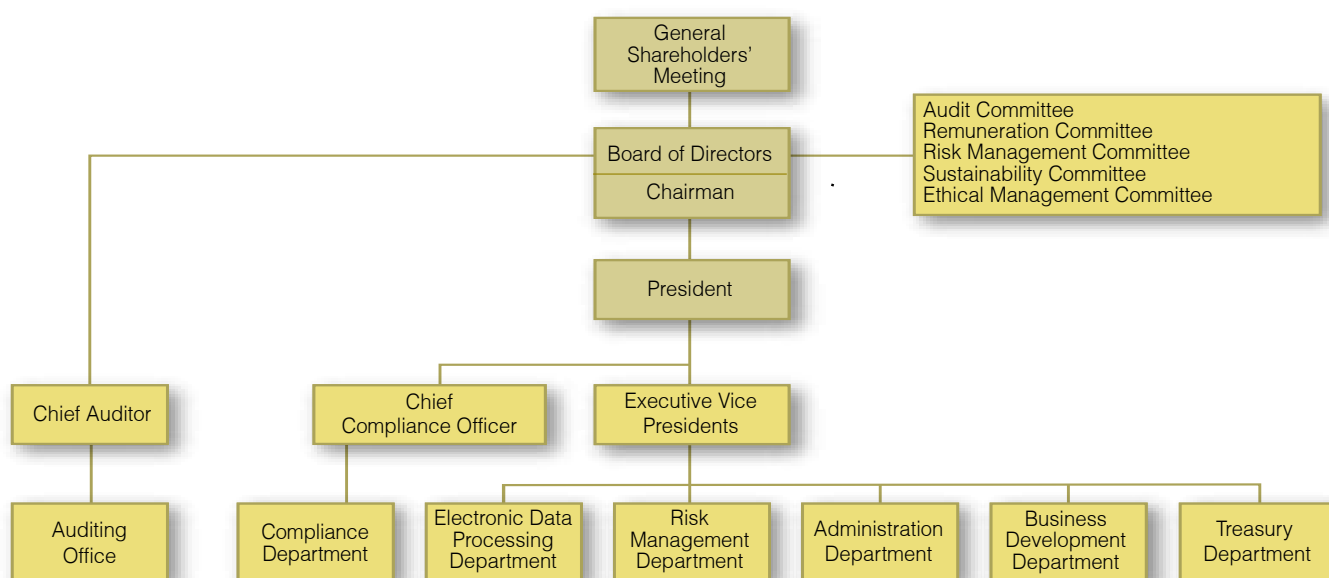
Corporate Governance Report



Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



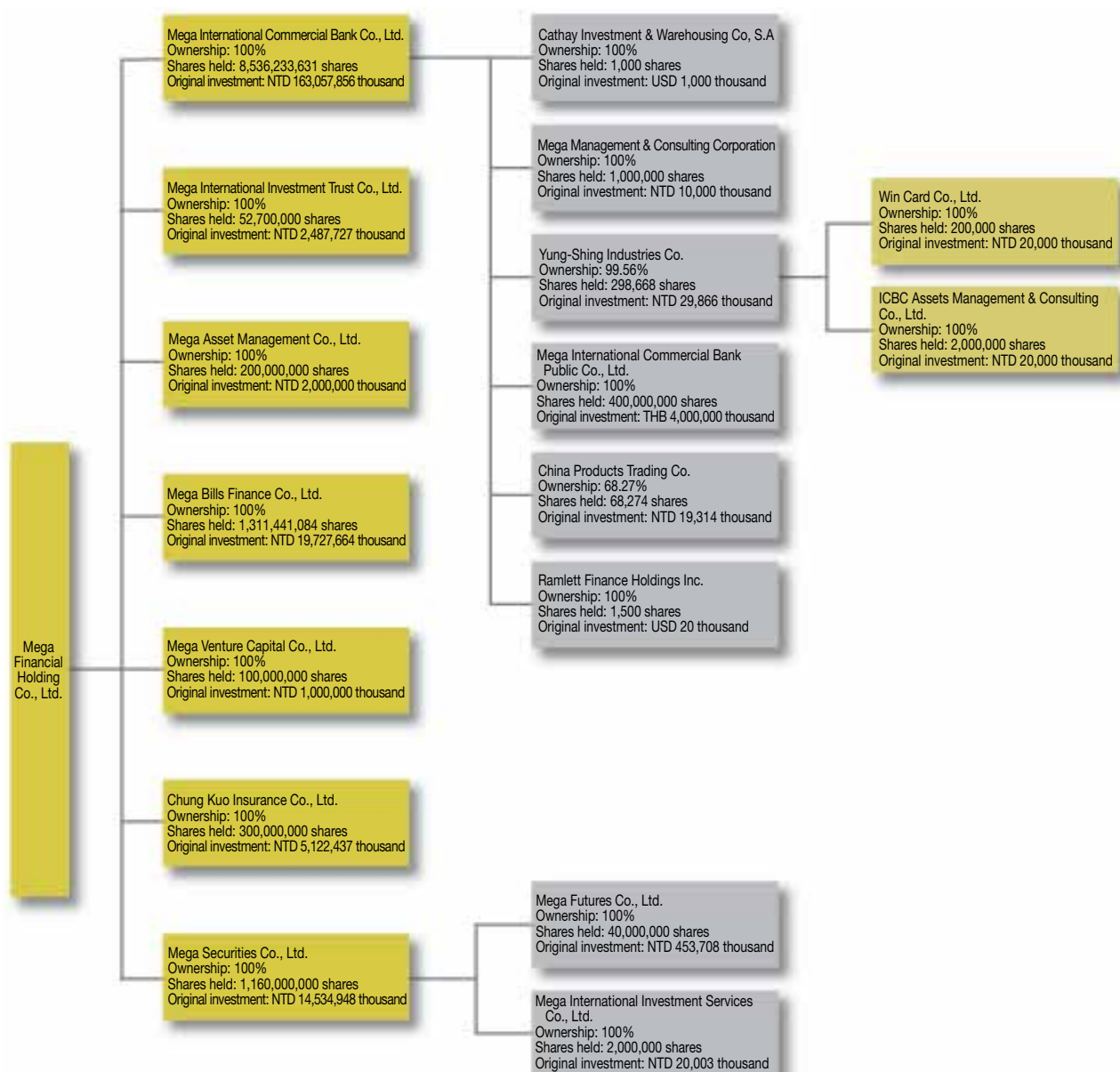
Major Corporate Functions

- Auditing Office: Planning and implementation of internal audit, examination of financial and business operation, internal control and legal compliance
- Compliance Department: Planning, management and implementation of legal compliance affairs; formulation and amendment of the group's overall AML/CFT plan and policy. Planning report system and handling reported cases.
- Business Development Department: Planning of group's business strategy and operating goals; Development of enterprise investment opportunity, evaluation, planning and implementation of strategic alliance; research and analysis of domestic and international political and economic situation; planning and promotion of product integration and cross selling; oversight of the adjustment of the group's organization structure; institutional investor relations
- Treasury Department: Formulation, planning and implementation of accounting system; planning and compiling of budget, final account and financial forecast; capital planning, planning and processing of group's tax affairs; handling of internal review and statistic; funds procurement and application; financial planning, assets and liability management; evaluation of subsidiaries' operation performance
- Risk Management Department: Planning and management of risk management system; formulation and amendment of principles governing credit risk, market risk and operational risk; compiling, analysis, supervisory and report of group's risk
- Electronic Data Processing Department: Planning and implementation of group's overall information system; integration of IT system structure of the Company and its subsidiary; build-up, security control and maintenance of various IT system; evaluation and management of the computer-related software asset
- Administration Department: Handling of legal affairs of the Company; Planning and implementation of administrative management system, administrative affairs of shareholders meeting, management of general affairs, cashier, human resources and public relations, planning and administrative affairs of sustainable development matters such as corporate governance and ethical corporate management



3.1.2 Affiliated Companies Chart

As of Dec 31, 2020



3.2 Directors and Management Team

3.2.1 Directors

Title	Nationality or place of incorporation	Name	Gender	Date elected	Term (Years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor children shareholding		Shareholding by nominee arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	Chao-Shun Chang (Representative of the Ministry of Finance, R.O.C.)	Male	07/01/2018	3	09/02/2016	1,143,043,883	8.40	1,143,043,883	8.40	287,713	0.00212	0	0
President & Director	R.O.C.	Kuang-Hua Hu (Representative of the Ministry of Finance, R.O.C.)	Male	07/01/2018	3	02/07/2018	1,143,043,883	8.40	1,143,043,883	8.40	0	0	0	0
Director	R.O.C.	Yong-Yi Tsai (Representative of the Ministry of Finance, R.O.C.)	Male	12/16/2019	1.54	12/16/2019	1,143,043,883	8.40	1,143,043,883	8.40	264,069 57,381	0.00194 0.00042	0	0
Director	R.O.C.	Yih-Jiuan Wu (Representative of the Ministry of Finance, R.O.C.)	Female	01/16/2021	0.5	01/16/2021	1,143,043,883	8.40	1,143,043,883	8.40	0	0	0	0
Director	R.O.C.	Cheng-Te Liang (Representative of the Ministry of Finance, R.O.C.)	Male	07/01/2018	3	09/09/2016	1,143,043,883	8.40	1,143,043,883	8.40	0	0	0	0
Director	R.O.C.	Chun-Lan Yen (Representative of the Ministry of Finance, R.O.C.)	Female	07/01/2018	3	09/09/2016	1,143,043,883	8.40	1,143,043,883	8.40	3,402	0.00003	0	0
Director	R.O.C.	Pei-Chun Chen (Representative of the Ministry of Finance, R.O.C.)	Female	07/01/2018	3	07/01/2018	1,143,043,883	8.40	1,143,043,883	8.40	113,653 60	0.00084 0.00000	0	0
Director	R.O.C.	Wen-Ling Hung (Representative of the Ministry of Finance, R.O.C.)	Female	07/01/2018	3	09/09/2016	1,143,043,883	8.40	1,143,043,883	8.40	0	0	0	0



January 31, 2021

Experience (education)	Other position	Executives, directors or supervisors who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
Chairman of Franklin Templeton SinoAm Securities Investment Management Inc., Chairman of Taiwan business bank, Supervisor of First Financial Holding Co., Ltd., Resident Supervisor of First Commercial Bank, Chairman of First Financial Holding Co., Ltd. & First Commercial Bank, CPA M.A. in Public Finance, National Chengchi University	Chairman of Mega International Commercial Bank, Chairman of Mega Charity Foundation, Chairman of Mega Bank Cultural and Educational Foundation, Director of National Credit Card Center of R.O.C., Director of Taipei Financial Center Corp., Supervisor of Taiwan Capital Buffalo Fund Co., Ltd. Director of Taiwan Asset Management Corp. Director of Taiwan Capital Management Corp.	None	None	None	Note 1
Chief Secretary of Bank of Taiwan, Chief Secretary / Executive Vice President of Taiwan Cooperative Bank, Chairman of Taiwan Cooperative Bills Finance Corporation, Executive Vice President of Taiwan Cooperative Financial Holding Co., Ltd. & Taiwan Cooperative Bank MBA, College of Business, Iowa State University	Director of Mega International Investment Trust Co., Ltd. Managing Director of Mega International Commercial Bank Co., Ltd. Director of Mega Bank Cultural and Educational Foundation Vice chairman of Mega Charity Foundation, Director of Next Commercial Bank Co., Ltd.	None	None	None	Note 1
Vice President & General Manager of Lo Tung Branch of Mega Int'l Commercial Bank, Co., Ltd., Senior Vice President & General Manager of Hong Kong Branch of Mega Int'l Commercial Bank, Co., Ltd., Senior Vice President & Chief Representative of Suzhou Representative Office of Mega Int'l Commercial Bank, Co., Ltd., Senior Vice President & General Manager of Suzhou Branch of Mega Int'l Commercial Bank, Co., Ltd., Senior Executive Vice President & President of Mega Int'l Commercial Bank, Co., Ltd., Vice Chairman and CEO of Mega Bank Cultural and Educational Foundation, Director and CEO of Mega Charity Foundation, Director of Taiwan Finance Corporation, Supervisor of National Credit Card Center R.O.C. B.A., Fu Jen Catholic University Taipei, Taiwan	Managing Director and President of Mega International Commercial Bank Co., Ltd., Vice Chairman of Mega Bank Cultural and Educational Foundation, Director of Mega Charity Foundation, Director of Taiwan Finance Corporation, Director of Financial Information Service Co., Ltd.	None	None	None	None
Assistant Director General / Deputy Director General Director of Department of Economic Research, Central Bank of the R.O.C. Ph.D. in Economics, Iowa State University, U.S.	Director of Taiwan Academy of Banking and Finance; General Director of Department of Economic Research, Central Bank of the R.O.C.	None	None	None	Note 2
Director of Research Department, Taiwan Insurance Institute, Vice President / Executive Vice President of Taiwan Insurance Institute President of Taiwan Insurance Institute M.A. in Public Finance, National Cheng-Chi University M.S. in Actuarial Science, University of Wisconsin-Madison, U.S.A. Ph.D. in Social Welfare, National Chung Cheng University	Chairman of Chung Kuo Insurance Co., Ltd. Supervisor of CR Classification Society, Director of DaoNan Charity Foundation, Director of Mega Charity Foundation	None	None	None	None
Supervisor, National Treasury Administration, Ministry of Finance, R.O.C. M.A. in Agricultural Economics, National Taiwan University	Deputy Director-General, National Treasury Administration, Ministry of Finance, R.O.C. Director of Taiwan Resident Earthquake Insurance Fund	None	None	None	None
Manager of Yuanta Core Pacific Securities Co., Ltd. Vice President of PineBridge Investments Management Taiwan Ltd. Legal Director of Prestige Law Firm Chief Auditor / President / Chairman of Mega Securities Co., Ltd. M.A. in Law, Boston University	Chairman of Mega Securities Co., Ltd. Chairman of Mega Futures Co., Ltd.	None	None	None	None
Director of Police Policy Research Institute & Director of Administrative Police Department, Central Police University Adjunct Professor, Department of Law, National Chengchi University Ph.D. in Law, National Chengchi University	Director of Mega International Commercial Bank Professor of Central Police University, Supervisor of Association of Chinese Police Research, Taiwan	None	None	None	None

Corporate Governance Report

Title	Nationality or place of incorporation	Name	Gender	Date elected	Term (Years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor children shareholding		Shareholding by nominee arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Director	R.O.C.	Chi-Hsu Lin (Representative of the Ministry of Finance, R.O.C.)	Male	07/01/2018	3	07/01/2018	1,143,043,883	8.40	1,143,043,883	8.40	29,873 1,207	0.00022 0.00000	0	0
Director	R.O.C.	Keh-Her Shih (Representative of National Development Fund, Executive Yuan, R.O.C.)	Male	21/12/2020	0.5	21/12/2020	830,973,202	6.11	830,973,202	6.11	0	0	0	0
Director	R.O.C.	Hong-Mo Wu (Representative of Chunghwa Post Co., Ltd.)	Male	09/09/2019	1.83	09/09/2019	487,484,910	3.58	490,735,910	3.61	0	0	0	0
Director	R.O.C.	Guo-Shin Lee (Representative of Bank of Taiwan)	Male	07/07/2020	1	07/07/2020	334,951,379	2.46	334,951,379	2.46	0	0	0	0
Independent Director	R.O.C.	Jiun-Wei Lu	Male	07/01/2018	3	07/01/2018	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Ying-Ko Lin	Male	07/01/2018	3	07/01/2018	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Chang-Ching Lin	Male	07/01/2018	3	07/01/2018	0	0	0	0	0	0	0	0

Note 1: None of the director, president, or position equivalent are the same person, spouse, or within one degree of kinship.

Note 2: The director Ms. Yih-Juan Wu succeeded the position on 16.01.2021. Former director Mr. Chiun-Min Tsai was discharged on the same date.

Note 3: The director Mr. Keh-Her Shih succeeded the position on 21.12.2020. Former director Mr. Cheng-Mount Cheng resigned on 01.10.2020.



January 31, 2021

Experience (education)	Other position	Executives, directors or supervisors who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
Assistant Vice President of Mega Int'l Commercial Bank Co., Ltd. Vice President of Mega Int'l Commercial Bank Co., Ltd. Labor Union Deputy Chairman of Mega Int'l Commercial Bank Co., Ltd. Staff Welfare Committee, Director of Mega Int'l Commercial Bank	Assistant Vice President of Mega Int'l Commercial Bank, Pauchen Branch	None	None	None	None
M.A. in Business Management, National Taichung University of Science and Technology					
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 President Deputy Minister, National Development Council, Executive Yuan, R.O.C.	Deputy Minister, National Development Council, Executive Yuan, R.O.C. Director of Yang Ming Marine Transport Corporation	None	None	None	Note 3
MSc Regional and Urban Planning Studies, The London School of Economics and Political Science MSc Management, Imperial College, University of London (now Imperial College London)					
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	Chairman of Chunghwa Post Co., Ltd.	None	None	None	None
Ph.D. in Marine Environment and Engineering, National Sun Yat-sen University					
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 & Deputy Minister of DGBAS, Executive Yuan	Deputy Minister of DGBAS, Executive Yuan	None	None	None	None
B.A. in Accounting, Tamkang University					
Committee Member, National Financial Stabilization Fund Independent Director, Taiwan Finance Corporation	Research Fellow, Research Division II in Taiwan Institute of Economic Research, Director of Air Asia Company Limited	None	None	None	None
Ph.D. in Political Science, National Taiwan University					
Assistant Professor, Associate Professor, Professor and Chairperson, Department of Finance, National Chung Hsing University	Professor, Department of Finance, National Chung Hsing University Supervisor, Te Tan Ti Agri-Biotech Co., Ltd. Independent Director of Sunspring Metal Corporation	None	None	None	None
Ph.D. in Finance, Department of Finance and Real Estate at the University of Texas at Arlington					
Assistant Research Fellow of Institute of Economics, Academia Sinica, Adjunct Assistant Professor of Department of Economics National Central University, Adjunct Assistant Professor of Department of Economics, National Taiwan University, Associate Dean of College of Social Sciences, National Cheng Kung University	Professor, Department of Economics, National Cheng Kung University	None	None	None	None
Ph.D. in Economics, University of Michigan - Ann Arbor					

Corporate Governance Report

Major shareholders of the institutional shareholders who are represented by directors

Dec. 31, 2020

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Ministry of Finance, ROC	The government
National Development Fund, Executive Yuan, ROC	The government
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications, R.O.C. (100%)
Bank of Taiwan Co., Ltd.	Taiwan Financial Holding Co., Ltd. (100%)

Major shareholders of the above major shareholders that are juridical persons

Dec. 31, 2020

Name of Juridical Persons	Major Shareholders of the Juridical Persons
Taiwan Financial Holding Co., Ltd.	Ministry of Finance, R.O.C. (100%)

Professional Qualifications and Independence Analysis of Directors

Jan.31, 2021

Name	Criteria	Meet one of the following professional qualification requirements, together with at least five years work experience			Independence criteria (Note 2)												Number of other public companies in which the Individual is concurrently serving as an independent director
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Chao-Shun Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kuang-Hua Hu			✓	✓			✓	✓	✓	✓	✓		✓	✓	✓		0
Yong-Yi Tsai			✓	✓			✓	✓	✓	✓	✓		✓	✓	✓		0
Cheng-Te Liang			✓	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓		0
Chun-Lan Yen			✓	✓			✓	✓		✓	✓	✓	✓	✓	✓		0
Chiun-Min Tsai (Note 1)			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Yih-Jiuan Wu (Note 1)			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Wen-Ling Hung	✓		✓	✓			✓	✓	✓	✓	✓		✓	✓	✓		0
Pei-Chun Chen			✓	✓			✓	✓	✓	✓	✓		✓	✓	✓		0
Chi-Hsu Lin			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Keh-Her Shih				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Hong-Mo Wu			✓	✓			✓	✓		✓	✓	✓	✓	✓	✓		0
Guo-Shin Lee			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Jiun-Wei Lu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ying-Ko Lin	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chang-Ching Lin	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0



Note 1: The director Ms. Yih-Jiuan Wu succeeded the position on 16.01.2021. Former director Mr. Chiun-Min Tsai was discharged on the same date.

Note 2: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office:

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company's affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 largest shareholders in terms of shares held..
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranks among the five largest shareholders in terms of shares held. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
6. Not a director, supervisor, or employee of a corporate which is controlled by the same person who have over 50% of voting right shares or board of director seats of the Company. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
7. Not a director, supervisor, or employee of a corporate or institution which has the same, or their spouse is: chairman, general manager, or equivalent positions of the Company. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary and the specific company or institution hold more than 20% but less or equal than 50% of the Company's shares.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services which is auditing service or its compensation within 2 years is not over NT\$ 500 thousands to the Company or to any affiliate of the Company, or a spouse thereof. However Remuneration Committee members, Public Tender Offer Review Committee members, or Acquisition Specialized Committee members who exercise powers based on Securities and Exchange Act of Taiwan or Corporate Acquisition Act are not limited therein.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Act.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

4. Diversification of the Board in 2020

- (1) The fifteen Board members of the Company include three independent directors and one employee representative director. They have different professional experience and backgrounds. Among them, those specialize in leading, operation judgment, business management, crisis management, and have industry knowledge and insights of international market are Chairman Chao-Shun Chang, director Kuang-Hua Hu, director Yong-Yi Tsai, director Cheng-Te Liang, director Pei-Chun Chen, director Chi-Hsu Lin, director Hong-Mo Wu, and independent director Jiun-Wei Lu and Chang-Ching Lin; Those who have contributed to public welfare are Chairman Chao-Shun Chang, director Kuang-Hua Hu, director Yong-Yi Tsai, and director Cheng-Te Liang; those specialize in legal affairs are director Wen-Ling Hung, director Pei-Chun Chen, director Keh-Her Shih, and independent director Jiun-Wei Lu; Also the director Chiun-Min Tsai (replaced by director Yih-Jiuan Wu on 16/01/2021) who is the Director General, Department of Economic Research, Central Bank of the R.O.C., the director Chun-Lan Yen who is the Deputy Director-General, National Treasury Administration, Ministry of Finance, R.O.C., the director Guo-Shin Lee who is the deputy minister of DGBAS Executive Yuan, and the independent director Ying-Ko Lin who used to be Chairperson, Department of Finance of National university Chung Hsing is professional in economy, financial affairs, and management. Director Keh-Her Shih is the Deputy Minister, National Development Council, Executive Yuan, R.O.C. and specializes in international industrial and economic study, business management and leading judgment.

(2) The directors who also are the Group's employees are: president Kuang-Hua Hu, director Yong-Yi Tsai, and director Chi-Hsu Lin, account for 20%; three independent directors account for 20%; three female directors account for 20%. The three independent directors' terms of office are all less than three years. One director's age is above 70 years old; three directors' age is between 60 to 69 years old; and eleven directors' age is under 60 years old (among them, three are under 50 years old).

(3) The Company values the gender composition of the Board. We target to at least have four or above 25% of female directors. After director Yih-Jiuan Wu, the representative of Ministry of Finance, joined the Board on January 16, 2021, the female director account for four seats/26.67% of the Board.

Diversification of the Board of Directors

Title	Name	Basic Composition								
		Nationality	Gender	Employee of the Company	Distribution of ages			Independent director job tenor (year)		
					≤50	51 to 60	≥61	<3	3 to 9	>9
Chairman	Chao-Shun Chang	R.O.C	Male				V			
Director and President	Kuang-Hua Hu	R.O.C	Male	V		V				
Director	Yong-Yi Tsai	R.O.C	Male				V			
Director	Cheng-Te Liang	R.O.C	Male			V				
Director	Chun-Lan Yen	R.O.C	Female			V				
Director	Chiun-Min Tsai	R.O.C	Male			V				
Director	Yih-Jiuan Wu	R.O.C	Female			V				
Director	Wen-Ling Hung	R.O.C	Female			V				
Director	Pei-Chun Chen	R.O.C	Female			V				
Director	Chi-Hsu Lin	R.O.C	Male			V				
Director	Keh-Her Shih	R.O.C	Male		V					
Director	Hong-Mo Wu	R.O.C	Male				V			
Director	Guo-Shin Lee	R.O.C	Male			V				
Independent Director	Jiun-Wei Lu	R.O.C	Male		V			V		
Independent Director	Ying-Ko Lin	R.O.C	Male			V		V		
Independent Director	Chang-Ching Lin	R.O.C	Male		V			V		

Note : Director Yong-Yi Tsai and Director Chi-Hsu Lin are also employees of the Company's subsidiaries. Director Yih-Jiuan Wu succeeded the position on Jan 16, 2021. Former director Chiun-Min Tsai was discharged on the same date.

3.2.2 Management Team

Title	Nationality	Name	Gender	Date effective	Shareholding		Spouse & minor children shareholding		Shareholding by nominee arrangement	
					Shares	%	Shares	%	Shares	%
President	R.O.C.	Kuang-Hua Hu	Male	02/07/2018	0	0.00	0	0.00	0	0.00
Executive Vice President (Chief Corporate Governance Officer)	R.O.C.	Jui-Yun Lin	Female	09/08/2006	208,762	0.00	0	0.00	0	0.00



Jan. 31, 2021

Diversification Items									
Ability to make operational judgments	Ability to lead and make policy decisions	Knowledge of finance	International industry and economics	Accounting and finance	Public finance and taxation	Knowledge of law	Digital Finance	ESG sustainability	
V	V	V	V	V	V			V	
V	V	V	V	V			V	V	
V	V	V	V	V	V			V	
V	V	V		V	V			V	
V	V	V	V	V	V				
		V	V	V					
		V	V	V					
V	V	V			V	V			
V	V	V	V			V		V	
V	V	V	V	V				V	
V	V		V			V		V	
V	V	V	V				V	V	
V	V	V		V	V				
V	V	V	V		V	V	V	V	
		V	V	V			V	V	
V	V	V	V		V		V	V	

Dec.31, 2020

Experience (education)	Other position	Managers who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
Chief Secretary of Bank of Taiwan, Chief Secretary / Executive Vice President of Taiwan Cooperative Bank, Chairman of Taiwan Cooperative Bills Finance Corporation, Executive Vice President of Taiwan Cooperative Financial Holding Co., Ltd. & Taiwan Cooperative Bank MBA, College of Business, Iowa State University	Director of Mega International Investment Trust Co., Ltd. Managing Director of Mega International Commercial Bank Co., Ltd. Director of Mega Bank Cultural and Educational Foundation Vice chairman of Mega Charity Foundation, Director of Next Commercial Bank Co., Ltd.	None	None	None	Note 1
Tax officer of National Taxation Bureau of Taipei, Auditor and Section Chief of National Treasury Administration, Senior Vice President & General Manager of Chiao Tung Bank, Senior Vice President of Mega Financial Holding Co., Ltd. Chairman of Chung Kuo Insurance Co., Ltd. M.A. in Public Finance, National Chengchi University	Director of Mega Bills Finance Co., Ltd., Chairman and President of Mega Venture Capital Co., Ltd., Supervisor of Chung Kuo Insurance Co., Ltd., Director of Next Commercial Bank Co., Ltd. Director of Mega Charity Foundation	None	None	None	None



Corporate Governance Report

Title	Nationality	Name	Gender	Date effective	Shareholding		Spouse & minor children shareholding		Shareholding by nominee arrangement	
					Shares	%	Shares	%	Shares	%
Executive Vice President	R.O.C.	Yu-Mei Hsiao	Female	02/21/2017	200,000	0.00	0	0.00	0	0.00
Executive Vice President	R.O.C.	Kuo-Pao Chen	Male	12/21/2018	1,697,437	0.00	45,693	0.00	0	0.00
Chief Auditor	R.O.C.	Jui-Ying Tsai	Female	07/01/2019	262,766	0.00	0	0.00	0	0.00
Chief Compliance Officer	R.O.C.	Hui-Lin Wu	Female	01/26/2017	55,000	0.00	0	0.00	0	0.00
Chief Secretary of the board	R.O.C.	Han-Yin Ting	Female	05/23/2017	60,000	0.00	0	0.00	0	0.00
Senior Vice President	R.O.C.	Ching-Yi Li	Female	06/01/2019	41,133	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Ming-Chih Lu	Male	03/01/2020	6,464	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Lan-Jong An	Male	10/01/2020	0	0.00	0	0.00	0	0.00
Acting Vice President	R.O.C.	Chia-Lin Chang	Female	08/01/2020	10,000	0.00	0	0.00	0	0.00

Note: 1. None of the director, president, or position equivalent are the same person, spouse, or within one degree of kinship.
 2. Acting Vice President of Business Development Department Mr. Ming-Chih Lu became Vice President on March 1, 2020.
 3. Acting Vice President of Risk Management Department Mr. Lan-Jong An became Vice President on Oct. 1, 2020.
 4. Ms. Chia-Lin Chang is acting as the Vice President of Administration Department since August 1, 2020.

3.2.3 Information and Compensation of consultants who are retired chairman or president from the Company or affiliate companies: None



Experience (education)	Other position	Managers who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
Manager, Gong-guan/ Brisbane Branch of First Commercial Bank, Chief Secretary of Mega International Commercial Bank Co., Ltd. & Mega Financial Holding Co., Ltd. M.A. in Finance, University of Illinois at Urbana-Champaign, U.S.A.	Senior Executive Vice President of Mega International Commercial Bank Co., Ltd., Director of Mega Bills Finance Co., Ltd., Director of Mega Asset Management Co., Ltd., Chairman of Mega International Commercial Bank Public Co., Ltd.	None	None	None	None
Assistant Vice President, Offshore Banking Department & Treasury Department/ Senior Vice President, Treasury Department/ Senior Vice President, Financial Risk Management Center/ Senior Vice President & General Manager, Data Processing & Information Department/ Executive Vice President, General Manager, Data Processing & Information Department of Mega International Commercial Bank Co., Ltd. Executive Master of Business Administration Program College of Commerce National Chengchi University	Senior Executive Vice President of Mega International Commercial Bank Co., Ltd., Director of Mega International Commercial Bank Public Co., Ltd., Director of Financial esolution C., Ltd., Director of Allied Biotech Corporation Director of Mega Securities Co., Ltd.	None	None	None	None
Vice President & Head of Treasury Department of Mega Financial Holding Co., Ltd. B.A. in Business Administration, National Taiwan University	Supervisor of Mega Asset Management Co., Ltd.	None	None	None	None
SVP & GM, Shih-Mao Branch of First Commercial Bank SVP& Head of Compliance & Legal Division of First Financial Holding and First Commercial Bank B.A. in Laws, National Taiwan University	Chief Compliance Officer of Mega International Commercial Bank Co., Ltd.	None	None	None	None
Assistant Vice President of Mega International Commercial Bank Co., Ltd. Acting Chief Secretary of Mega International Commercial Bank Co., Ltd. B.A. in Finance, National Taiwan University	Chief Secretary of the board of Mega International Commercial Bank Co., Ltd. Director of Mega Securities Co., Ltd. Director of Overseas Investment & Development Corp.	None	None	None	None
Deputy General Manager of Credit Management Department/ Central Branch, General Manager of Accounting Department, Mega International Commercial Bank Co., Ltd. M.A. in Accounting, University of Illinois at Urbana-Champaign, U.S.A.	Supervisor of Mega Securities Co., Ltd., Supervisor of Mega Venture Capital Co., Ltd., Supervisor of Win Card Co., Ltd., Director of Star Energy Power Corporation, Director of Next Commercial Bank Co., Ltd.	None	None	None	None
Manager of Mega Financial Holding Co., Ltd. M.A. in Economics, National Taiwan University	Director of Mega Asset Management Co., Ltd. Director of Mega International Investment Trust Co., Ltd.	None	None	None	Note 2
Chief Officer of Chung Kuo Insurance Co., Ltd., Deputy Vice President of Mega Financial Holding Co., Ltd. M.B.A, State University of New York at Buffalo,	Director of Mega Venture Capital Co., Ltd. Supervisor of Mega Securities Co., Ltd.	None	None	None	Note 3
Assistant officer of Chiao Tung Bank Nan Jing East Road Branch. Assistant Vice President of Administration Department of Mega Financial Holding Co., Ltd. Secretary of Board of Mega Financial Holding Co., Ltd. M.A., Department of Business Administration, Soochow University	Director of Mega Securities Co., Ltd.	None	None	None	Note4

3.2.4 Compensation of Directors, President, and Executive Vice Presidents in 2020

Compensation of Directors and Independent Directors

Title	Name	Compensation								Ratio of total compensation (a+b+c+d) to net income after tax (%)	
		Base compensation (a)		Severance pay (b)		Remuneration for directors (c)		Allowances (d)			
		From the Company	From all companies in the financial statement	From the Company	From all companies in the financial statement	From the Company	From all companies in the financial statement	From the Company	From all companies in the financial statement	From the Company	From all companies in the financial statement
Chairman	Ministry of Finance	0	16,878	0	828	126,309	126,309	2,680	6,198	0.52	0.60
	Chao-Shun Chang (Representative of Ministry of Finance)										
Kuang-Hua Hu											
Tzong-Yau Lin											
Chiun-Min Tsai											
Wen-Ling Hung											
Cheng-Te Liang											
Chun-Lan Yen											
Pei-Chun Chen											
Yong-Yi Tsai											
Chi-Hsu Lin											
Director	National Development Fund										
	Cheng-Mount Cheng										
	Keh-Her Shih										
Director	Chunghwa Post Co., Ltd.										
	Hong-Mo Wu										
Director	Bank of Taiwan										
	Guo-Shin Lee										
Independent Director	Ying-Ko Lin	2,160	2,160	0	0	0	0	448	448	0.01	0.01
	Jiun-Wei Lu										
	Chang-Ching Lin										

1. Compensation policies, guide line, standards, and structure, and the correlation between the compensation paid and the duty, risk exposure, and time input for independent director: According to the Article of Incorporation, the compensation for independent directors is decided by Board of Directors base on the involvement of corporate operation, contribution value, the reference with peers. The total package includes monthly compensation and research fee. The monthly compensation of NT\$60,000 per person is based on each independent director's duty. Also, considering the independent directors' time input and risk taken, for each attendance of the Remuneration Committee, Audit Committee, and Ethical Management Committee, the chairman of the committee will be paid NT\$12,000 research fee, while committee member will be paid NT\$10,000 research fee. There is no director remuneration or variable compensation to keep the independency.
2. Besides above disclosure, the compensation for directors for his/her service to consolidated entities (ex. consulting service as non-employee): N.A.

Note: 1. The representative of Ministry of Finance Mr. Tzong-Yau Lin was discharged on July 16, 2020. Mr. Chiun-Min Tsai succeeded the position on July 22, 2020. The representative of National Development Fund Mr. Cheng-Mount Cheng was discharged on Oct. 1, 2020. Mr. Keh-Her Shih succeeded the position on Dec 21, 2020. Mr. Guo-Shin Lee became the representative of Bank of Taiwan on July 7, 2020.

2. Compensation paid to company drivers for NT\$2,145 thousand is not included in Allowances (d). "Salary, bonuses, and allowances (e)" does not include compensation paid to company drivers for NT\$2,740 thousand.

3. Compensation for Directors (c) and Employee remuneration (g) have been approved by the Board of Directors.

4. The Company does not issue any employee stock options or new restricted employee shares.

Unit: NT\$ thousands

Relevant remuneration received by directors who are also employees								Ratio of total compensation (a+b+c+d+e+f+g) to net income after tax (%)		Compensation paid to directors from an invested company other than the company's subsidiary or from the parent company
Salary, bonuses, and allowances (e)		Severance pay (f)		Employee remuneration (g)						
From the Company	From all companies in the financial statement	From the Company	From all companies in the financial statement	From the Company		From all companies in the financial statement		From the Company	From all companies in the financial statement	
				Cash	Stock	Cash	Stock			
7,251	16,517	108	425	0	0	1,378	0	0.55	0.67	1,008
0	0	0	0	0	0	0	0	0.01	0.01	0

Directors' remuneration brackets

Bracket	Name of Directors			
	Total of (a+b+c+d)		Total of (a+b+c+d+e+f+g)	
	The Company	The parent company and all investee companies	The Company	The parent company and all investee companies
Under NT\$ 1,000,000	Chao-Shun Chang, Kuang-Hua Hu, Tzong-Yau Lin, Chiun-Min Tsai, Wen-Ling Hung, Cheng-Te Liang, Chun-Lan Yen, Pei-Chun Chen, Chi-Hsu Lin, Yong-Yi Tsai, Cheng-Mount Cheng, Keh-Her Shih, Hong-Mo Wu, Guo-Shin Lee, Jiun-Wei Lu, Chang-Ching Lin, Ying-Ko Lin	Kuang-Hua Hu, Tzong-Yau Lin, Chiun-Min Tsai, Wen-Ling Hung, Chun-Lan Yen, Chi-Hsu Lin, Yong-Yi Tsai, Cheng-Mount Cheng, Keh-Her Shih, Hong-Mo Wu, Guo-Shin Lee, Jiun-Wei Lu, Chang-Ching Lin, Ying-Ko Lin	Chao-Shun Chang, Tzong-Yau Lin, Chiun-Min Tsai, Wen-Ling Hung, Cheng-Te Liang, Chun-Lan Yen, Pei-Chun Chen, Chi-Hsu Lin, Yong-Yi Tsai, Cheng-Mount Cheng, Keh-Her Shih, Hong-Mo Wu, Guo-Shin Lee, Jiun-Wei Lu, Chang-Ching Lin, Ying-Ko Lin	Tzong-Yau Lin, Chiun-Min Tsai, Wen-Ling Hung, Chun-Lan Yen, Cheng-Mount Cheng, Keh-Her Shih, Hong-Mo Wu, Guo-Shin Lee, Jiun-Wei Lu, Chang-Ching Lin, Ying-Ko Lin
NT\$1,000,000 ~ NT\$2,000,000				
NT\$2,000,000 ~ NT\$3,500,000				Chi-Hsu Lin
NT\$3,500,000 ~ NT\$5,000,000	Bank of Taiwan	Bank of Taiwan	Bank of Taiwan	Bank of Taiwan
NT\$5,000,000 ~ NT\$10,000,000	National Development Fund Chungghwa Post Co., Ltd.	Chao-Shun Chang, Cheng-Te Liang, Pei-Chun Chen Chungghwa Post Co., Ltd National Development Fund	Kuang-Hua Hu Chungghwa Post Co., Ltd. National Development Fund	Chao-Shun Chang, Kuang-Hua Hu, Cheng-Te Liang, Pei-Chun Chen, Yong-Yi Tsai Chungghwa Post Co., Ltd. National Development Fund
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
NT\$100,000,000 or above	Ministry of Finance	Ministry of Finance	Ministry of Finance	Ministry of Finance
Total	21	21	21	21



Compensation of President and Executive Vice President

December 31, 2020 ; Unit: NT\$ thousands

Title	Name	Salary (a)		Severance pay (b)		Bonuses and allowances (c)		Employee remuneration (d)				Ratio of total compensation (a+b+c+d) to net income after tax (%)		Compensation paid from an invested company other than the company's subsidiary or the parent
		From the Company	From all companies in the financial statement	From the Company	From all companies in the financial statement	From the Company	From all companies in the financial statement	From the Company	Cash	Stock	From all companies in the financial statement	From the Company	From all companies in the financial statement	
President	Kuang-Hua Hu													
Executive Vice President	Jui-Yun Lin													
	Yu-Mei Hsiao													
	Kuo-Pao Chen													
Chief Auditor	Jui-Ying Tsai													
Chief Compliance Officer	Hui-Lin Wu													
	Total	12,430	18,846	699	807	9,283	15,461	1,905	0	3,629	0	0.097	0.155	494

Note: 1. Compensation paid to company drivers by all consolidated entities for NT\$6,129 thousand is not included in "Bonuses and allowances (c)".

2. Employees' remuneration (d) has been approved by Board of Directors.

3. The Company does not issue any employee stock options or new restricted employee shares.

4. According to Article 10-3-8 of Requirement of Information To Be Disclosed In Annual Report for Financial Holding Companies, the compensation amount of the top five managerial officers don't need to be disclosed.

Corporate Governance Report

Compensation Brackets

Bracket	Name of President and Executive Vice Presidents	
	The Company	Parent company and all invested companies
Under NT\$ 1,000,000	Kuo-Pao Chen, Yu-Mei Hsiao	
NT\$ 1,000,000 ~ NT\$ 2,000,000		
NT\$ 2,000,000 ~ NT\$ 3,500,000		
NT\$ 3,500,000 ~ NT\$ 5,000,000		
NT\$ 5,000,000 ~ NT\$ 10,000,000	Kuang-Hua Hu, Jui-Yun Lin Jui-Ying Tsai, Hui-Lin Wu	Kuang-Hua Hu, Jui-Yun Lin Jui-Ying Tsai, Hui-Lin Wu Kuo-Pao Chen, Yu-Mei Hsiao
NT\$10,000,000 ~ NT\$ 15,000,000		
NT\$15,000,000 ~ NT\$ 30,000,000		
NT\$30,000,000 ~ NT\$ 50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
NT\$ 100,000,000 or above		
Total	6	6

Employee Remuneration to Managerial Officers

Dec. 31, 2020 Unit: NT\$ thousands

Title	Name	Employee remuneration - in stock (Fair Market Value)	Employee remuneration - in cash	Total	Ratio of total amount to net income after tax(%)
Executive Vice President	Jui-Yun Lin				
Chief Auditor	Jui-Ying Tsai				
Chief Compliance Officer	Hui-Lin Wu				
Senior Vice President	Chia-Min Hong				
Vice President	Ming-Chih Lu				
Vice President	Lan-Jong An				
Acting Vice President	Chia-Lin Chang				
Total		0	3,672	3,672	0.01

Note: Per the Company's regulation, the president Kuang-Hua Hu can't be paid with employee remuneration. Executive Vice President Yu-Mei Hsiao, Executive Vice President Kuo-Pao Chen, Chief Secretary Han-Yin Ting, and Senior Vice President Ching Yi Li are holding concurrent position thus can't be paid with the Company's employee compensation. Senior Vice President Chia-Min Hong retired on Aug 1, 2020.



3.2.5 Analysis of Remuneration for Directors, Presidents and Executive Vice Presidents

A. The ratio of total remuneration paid during the past two years to directors, president and executive vice presidents of the Company, to the net income

	2019	2020	Analysis
The ratio of total remuneration paid to directors, president and executive vice presidents, relative to net income after tax, by the Company	0.648%	0.623%	Total remuneration paid, in 2020, by the Company to its directors, president and executive vice presidents as a percentage of net income after tax decreased compared 2019. However, the total remuneration paid by the group in consolidated financial statements in 2020 slightly increased compared to 2019 is because of the longer tenor of the director who is also the employee of the group.
The ratio of total remuneration paid to directors, president and executive vice presidents, relative to the consolidated net income after tax, by all companies in the consolidated financial statements	0.781%	0.809%	

B. Compensation policies, standards, and packages, the procedures for determining compensation, and the correlation with operating performance and future risks exposure

(1) The policies, standards and packages of compensation

- a. Director: The compensation includes director compensation plus transportation allowance. Director remuneration will be distributed depending on the Company's profits according to the Company's Articles of Incorporations. The Article 31-1 of the Company's Articles of Incorporation specifies that 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 not more than 0.5% as remuneration to Directors. If the director is the representative of juridical person, the director's compensation will belong to the shareholders of that juridical person. Also there is a NT\$ 20,000 transportation allowance on monthly basis.
- b. Independent director: The compensation includes monthly compensation and research fee. In addition to the monthly compensation of NT\$60,000 per person, research fee is paid based on the times of attendance of the Remuneration Committee, Audit Committee, and Ethical Management Committee meeting. The chairman of the committee will be paid NT\$12,000 per time, while committee member will be paid NT\$10,000 per time.
- c. Chairman: Compensation to the Chairman of the Board includes salary, pension, bonuses, and allowance including rent for housing, vehicles, and fuel expenses.
- d. President and executive vice president: Compensation to the president and executive vice presidents includes salary, pension, bonuses, employees' remuneration, and allowance including rent for housing, vehicles, and fuel expenses.

(2) The procedures for determining compensation

The compensations payable to directors, president, and executive vice president are determined, subject to the approval of remuneration committee and the board of directors, in a reasonable manner based on the business performance of the Company and the contributions to the Company, and industry standards, according to the Articles of the Company, while also taking into account of the evaluation result of the director's performance, evaluation result of president's performance, and future risk of the Company.

(3) The correlation with business performance and future risk exposure

The Company's unconsolidated net profit after tax for the year 2020 decreased by 13.6% compared to 2019. In consideration of operating performance and future risk exposure, the remuneration paid to directors, president and executive vice presidents of the Company and all companies in the consolidated financial statement decreased by 16.92% and 10.47% respectively, compared to 2019. The Company will depend on the actual operation result and relevant laws to review compensation guide line to operate in sustainable manner.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 12 meetings of the board of directors were held in 2020. Director attendance was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Chao-Shun Chang (Representative of Ministry of Finance)	12	0	100.00	
Director & President	Kuang-Hua Hu (Representative of Ministry of Finance)	12	0	100.00	
Director	Yong-Yi Tsai (Representative of Ministry of Finance)	12	0	100.00	
Director	Cheng-Te Liang (Representative of Ministry of Finance)	12	0	100.00	
Director	Chun-Lan Yen (Representative of Ministry of Finance)	12	0	100.00	
Director	Tzong-Yau Lin (Representative of Ministry of Finance)	6	0	100.00	Left on July 16, 2020; Required attendance: 6
Director	Chiun-Min Tsai (Representative of Ministry of Finance)	6	0	100.00	July 22, 2020 on board; Required attendance: 6
Director	Wen-Ling Hung (Representative of Ministry of Finance)	12	0	100.00	
Director	Pei-Chun Chen (Representative of Ministry of Finance)	12	0	100.00	
Director	Chi-Hsu Lin (Representative of Ministry of Finance)	12	0	100.00	
Director	Cheng-Mount Cheng (Representative of National Development Fund, Executive Yuan)	9	0	100.00	Left on Oct 1, 2020; Required attendance: 9
Director	Keh-Her Shih (Representative of National Development Fund, Executive Yuan)	0	1	0	December 21, 2020 on board; Required attendance: 1
Director	Hong-Mo Wu (Representative of Chunghwa Post Co., Ltd.)	10	2	83.33	
Director	Guo-Shin Lee (Representative of Bank of Taiwan)	6	0	100.00	July 7, 2020 on board; Required attendance: 6
Independent director	Jiun-Wei Lu	12	0	100.00	
Independent director	Ying-Ko Lin	12	0	100.00	
Independent director	Chang-Ching Lin	12	0	100.00	

Other items:

1. If there is anything as below, the Company should state the date of the Board meeting, terms, content, all independent directors' opinion, and the Company's response and handling for the independent director's opinion:
 - (1) Items related to Article 14-3 of the Securities and Exchange Act: This item is not applicable as the Company has set up an audit committee.
 - (2) Items those where objected to by independent directors or subject to qualified opinion and recorded or declared in writing: NA.
2. Recusals of Directors due to conflicts of interests in 2020:
 - (1) The 20th meeting of the 7th term of board of directors on January 13, 2020: The proposal of the improvement status for the inspection opinion by FSC during the audit in July 2019. Director, Cheng-Te Liang was the Chairman of Chung Kuo Insurance and thus the stakeholder. He recused himself from the discussion and voting.
 - (2) The 22nd meeting of the 7th term of board of directors on March 24, 2020: the proposal for mandating Mega Securities as the lead underwriter of unsecured corporate bond in 2020. Director Pei-Chun Chen is the Chairman of Mega Securities thus she recused herself from the discussion and voting.
 - (3) The 22nd meeting of the 7th term of board of directors on March 24, 2020: the proposal for relieving the restriction of non-competition for the directors in 2020 shareholder meeting. The Chairman, Chao-Shun Chang; Director and President, Kuang-Hua Hu, the Director Yong Yi Tsai, the Director Hong Mo Wu were the concerned party and thus the stakeholders. They recused themselves from the discussion and voting.
 - (4) The 22nd meeting of the 7th term of board of directors on March 24, 2020: the proposal for establishing Ethical Management Committee, Article of Ethical Management Committee, and mandates of three committee members. The independent directors Jiun-Wei Lu, Ying-Ko Lin, and Chang-Ching Lin were the concerned party and thus the stakeholders. They recused themselves from the discussion and voting.
 - (5) The 22nd meeting of the 7th term of board of directors on March 24, 2020: the proposal for the article of employee bonus and remunerations. Director and President, Kuang-Hua Hu was the concerned party and thus the stakeholder. He recused himself from the discussion and voting.
 - (6) The 22nd meeting of the 7th term of board of directors on March 24, 2020: The proposal of the improvement status for the inspection opinion by FSC during the audit in July 2019. Director, Cheng-Te Liang was the Chairman of Chung Kuo Insurance and thus the stakeholder. He recused himself from the discussion and voting.
 - (7) The 23rd meeting of the 7th term of board of directors on April 28, 2020: the proposal for the appraisal and remuneration increase of managerial personnel. Director and President, Kuang-Hua Hu was the concerned party and thus the stakeholder. He recused himself from the discussion and voting.
 - (8) The 23rd meeting of the 7th term of board of directors on April 28, 2020: The proposal of the improvement status for the inspection opinion by FSC during the audit in July 2019. Director, Cheng-Te Liang was the Chairman of Chung Kuo Insurance and thus the stakeholder. He recused himself from the discussion and voting.
 - (9) The 24th meeting of the 7th term of board of directors on May 27, 2020: the proposal for research fee payment of Ethical Management Committee. The independent directors Jiun-Wei Lu, Ying-Ko Lin, and Chang-Ching Lin were the concerned party and thus the stakeholders. They recused themselves from the discussion and voting.
 - (10) The 24th meeting of the 7th term of board of directors on May 27, 2020: the proposal for the operating incentive bonus for the President and the remuneration for Managerial officers. Director and President, Kuang-Hua Hu was the concerned party and thus the stakeholder. He recused himself from the discussion and voting.
 - (11) The 27th meeting of the 7th term of board of directors on August 25, 2020: the proposal for relieving the restriction of non-competition for the managerial officers. Director and President, Kuang-Hua Hu was the concerned party and thus the stakeholder. He recused himself from the discussion and voting.
 - (12) The 30th meeting of the 7th term of board of directors on November 24, 2020: the proposal for establishing the audit plan for 2021 was discussed. Director and President, Kuang-Hua Hu, Director, Cheng-Te Liang, Director Pei-Chun Chen, Director Yong Yi Tsai, Director Chi Hsu Lin are the Representatives or employees of the Company and the subsidiaries, and thus the stakeholders. They recused themselves from the discussion and voting.
 - (13) The 31st meeting of the 7th term of board of directors on December 22, 2020: the proposal of establishing the goals of earning and budget for 2021 was discussed. Director and President, Kuang-Hua Hu, Director Yong-Yi Tsai, Director, Cheng-Te Liang, and Director Pei-Chun Chen are the Presidents or Chairman of the Company or subsidiaries, respectively and thus the stakeholders. They recused themselves from the discussion and voting.
3. Implementation of Board Evaluation:

The Company has established "Principles of the Performance Evaluation of the Board" which is approved by Board of Directors. According to the Principles, the evaluation should be conducted once a year and at least once every three years should be conducted by the external professional and independent institution. In 2018 the performance evaluation was conducted by external independent institution. Thus in 2019 and 2020 the evaluations were conducted internally.

Corporate Governance Report

(1) In year 2020:

Evaluation frequency	Evaluation period	Scope of evaluation	Measures of evaluation	Content of evaluation	Evaluation result	Better-performed aspects	Not-achieved aspect
Once a year	2019/11/01 ~2020/10/31	Board as a whole	Self-evaluation from board member	A. Involvement in the Company's management; B. Optimization of decision quality of the Board; C. Composition and structure of the Board; D. Selection of the Board members and their continuous further training; E. Internal control	100% Above standard	A 、 B 、 E	-
		Board members		A. Understanding of the Company's goals and tasks; B. Acknowledgment of the duty of the Board; C. Involvement in the Company's management; D. Internal communication and management; E. The director's expertise and further training; F. Internal control	100% Above standard	A 、 B 、 E 、 F	-
		Functional committees: 1. Audit Committee; 2.Remuneration Committee 3.Ethical Management Committee.		A. Involvement in the Company's management; B. Acknowledgment of the duty of the committees; C. Decision quality of the committee;	100% Above standard	All aspects	-
				D. Composition and selection of the committee members; E. Internal control	100% Above standard	All aspects	-
					100% Above standard	All aspects	-

Note: the evaluation result has been reported to Board of Directors on December 22, 2020 and will be used as reference for individual director's future reappointment and compensation.

The improvement status of the not-achieved aspect in 2019 evaluation:

- There will be a managerial personnel shortage for 3 in the next 3 years. To cultivate future successors, there are 10 candidates elected. Each department requires the candidate have training courses to deepen knowledge and managerial skills. There are 8 candidates join training courses in 2020 for 6 to 47 hours. The average training hours is 22.6 hours.
- At the beginning of each month, a notice is sent to each director regarding further training hours shortage. In 2020, every director who is evaluated has enough further training hours.

(2) In year 2019:

Evaluation frequency	Evaluation period	Scope of evaluation	Measures of evaluation	Content of evaluation	Evaluation result	Better-performed aspects	Not-achieved aspect
Once a year	2018/11/01 ~2019/10/31	Board as a whole	Self-evaluation from board member	A. Involvement in the Company's management; B. Optimization of decision quality of the Board; C. Composition and structure of the Board; D. Selection of the Board members and their continuous further training; E. Internal control	95.55% Above standard	B 、 E	1.The company has not established succession plan. 2. Some directors don't have enough further-training hours. (Note: Till Nov. 30,2019, all board members have completed the training hours required)
		Board members		A. Understanding of the Company's goals and tasks; B. Acknowledgment of the duty of the Board; C. Involvement in the Company's management; D. Internal communication and management; E. The director's expertise and further training; F. Internal control	100% Above standard	A 、 B	-
		Functional committees: 1. Audit Committee; 2.Remuneration Committee		A. Involvement in the Company's management; B. Acknowledgment of the duty of the committees; C. Decision quality of the committee; D. Composition and selection of the committee member ; E. Internal control	100% Above standard	A 、 C 、 D	-
					100% Above standard	A 、 B 、 D	-



Note: The evaluation result has been reported to Board of Directors on January 13, 2020 and will be used as reference for individual director's future reappointment and compensation.

Suggestions for not-achieved aspects:

- a. Suggest the department in charged report managerial shortage for next three years regularly in the employee promotion meeting and formulate appropriate training plan for possible candidates to avoid human resource gap.
- b. Suggest to send notice email to the directors monthly about relevant training courses. For those not have enough training courses, the email will notify during July to December.

4. Measures taken to strengthen the function of the Board and the implementation status:

(1)The Company has established the audit committee as required by the Securities and Exchange Act since June 15, 2012. The committee meets at least once a quarter. It may also meet whenever need arises. In addition to the tasks defined in Article 14-4, Securities and Exchange Act, the duties that should be implemented by supervisor according to the Securities and Exchange Act, Company Act, and other laws should be performed by the audit committee. The Audit Committee met 8 times in 2020.

(2)The succession plan for the Board of Director members:

a. Election of the members of the Board and high-level managerial officers:

(a)Candidate nomination is used for director election. The candidate is nominated by shareholders and the Board of Directors will review based on Corporate Act, Securities and Exchange Act, or other relevant regulations. Before the shareholder nominate the director (or chairman), the professional background (ex: legal, accounting, industry, finance, marketing, or technology), professional skills (ex: operation judgment, accounting/finance analysis, management, industrial knowledge, international market view, leading, and decision making), and diversity are considered. The election of high level managerial officers (including president and executive vice president) will be considered by if he or she qualified the criteria set by "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" and also if he or she has abilities on leading, management, and international view, and the expertise of the Company's operation and business.

(b)The Chairman of the Company is the representative of the stake from the Ministry of Finance. MOF, a major shareholder, has been guided by their governmental stake management and 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" issued by FSC, to evaluate, review and confirm the qualifications and related experience of the candidate of the Chairman from all aspects meeting the operational needs of the Company while being able to bear the responsibilities. The upmost principle of meritocracy and suitability. The President is also designated by Ministry of Finance based on the above regulation. The assignee has joined the professional training by high-level executive training program for government-owned institutions by Ministry of Finance.

b. Succession plan:

To foster chairman and high-level managerial officer candidates, the Company arranged high level managerial officers into the Board of Directors of the Company and subsidiary to let them familiar with the Board operations. Also the Company increases the officers' participation in every operation unit and also experience of job rotation and dispatch. To enhance the expertise of the directors to connect the international trends of corporation governance, the Company provide course information covering to finance, risk management, business, legal, CSR, internal control system, and financial report responsibilities related to the Company's industry to the directors for their continuing education. The directors shall arrange at least six-hour courses annually, to ensure them keeping up with the industry knowledge.

3.3.2 Audit Committee Meeting

The Audit Committee is constituted by three independent directors. Their focus includes reviewing financial reports, evaluating internal control system (including legal compliance and the improvement situation for internal and external audit opinions), and the mandate and fee paid to the auditor.

Corporate Governance Report

The Company's Audit Committee held 8 meetings in 2020, with the following attendance:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Jiun-Wei Lu	8	0	100%	
Independent Director	Ying-Ko Lin	8	0	100%	
Independent Director	Chang-Ching Lin	8	0	100%	

Other items:

1. If there is anything as below, the Company should state the date of the Board meeting, terms, content, all independent directors' opinion, and the Company's response and handling for the independent director's opinion:

(1) Items related to Article 14-5 of the Securities and Exchange Act:

Date of Audit committee	Term/No. of the Meeting	Agenda	Resolution	Response to Audit Committee's opinions
December 31, 2019	The 14th meeting of the 3rd term	Reviews of remuneration and the mandate of the external auditor of the 2020 financial statements	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
March 10, 2020	The 16th meeting of the 3rd term	Review of the Company's 2019 financial statements	Agenda was passed with amendment to wordings of agenda according to the member's suggestion	The amendment of the wordings in the financial statement have been recognized and approved by the Board of Directors and acknowledged by Shareholders' Meeting.
March 10, 2020	The 16th meeting of the 3rd term	Review of the 2019 Internal Control Statement	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
March 10, 2020	The 16th meeting of the 3rd term	Review the proposal of relieving the non-competition restrictions for the directors to be submitted to the shareholders' meeting	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors and Shareholders' Meeting.
August 11, 2020	The 20th meeting of the 3rd term	Review of the Company's 2020 Q2 financial statements	Agenda was passed as proposed with resolution as below: 1. Please delete the "always" word in the phrase "the output of evaluation model will always be the approximate amount as estimated" in line 17, page 75. 2. Please confirm some items per the financial statements (the PWC CPA has explained the above after the meeting.)	After the amendment of wording on the financial statements per the resolution, the proposal has been submitted to and approved by the Board of Directors.
November 10, 2020	The 22th meeting of the 3rd term	Review of the 2021 internal audit plan	Agenda was passed as proposed with amendment of the wording in the audit plan and the below: To add the subsidiary Mega International Investment Trust among the fair customer treatment audit besides bank, securities, and insurance subsidiaries.	1. After the wording of the audit plan has been amended per the resolution, the proposal has been submitted to and approved by the Board of Directors. 2. About the request by the committee: (1) there will be explanation of two consecutive year high risk item in next (2022) audit plan. (2) There has been a formal notice sent on Nov 18, 2020 to four subsidiaries who has branches. (3) There will be a evaluation report of subsidiaries' internal control effectiveness in 2020 internal control deficiency meeting.
January 5, 2021	The 23th meeting of the 3rd term	Reviews of remuneration and the mandate of the external auditor of the 2021 financial statements	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.

(2) There was no resolution which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2020.

2. There were no recusals of independent directors due to conflicts of interests in 2020.

3. Descriptions of the communications between the Independent Directors, the internal auditors, and the external auditors (e.g. the important items, method, and/or results of the audits on the corporate finance and/or operations, etc.):

(1) Communications between Independent Directors and the internal auditors

- The Company's auditing office submits its annual audit plans to the Audit Committee for review every year and executes the suggestions provided by the independent directors.
- The Auditing Office of the Board of Directors reports the audit operations to the Audit Committee once every quarter and carries out suggestions made by the independent directors.
- The deficiencies indicated in the examination reports of the Financial Supervisory Commission and the improvements thereof were submitted to the Audit Committee from time to time by the Auditing Office.
- The Auditing Office of the Board of Directors submits its internal audit report following the inspection to the independent directors and the Audit Committee.
- The Auditing Office of the Board of Directors compiles deficiencies of the Group's internal control system periodically each year and asks independent directors to hold a conference to review the deficiencies.



Date	Term/No. of the Meeting	Communication subjects	Communication result and responsive action
January 13, 2020	Symposium to review the Group's 2019 internal control activities deficiencies	<p>Review of the Group's internal control activities deficiencies:</p> <p>Instructions from the Independent Directors</p> <ol style="list-style-type: none"> 1. Senior executives of each company are requested to supervise their colleagues to continue implementing operations for anti-money laundering and countering the financing of terrorism. 2. Subsidiaries are requested to pay more attention to the credit status of financial advisors and audit units should strengthen their inspection on wealth management business. 3. With respect to violations of laws and regulations by employees of subsidiaries, aside from strengthening the promotion of relevant laws and regulations and prohibited behaviors, the warning, review, control, and verification mechanisms for abnormal transactions should additionally be strengthened to prevent the occurrence of violations. 4. With respect to deficiencies in business promotion and sponsored activities of the subsidiary, please properly formulate and implement relevant measures to improve internal control mechanism. 5. Each company's compliance officer is requested to review and improve the internal specification update mechanism so that laws and regulations can be amended immediately to fill any loopholes. In addition, the promotion of laws and regulations and education and training should be accelerated to make the legal compliance operations more ideal. 6. For any internal or external audit deficiencies, in addition to correcting individual cases, each subsidiary should conduct an overall review of the system and the audit unit should implement follow-up review. 	The meeting minutes has been reported to the Board of Directors and forwarded to subsidiaries to act accordingly.
February 11, 2020	The 15th meeting of the 3rd term Audit Committee	<p>Report on the status of corrections for FSC's inspection opinions.</p> <p>Instructions from the Independent Directors</p> <ol style="list-style-type: none"> 1. Please urge the audit unit in the subsidiaries to strengthen their audit activity on Financial Holding Company Act Article 46 compliance in all sectors. 2. Please communicate further with FSC regarding the concurrent servicing status of Chief Compliance Officer and plan the recruitment of full-time staff in legal compliance department. 3. The subsidiaries should include FHC's legal compliance revaluation results into their personnel appraisal regulations. 	<p>All attending committee members agreed and noted.</p> <ol style="list-style-type: none"> 1. The formal notice has been sent to subsidiaries to act accordingly. 2. The continuous communication will be conducted and the recruitment is planned. 3. The amendment will be done on March Board meeting of the subsidiaries.
March 10, 2020	The 16th meeting of the 3rd term Audit Committee	<p>Report on the status of corrections for FSC's inspection opinions</p> <p>Instructions from the Independent Directors:</p> <ol style="list-style-type: none"> 1. Please advise the subsidiary to clarify discrepancies between purchase and hand-in amount of gift certificates. 2. Please report to the committee if the FSC has any further instructions. 	<p>It is agreed and noted.</p> <ol style="list-style-type: none"> 1. A formal notice has been sent to the subsidiary to act accordingly. 2. The Audit Office will act accordingly.
April 7, 2020	The 17th meeting of the 3rd term Audit Committee	<p>Regular report on the defects discovered during special audits and the status of corrections.</p> <p>Report on Auditing Office's operations in the second half of 2019</p> <p>Instructions from the Independent Directors:</p> <p>Please report to the committee if the FSC has any further instructions.</p>	<p>It is agreed and noted.</p> <p>It is agreed and noted.</p>

Corporate Governance Report

July 7th , 2020	The 19th meeting of the 3rd term Audit Committee	Regular report on the defects discovered during special audits and the status of corrections Instructions from the Independent Directors: Each subsidiary should ascertain its operating rules and procedures updated promptly and in line with regulatory requirement. FHC's Auditing Office should track the effectiveness of corrections measures taken by subsidiaries.	It is agreed and noted. The Audit Office will act accordingly.
August 11th , 2020	The 20th meeting of the 3rd term Audit Committee	Report on Auditing Office's operations in the first half of 2020. Instructions from the Independent Directors: FHC's Audit Office should track the effectiveness of corrections measures taken by subsidiaries.	It is agreed and noted. The Audit Office will act accordingly.
October 6th , 2020	The 21st meeting of the 3rd term Audit Committee	Regular report on the defects discovered during special audits and the status of corrections Instructions from the Independent Directors: 1. It is recommended that the Electronic Data Processing Department modify the program to add a foolproof mechanism for the "Information Operations Requisition Form" evaluation option. 2. FHC's senior managers should supervise and track the status of corrections of deficiencies discovered by FSC as well as internal Auditing Office. 3. For the remuneration rules and regulations for directors, supervisors and managers of each subsidiary, please report them to the remuneration committee for discussion 4. FHC's Auditing Office should track the status of corrections on bank subsidiary's wealth management financial advisors using the same IP address or same mobile devices as customers and follow up the results of personnel review committee's deliberations. 5. Please update bank subsidiary's status of corrections on wealth management business deficiencies and report to the Board of Directors. FHC's Auditing Office should track the status of corrections. 6. The venture capital subsidiary should amend the clause of Ethical Management Guideline. 7. The asset management subsidiary shall strengthen the credit training for the employee.	It is agreed and noted. 1. A formal notice has been sent to Electronic Data Processing Department. 2. A formal notice has been sent to all departments of the Company to act accordingly. 3. The Administration Department will act accordingly. 4. The Audit Office will follow up. 5. The updated information has been reported to the Broad. The Audit Office will follow up. 6. The relevant wordings was sent by the sample of relevant Competent Authority thus the amendment is in no need. 7. A formal notice has been sent to the subsidiary to act accordingly.
November 10th , 2020	The 22th meeting of the 3rd term Audit Committee	Proposal to hold year 2020 Symposium to review the Group's internal control activities deficiencies.	It is agreed and noted.
		Report on evaluation results of subsidiaries audit units' performance in 2020 Instructions from the Independent Directors: 1. It is recommended to reassess the evaluation weights as well as effectiveness of evaluation methods in next year. 2. It is recommended to display evaluation scores for the past 3 consecutive years so the subsidiaries can review the change.	It is agreed and noted. 1. The recommendation is followed. 2. The information is updated and reported to the Board.
		Proposal of the Company's audit plan of 2021. Resolution: Please include Fair Customer Treatment into Mega IITC's audit focus list. Instructions from the Independent Directors: 1. There shall be explanatory remarks on high residual risk occurred in 2 consecutive years. 2. It is recommended to include the appraisal results on subsidiaries' effectiveness of control measures in the agenda of 2020 Symposium reviewing internal control activities deficiencies. 3. It is recommended that subsidiaries share deficiencies discovered by audit unit among branches to avoid repeated deficiencies.	Amended and approved. 1. The amended proposal has been reported to the Broad. 2. Act accordingly. 3. Formal notice has been sent to the subsidiaries to act accordingly.
(2) Communications between Independent Directors and the external auditors The audit committee meets with the external auditor at least two times a year, in which meeting the financial situation of the Company and its domestic and overseas subsidiaries, the overall operation situation, and the audit result on internal control are reported by the external auditor. Issues regarding major accounting entries adjustment and effects of amendments to the laws and regulations to the book are fully communicated.			



Date	Communication subjects	Communication result and responsive action
March 10th, 2020	1. Report of auditing result of the 2019 consolidated financial statements and internal control. 2. Audit explanation for 2019 compliance and contingency item of Mega Bank's overseas branches and subsidiaries. 3. Contingent items regarding income tax. 4. Audit plan for 2020 financial statements. 5. Material laws, regulation and interpretive developed by the authority in connection with financial reports.	1. The 2019 annual financial statements have been approved by the audit committee and board of directors, and publicly disclosed to competent authority and filed. 2. The explanation and opinion exchange for the questions raised by independent director is done..
August 11th, 2020	1. Report pf auditing result of the first half of 2020 consolidated financial statement and internal control. 2. Audit explanation of compliance and contingency item of Mega Bank's overseas branches and subsidiaries of the first half of 2020. 3. The impact of COVID-19 on financial statements. 4. Material laws, regulation and interpretive rules developed by the authority in connection with financial reports. The impact of the important regulations in connection with financial reports.	1. The first half of 2020 financial statements have been approved by the audit committee and board of directors, and publicly disclosed to competent authority and filed. 2. The explanation and opinion exchange for the questions raised by independent director is done.
March 9th, 2021	1. Report of auditing result of the 2020 consolidated financial statements and internal control. 2. Audit explanation for 2020 compliance and contingency item of Mega Bank's overseas branches and subsidiaries 3. Audit plan for 2021 financial statements 4. Material laws, regulation and interpretive developed by the authority in connection with financial reports.	1. The 2020 annual financial statements have been approved by the audit committee and board of directors, and publicly disclosed to competent authority and filed. 2. The explanation and opinion exchange for the questions raised by independent director is done.

3.3.3 The disclosure items in accordance with the Corporate Governance Best-Practice Principles for Financial Holding Companies

For further communication details, please access our website at <https://www.megaholdings.com.tw/tc/index.aspx>

3.3.4 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for Financial Holding Companies”

Assessment item	Implementation status			Deviations and its reasons
	Yes	No	Explanation	
1. Shareholding structure and shareholders' rights				
(1) Does the company have internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? If yes, has these procedures been implemented accordingly?	V		The Company has enacted Procedures for Handling Shareholders' Suggestions, Concerns and Disputes, which prescribes access way, addressing principle and deadline to reply to shareholders, etc. which are carried out accordingly. There is no dispute or litigation between the Company and its shareholders.	None
(2) Does the company get hold of the major shareholders and beneficial owners of these major shareholders?	V		In addition to analysis of the shareholding structures based on the register of shareholders on book closure date. Also the Company tracks the shareholdings of directors, managerial officers, and major shareholders of the Company and the beneficial owners of these major shareholders via the change of shareholding disclosed per law.	None
(3) Has the company built and executed a risk management system and “firewall” between the company and its affiliates?	V		The Company clearly defines the right and responsibility between itself and the affiliated enterprise concerning the management of staff, assets and financial affairs. There are no loans or guarantee between the Company and its affiliated enterprises. Transactions with related parties are conducted in accordance with “Related Parties Transactions Guidelines”, and there are no non -arm's-length transactions between the Company and its affiliated enterprises. The “Rules for Monitoring Operations of the Subsidiaries” and “Risk Management Policy and Guidelines” are in place to strengthen the management of subsidiaries and risk management and firewall mechanism between the Company and its Subsidiaries.	None

2. Composition and responsibilities of the Board of Directors																																													
(1) Other than the Remuneration Committee and Audit Committee which are required by law, does the company plan to set up other Board committees?	V	Other than the Remuneration Committee and Audit Committee, the Company has set up a Risk Management Committee, Ethical Management Committee, and Sustainability Committee which monitors the goals and its implementation of Group's risk management, ethical management, and ESG affairs respectively.	None																																										
(2) If listed financial holding companies set up the evaluation guideline and method for the Board and conduct the evaluation annually? Also to propose the evaluation result the Board meeting and use as reference to individual director's re-appointment and compensation?	V	In order to implement corporate governance and strengthen the function of the Board, the Board of Directors approved on November 24, 2015 the "Guidelines Governing the Performance Evaluation of the Board" and amended three times afterwards and amend the name as "Principles of the Performance Evaluation of the Board." The Board has approved in the 14th meeting of 7 term of Board on July 23, 2019. The section 4 of the Principles set up the evaluation scope and method. Section 7 and 8 of the Principles set up the evaluation procedures and benchmarks. The Company conducts performance review each year since 2016. The evaluation result were all reported to the Broad and formally sent to the shareholder Ministry of Finance and Remuneration Committee for the reference for re-appointment and compensation of each director.	None																																										
(3) Does the company regularly evaluate its external auditor's independence?	V	In addition to recognizing whether the external auditor is the related party under the Article 45 of the Financial Holding Company Act, the Company assesses the independence of its external auditor each year and submitting to the Audit Committee and Board for approval: No direct/indirect financial benefits between this Company and the external auditors. No close commercial relationship between the Company or potential hiring relationship. Not serving as directors or managerial officers of this Company. No gifts given to the external auditors by this Company. Not over 5 years being the external auditors of the Company. The independence declaration is obtained.	None																																										
3. Does the company assign corporate governance manager and establish corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, handling matters relating to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.)	V	<p>Ms. Jui-Yun Lin, Executive Vice President of the Company has been designated as the manager of corporate governance by the 10th meeting of the 7th term of Board of Directors held on March 26, 2019. Ms. Lin has served as the manager of treasury unit for over 3 years, qualified for the corporate governance manager position. Her duties include supervision of matters relating to board of directors meetings and shareholders meetings, preparation of minutes of the board of directors meetings and shareholders meetings, assistance in onboarding and continuing education of the directors, provision of information required for performance of duties by the directors and assistance in the directors' compliance of law. Her 2020 main business points are assistance in compliance of procedures and resolution of the board meeting and shareholders meeting, and arrangement directors' continuing educations. The manager of corporate governance's 2020 training is listed as follows:</p> <table><tr><th>Date</th><th>Training Agency</th><th>Course</th><th>Training Hours</th><th>Total hours</th></tr><tr><td>March 5, 2020</td><td>Taiwan Insurance Institute</td><td>The impacts of IFRS 17 for insurance companies' business strategy</td><td>3</td><td rowspan="9">27.5</td></tr><tr><td>August 5, 2020</td><td>Securities & Futures Institute</td><td>Discussion on advanced practice of Directors (including independent directors) and Supervisors -intelligence property-discussion from operation secret</td><td>3</td></tr><tr><td>August 14, 2020</td><td>Taiwan Corporate Governance Association</td><td>Corporate governance and relevant compliance of law</td><td>3</td></tr><tr><td>August 28, 2020</td><td>Taiwan Academy of Banking and Finance</td><td>Discussion I-establishing compliance system for financial institution</td><td>3.5</td></tr><tr><td>September 24, 2020</td><td>Taiwan Insurance Institute</td><td>The 15th forum for directors, supervisors, and corporate governance manager-analysis on fair customer treatment</td><td>3</td></tr><tr><td>October 23, 2020</td><td>Taiwan Insurance Institute</td><td>The 16th forum for directors, supervisors, and corporate governance manager-TCFD climate-related financial statement disclosures-the challenges and opportunities of corporate governance</td><td>3</td></tr><tr><td>November 3, 2020</td><td>Ministry of Finance</td><td>Corporate governance special speech 2020</td><td>3</td></tr><tr><td>November 12, 2020</td><td>Securities & Futures Institute</td><td>Discussion on advanced practice of Directors (including independent directors) and Supervisors -AML/CFT practice</td><td>3</td></tr><tr><td>December 8, 2020</td><td>Taiwan Academy of Banking and Finance</td><td>AML/CFT study class #347</td><td>3</td></tr></table>	Date	Training Agency	Course	Training Hours	Total hours	March 5, 2020	Taiwan Insurance Institute	The impacts of IFRS 17 for insurance companies' business strategy	3	27.5	August 5, 2020	Securities & Futures Institute	Discussion on advanced practice of Directors (including independent directors) and Supervisors -intelligence property-discussion from operation secret	3	August 14, 2020	Taiwan Corporate Governance Association	Corporate governance and relevant compliance of law	3	August 28, 2020	Taiwan Academy of Banking and Finance	Discussion I-establishing compliance system for financial institution	3.5	September 24, 2020	Taiwan Insurance Institute	The 15th forum for directors, supervisors, and corporate governance manager-analysis on fair customer treatment	3	October 23, 2020	Taiwan Insurance Institute	The 16th forum for directors, supervisors, and corporate governance manager-TCFD climate-related financial statement disclosures-the challenges and opportunities of corporate governance	3	November 3, 2020	Ministry of Finance	Corporate governance special speech 2020	3	November 12, 2020	Securities & Futures Institute	Discussion on advanced practice of Directors (including independent directors) and Supervisors -AML/CFT practice	3	December 8, 2020	Taiwan Academy of Banking and Finance	AML/CFT study class #347	3	None
Date	Training Agency	Course	Training Hours	Total hours																																									
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4. Has the company established a communication channel with its stakeholders (including but not limited to shareholders, employees, customers, etc.) and set up stakeholder section on company website? Also if the company replies properly the important CSR issues the stakeholders care?	V	<p>Under the sustainability-related page of its official website, the Company sets up the dedicated section for stakeholders to facilitate communications among the latter, to understand what shareholders have to say and care about, and to communicate with stakeholders in the following ways:</p> <ol style="list-style-type: none"> 1. With shareholders: Annual report, business report, Market Observation Post System, Company's website, shareholders' meeting, and institutional investors meeting. 2. With employees: phone calls, emails, employee benefit committee, occupation safety committee, retirement fund provision supervision committee, employee meeting. 3. With labor union: labor-management meetings. 4. With customers: Customer service and hotlines for filing complaints, and investment seminars, customer satisfaction survey, e-news and investment research reports. 5. With the government: Visits, official letters, phone calls, and online registration, among others. 6. With the community: meetings, volunteer service, charity events, among others. 7. With suppliers: project meetings, phone calls, and emails, among others. 8. With the media: press conferences, issuance of news letters or material information, participation in relevant evaluation. 	None																		
5. Information disclosure (1) Has the company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V	An "Investor Relations" section under the Company's website is set to disclose financial information, credit rating, IR calendar and briefing, and annual reports. A "Corporate Governance" section is also set to disclose the Company's corporate governance structure, board of directors, shareholders' meeting, implementation of corporate governance, ethical corporate management, the communications between independent director with internal auditor and external auditor.	None																		
(2) Does the company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle financial holdings information collection and disclosure, implementing spokespersons practice, webcasting investor conference etc.)?	V	The Company's English website discloses the company's profile, corporate governance, services of subsidiaries, latest news, and investor relations. To ensure accuracy, timeliness and completeness of the information disclosure, the Company designates dedicated personnel to collect and disclose the Company's information, and appoints spokesperson to solely make external statements. In 2020, aside from holding 2 online investor conferences, the Company held 254 one-on-one investor meetings and conference calls with local and overseas institutional investors, and attended 2 investor roadshows hosted by foreign securities firms. The financial and business information announced in investor roadshows are disclosed on MOPS and the Company's website.	None																		
(3) Does the company announce and report annual financial report after accounting year end according to Financial Holding Companies Act and Securities Exchange Act? And does the company report and announce first, second, and third quarter financial reports and monthly operation situation before the deadline?	V	<p>The quarterly consolidated financial report of the Company are disclosed and registered before the deadline. The announce and report deadline and date for the consolidated financial statements in 2020 is below:</p> <table border="1"> <thead> <tr> <th>Quarter</th><th>Disclose and register deadline</th><th>Date of disclose and register</th><th>Note</th></tr> </thead> <tbody> <tr> <td>First quarter 2020</td><td rowspan="2">Within 45 days after end of the quarter</td><td>May 29, 2020</td><td rowspan="2">According to the FSC commend number 10110002230 on May 18, 2012, the financial holding companies shall disclose and register the first and third quarter within 45 days after quarter end. However, if its because of the operation time needed, the company shall within 60 days disclose and register.</td></tr> <tr> <td>Third quarter 2020</td><td>November 25, 2020</td></tr> <tr> <td>Second quarter 2020</td><td>Within 2 months after second quarter</td><td>August 28, 2020</td><td></td></tr> <tr> <td>Year 2020</td><td>Within 3 months after year end</td><td>March 30, 2021</td><td></td></tr> </tbody> </table> <p>The Company upload relevant information regarding last month operation situation including revenue, guarantee amount, loan amount, derivative transactions to MOPS before 10th of each month.</p>	Quarter	Disclose and register deadline	Date of disclose and register	Note	First quarter 2020	Within 45 days after end of the quarter	May 29, 2020	According to the FSC commend number 10110002230 on May 18, 2012, the financial holding companies shall disclose and register the first and third quarter within 45 days after quarter end. However, if its because of the operation time needed, the company shall within 60 days disclose and register.	Third quarter 2020	November 25, 2020	Second quarter 2020	Within 2 months after second quarter	August 28, 2020		Year 2020	Within 3 months after year end	March 30, 2021		None
Quarter	Disclose and register deadline	Date of disclose and register	Note																		
First quarter 2020	Within 45 days after end of the quarter	May 29, 2020	According to the FSC commend number 10110002230 on May 18, 2012, the financial holding companies shall disclose and register the first and third quarter within 45 days after quarter end. However, if its because of the operation time needed, the company shall within 60 days disclose and register.																		
Third quarter 2020		November 25, 2020																			
Second quarter 2020	Within 2 months after second quarter	August 28, 2020																			
Year 2020	Within 3 months after year end	March 30, 2021																			
6. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisor's training records, the implementation of risk management policies and risk measurement criteria, the implementation of customer policy, purchasing of duty insurance for directors, and the donation of political parties, related parties, and charity organization)?																					

Corporate Governance Report

(1)Employee rights, employee wellness, investor relations, rights of stakeholders	V	<p>(1)Employee rights, employee wellness: Please refer to "Implementation of Corporate Social Responsibilities" on page 53 and "Labor Relation" on page 127.</p> <p>(2)Investor relations: The Company has established an investor section on its website to provide investors with relevant information. To maintain a good relationship with investors, the Company designates a spokesperson to communicate with investors, and attends investor conference held by local and international securities firms from time to time. One-on-one meetings with investors are also held irregularly.</p> <p>(3)Rights of Stakeholders: Please refer to the Company's 2020 Sustainability Report" and page 58 of this annual report.</p>	None
(2)Directors' training records	V	Please refer to page 49 of this annual report.	None
(3)Implementation of risk management policies and risk measurement criteria	V	In addition to full compliance of government regulations, the Company aims at establishing a risk management policy that conforms to international best practice in the long run. Currently, the Company has developed "Mega Financial Holding Risk Management Policy and Guidelines" which clearly described the guidelines on management of credit risk, market risk, operational risk, liquidity risk management, legal compliance risk, information security risk, human resource management, and material contingencies. On credit risk, the Company has enacted "Mega Financial Holding Credit Risk Management Guidelines" stipulating regular monitoring and reporting of the credit risk exposure by client, industry and country to lower concentration risk. So far, the credit risks are not over-concentrated. On market risk, in addition to formulation of the "Mega Financial Holding Market Risk Management Guidelines", an integrated risk management system is also being established step by step to monitor the market risk of all subsidiaries on daily basis. On operational risk, the Company has set up the "Mega Financial Holding Operational Risk Management Guidelines" to periodically monitor the operational risk management of every subsidiary. Subsidiaries are required to conduct self-assessment of operational risk every year and to gradually build up the database for operational risk loss. On liquidity risk, the Company has enacted "Mega Financial Holding Liquidity Risk Management Guidelines" to periodically monitor liquidity risk of its subsidiaries. Respective risk management status is reported to the Risk Management Committee and Board of Directors on a regular basis.	None
(4)Implementation of consumer policy	V	Processing of personal information is managed according to requirements of the Personal Data Protection Act and Financial Holding Company Act. The Company's Client Data Processing Guidelines and the Group's Firewall Policy are also followed. No disclosure, referral, or exchange of client data by the Company would be carried out without an agreement signed by or written consent from the client, in accordance with relevant statutory requirements in force. Besides, the subsidiaries set up client hotlines to handle customer complaints in a timely manner.	None
(5)Purchase of duty insurance for directors and supervisors	V	The Company purchases duty insurance for directors, supervisors and key staff of the Group with an insurance coverage of US\$30 million every year. The 2020 insured amount, coverage, premium rate, and other major contents of the policy were submitted to the board of directors before signing of the insurance.	None
(6)Donation to political parties, related parties, and charity organizations	V	The Company does not make donations to political parties. There are two foundations to promote charity and culture/education activities. The donation to Mega Charity Foundation, by Mega International Commercial Bank, Chung Kuo Insurance, Mega Bills Finance, Mega Securities, Mega Assets Management, and Mega International Investment Trust, amounted to NT\$5.0005 million in total. The amount of Mega Charity Foundation's donation and sponsorship to government, charity organizations and other legal entities (including related parties) reached NT\$5,337 thousand in 2020.	None



7. The improvement status and unimproved items with prioritized reinforcement for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange	V	With regard to the 7th (2020) corporate governance evaluation systems evaluation results, those already improved and those pending improvements are as follows: (1) Improved items: a. Indicator 2.25 "Does the Independent Directors of the Company has completed relevant training according to "The promotion guideline for the training courses for directors and supervisors of listed companies" ?": The directors (including independent directors) of the Company will complete relevant training hours accordingly. b. Indicator 4.12 "Does the Company set up energy saving, GHG emission reduction, water consumption or other waste management policy"? Please refer to page 55-56 of the annual report.	None
	V	(2) Unimproved items with prioritized reinforcement: a. Indicator 2.3 "If at least one internal auditor has international internal audit license, international computer auditor, or CPA"? The internal auditor who has CPA license has retired in Feb, 2020. In the future while recruitment, the person equips with the above licenses will be the priority candidate.	None

Directors' training records in 2020

Title	Name	Date	Training Agency	Course	Training Hours
Chairman	Chao-Shun Chang	April 10, 2020	Mega International Commercial Bank	AML/CFT -SCO and sanction risk evaluation	2.0
		September 24, 2020	Mega International Commercial Bank	Fair customer treatment principle and practice	3.0
		October 14, 2020	Mega International Commercial Bank	Update on OFAC and the challenge of new technology AML	2.0
		October 15, 2020	Financial Ombudsman Institution	Financial customer protection and cases	3.0
		November 3, 2020	Ministry of Finance	Corporate governance special speech 2020	3.0
Director & President	Kuang-Hua Hu	April 10, 2020	Mega International Commercial Bank	AML/CFT -SCO and sanction risk evaluation	2.0
		August 11, 2020	Taiwan Academy of Banking and Finance	Corporate governance class #65	2.0
		September 24, 2020	Mega International Commercial Bank	Fair customer treatment principle and practice	3.0
		October 14, 2020	Mega International Commercial Bank	Update on OFAC and the challenge of new technology AML	2.0
		November 3, 2020	Ministry of Finance	Corporate governance special speech 2020	3.0
Director	Yong-Yi Tsai	April 10, 2020	Mega International Commercial Bank	AML/CFT -SCO and sanction risk evaluation	2.0
		September 24, 2020	Mega International Commercial Bank	Fair customer treatment principle and practice	3.0
		October 8, 2020	Taiwan Securities Association	Study on financial statement window dressing and fraud of problem corporates	3.0
		October 14, 2020	Mega International Commercial Bank	Update on OFAC and the challenge of new technology AML	2.0
		November 11, 2020	Taiwan Securities Association	How a corporate to build the platform of financial investment risk and return management	3.0
Director	Cheng-Te Liang,	March 30, 2020	Taiwan Insurance Institute	The duty of directors and supervisors and the relevant insurance	3.0
		June 12, 2020	Taiwan Corporate Governance Association	10 must classes for corporate governance	3.0
		June 19, 2020	Taiwan Insurance Institute	Reinforce the corporate governance of insurance companies-using ICP recent update as core	3.0
		September 30, 2020	Insurance Bureau, FSC	2020 Seminar of corporate governance of insurance industry	5.5
		October 23, 2020	Accounting Research and Development Foundation	2020 insurance industry new horizon seminar	3.0
		November 3, 2020	Ministry of Finance	Corporate governance special speech 2020	3.0

Corporate Governance Report

Director	Chun-Lan Yen	July 16, 2020	Securities & Futures Institute	AI principle and practice	3.0
		October 20, 2020	Taiwan Academy of Banking and Finance	Fintech seminar #1	3.0
		November 3, 2020	Ministry of Finance	Corporate governance special speech 2020	3.0
		December 8, 2020	Taiwan Academy of Banking and Finance	Fintech seminar #3	3.0
Director	Chiun-Min Tsai (Note 1)	August 11, 2020	Securities & Futures Institute	Study on Board function from corporate fraud	3.0
		September 24, 2020	Securities & Futures Institute	How a company to plan its shares and the strategy of defense during Board meeting and shareholder meeting	3.0
		October 22, 2020	Securities & Futures Institute	AI principle and practice	3.0
		November 3, 2020	Ministry of Finance	Corporate governance special speech 2020	3.0
Director	Wen-Ling Hung	June 30, 2020	Securities & Futures Institute	Related party transaction of directors and supervisors and case study	3.0
		July 2, 2020	Securities & Futures Institute	Practice of AML/CFT	3.0
Director	Pei-Chun Chen,	September 24, 2020	Securities & Futures Institute	Blockchain principle and appliance	3.0
		October 22, 2020	Securities & Futures Institute	AI principle and practice	3.0
Director	Chi-Hsu Lin	February 13, 2020	Securities & Futures Institute	Early warning of corporate financial crisis and type analysis	3.0
		February 13, 2020	Securities & Futures Institute	Appliance on 5G key technology	3.0
		May 19, 2020	CNAIC	The impact of the application of business event review act	3.0
		November 3, 2020	Ministry of Finance	Corporate governance special speech 2020	3.0
Director	Cheng-Mount Cheng (Note 2)	February 13, 2020	Securities & Futures Institute	Early warning of corporate financial crisis and type analysis	3.0
		February 13, 2020	Taiwan Academy of Banking and Finance	Corporate governance forum-AML risk trend and the impact	3.0
Director	Hong-Mo Wu	August 28, 2020	Taiwan Academy of Banking and Finance	Corporate governance forum- AML/CFT policy and international trend in post APG era	3.0
		November 3, 2020	Ministry of Finance	Corporate governance special speech 2020	3.0
Director	Guo-Shin Lee	July 8, 2020	Taiwan Corporate Governance Association	Forward looking of corporate governance	3.0
		September 17, 2020	Securities & Futures Institute	Unusual transaction of directors and supervisors and the study	3.0
		November 11, 2020	Securities & Futures Institute	Corporate financial statement fraud and case study	3.0
Independent Director	Jiun-Wei Lu	July 30, 2020	CNAIC	How directors and supervisors to review financial statements	3.0
		October 20, 2020	Taiwan Academy of Banking and Finance	Fintech seminar #1	3.0
Independent Director	Ying-Ko Lin	July 29, 2020	Securities & Futures Institute	How a corporate to react the new labor event law-practice	3.0
		October 30, 2020	Taiwan Corporate Governance Association	The use of corporate governance review by Board of Directors	3.0
Independent Director	Chang-Ching Lin	June 29, 2020	Securities & Futures Institute	The business strategy and corporate governance for the unsustainable risk, taking COVID-19 as example	3.0
		June 30, 2020	Securities & Futures Institute	Related party transaction of directors and supervisors and case study	3.0

Note1: Director Mr. Chiun-Min Tsai was discharged on 16.01.2021. The director Ms. Yih-Juan Wu succeeded the position on the same date.

Note2: Director Mr. Cheng-Mount Cheng resigned on 01.10.2020. The director Mr. Keh-Her Shih succeeded the position on 21.12.2020.



3.3.5 Operation Status of the Remuneration Committee

A. Members of the Remuneration Committee

Title (Note1)	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note2)										Number of Other Public Companies where the Members Serve as Member of Remuneration Committee
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Independent Director	Ying-Ko Lin	V			V	V	V	V	V	V	V	V	V	V	1
Independent Director	Chang-Ching Lin	V			V	V	V	V	V	V	V	V	V	V	0
Independent Director	Jiun-Wei Lu			V	V	V	V	V	V	V	V	V	V	V	0

Note1: Please list the title as director, independent director, or others.

Note2: Please tick the corresponding boxes if members have been any of the following during the two years prior to being elected or during the term of office:

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company's affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 largest shareholders in terms of shares held..
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranks among the five largest shareholders in terms of shares held. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
6. Not a director, supervisor, or employee of a corporate which is controlled by the same person who have over 50% of voting right shares or board of director seats of the Company. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
7. Not a director, supervisor, or employee of a corporate or institution which has the same, or their spouse is: chairman, general manager, or equivalent positions of the Company. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary and the specific company or institution hold more than 20% but less or equal than 50% of the Company's shares.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services which is auditing service or its compensation within 2 years is not over NT\$ 500 thousands to the Company or to any affiliate of the Company, or a spouse thereof . However Remuneration Committee members, Public Tender Offer Review Committee members, or Acquisition Specialized Committee members who exercise powers based on Securities and Exchange Act of Taiwan or Corporate Acquisition Act are not limited therein.
10. Not been a person of any conditions defined in Article 30 of the Company Act.

B. Remuneration Committee's Operation Status and Responsibility

- (1) The Company's Remuneration Committee has 3 members.
- (2) The current Committee's tenure of office is July 1, 2018 to June 30, 2021. In 2020, the Committee held 4 (A) meetings with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chair	Ying-Ko Lin	4	0	100%	
Member	Chang-Ching Lin	4	0	100%	
Member	Jiun-Wei Lu	4	0	100%	
Other items:					
a. The recommendation of the Remuneration Committee which was not adopted or was modified by the Board of Directors in 2020: none					
b. There were no written or otherwise recorded resolutions on which a member of the Remuneration Committee had a dissenting opinion or qualified opinion.					

(3) Important Resolution of the Remuneration Committees in 2020.

Date and term of Meeting	Agenda	Resolution	Response to Remuneration Committee's opinions
The 9th meeting of the 4th term of Remuneration Committee on March 10, 2020	Review of the 2019 directors' compensation and its distribution principles	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
	Proposal to amend the clauses of "Remuneration Committee Organization Article"	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
	Proposal to amend the employee bonus and remuneration act	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 10th meeting of the 4th term of Remuneration Committee on April 7, 2020	Proposal to the research fee payment of Ethical Management Committee	Agenda was reported to the Board to review	The proposal has been submitted to and approved by the Board of Directors.
	Review of the managerial officers' salary adjustment, top salary bonus and performance bonus.	Agenda was passed as proposed	The proposal has been submitted to and approved by the Board of Directors.
The 11th meeting of the 4th term of Remuneration Committee on May 12, 2020	Review of managerial officer compensation and the management bonus for the president	Agenda was passed as proposed, with suggestion that please add the calculation while proposing to the Board	The proposal has been submitted to and approved by the Board of Directors with the calculation.
The 12th meeting of the 4th term of Remuneration Committee on August 11, 2020	Review of Hong Kong financial talents recruitment principles of Mega Bank and Mega Securities	Agenda was passed as proposed. With the suggestion to amend clause 7 of Mega Bank's principle and clause 2,3, and 8 of Mega Securities' principle	The proposal has been approved by the Board of Directors

(4) Regular review of remuneration and compensation:

The functions of the Company's Remuneration Committee, is to assess the remuneration policies and systems of the directors and managerial officers from the professional and objective perspective. The meetings shall be convened at least twice a year and/or whenever required, to provide recommendations to the Board of Directors as the references for their decision-making.

- a. The authorities of the Company's Remuneration Committee:
- (a) Establish the policies, systems, standards, and structures of performance evaluations and remunerations for the directors and managerial officers and regularly review the same.
 - (b) Regularly review and establish the remunerations for the directors and managerial officers.

- b. The following standards shall be observed when the Remuneration Committee executes the authorities:
- (a) The performance evaluations and remunerations for the directors and managerial officers shall be referred to the common level of payment among the peers, while taking into account of the related reasonableness of the personal performance, company's operational performance, and future risks.
 - (b) Not to solicit the directors and managerial personnel to seek the remuneration at the cost of exceeding the risks appetite of the Company.
 - (c) For the ratio of the bonus specifically for the short-term performance of the directors and key executives, and the timing to pay part of the variable remuneration, the decisions shall be made by referring the nature of the industry and the Company's business.

3.3.6 The discrepancies between the Company's implementation of corporate social responsibility and "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies."

Assessment	Implementation status			The discrepancies and its reasons						
	Yes	No	Explanation							
1. Does the company conduct environment, society, and corporate governance risk assessment of the Company based on materiality principle, and set related risk management policy and /or strategy?	V		The Company evaluate risk related to important issues according to corporate materiality principle. Also the Company set relevant risk management policy according to risk evaluated as follow:	None						
			<table><tr><th>Item</th><th>Risk management policy</th></tr><tr><td>Environmental</td><td>The Company collect and evaluate the impact on natural environment of its daily operation, and formulate annual work plan and related goals (including energy, gas management, responsible purchase, supply chain evaluation and management) through the environmental protection unit of Sustainability Committee and by following "Mega Financial Holding Co., Ltd CSR Policy" and "Mega Financial Holding Co., Ltd CSR Guideline." The Sustainability Committee reviews the achievement rate and progress to implement environmental sustainability management.</td></tr><tr><td>Social</td><td>The Company has information security policy and information security management practice guide line as the basis for the Company and its subsidiaries to implement the information security practice. Also "Information and digital business committee" has been set up with president as the chairman, the executive vice president of electronic data processing department as vice-chairman, and every president of the subsidiary as the member. The committee holds meetings at least once per half year and if needed. The committee review the information security of the subsidiaries, new technology, fintech development, and information security event. Electronic Data Processing Department is responsible to execute or coordinate relevant decisions. If there is any important issues, they will be reported to the Board and Risk Management Committee.</td></tr></table>	Item	Risk management policy	Environmental	The Company collect and evaluate the impact on natural environment of its daily operation, and formulate annual work plan and related goals (including energy, gas management, responsible purchase, supply chain evaluation and management) through the environmental protection unit of Sustainability Committee and by following "Mega Financial Holding Co., Ltd CSR Policy" and "Mega Financial Holding Co., Ltd CSR Guideline." The Sustainability Committee reviews the achievement rate and progress to implement environmental sustainability management.	Social	The Company has information security policy and information security management practice guide line as the basis for the Company and its subsidiaries to implement the information security practice. Also "Information and digital business committee" has been set up with president as the chairman, the executive vice president of electronic data processing department as vice-chairman, and every president of the subsidiary as the member. The committee holds meetings at least once per half year and if needed. The committee review the information security of the subsidiaries, new technology, fintech development, and information security event. Electronic Data Processing Department is responsible to execute or coordinate relevant decisions. If there is any important issues, they will be reported to the Board and Risk Management Committee.	
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Corporate Governance Report

			Item	Risk management policy	
			Corporate governance	<p>The Company sees legal compliance as the key to internal control system and set up "legal compliance system." Also according to "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" the Company appoint one managerial person which hold equal position as executive vice president to be "Chief Compliance Officer for the Group." That person will manage the compliance issues and report to the Board and audit committee every half year.</p> <p>To strengthen the effectiveness of the subsidiary's compliance, the Company hold group compliance officer communication meeting quarterly since 2017, focusing on the implementation status of each subsidiary, audit opinion of internal and external auditors, and education training and promotion of legal compliance. In 2020 every compliance manager and officer of the Company and subsidiary have completed training hours as required. The completion rate is 100%.</p>	
2. Does the company establish an exclusively (or concurrently) dedicated unit to be in charge of CSR and appoint executive-level positions by the board of directors with responsibility for CSR issues, and to report the status of the handling to the board of directors?	V		<p>The Company set up a "Corporate Social Responsibility Committee" under its Board of Directors in 2013. In January 2021, the Company responded to international ESG trends by officially changing its name to the "Sustainability Committee". The Committee is chaired by the President of the Company. The Executive Vice President serves as the Director General. The Executive Vice President of the Company, its directors, and officers at the level of general manager level and above at each subsidiary all serve as committee members, for a total of 11 members. There are five working groups under the Committee, respectively addressing Corporate Governance, Customer Commitment, Environmental Protection, Employee Care, and Social Welfare. The Committee is staffed by the Administration Department of the Company. In accordance with the "Corporate Social Responsibility Committee Establishment Guidelines", at least one meeting is held every six months. A total of four meetings were held in 2020, and the minutes of each Committee meeting were reported to the Board of Directors.</p>		None
3. Environment issues					
(1) Does the company establish proper environment management systems based on the characteristics of its industry?	V		<p>As financial service providers, the Group's operation is unlikely to have huge impacts on environment. However, to cope with climate change issue, the Group has aggressively strengthened the management of energy and GHG emissions, through setting up energy saving and carbon reduction goals, conducting resource and energy inventory, purchasing renewable energy certificates, and tracing the achievement and progress of those goals, to continuously improve management policies and measures. In 2020 the Group has completed ISO 14064-1 GHG inventory; Mega Bank has introduced 14001 Environmental Management System in 2017 and will introduce ISO 50001 energy management system in 2021 and obtain the independent third-party verification.</p>		None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	V		<p>To support the energy transformation policy and to develop "carbon reduction, gas increase, green expansion, non-nuclear clean energy" to reduce air pollution, reduce carbon, and save energy, the Group has completed renewable energy certificates transaction and purchased 146 certificates, equivalent to 146,000 kWh in 2019. The Group has strengthened its green operation and purchased 352 certificates from Hakka Committee, equivalent to 352,000 kWh, through the online platform of National Renewable Energy Certificate Center. In 2021, the Sustainability Committee has approved to continue to purchase 413 renewable energy certificates.</p>		None



(3) Does the company evaluate the potential risk and opportunities of climate change and also have measures for relevant climate change issues?

V

To cope with the risk trend, the Company has signed and supported Climate-related Financial Disclosures (TCFD) in April 2020 and added risk of climate change into emerging risk and add into the Company's "Risk Management Policy and Guide Line." The company also reviews and check the risk and opportunity of climate change by TCFD guideline and develop low carbon products and services.

In terms of governance of climate change, our board member monitors and oversees related issues through regular Sustainability Committees and Board Meetings. The Sustainability Committee launched 4 meetings in 2020 to discuss strategies and plans for responding to climate change issues, including setting up carbon reduction goals and introducing ISO environmental management systems and etc., and reported to the board of directors periodically.

The risk and opportunities of climate change to the Company is as below:

1. Climate related risks include physical risk and transition risk.

The prior includes the depreciation of loan security value, or the increase of energy cost from global warming; the later includes the higher operation cost from policy and law change (e.g. carbon tax) to further increase financial risks such as market risk, credit risk, systematic risk, liquidity risk and insurance risk.

2. Climate related opportunities include the development of low carbon products and services (e.g. Mega Bank and Mega Securities issued and underwrote NT\$ 1 billion and NT\$ 1.69 billion green bonds in 2020 respectively) and the digital finance services (e.g. Mega Bank has set a goal by introducing 4,150 merchants using Taiwan Pay services in 2020, which has introduced 5,680 merchants in the end, with achievement goal rate of 137%).

The Company pays close attention to the global trends of climate change and the related industries development, in order to assist stakeholders to reduce climate related impacts by providing sustainable financial products and services. Further more, the company can also enhance new industrial opportunities, reduce global warming and promote sustainable development.

None

(4) Does the company calculate greenhouse gas emission, water usage, and total weight of waste in last two years and set up policies regarding reducing carbon saving energy, water use reduction, and other waste management?

V

The Company is devoted to operating in sustainable and low-carbon ways, promoting energy saving and carbon reduction measures in each sites, establishing environmental management structure, formulating environmental policy and setting up environmental improvement goals. The Company's targets are reducing more than 5% GHG emissions (Scope1+2) and water consumption till 2022 compared with the base year amounts in 2017.

1.Greenhouse gas emissions

The greenhouse gas emissions in last three years (verified by third party)

Unit: tons of CO₂e

Item	2018	2019	2020
Direct GHG emission(scope 1)	718.84	2,527.63	2,550.75
Energy indirect GHG emission(scope 2)	14,004.90	16,232.62	18,216.02
Total amount of scope 1 and 2	14,723.74	18,760.25	20,766.77
Other indirect GHG emission(scope 3)	-	46.80	457,058.00
Operation unit verified by the third party (exclude oversea units)	90	139	192
Coverage ratio of Operation unit verified by the third party (exclude oversea units)	47%	72%	100%

2.Water consumption

Water consumption in last three years

Unit: m³

Item	2018	2019	2020
Water consumption	183,317	187,616	194,041
Water consumption per person	20.18	21.90	21.86

None

3. Waste amount

Waste amount in last three years

Unit: KG

Item	2018	2019	2020
Paper	50,610	48,736	48,699
Iron aluminum cans	587	423	564
PET bottles, plastics	1,302	1,552	1,604
Batteries	125	147	169
Light bulbs	986	890	909
Food wastes	33,278	32,697	30,421
Total	86,888	84,445	82,366
Non-recycle	108,593	128,606	144,558

The Company committed to sustainable environment with the following measures:

1. Paper: Administrative operations or notifications are done through email instead of paper-based documents. Notebook computers or tablets are used to realize paperless meetings. The e-learning and electronic transaction services are promoted. For bank and securities subsidiaries, electronic bills and electronic statements are adopted. Under the condition that data are not disclosed, double-sided printing is promoted. There is the waste paper recycling box in place to facilitate recycling and re-utilization of resources.
2. Water resource: Adjust the water from the faucets to reduce the water volume, and reuse the water from the cleaning water towers to minimize water consumption.
3. Fuel consumption: Video conference systems are adopted to replace business travel. For necessary business travel, it is encouraged to take public transportation and to reduce the use of company cars.
4. Electricity: The energy-saving program is enforced to control consumption of electricity by air-conditioning equipment, lighting equipment, information equipment and elevators. Gradually replace the existing Air-conditioning and lighting equipment with the ones with energy-saving labels.
5. Waste: Conduct waste reduction plans, adopt the "Cancel Personal Trash Can" measures, and advocate waste classification and reduction idea to employees, building management and cleaning companies irregularly.

4. Public Welfare

(1) Does the company comply with relevant laws and regulations, and the International Bill of Human Rights and adopt relevant management policies and procedure?

V

By referring to the "Universal Declaration of Human Rights", "UN Global Compact", "International Labour Organization", and etc., the Company has formulated the "Human Right Policy" which was approved by Board of Directors in September 2018. The policy specified the Company and its subsidiaries in compliance with applicable labor laws, including respecting Internationally recognized basic human rights, respecting the freedom of employee association, providing a sound workplace, treating fairly with no discrimination regardless to employees' races, religions, genders, marital statuses, etc., and protecting employees, clients, and other stakeholders' privacy. To implement the Human Right Policy, the Company regularly holds human right training, such as prevention of sexual harassment and work safety. In 2020, there is no complaints regarding to human rights or discrimination issues.

None

<p>(2) Does the Company set up and implement reasonable employee benefit (including compensation, annual leave, and other benefits) and reflect the operation performance or result in the employee compensation?</p>	V	<p>The remuneration policy of the Company states the compensation includes salary, annual bonus, performance bonus, and employee compensation. The remuneration standards take reference of the peers, market competitiveness, and total remuneration plan. Every year the Company bases the profit situation, future risk, and peer reference to pay the compensation according to the performance. If there is a promotion, there will also be a raise of salary. The 2020 salary raise situation of managerial and non-managerial employees is disclosed on MOPS. Besides the fixed 14-month salary (including the 2-month year-end bonus), performance bonus is distributed based on the budget fulfillment rate, EPS, ROA and ROE. In addition, employee remunerations are appropriated according to the Articles of Incorporation. If there is profit surplus in that year, 0.02% to 0.15% should be employee remunerations.</p> <p>The Company's welfare including marriage subsidy, birth subsidy, funeral subsidy, retirement subsidy, hospital subsidy, travel subsidy, education scholarship, club activities, festival gifts, and employee health check superior to the labor law. Besides, the Company have employee stock trust since 2020. The Company will subsidize NT\$1,000 every month for employee to purchase Company shares. Regarding retirement system, the Company deposit 6% of the employee's total salary as retirement reserve, according to labor law, into specific account of Bank of Taiwan. Also the labor retirement reserve supervision committee is established, in charge of the reserve distribution, deposit, use, and pension payment. Also to cope with the new pension system implemented on July 1, 2005, for the employee use the new pension system, the Company deposit 6% of the salary every month into the employee's personal pension account.</p> <p>Employee whose age is over 65 should retire. Employee with the below situation can ask for retirement: (1) age over or equal to 55 and tenure over or equal to 15 years; (2) tenure over or equal to 25 years; (3) age over or equal to 60 and tenure over or equal to 10 years. Those who fit in old pension system, the Company will pay pension according to the last 6 months average salary and tenure. 2 basic points per year will be given for tenure within 15 years, and 1 basic point per year will be given for tenure exceed 15 years, with a maximum of 45 basic points.</p>	None
<p>(3) Does the company provide safe and healthful work environments for employees and organize training on safety and health for employees on a regular basis?</p>	V	<p>To provide safe and healthy work environments and personal safety protection for its employees, the Company implements access control, regular health examinations, visitor registration, office environment cleaning, regular maintenance on fire extinguisher, monthly check on fire prevention like water spread, stairway lights, and refuge taking, and mandate qualified fire prevention companies to conduct maintenance situation report to competent authority and obtain a pass on the re-check. The Company holds employee fire prevention rehearsal every half year and holds labor safety forum every 3 years. The Company also conduct environment sanitization in every two month for public area and every half year for the whole building to let the employee comfortable in good environment and thus work hard for the Company.</p>	None
<p>(4) Does the company set up an effective career development training plan for employees?</p>	V	<p>To strengthen employee's career development, the Company implement regulation and job related training; appoint employee to attend forum and seminar; and encourage employee to take professional or cross functional learning base on their professional field.</p>	None

Corporate Governance Report

(5) Does the company follow relevant laws, regulations and international guidelines on customer health and safety, customer privacy, marketing or labeling of their products and services and establish relevant consumer protection policy and compliant filing process?	V	<p>The Group follows "Financial Holding Company Act", "Banking Act", Financial Consumer Protection Act" and relevant laws and regulations when marketing or labeling its products and services. A strict internal control system is in place to be followed. The company values the privacy protection of each customer. Internal personal information protection regulation is based on the latest domestic and international regulation standard. Product information is disclosed on the website, application form, account statement, DM, EDM and advertisement. In accordance with general ethical principles and the spirit of financial consumer protection, a fair transaction market is maintained to create customer value.</p> <p>Mega Bank has established the "Treat Clients Fairly Policy" and "Treat Clients Fairly Strategy and Customer Protection Principle". In 2019, the fair-treatment to customer working group was established. In 2020, the working group is changed to "Care and Fair Customer Treatment Committee," formed by each business unit to strengthen the process of customer claims.</p>	None
(6) Does the company set up a supplier management policy to request the supplier to comply relevant regulations regarding environment, work place safety and sanitary, or labour right, and the implementation status?	V	The Company has enacted "Supplier CSR Guidelines" requiring suppliers to follow regulations relating to environment, safety and sanitary, or labor right issues in March 2019 and asked its subsidiaries to have similar guidelines. The Company requests suppliers to sign an agreement to fulfill social responsibilities related the environment and society. If the agreement is violated, the Company can terminate the contract anytime and list the supplier in black list. In 2020 there was no violation of the agreement by the suppliers or relevant laws.	None
5. If the Company take reference of international report guide line to make non-financial information report like CSR report? If third verification party issues confirmation opinion on the above report	V	The 2020 Sustainability Report has been verified by the BSI Taiwan based on the Core option of the GRI Standards and AA1000 Type 1 moderate level. Please refer to the disclose item in the report.	None
6. If the company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: The Company's Corporate Social Responsibility Principles, based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", is fully implemented with no material discrepancy.			
7. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: Please refer to the 2020 ESG Implementation Results as shown below.			

2020 ESG Implementation Results

Item	2020 Action Plans	2020 Implementation Results
Environmental Protection	<ol style="list-style-type: none"> 1. Complete ISO 14064 GHG inventory and pass the verification by the independent third party. 2. Continue to purchase renewable energy certificates. 3. Continue to introduce ISO 14001 Environmental Management System. 4. Enhance the supplier management mechanism and make sure the suppliers sign "Supplier CSR Declaration Form." 5. Purchase environmental friendly products and implement responsible procurement management. 	<ol style="list-style-type: none"> 1. In May 2020, the Group has obtain the verification by the third independent party (BSI) GHG inventory. 2. The Group has purchased 352 renewable energy certificates from Hakka Committee and Kaohsiung Animal Protection Division. 3. Mega JaoJi Building has passed the verification of ISO 14001 Environmental Management System. Other self-owned buildings will introduce the system as well. 4. The amount of contracts of the suppliers who signed Supplier CSR Declaration Form accounts for 94.60% of total contracts. 5. The total green procurement amounted to NT\$ 69.395 million in 2020.



Customer Commitment	<ol style="list-style-type: none"> 1. Continue to introduce ISO 27001 Information Security Management System. 2. Continue to promote "Taiwan Pay" mobile payment to accelerate the common use of mobile payment. 3. Strengthen the loans business for 5+2 new focus industries. 4. Issue and underwrite green bonds. 5. Continue to provide young generation family preferential mortgage to provide preferential interest rate to lower the burden of first time house buyers. 	<ol style="list-style-type: none"> 1. Mega Securities has passed the verification of ISO 27001 Information Security Management System in 2020; Mega Bank and Chung Kuo Insurance passed the renewal of ISO 27001. 2. In 2020 Mega Bank promote merchants using Taiwan Pay services. The goal is 4,150 stores and the result is 5,680 stores, with achievement rate of 137%. 3. The balance of the loans business for 5+2 new focus industries at the end of 2020 is NT\$ 359.7 billion, accounts for 36.16% of the total corporate loan balance within Taiwan. 4. Mega Bank issued NT\$ 1 billion green bond and Mega Securities underwrote NT\$1.69 billion green bond for E Sun bank, Taiwan Power, and TSMC in 2020 5. Till the end of 2020, the cases of young generation family preferential mortgage totaled 20,678. The aggregation amount distributed is NT\$ 93.471 billion, an increase of 5.46% compared to 2019.
Employee Care	<ol style="list-style-type: none"> 1. Continue to distribute marriage and childbirth subsidy. 2. Encourage employee's training and continue to hold employee education training. 3. Continue to provide sponsorships for employee's professional license or qualification tests. 4. Continue to provide employee assistance project (EAP) to care employee's physical and mental health. 5. Outsource employee satisfaction and job performance research. 	<ol style="list-style-type: none"> 1. In 2020 total marriage subsidy distributed by the Group is NT\$2.6 million and childbirth subsidy is over NT\$ 14 million. 2. In 2020 total training hours per employee is 46.44 hours, a decrease of 12.35 hours because of the COVID-19 impacts. 3. Total number of employees sponsored is 1,511 and total sponsorship is over NT\$ 14 million in 2020. 4. The number of employee who use the psychological consultation of the Group is 40 in 2020 with main issues about workplace relationship and pressures. 5. In 2020, the scores of the employee satisfaction and job performance of the Company, Mega Bank, Mega Securities, Mega Bills, and Chung Kuo Insurance is 3.65 and 3.92, higher than peers.
Social Welfare	<ol style="list-style-type: none"> 1. Continues to provide charity run activities 2. Continue to sponsor adoption of disadvantaged family, provide the disadvantaged students with living and education subsidies 3. Hold concerts to promote art culture and support local artists. 4. Hold fintech competition to foster fintech talents. 5. Hold and join beach cleaning activities. 	<ol style="list-style-type: none"> 1. The Group held charity running activity in Kenting in August 2020 with total sponsor amount of NT\$ 5 million. 2. The Group supported 15 children in Taiwan Fund for Children and Families. 3. The Group held 3 big concerts in Taipei, Taichung, and Kaohsiung with 6,000 people join. 4. Mega Bank Culture Foundation and Mega Bank held 2020 Mega Fintech Contest. There were 252 teams register and 17 teams elected. 5. In October 2020, Mega Investment Trust held employee beach cleaning activity; Mega Bills cooperated with New Taipei City government to held autumn joint beach cleaning activity and total number of employee and family joined is over 200.
Corporate Governance	<ol style="list-style-type: none"> 1. Appoint a corporate governance managerial person to provide directors with more assistance. 2. Foster and strengthen corporate governance personnel professional skills and insure the directors continue to watch international trend of corporate governance and the change of laws in Taiwan. 3. Continue to hold ethical management training with completion rate of 90%. 4. Continue to enhance Legal compliance system and compliance training. 5. Aggressively attend the shareholder meetings of invested companies or use the electrical vote to implement due governance of institutional investors. 	<ol style="list-style-type: none"> 1. The Company and the subsidiaries (besides venture capital) set up corporate governance manager provide directors with more assistance since 2019. 2. In 2020 all directors' education training hours totaled 146.5 hours, which comply with at least 12 for newly on-board directors and 6 for reappointed directors, according to the "Principles of directors and supervisors' education training for TWSE/GTSM listed companies." 3. In 2020, the Group held ethical management related internal/ external training with total 8,618 persons with completion rate is 93.36%. 4. The Group implement complete legal compliance education training for employees, directors, and supervisors with completion rate of 100% in 2020. 5. In 2020, Mega Bank, Mega Securities, Chung Kuo Insurance and Mega Investment Trust attended 100% the shareholders meeting of the listed invested companies.

3.3.7 Ethical Corporate Management Implementation and The Discrepancies between Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Its Reasons

Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
1. Establishing ethics policy and implementation measures				
(1) Does the company clearly specify ethical corporate management policies, guidelines and the commitments of the board of directors and management team to implement the policies in its guide lines and external documents?	V		The Company's Ethical Corporate Management Principles and Code of Ethical Conduct, which are approved by the board of directors, reported to the shareholders meeting, and posted on the MOPS and the Company's website, clearly specify the commitment by the board of directors and the management on rigorous and thorough implementation of such policies. Directors, managerial officers and employees are required to carry out the policies.	None
(2) Does the company establish relevant risk evaluation mechanism and periodically analyze and evaluate the operating activities with higher possibility of unethical conduct within operation scope, and set up unethical conduct prevention act accordingly and at least include the prevention measures in Article 7 section 2 of Ethical Corporate Management Best Practice Principles?	V		The Company and its subsidiaries enacted Ethical Corporate Management Principle clearly stating that the following unethical behavior is prohibited: taking and paying bribes, providing illegal political contributions, making inappropriate charity donations or sponsorship, and providing or accepting unreasonable gifts, hospitality, or other improper benefits. Relevant operational procedures, disciplinary rules for violations and appeal channel are also stated in the Principle. The Company periodically analyzes and evaluates the risk of unethical conduct of the operating activities with higher possibility of unethical conduct within operation scope and set up unethical conduct prevention act and internal control system accordingly.	None
(3) Does the Company explicitly set up operation procedures, conduct guideline, disciplinary rules for violations and appeal channel in the unethical conduct prevention act, and implement and periodically review and amend the act as mentioned?	V		In order to prevent unethical behavior, the Company requires and proactively promote that directors, managerial officers and employees should not demonstrate unethical behavior as prohibited in the Ethical Corporate Management Principles and Code of Ethical Conduct. In addition, the Company conducts various preventative measures, including: establishment of rigorous accounting system, internal control and internal audit system, and a whistle-blowing system, encouraging report of illegal and unethical behaviors by insiders or outsiders. Also the Company periodically evaluates the compliance status in relevant operations.	None
2. Corporate conduct and ethics compliance practice				
(1) Does the company assess ethical records of business counterparties? Does the Company include business conduct and ethics related clauses in the business contracts?	V		The Company and its subsidiaries take into consideration ethical records of transaction counterparties and avoid transactions with companies tainted by unethical practices. When entering into contracts with suppliers, the Company includes in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.	None

Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
(2) Does the company set up dedicated unit under the board of directors in charge of promotion of the ethical corporate management and report the execution/supervision to the board of directors periodically (once a year)?	V		To strengthen the function of ethical management duty unit, the Board of Directors approved to establish Ethical Management Committee on March 24, 2020 and the three independent directors are the committee members. Independent Director Chang Chin Lin is the chair. The major function of the committee is to supervise the planning and implementation of the CSR and ethical corporate management. Implementation of Ethical Corporate Management Principles and the unethical conduct prevention acts are submitted to the board meeting at least once every year.	None
(3) Does the company establish policies to prevent conflicts of interest, provides appropriate communication channels and implement the policies?	V		The Company has set up the "Procedure for Board of Directors Meetings" which specifies that if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. This rule has been well enforced and practiced. The Company's Code of Ethical Conduct also stipulates that directors and managerial officers should not take advantage of their position in the Company to obtain improper benefits for themselves or their spouse, parents, children, or relatives within the second degree of kinship.	None
(4) Does the company establish effective accounting systems and internal control systems for the implementation of policies, and the internal audit units forms relevant audit plan based on the risk evaluation result of unethical conduct to audit the implementation situation of unethical conduct prevention or mandate the external auditor to audit the matter?	V		The Company and its subsidiaries have established an accounting system which is updated according to the laws and regulations of the competent authority and the Company's financial statements are audited or reviewed the external auditors. Additionally, to ensure adherence to the internal control system, aside from internal audits performed by the internal audit staff regularly, each department performs a self-inspection on the internal control system at least once a year. The external auditor also regularly conducts random examination on the implementation status of the company's internal control system.	None
(5) Does the company periodically provide internal or external training courses of ethics corporate management?	V		The Company and its subsidiaries periodically organize ethical corporate management training. On Oct 23, 2020 an ethical management and insider trading prevention training was held with KPMG lawyer as main speaker. Attendees include directors, managerial officers, employee, mandates, actual controller, and relevant parties doing business with the Company. The completion rate of the employee is 70%. In 2020, a total of 8,471 employees participating in relevant internal and external training, completion rate of 99.23%, equivalent to 99.59% in 2019. The training courses include ethical management principle, United Nations Convention against Corruption, whistle blower protection, corporate ethical management, employee's obligation to protect information, ethical management-case study of bank employee misappropriate client fund.	None

Corporate Governance Report

Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
3.The channels for reporting any ethical irregularities (1) Does the company set up specific reporting and reward system, convenient reporting channel and assign appropriate and dedicated unit to handle the case?	V		The Company's Guidelines for Handling of Whistle-Blowing clearly defines whistle-blowing incentive measures and reporting means as follows: (1)Hotline: (02)2395-6128 (2)Email: law@megaholdings.com.tw or send to the legal compliance department at 17F, No.123, Sec. 2, Zhongxiao E. Rd, Taipei City. (3)Unit to handle whistle-blowing: Legal Compliance Department.	None
(2) Does the company establish standard operation procedures for the investigation, following measures, and confidentiality mechanism?	V		The Company's Guidelines for Handling of Whistle-Blowing clearly specify that whistleblowers' identity and report contents shall be kept confidential. Standard operating procedures for reporting of unethical conduct are in place, which include case acceptance, investigation, reporting line of the investigation, punishment and reward, retention period of documents, etc. The investigation process and result should be kept in paper and electronic form and preserve at least 7 years. If a litigation involves, the relevant data should be kept till the closure of the litigation. The result of the reported cases should be informed by paper or other ways to the whistle blowers.	None
(3) Does the company adopt protection measures of unfair treatment for whistle blowers?	V		The Company protects whistleblowers, including keeping their identity and report contents confidential. No unfair treatment or punishment will be given due to the content of the reports given by whistleblowers. In 2020, there are total 4 cases (1 in 2019) filed in the Company. After investigation, there is 0 case established. In 2020, there are total 15 cases (13 in 2019) filed in the Group. After investigation, there is 1 case established (belongs to Mega Bank regarding to operation mistake). There is no inappropriate behavior case.	None
4.Enhancing disclosure of information Does the company disclose the content and the implementation status of the Ethical Corporate Management Principles on the Company's website and MOPS?	V		The Company discloses the content and the implementation status of its Ethical Corporate Management Principles on the Company's website. The implementation results in 2020 including: training courses of ethical corporate management promoting the concept of integrity and ethical value, no transaction with counterparty having unethical record; No reported cases of unethical operation for directors, managerial officers, and employee.	None
5. If the company has established Ethical Corporate Management Principles based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: The Company and its subsidiaries have enacted "Ethical Corporate Management Principles" and "Procedures for Ethical Management and Guidelines for Conduct." Every operation follows the above-mentioned principles, procedures, and guidelines.				
6. Other important information to facilitate better understanding of the company's Ethical Corporate Management: (e.g. discussions in how the company can further revise its ethical corporate management principles): (1) All donations to related parties are approved by the Board of Directors of the Company, and information of donation and sponsorship is compiled and reported to the Board of Directors every half year. (2) The Company at all times monitors the development of relevant local and international regulations concerning ethical corporate management and encourage the directors, managerial officers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical corporate management. (3) On Oct 27,2020 the Company amended "Ethical Management Principle" to require the directors and managerial officers to give "declaration of following ethical management policy" to the Company and require the employee to follow the policy upon hiring.				



3.3.8 The Way for Searching the Company's Corporate Governance Principles and Related Guidelines

For the Company's rules of corporate governance, please log on to the following website and MOPS:
<https://www.megaholdings.com.tw/tc/regulation.aspx>

3.3.9 Other Important Information: None.

3.3.10 Execution of Internal Control System

A. Internal Control Statement

Mega Financial Holding Co., Ltd.

Internal Control Statement

To: Financial Supervisory Commission, R.O.C.

On behalf of Mega Financial Holding Co., Ltd., we hereby state that from January 1, 2020 to December 31, 2020, the Company has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, implementing risk management, designating an independent and objective audit department to conduct audits, and regularly reporting to the Board of Director and the Audit Committee. After prudent evaluation, except for items listed in the schedule, the internal control and legal compliance of each department have been in effect during the year, this Statement will be included as the main content of the Company's annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or concealment, legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Act will be involved.

Chairman : Chao-Shun Chang

President : Kuang-Hua Hu

Chief Auditor : Jui-Ying Tsai

Chief Compliance Officer: Hui-Lin Wu

March 23, 2021

Schedule: Internal Control Weaknesses and Improvement Plans

As of December 31, 2020

Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
Mega International Commercial Bank 1. The Hong Kong branch did not properly evaluate customers' investment attributes, risk tolerance, and knowledge of derivatives during the fund sales business conducted by the Hong Kong branch from 2014 to 2015. The evaluation of the suitability of the recommended investment products was not confirmed. It did not properly perform product due diligence and product risk level evaluation, and there was a lack of product classification of derivative funds.	1. Revise the Customer Risk Profiling manual and handle in accordance with the revised customer risk analysis and evaluation mechanism, professional investor classification and investor characteristics evaluation, etc. 2. Update sales procedures and suitability evaluation manuals, strengthen customer product suitability assessment procedures strengthen control mechanisms dealing with risk mismatch transactions, investment advice, provide customers with other investment options, etc. 3. Update the product due diligence work manual, and strengthen controls for product risk rating mechanisms, due diligence procedures, derivative fund classification, product removal procedures, continuous product due diligence, etc. 4. Improve the actual sales process, strengthen the education and training of financial business related personnel to enhance the awareness of legal compliance, and update the financial management information system; furthermore, hire professional consultants and lawyers to assist in establishing more complete financial management business management mechanisms. 5. Employ external consultants to verify any lack of improvement; the branch should complete the revision of the wealth management manual and operating documents in accordance with the proposed recommendations.	Improved
2. The insurance agency business was not implemented to confirm the suitability of consumers for insurance products; there was a failure to handle appeal cases in accordance with internal regulations; there was a failure to contact complainants to confirm complaints; the advertisement review and remuneration systems were inadequate, and shortcomings in products were only explained to customers verbatim according to the record template of the recorded sales process.	1. Use control reports to check the correctness of the source of premiums in a salesperson's report and the consistency of a policyholder's financial status. Further, build verification mechanisms in the system for "Client Premium Funding Source" and "Consistency of Financial Information between Customers and the Bank". 2. Check the correctness of the investment insurance product risk attribute evaluation form on a case-by-case basis; any discrepancies will not be accepted. 3. Establish a standard operating procedure checklist to confirm the compliance status of appeal cases. 4. Formulate the review basis and procedures for insurance product advertisements. 5. Revise the relevant regulations on the remuneration of insurance agency business personnel, taking into account non-financial indicators. 6. Strengthen the education and training of sales recording operations for the bank's sales staff, checking the recording files every month to confirm their execution.	Improved

Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
3. There was a failure to effectively implement credit investigation and customer due diligence, collateral appraisal, pre-loan review and review, post-loan management and other operations when doing mortgage business. This resulted in the occurrence of a suspected dummy account loan case becoming overdue or experiencing payment delay.	<ol style="list-style-type: none"> Strengthen pre-loan collection and review operations <ol style="list-style-type: none"> Establish a pattern of dummy accounts that can be quantified by system verification. For housing loan cases with the same sources of input, establish a control mechanism for alternate distribution processing. Strengthen the education and training of personnel collecting and granting credit on the topics of credit investigation, identifying dummy accounts, and operational risk and case sharing in cases of dummy accounts. Strengthen controls of collateral appraisal and assessment operations <ol style="list-style-type: none"> Build an "Automated execution of homogeneous object price inquiry system" for real estate, and revise the criteria for authorization of business unit valuation and transfer to the head office for review. The appraisal personnel and the credit signing personnel controlled by the system shall not be the same person. Handle real estate appraisal work to increase queries in the Real Estate Transaction Index. Strengthen post-loan management and tracking operations <ol style="list-style-type: none"> Strengthen management functions for the "Domestic Consumer Spending Warning List of Households." Update control measures for "Real Estate Real-Price Registration Back-Check Mechanism." Update post-loan tracking matters under the policy that "the transcript of the collateral needs to be read within 6 months after the mortgage is allocated." Establish a risk-based consumer review system. 	Improved
<p>Chung Kuo Insurance Co., Ltd. In July 2019, FSC conducted common business operation inspection at Financial Holding parent company (Number108H032)</p> <p>For Chung Kuo Insurance's sponsored activities, the original application documents have not been obtained or the originals have not been submitted, and relevant units have not verified the authenticity of sponsored activities. It also did not keep the records of the sponsor's receipt or the report of the results of the activities. It did not control the delivery of the purchased products (e.g., gift certificates) for submission for major inspection opinions. In accordance with Article 171-1, Paragraph 4 of the Insurance Act, the core penalty is NT\$600,000.</p>	<ol style="list-style-type: none"> Sponsorship management guidelines was established, ruling outside sponsor ways, targets, sponsor principles, authority, and process of expense reimbursement. For the reimbursement of expense of promotion of business, "Promotion expense management guideline" and "Promotion gift certificate management guideline" were established to strengthen the promotion expense control and reimbursement. When the sponsorship is in the form of gift certificates, a record book should be established and keep the sponsored persons' signing evidence. The operation unit should also keep the activity result report. 	Improved

Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
Mega Futures Co., Ltd. The company did not immediately announce information about negative value trading connected to the Chicago Mercantile Exchange Group (CME Group), the New York Mercantile Exchange (NYMEX), light crude oil futures (CL futures) and E-mini crude oil futures (QM futures). On April 21, 2020, the trading host was unable to calculate the negative values and failed to perform intraday risk control operations. (On September 1, 2020, FSC No. 1090351557 imposed a fine of NT\$480,000; on September 1, 2020, FSC No. 10903515571 requested to pay attention to improvement in the future.)	1. Mega Futures has subscribed to the trading related information of foreign futures exchanges. Any changes to trading rules will be immediately announced in the "Transaction Announcement" section of the company's official website. Mega Futures further provides a link to the relevant information of opening transactions so that traders can inquire about the relevant information on their own. 2. On August 24, 2020, the trading system was completed to add a negative value transaction function to respond to negative value transactions and related risk control operations.	Improved

B. Report of Independent Auditor appointed to conduct special audit on the company's internal control system: None.

3.3.11 Punishment of Major Unlawful Practice and Major Deficiencies and Remedial Measures Adopted of the Company and its Subsidiaries in the Past Two Years

A. Legal action involving executives or employees: NA

B. Fines imposed, correction, or punishment by FSC for violating laws and regulations:

I. Mega International Commercial Bank

1. The merged entity Mega Life Insurance Agency Co., Ltd. has violated Insurance law and Financial Consumer Protection Act. On July 27, 2020 the FSC ordered 1 month correction period on two items and fine NT\$ 3.3 million.

Improvement Status:

- a. Use control reports to check the correctness of the source of premiums in a salesperson's report and the consistency of a policyholder's financial status. Further, build verification mechanisms in the system for "Client Premium Funding Source" and "Consistency of Financial Information between Customers and the Bank."
- b. Check the correctness of the investment insurance product risk attribute evaluation form on a case-by-case basis; any discrepancies will not be accepted.
- c. Establish a standard operating procedure checklist to confirm the compliance status of appeal cases.
- d. Formulate the review basis and procedures for insurance product advertisements.
- e. Revise the relevant regulations on the remuneration of insurance agency business personnel, taking into account non-financial indicators.
- f. Strengthen the education and training of sales recording operations for the bank's sales staff, checking the recording files every month to confirm their execution.

2. The deficiency that a former wealth management specialist of Feng Yuan Branch of Mega Bank misappropriated clients' funds has violated Article 45-1-1 of the Banking Act of Republic of China and hindered sound operation. The Bank was imposed by the FSC a fine of NT\$6 million on March 26, 2019 by Article 129-7 and corrected by Article 61-1-1 of the Banking Act of Republic of China. FSC also ordered to fire the employee.

Improvement Status:

- a. The control over the deposits or remittances processed by staff on behalf of others will be strengthened and a control mechanism for real-time notification when any accounts are credited or debited is added upon client's application.
- b. "Phone recording system management note" is added to ask domestic business units to do transaction reference and random confirmation check.
- c. Aside from enactment of operating guideline to optimize random external confirmations on deposit statements, the follow-up situation of external confirmations will be enhanced via systems and reports.
- d. The operating control mechanism for outside of the bank collection of various documents, receipts, and payment by wealth management business personnel will be strengthened.
- e. The self-inspection items shall include the inspection on the separate operating procedures of the front-end and back-end offices of wealth management to strengthen the control of transactions processed by wealth management specialists and whereabouts of the fund in the wealth management accounts.
- f. The wealth management operations and personnel's management will be strengthened. Aside from implementation of the "Account Officer System" for wealth management operations also the identification and checking measures against the wealth management specialists' affiliated accounts will be enhanced.
- g. The inspection mechanism during the wealth management specialists' on leave period is established. The inspection on wealth management's human resource matter and behavior management is strengthened.

II. Chung Kuo Insurance Co., Ltd.

FSC has listed deficiency item in the general operation inspection report for Chung Kuo Insurance's sponsored activities. There is no sponsorship management policies and approval authorities to follow. The original application documents have not been obtained or the originals have not been submitted, and relevant units have not verified the authenticity of sponsored activities before the expense reimbursement or purchase. It also did not keep the records of the sponsor's receipt or the report of the results of the activities. It did not control the delivery of the purchased products (e.g., gift certificates) for submission. The above is inconsistent with Article 5-1-8 of Insurance companies internal control and audit system implementation act. On August 11, 2020, NT\$600,000 was fined by FSC.

Improvement Status:

"Sponsorship Management Act," "Business Expense Management Principles," "Business Promotion Expense Management Principles," and "Gift Certificate for Business Promotion Management Principles" were established for the deficiency item. Besides continuing promoting and implementing, the Company's Audit Office has included the topic into annual audit item to check the effectiveness of the improvement measures.

C. Deficiencies corrected by FSC:

I. Mega International Commercial Bank

1. Deficiencies on identification and verification of beneficial ownership in customer due diligence and abnormal transaction inspection were not precise enough. The above was corrected by the FSC on April 23, 2019 by Article 61-1-1 of Banking Act.

Improvement Status:

- a. A detailed operating procedure for the identification and verification of beneficial ownership has been established and efforts have been reinforced to understand if corporation clients have natural persons that exercise control in other ways.
 - b. The operational handbook was revised to boost continuing control and investigation of customers' accounts and transactions.
 - c. Suspicious transactions in deposit accounts have been switched to be monitored by the system and the Anti-Money Laundering and Counter-Financial Crimes Office is now responsible for investigating cases. Related inspection analysis reports and supporting documents that have been verified are all kept track of in the transaction monitoring system.
 - d. For non-profit group customers and transactions through remittance that have a value of NTD500 thousand or above, the purpose and reason of the remittance shall be noted in the remittance form.
 - e. Reinforce educational training and video communications for operation sites on anti-money laundering operations and examples of deficiencies.
2. There are deficiencies on the credit approval process, loan disbursement process, and post-disbursement management of New Site Industries., Inc group loan business. On October 17, 2019, the FSC corrected by Article 61-1-1 of Banking Act.

Improvement Status:

- a. It is specified that the loan limits approved for a specific customer must take into consideration the existing limits already approved by the Bank for the affiliated account, and the total credit limit for all affiliated enterprises shall be combined to be the criteria for deciding the approving authority.
 - b. The limits available for respective levels to authorize are defined under the Negotiation Limits for Defective Documents, with the advance money for export bills negotiation defective documents and the control mechanism for new current customers to continue bill negotiation cases for the first year added.
 - c. Strengthen advocacy for business units to pay attention to the collection of credit, and require business units to actually handle post-loan management work.
 - d. Increase the reminder functions, check mechanisms for credit review and credit investigation operations, and strengthen collecting and reviewing loans.
 - e. Establish "Integrated Client Database" to understand abnormalities of the clients' transactions or fund flow.
3. There were deficiencies of the credit, loan, and post-loan management operation of the loan business for Powtec Electrochemical Corporation handled by the Bank. The FSC corrected by Article 61-1-1 of Banking Act on February 2, 2021.

Improvement Status:

- a. The reinforced loan control measures regarding the above was put in internal regulation.
- b. Promoting database use to credit employee to analyze industry prospect and product price fluctuation. Also the client's past operation performance and peer performance should be referenced to evaluate the feasibility of its future repayment plan and reflect the borrower's medium repayment ability.

- c. Advocating the watch items for similar syndication deal for syndication team to lower down future risk.
- d. Establishing "Post Loan Tracking Platform" to reinforce post loan management system.
- e. Establishing reports to reinforce the control of amendments on terms and conditions of syndicated loans.

II. Mega Securities Co., Ltd.

1. On April 22, 2019, FSC corrected the deficiencies as below by Article 65 of Securities and Exchange Act from the findings by SEC during its audit in Puqian branch from June 26, 2018 to June 27, 2018.

(1) ○ Won Huang, former entrusted trading staff of the Puqian branch (hereinafter referred to as Staff Member Huang) did handle customer ○○ Wu discretionary entrustment on the type, quantity, price and purchase or sale of securities to be bought and sold, in violation of the provisions of Article 18, Paragraph 2, Section 3 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms.

(2) Huang was fully delegated by Wu, with many delegations over phone calls, but no recordings were made. The auditors of the subsidiary did not understand the real cause of the changes of the client's business but only randomly checked the electronic transactions under Wu's account. The phone call delegations were not included in the audit sample, so this violation was not detected. Professional due care was not taken and the managers in the subsidiary did not fulfill the duty of supervision and the company's internal management was clearly lacking.

Improvement Status:

- a. Strengthen entrust business promotion, phone call recording audit and control.
 - b. Reinforce the audit and law compliance training and supervision.
2. The FSC conduct brokerage business special audit in Zhongxiao branch during July 3, 2019 to July 10, 2019 and had the below findings. On February 11, 2020 the FSC corrected the items by Article 65 of Securities and Exchange Act.

(1) Internal staff and customers did place an order with the same IP address on the same day, saving to the same correspondence address, e-mail inbox, etc. The company had not established a control mechanism and has been investigated whether order agent regulations had been violated. Investigation showed that this was a violation of Article 2, Paragraph 2 of the Regulations Governing Securities Firms.

(2) The Zhongxiao Branch Manager (Executive Vice President XXX Chang) did have cases of utilizing the account of a customer (XXX Chen) to buy and sell securities. This was determined to violate Article 18, Paragraph 2, Section 7 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms. As the company had not fulfilled its responsibility of supervising and managing personnel, it was determined to violate Article 2, Paragraph 2 of the Regulations Governing Securities Firms.

Improvement Status:

- a. Control mechanism has established. Systematic Periodic check will be conducted and will be confirmed by authority supervisor.
 - b. The employee violated the law has been transferred to other unit, reduce salary, and punished.
3. The FSC conduct general business audit in the company during November 28, 2019 to December 19, 2019 and had the below findings. On August 4, 2020 the FSC corrected the items by Article 65 of Securities and Exchange Act.

(1) There were cases of accepting entrusted securities trading by non-clients or those who do not have a client's authorization letter. These were determined to violate the provisions of Article 37, Section 13 of the Regulations Governing Securities Firms.

- (2) When handling the business of entrusted trading of foreign securities, the handling fee rate charged to investors exceeded the handling fee rate limit set by the company. This was determined to violate Article 31, Paragraph 3 and Paragraph 4 of the provisions of the Rules Governing Securities Firms Accepting Orders to Trade Foreign Securities of the Taiwan Securities Association.
- (3) Heads of wealth management and trust businesses (○○ Zhang of the Chungli Branch and ○○ Chen of the Nanmen Branch) failed to complete training courses before registration as required. This was determined to violate Point 11, Paragraph 4 of the Directions for the Conduct of Wealth Management Business by Securities Firms.

Improvement Status:

- a. Strengthen the promotion not to accept entrusted securities business without client's authorization letter. Three month recording has been done and there was no similar violation.
- b. Relevant regulation has been amended and the handling fee charged is disclosed in client's bills.
- c. The person violated the law has completed the training and has confirmed by the system the qualification before registration.

III. Mega International Investment Trust Co., Ltd.

1. The company has incomplete AML practice of client regional risk evaluation, risk evaluation, and existing client name check. The FSC corrected on July 19, 2019.

Improvement Status:

- a. Relevant operation principles has been amended.
 - b. A new risk level adjustment has been done for foreign clients and professionals.
 - c. A name check on existing clients and high managerial officers and actual beneficiaries of institutional clients has been done.
2. During the audit made by FSC for the funds under security investment trust enterprises and the shareholdings of discretionary managers and the related accounts to Mega International Investment Trust, the breaches to the "Securities Investment Trust and Consulting Act" and "Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises" resulted from the defects of checking by the oversight unit were found. The FSC approved the corrections on December 24, 2019.

Improvement Status:

- a. Optimize system platform inquiry function and trace.
- b. Inspection unit shall review while implement the item and preserve monitor evidence.
- c. Risk management department will assist investment monitoring.
- d. Reinforce educational training and review and amend relevant principles of the company to perfect the checking process.

D. Punishment by the FSC by Article 54-1 of Financial Holding Companies Act: NA.

E. Disclosures of financial losses caused by corruptions by employees, major incidental cases or security incidents from breaches of financial institution security regulations, with annual losses exceeding NT\$50 million in individual and /or combined cases: NA.

F. Other mandatory disclosures as instructed by the FSC: None.



3.3.12 Major Resolutions of Shareholders' Meeting and Board Meetings in 2020

A. Important resolution of 2020 shareholders' meeting:

a. Approved the 2019 Business Report and Financial Statements

Implementations: The 2019 Business Report and Financial Statements have been filed with FSC on July 2, 2020.

b. Approved the 2019 earning distribution proposal

Implementations: The meeting resolved to pay cash dividend of \$1.70 per share with an aggregate amount of NT\$23,119,700,771. The dividend record date was set on August 19, 2020, and the dividend was paid on September 4, 2020.

c. Approved the amendment of the Rules of Shareholders' Meeting

Implementation: The amended Rules of Shareholders' Meeting has been uploaded on MOPS and published on company website on June 20, 2020.

d. Approved the amendment of Director Election Act

Implementation: The amended Director Election Act has been uploaded on MOPS and published on company website on June 19, 2020

e. Relieved the restriction on directors' non-competition.

Implementation: Important information has been published on June 19, 2020.

B. Important resolution of the Board meetings held in 2020

Meeting date	No. of meeting and terms	Agenda and resolution
January 13, 2020	The 20th meeting of the 7th term	Approved the engagement of the external auditor for 2020 financial statements and election of temporary president of Mega Bill.
March 24, 2020	The 22nd meeting of the 7th term	Approved the 2019 consolidated financial statements, 2019 internal control statement, agenda of convening of the 2020 general shareholders' meeting, allocation of 2019 employee and directors' compensation, application of issuing not over NT\$ 10 billion unsecured corporate bonds.
April 28, 2020	The 23rd meeting of the 7th term	Approved 2019 earnings distribution proposal, 2019 Business Report, appointment of directors of bank subsidiary, appointment of directors and supervisors of security subsidiary
May 27, 2020	The 24th meeting of the 7th term	Approved appointment of director of investment trust subsidiary and director/president of bill subsidiary.
July 28, 2020	The 26th meeting of the 7th term	Approved the record date for the 2019 earning distribution and appointment of independent directors in bank subsidiary.
August 25, 2020	The 27th meeting of the 7th term	Approved 2020 Q2 consolidated financial statements and appointment of director in security subsidiary.
September 22, 2020	The 28th meeting of the 7th term	Approved the appointment of director in insurance subsidiary
November 24, 2020	The 30th meeting of the 7th term	Approved the 2021 audit plan and 2020 budget amendment
December 22, 2020	The 31st meeting of the 7th term	Approved the budget target of 2021

3.3.13 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in 2020: None.

3.3.14 Resignation or Dismissal of Personnel Related to Financial Reports (Including Chairman, President, Financial Managerial Officer, Accounting Managerial Officer, Chief Auditor, and Corporate Governance Managerial Officer) in 2020 and till the annual report date: None.

3.3.15 Material Information Management Procedure

The Company has established Procedures for Material Information Management and Disclosure. All employees are required to comply with the procedures when they become aware of any potential material information and the disclosure thereof.

3.4 Information on External Auditor Fee

Accounting Firm	Name of CPAs	Audit Period	Remarks
PricewaterhouseCoopers, Taiwan (PWC)	Shu-Mei Chi Chung-Hsi Lai	January 1, 2020~December 31, 2020	

Unit: NT\$

Bracket	Item	Audit fee	Non-audit fee	Total
1	Under NT\$2,000,000		V	
2	NT\$2,000,000 (inclusive) ~ NT\$ 4,000,000	V		V
3	NT\$4,000,000 (inclusive) ~ NT\$ 6,000,000			
4	NT\$6,000,000 (inclusive) ~ NT\$ 8,000,000			
5	NT\$8,000,000 (inclusive) ~ NT\$10,000,000			
6	NT\$10,000,000 or above			

A. The ratio of non-audit fee to audit fee is over one-fourth, the accountant's fee shall be disclosed: None.

Unit: NT\$

Accounting Firm	Name of CPA	Audit fee	Non-audit fee					Audit Period	Remarks
			System Design	Corporate Registration	Human Resources	Other	Subtotal		
PricewaterhouseCoopers, Taiwan	Shu-Mei Chi Chung-Hsi Lai	2,582,800	0	0	0	220,000	220,000	1/1/2020 – 12/31/2020	1. Translation fee of the financial statements is NT\$200,000 2. Fee for review of non-managerial position employee salary information filing is NT\$ 20,000

B. Change of accounting firm and the audit fee of the changing year is less than previous year, the amount of audit fee respectively and the reason of change shall be disclosed: None.

C. A decrease over 10% than previous year for audit fee, the amount, percentage and reason shall be disclosed: None.

3.5 Change of External Auditors

3.5.1 Information relating to the former CPA: None.

3.5.2 Information relating to the succeeding CPA: None.

3.6 The Company's Responsible Persons Hold a Position at the Accounting Firm or its Affiliated Enterprises: None.

3.7 Disclosures of changes in the shareholding (stock transfers and pledges) of directors, managerial officers and shareholders as required by law in 2020

3.7.1 Changes in Shareholding of Directors, Executives and Major Shareholders

Unit: Share

Title	Name	In 2020		In 2021 till March 31	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Ministry of Finance, R.O.C.	0	0	0	0
	The National Development Fund, Executive Yuan, R.O.C.	0	0	0	0
	Bank of Taiwan Co., Ltd.	0	0	0	0
	Chunghwa Post Co., Ltd.	0	0	0	0
Chairman	Chao-Shun Chang	0	0	0	0
Director and President	Kuang-Hua Hu	0	0	0	0
Independent Directort	Jiun-Wei Lu	0	0	0	0
	Ying-Ko Lin	0	0	0	0
	Chang-Ching Lin	0	0	0	0
Executive Vice President	Jui-Yun Lin	0	0	0	0
Executive Vice President	Yu-Mei Hsiao	0	0	0	0
Executive Vice President	Kuo-Pao Chen	0	0	0	0
Chief Auditor	Jui-Ying Tsai	0	0	0	0
Chief Compliance Officer	Hui-Lin Wu	5,000	0	0	0
Chief Secretary of the Board	Han-Yin Ting	0	0	0	0
Senior Vice President	Ching-Yi Li	0	0	0	0
Senior Vice President	Chia-Min Hong (Note 1)	437	0	0	0
Vice President	Ming-Chih Lu (Note 2)	0	0	0	0
Vice President	Lan-Jong An (Note 3)	0	0	0	0
Acting Vice President	Chia-Lin Chang (Note 1)	10,000	0	0	0

Note:

1. The senior vice president of Administration Department Chia Min Hong retired on August 1, 2020. Ms. Chang, Chia-Lin was acting as vice president since.
2. Acting Vice President of Business Development Department Mr. Ming-Chih Lu became Vice President on March 1, 2020.
3. Acting Vice President of Risk Management Department Mr. Lan-Jong An became Vice President on October 1, 2020.

3.7.2 Shares Trading with Related Parties: None.

3.7.3 Shares Pledge with Related Parties: None.

3.8 Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders

As of April 26, 2021

Name	Shareholding		Spouse & Minor children		Shareholding by Nominee Arrangement		The top 10 shareholders with kinship with each other as related person or spouse, second degree relative, etc., their name or name and relationship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Ministry of Finance, R.O.C. (Representative: Jain-Rong Su)	1,143,043,883	8.40	0	0	0	0	Bank of Taiwan, a wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.	Taiwan Financial Holding Co., Ltd. is wholly-owned by Ministry of Finance,	None
National Development Fund, Executive Yuan, R.O.C. (Representative: Ming-Hsin Kung)	830,973,202	6.11	0	0	0	0	None	None	None
Chunghwa Post Co., Ltd. (Representative: Hong-Mo Wu)	490,778,910	3.61	0	0	0	0	None	None	None
Cathay Life Insurance Co., Ltd. (Representative: Tiao-Kuei Huang)	386,778,141	2.84	0	0	0	0	None	None	None
Fubon Life Insurance Co., Ltd. (Representative: Richard M. Tsai)	365,679,000	2.69	0	0	0	0	None	None	None
Bank of Taiwan Co., Ltd. (Representative: Jye-Cherng Lyu)	334,951,379	2.46	0	0	0	0	Ministry of Finance,	Taiwan Financial Holding Co., Ltd. is wholly owned by the Ministry of Finance,	None
Taiwan Life Insurance Co., Ltd. (Representative: Su-Kuo Huang)	283,200,771	2.08	0	0	0	0	None	None	None
China Life Insurance Co., Ltd. (Representative: Stephanie Hwang)	281,788,254	2.07	0	0	0	0	None	None	None
New Labor Pension Fund (Representative: Yu-Ching Su)	224,673,844	1.65	0	0	0	0	None	None	None
Pou Chen Corporation (Representative: Lu-Min Chan)	191,730,486	1.41	0	0	0	0	None	None	None

3.9 Ownership share amount and percentage to the same company invested by the Company and its subsidiaries, by the Company's director and management, and by the companies directly/indirectly controlled by the Company

As of December 31, 2020; unit: shares/%

Long-term Investment	Ownership by Mega FHC (1)		Direct/Indirect Ownership by Directors, Supervisors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Mega International Commercial Bank Co., Ltd.	8,536,233,631	100.00	0	0	8,536,233,631	100.00
Mega Securities Co., Ltd.	1,160,000,000	100.00	0	0	1,160,000,000	100.00
Mega Bills Finance Co., Ltd.	1,311,441,084	100.00	0	0	1,311,441,084	100.00
Chung Kuo Insurance Co., Ltd.	300,000,000	100.00	0	0	300,000,000	100.00
Mega International Investment Trust Co., Ltd.	52,700,000	100.00	0	0	52,700,000	100.00
Mega Asset Management Co., Ltd.	200,000,000	100.00	0	0	200,000,000	100.00
Mega Venture Capital Co., Ltd.	100,000,000	100.00	0	0	100,000,000	100.00
Taiwan Depository & Clearing Corp.	1,614,339	0.41	4,675,269	1.20	6,289,608	1.62
Taipei Financial Center Corp.	73,500,000	5.00	50,375,227	3.43	123,875,227	8.43
Mega International Commercial Bank Public Co., Ltd.	0	0	400,000,000	100.00	400,000,000	100.00
Mega International Investment Services Co., Ltd.	0	0	2,000,000	100.00	2,000,000	100.00
Mega Futures Co., Ltd.	0	0	40,000,000	100.00	40,000,000	100.00
Cathay Investment & Warehousing S.A	0	0	1,000	100.00	1,000	100.00
Mega Management & Consulting Co., Ltd.	0	0	1,000,000	100.00	1,000,000	100.00
Yung-Shing Industries Co., Ltd.	0	0	298,668	99.56	298,668	99.56
China Products Trading Co., Ltd.	0	0	68,274	68.27	68,274	68.27
Next Commercial Bank Co., Ltd.	0	0	251,000,000	25.10	251,000,000	25.10
Ramlett Finance Holdings Inc.	0	0	1,500	100.00	1,500	100.00
Win Card Co., Ltd.	0	0	200,000	99.56	200,000	99.56
ICBC Assets Management & Consulting Co., Ltd.	0	0	2,000,000	99.56	2,000,000	99.56
Mega Growth Venture Capital Co., Ltd.	0	0	25,500,000	20.08	25,500,000	20.08
An Fang Co., Ltd.	0	0	750,000	25.00	750,000	25.00
Taiwan Finance Corporation	0	0	126,713,700	24.55	126,713,700	24.55
Everstrong Iron & Steel Foundry & Mfg Corp.	0	0	1,760,000	22.22	1,760,000	22.22
China Real Estate Management Co., Ltd.	0	0	9,000,000	20.00	9,000,000	20.00
Universal Venture Capital Investment Corporation	0	0	51,000,000	42.36	51,000,000	42.36

Note: Mega International Commercial Bank Co., Ltd. officially merged Mega Life Insurance Agency Co., Ltd on May 12, 2020 and take all rights and obligation of the company. At the same date the bank starts to run life insurance agency business.

Capital Overview



4.1 Capital and Shares

4.1.1 Issued Shares

As of Dec. 31, 2020

Month/ Year	Par value (NTD)	Authorized capital		Paid-in capital		Remark	
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of capital	Others
Aug. 2012	10	12,000,000,000	120,000,000,000	11,449,823,983	114,498,239,830	Increase of NT\$ 1,692,092,210 capital through earnings capitalization	Note 1
Dec. 2013	10	14,000,000,000	140,000,000,000	12,449,823,983	124,498,239,830	Increase of NT\$ 10,000,000,000 capital of common stock for cash	Note 2
Dec. 2015	10	22,000,000,000	220,000,000,000	13,599,823,983	135,998,239,830	Increase of NT\$ 11,500,000,000 capital of common stock for cash	Note 3

Note: 1. The capital increase was approved by the letter No. 1010031536 dated July 23, 2012 issued by the Financial Supervisory Commission.
 2. The capital increase was approved by the letter No. 1020040445 dated October 14, 2013 issued by the Financial Supervisory Commission.
 3. The capital increase was approved by the letter No. 1040040375 dated October 16, 2015 issued by the Financial Supervisory Commission.

As of Dec. 31, 2020

Type of stock	Authorized capital			Remark
	Issued shares (Note)	Unissued shares	Total	
Common stock	13,599,823,983	8,400,176,017	22,000,000,000	Note

Note: All issued shares are listed on the Taiwan Stock Exchange.

4.1.2 Ownership and Distribution of Shares

As of April 26, 2021

Type of shareholders	Government agencies	Financial institutions	Other juridical persons	Domestic natural persons	Foreign institutions & natural persons	Total
Number of shareholders	11	39	1,042	406,370	928	408,390
Shareholding (shares)	2,623,838,951	2,705,282,274	1,498,815,225	2,657,164,659	4,114,722,874	13,599,823,983
Percentage (%)	19.29	19.89	11.02	19.56	30.24	100.00

4.1.3 Distribution Profile of Share Ownership

Par value per share: NT\$10 As of April 26, 2021

Shareholder ownership (Unit: Share)	Number of shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	100,255	28,156,066	0.21
1,000 ~ 5,000	210,965	465,153,124	3.42
5,001 ~ 10,000	46,420	356,620,702	2.62
10,001 ~ 15,000	17,534	217,222,210	1.60
15,001 ~ 20,000	9,363	169,717,201	1.25
20,001 ~ 30,000	8,894	222,569,379	1.64
30,001 ~ 50,000	6,878	270,801,157	1.99
50,001 ~ 100,000	4,620	327,942,549	2.41
100,001 ~ 200,000	1,968	270,803,976	1.99
200,001 ~ 400,000	716	194,638,844	1.43
400,001 ~ 600,000	169	84,028,634	0.62
600,001 ~ 800,000	99	67,602,054	0.50
800,001 ~ 1,000,000	63	56,766,011	0.42
1,000,001 or above	446	10,867,802,076	79.90
Total	408,390	13,599,823,983	100.00

4.1.4 Major Shareholders

As of April 26, 2021

Name of shareholder	Number of common shares	Percentage of shareholding (%)	Percentage of voting rights (%)
Ministry of Finance, R.O.C.	1,143,043,883	8.40	9.37
National Development Fund, Executive Yuan, R.O.C.	830,973,202	6.11	6.81
Chunghwa Post Co., Ltd.	490,778,910	3.61	4.02
Cathay Life Insurance Co., Ltd.	386,778,141	2.84	3.17
Fubon Life Insurance Co., Ltd.	365,679,000	2.69	3.00
Bank of Taiwan Co., Ltd.	334,951,379	2.46	2.75
Taiwan Life Insurance Co., Ltd.	283,200,771	2.08	2.32
China Life Insurance Co., Ltd.	281,788,254	2.07	2.31
New Labor Pension Fund	224,673,844	1.65	1.84
Pou Chen Corporation	191,730,486	1.41	1.57
Taiwan Tobacco & Liquor Corporation	184,454,563	1.36	1.51
Old Labor Pension Fund	181,727,214	1.34	1.49
Nan Shan Life Insurance Co., Ltd.	171,916,000	1.26	1.41
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	147,970,503	1.09	1.21
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	137,428,675	1.01	1.13
Government of Singapore	136,579,330	1.00	1.12

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Item		Year	2020	2019	As of March 31, 2021 (Note 7)
Market price per share (Note 1)	High		33.80	32.50	31.90
	Low		26.20	25.20	28.15
	Average		29.96	29.37	29.83
Net worth per share (Note 2)	Before distribution		24.01	23.83	24.29
	After distribution		Note 6	22.13	—
Earnings per share	The weighted average of outstanding shares (in thousands of shares)		13,599,824	13,599,824	13,599,824
	Earnings per share		1.84	2.13	0.46
Dividends per share	Cash dividends		Note 6	1.70	—
	Stock dividends	EPS	—	—	—
		Capital surplus	—	—	—
	Cumulative undistributed dividends		—	—	—
Investment return analysis	PE ratio (Note 3)		16.34	13.74	—
	Price-dividend ratio (Note 4)		Note 6	17.22	—
	Cash dividend yield (%) (Note 5)		Note 6	5.81	—

- Note: 1. Average market price = annual trading value / annual trading volume
 2. By using the issued shares at the year end and the distribution approved by shareholders' meeting in next year.
 3. PE ratio = average closing price / earnings per share
 4. Price-dividend ratio = average closing price / cash dividends per share
 5. Cash dividend yield = cash dividends per share / average closing price
 6. The proposal for distribution of 2020 profits will be submitted to the annual shareholders' meeting in 2021.
 7. Calculated by the self-calculated amount in nearest month.



4.1.6 Dividend Policy and Implementation Status

A. Dividend policy

After paying all taxes and covering its accumulated losses of prior 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.

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.

B. Proposed Distribution of 2020 Profits

It is proposed to submit to the Company's annual shareholders' meeting in 2021 for its approval of distribution of NT\$ 21,487,721,893 cash dividend, which is NT\$ 1.58 per share.

4.1.7 Impact to Business Performance and EPS of Stock Dividend Distribution

There is no issuance of bonus shares for the earning distribution proposal of annual shareholders' meeting in 2021. Thus the item is not applicable.

4.1.8 Remuneration of employees, directors, and supervisors

A. Employee and director remuneration prescribed by the Company's Articles of Incorporation

According to the Company's Articles of Incorporation, the current year earnings (pre-tax income before deducting employees' and directors' remuneration) of the Company shall first be used to cover the accumulated losses, and the remaining balance shall be appropriated 0.02% to 0.15% as employees' remuneration and not more than 0.5% as directors' remuneration.

B. Basis of estimated remuneration of employees and directors for 2020

The remuneration of employees and directors of the Company in 2020 is based on the profitability of the current year (profit before tax minus the profit before the distribution of employee and directors remuneration). The balance after making up for the accumulated losses shall be allocated in accordance with the provisions of the Articles of Incorporation and taking into account the distribution of the industry peers and the Company in previous years. If the actual distribution amount is different from the estimated number, it will be treated according to the change in accounting estimates and will be adjusted and recorded in the next year.

C. Distribution of remuneration approved by the Board of Directors

On March 23, 2021, the Company's Board of Directors approved a cash distribution of NTD 15,586,482 for employees' remuneration for 2020 and NTD 126,308,606 for directors' remuneration. The sum of the two amounts is NTD 89,433 less than the estimated amount on the account. This was due to the estimated difference and will be adjusted and recorded in 2021. In addition, there is no distribution of employees remuneration by stocks.

D. Actual distribution of employees and directors remuneration in the previous year

The remuneration of employees and directors of the Company in 2019 allotted NTD 18,012,975 and NTD 145,972,241 in accordance with the resolutions of the Board of Directors, which was NTD 529,767 more than the estimated amount in the account, and in turn, was due to the estimated difference. It has been adjusted and recorded in 2020. The above-mentioned remuneration of employees and directors was paid in cash, and there was no distribution of employees remuneration by stocks.

4.1.9 Share Buyback: None

The Company did not buy back any company shares in 2020 and up to publication date of this annual report in 2021.

4.2 Issuance of Corporate Bonds:

Corporate bond category		109-1 unsecured corporate bonds A	109-2 unsecured corporate bonds B
Issuance (handling) status		May 27, 2020	
Denomination		NT\$ 1 million	
Issuance and trading place		Taipei Exchange	
Issue price		At 100% of face value	
Issue size		NT\$ 3.2 billion	NT\$ 1.8 billion
Coupon rate		Fixed rate 0.66%	Fixed rate 0.71%
Maturity		7 years Due May 27, 2027	10 years Due May 27, 2030
Repayment priority		Senior debts	
Guarantor		None	
Trustee		Trust Department of Taipei Fubon Commercial Bank Co., Ltd.	
Underwriter		Mega Securities Co., Ltd.	
Certifying attorney		Chung-Chieh Yu Law Firm; Chung-Chieh Yu, Attorney	
Auditor		PricewaterhouseCoopers, Taiwan; Shu-Mei Chi, CPA	
Method of repayment		Full repayment at maturity date	
Outstanding principal		NT\$ 3.2 billion	NT\$ 1.8 billion
Redemption or prepayment terms		None	
Restrictive clauses		None	
Whether regarded as eligible capital		No	
Rating agency, date of rating, and rating awarded		None	
Other rights	The amount of ordinary shares, global receipts or other securities converted (exchanged or subscribed) up to the publication date of the annual report	None	
	Issuance and conversion (exchange or subscription) terms	None	
Possible dilution of equity and impact on equity of existing shareholders due to subscription or issue terms of issuance, conversion, and exchange of corporate bonds		None	
Custodian of exchanged assets		None	

4.3 Preferred Stock, Issuance of Depositary Receipts, Employee Stock Options, New Restricted Employee Shares: None.

4.4 Mergers with or Acquisitions of Other Financial Institutions: None.

4.5 Capital Utilization Plans and Execution Status

The Company's previous plans for issuance of securities have already completed with anticipated benefits.



Operational Overview



Operational Overview

5.1 Business Overview

The Company has 7 directly owned subsidiaries including Mega International Commercial Bank Co., Ltd., Mega Securities Co., Ltd., Mega Bills Finance Co., Ltd., Chung Kuo Insurance Co., Ltd., Mega International Investment Trust Co., Ltd., Mega Asset Management Co., Ltd. and Mega Venture Capital Co., Ltd. The Company and its subsidiaries' business overview are described as follow.

5.1.1 Business Scope

Mega Financial Holding Company

A. Major business

A financial holding company shall be limited to invest in and manage of specific scope of businesses including financial holding, banking, bills finance, credit card, trust, insurance, securities, futures, and venture capital. The Company may also apply for the investment in banking-related businesses other than those listed or foreign financial institutions, subject to the approval of the competent authority.

B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2020		2019	
		Amount	%	Amount	%
Investment income from equity investments accounted for by the equity method		25,470,382	99.54	29,345,776	99.46
Other operating revenue		118,320	0.46	158,590	0.54
Total		25,588,702	100.00	29,504,366	100.00

C. New products and services planned for the future: not applicable.

Mega International Commercial Bank

A. Major business

- Commercial banking business: deposits, loans & guarantees, import and export financing and guarantees, remittance, offshore banking business, short term bills business, foreign exchange business, safety box services, book entry business for the central government bonds, ATM business, electronic banking and internet banking business
- Consumer finance and wealth management business: credit cards, consumer loans, oversea student loan, mortgage loans, non-discretionary money trust investments in domestic and foreign securities, trust business
- Investment and agency services: direct equity investment, securities underwriting, agency for selling gold/silver coins, agency for securities issuance, agency for payment of interest and dividend
- Life insurance agency business
- Other business approved by the competent authority



B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2020		2019	
		Amount	%	Amount	%
Net interest revenue		29,324,261	60.47	33,433,903	61.43
Net revenue other than interest		19,166,617	39.53	20,989,184	38.57
Net service fee revenue and commission		6,529,168	13.46	6,533,589	12.00
Gains on financial assets and liabilities at fair value through profit or loss		6,556,392	13.52	9,081,885	16.69
Realized gain on financial assets at fair value through other comprehensive income		4,285,922	8.84	2,262,424	4.16
Loss arising from derecognition of financial assets measured at amortised cost		(155,917)	(0.32)	(4)	0.00
Foreign exchange gains		1,411,082	2.91	2,091,636	3.84
Impairment losses on assets		(50,128)	(0.10)	(82,507)	(0.15)
Share of profit of associates and joint ventures accounted for using equity method		184,887	0.38	445,946	0.82
Net other revenue other than interest income		405,211	0.84	656,215	1.21
Net revenue		48,490,878	100.00	54,423,087	100.00

C. New products and services planned for the future

In 2021, the subsidiary bank will launch its business under the Regulations Governing Banks Handling Financial Products and Services for High Asset Clients (Financial Management 2.0), innovatively designing wealth management products that meet the differing needs of these customers. In addition, and in line with the financial development trend of technology and digitalization, we will continue to optimize the functions of digital deposit accounts to assist customers in completing transactions online. We will thus expand our e-finance business and improve digital service quality and operational efficiency. In addition, we plan to cooperate with third-party service providers to promote the Open Banking business, accelerating the implementation of inclusive finance to enhance the consumer experience.

Mega Securities Company

A. Major business

1. Business activities

- Securities brokerage, underwriting and proprietary trading
- Agency for stock affairs
- Margin trading and short-selling services
- Derivatives business
- Brokerage trading of foreign securities
- Introducing brokerage of securities-related futures
- Futures proprietary trading of securities-related futures
- Agency for lending and borrowing in connection with securities
- Other services approved by the competent authority

B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2020		2019	
		Amount	%	Amount	%
Brokerage fee revenue		2,661,276	59.02	1,568,454	42.30
Fee income from margin loans		64	0.00	74	0.00
Commission income from securities borrowing		103,993	2.31	54,208	1.46
Revenue from underwriting business		179,376	3.98	88,142	2.38
Net income from wealth management business		18,204	0.40	15,916	0.43
Net gains (loss) on sale of securities held for operations		582,785	12.92	900,541	24.29
Income from providing stock registration services		40,141	0.89	35,890	0.97
Interest income		768,037	17.03	837,044	22.57
Dividend income		144,886	3.21	185,376	5.00
Valuation gains (loss) of trading securities at fair value through profit and loss		(41,981)	(0.93)	151,063	4.07
Loss on covering on securities borrowings and bond purchased under resale agreement		(161,860)	(3.59)	(12,962)	(0.35)
Gains (loss) on borrowed securities and bonds with resale agreements at fair value through profit or loss, net		3,123	0.07	(28,657)	(0.77)
Debt instruments at fair value through other comprehensive income		182,004	4.04	71,931	1.94
Loss on issuance of Exchange Traded Note		(222)	0.00	(82)	0.00
Gain on fee of issuance of Exchange Traded Note		6	0.00	21	0.00
Gain (loss) on issuance of stock warrants		(103,961)	(2.31)	29,450	0.79
Futures commission income		62,040	1.38	39,857	1.07
Gain (loss) on derivative financial instruments - Futures		87,011	1.93	(255,370)	(6.89)
Loss on derivative financial instruments - OTC		(11,205)	(0.25)	(3,512)	(0.09)
Expected credit gain (loss)		(6,190)	(0.14)	1,089	0.03
Other operating income		1,619	0.04	29,628	0.80
Total		4,509,146	100.00	3,708,101	100.00

C. New products and services planned for the future

The company will continue to increase various types of financial services and products to enhance the diversity, completeness, and competitiveness of its products based on clients' demands and the opening policy of the competent authority. It will also improve operation efficiency and customer satisfaction by building up a sound supportive information system or enhancing its service function.

Mega Bills Finance Company

A. Major business

- Bills Business:** certification, underwriting, brokerage and proprietary trading of short-term bills (including USD-denominated instruments), guarantee or endorsement of commercial paper.
- Bonds Business:** certification, underwriting, brokerage and proprietary trading of bank debentures, proprietary trading of government and corporate bonds, proprietary trading and investment of fixed income securities and foreign currency denominated bonds
- Equity investment business**
- Others**



B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2020		2019	
		Amount	%	Amount	%
Bill business		2,706,405	46.28	2,545,939	43.19
Bond business		2,879,922	49.24	3,074,570	52.16
Equity investments		108,074	1.85	94,650	1.61
Others		153,771	2.63	179,632	3.04
Total revenue		5,848,172	100.00	5,894,791	100.00

C. New products and services planned for the future: None.

Chung Kuo Insurance Company

A. Major business

- Direct writing business: Fire insurance, marine cargo insurance, marine hull insurance, automobile insurance, aviation insurance, engineering insurance, liability insurance, credit insurance, bond, accident insurance, health insurance and other property insurance, etc.
- Reinsurance assumed

B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2020		2019	
		Amount	%	Amount	%
Fire insurance premium		1,858,653	23.79	1,748,613	23.42
Marine cargo insurance premium		255,357	3.27	271,821	3.64
Marine hull insurance premium		485,448	6.21	395,205	5.29
Automobile insurance premium		3,546,729	45.40	3,561,162	47.69
Aviation insurance premium		118,089	1.51	115,598	1.55
Engineering insurance premium		301,108	3.85	236,679	3.17
Accident insurance premium		478,266	6.12	409,669	5.49
Health insurance premium		44,142	0.56	43,992	0.59
Other insurance premium		725,023	9.28	685,024	9.17
Total direct written premium income		7,812,815	100.00	7,467,764	100.00
Inward reinsurance premium income		751,789	-	769,640	-
Total		8,564,604	-	8,237,404	-

C. New products and services planned for the future

- Third party platform seller performance warranty insurance
- Personal injury criminal charge defense attorney fee insurance
- Eco-friendly car insurance
- Cruise travel insurance- addition of oversea area levels
- Cancer health and death insurance (one and three years)
- Addition of housing green energy upgrade insurance
- Typhoon wind and rain index peach insurance

Operational Overview

Mega International Investment Trust Company

A. Major business

- Issuance of securities investment trust funds through public offering
- Issuance of securities investment trust funds through private placement
- Discretionary investment services
- Other relevant operations approved by the Financial Supervisory Commission

B. Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2020		2019	
	Amount	%	Amount	%
Public issued funds	371,018	95.20	428,302	95.80
Private equity funds	16,631	4.27	16,487	3.69
Discretionary account	2,073	0.53	2,298	0.51
Total	389,722	100.00	447,087	100.00

C. New products and services planned for the future

Foreign fixed income fund and REITs fund.

Mega Asset Management Company

A. Major business

- Financial institution creditor's right (money) purchase: acquisition, valuation, auction and management services of creditor's right (money), as well as management service of overdue accounts receivable
- Real estate related business: trade, lease, development and sale/lease, brokerage, urban renewal, investment consulting, management consulting, etc.
- Other business related to financial, insurance and real estate industry and business approved by the competent authority

B. Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2020		2019	
	Amount	%	Amount	%
Net proceeds from disposal of purchased NPL and Gain on sale of collaterals	6,506	1.53	78,663	19.09
Rental income	3,542	0.83	1,059	0.26
Interest income	1,562	0.37	1,908	0.46
Service income	412,979	97.27	330,514	80.19
Total	424,589	100.00	412,144	100.00

C. New products and services planned for the future: None.



Mega Venture Capital Company

A. Major business

- a. Provide capital to investees
- b. Provide business administration, management and consulting services to investees

B. Revenue Breakdown

Unit: NT\$1,000

Item \ Year	2020		2019	
	Amount	%	Amount	%
Revenue from disposal of long-term securities investment	32,082	36.88	3,810	5.81
Dividend income	20,324	23.36	20,050	30.61
Director's or supervisor's remuneration income	2,017	2.32	2,101	3.21
Financial assets and liabilities at fair value through profit or loss	32,577	37.44	39,550	60.37
Total	87,000	100.00	65,511	100.00

C. New products and services planned for the future

Mega Venture Capital Company is managed by Mega Management and Consulting Company, which is one of the management consulting companies appointed by the Industry Bureau of Ministry of Economic Affairs on the “Investment Management Plan for Enhanced Investment in Strategic Service Sector”. Investment of strategic service sector by Mega Management and Consulting Company will be able to match with funds provided by the Industrial Development Bureau of Ministry of Economic Affairs. This will increase Mega Venture Capital’s investment opportunity.

5.1.2 Operating Policies in 2021

The Company

1. Strengthening existing profit base and diversifying revenue sources

- (1) Strengthen existing corporate finance base to maximize shareholders’ interest
- (2) Expand customer finance and wealth management business and innovate to optimize revenue growth model.
- (3) Allocate the investment portfolio efficiently and conduct agile finance management
- (4) Strengthen business of other non-bank subsidiaries to establish second profit generating engine
- (5) Consolidate all resource to leverage cross-sell initiatives; strengthen state bank collaboration
- (6) Adjust asset structure to cope with the implementation of “D-SIBs”

2. Optimizing oversea business and deepening customer relationships

- (1) Maintain existing client relations, develop new customer base, and continue to heighten the quality of products and services
- (2) Strengthen resource integration and increase client penetration of the Group’s products
- (3) Connect APAC branches to provide total solution and explore business opportunities on local industries
- (4) Develop Fintech and provide premium online services to optimize client experience

3. Strengthening risk information analysis and implementing risk management mechanism

- (1) Closely watch the change and innovation of overall industries and focus on risk of climate change
- (2) In line with international risk management trend and get hold of the risk profile of the Group
- (3) Strengthen risk management mechanism and effectively put into practice
- (4) Optimize the data collection and analysis and strengthen risk monitoring and reporting

4. Implementing legal compliance work and shaping legal compliance culture

- (1) Supervise all subsidiaries to implement various laws and regulations in terms of compliance work
- (2) Continue to establish consistent standards for the Group regarding anti-money laundering and countering the financing of terrorism
- (3) Optimize the Group's money-laundering prevention information sharing platform and improve the accuracy of information sharing within the Group
- (4) Handle legal compliance inspections and evaluate the effectiveness of implementing the prevention and control of money laundering by subsidiaries
- (5) Conduct groupwide employee compliance training to strengthen employee's compliance awareness

5. Perfecting information security management and optimizing service innovation

- (1) Strengthen information security mechanism in order to ensure information security
- (2) Upgrade system security to provide safe and stable web environment
- (3) Introduce automatic management platform to simply process and increase efficiency
- (4) Develop and apply business related technology to create tech services value

6. Strengthening institutional investor relationship and increasing information transparency

- (1) Strengthen ties with investors and establish a sound relationship based on mutual trust
- (2) Respond to investor's suggestion in a timely manner and take it into consideration for strategy making
- (3) Hold or participate in institutional investment conferences to enhance investor recognition and the Group's transparency

7. Fulfilling corporate social responsibility and adding Company's long term value

- (1) Promote environmental sustainability via finance core business
- (2) Advance employee's proficiency and implement employee care
- (3) Implement corporate governance and upgrade the Group's corporate image
- (4) Implement internal whistleblower mechanism and strengthen honest culture

Mega International Commercial Bank

1. Ensure the effectiveness of the law compliance system and continue to improve anti-money laundering and countering financing of terrorism mechanism
2. Strengthen the risk management mechanism and maintain a sound asset quality and a proper capital adequacy ratio
3. Accelerate digital transformation and develop innovative applications oriented to customer needs



4. Implement differentiated management, deepening overseas markets and international layout
5. Enhance corporate finance and foreign exchange service business momentum; secure core business competency
6. Strengthen all consumer finance product lines to provide integrated service
7. Grasp the dynamic of the market; adopt flexible trading technique to increase the investment income.
8. Strengthen internal management efficiency; implement the corporate governance practice

Mega Securities Company

1. Develop customer base to enhance core revenue and trading performance, which yield to stable income
2. Leverage into institutional sales business by increase the number of significant prop-trading customers; increase the performance of security counters to enhance brokerage market shares
3. Launch high-net-worth asset management business, expand securities lending/borrowing business and strengthen sub-brokerage business to increase fee income
4. Conduct active and flexible trading technique to enhance trading grain; develop strategic trading position to increase the revenue source
5. Balance between the underwriting business volume and quality to maintain the market leading position
6. Take part proactively in new business opened by the competent authority so as to catch business opportunities

Mega Bills Finance Company

1. Bill Business

- (1) Continue to focus on the operations and financial standing of customers and keep track of industrial prospects and funds allocation capabilities as they are the criteria for making decisions about loans and credit
- (2) Adjust borrower structure and maintain appropriate size and margin on bill guarantee service
- (3) Actively explore opportunities in NCD, acquisition of guaranteed or non-guarantee bills and securities underwriting to achieve portfolio growth and higher gains
- (4) Maintain long-term, mutually beneficial relationship with financial institutions in order to secure funding sources and market information. Meanwhile, the Company will actively develop bilateral business relationship with customers and explore stable, low-interest sources of capital from general businesses for lower funding cost and more diversified funding
- (5) Focus on the Central Bank's monetary policy and movements of the financial market to enable flexible adjustment of primary and secondary deal rates; manage and expand bills portfolio at increased margin to secure a leading position in the market

2. Bonds Business

- (1) Improve trade performance by timing outright purchases and sales in line with movements and new offerings in the NTD bond market
- (2) Build up the position of foreign currency bonds at appropriate timing, with country and industry risks diversified and yielding income optimized against the risks borne

- (3) Engage credit customers in secondary deals of foreign currency bonds; secure source of foreign currency capital from domestic financial institutions by engaging them in interbank funding, currency swaps, and re-purchase agreements; reduce the cost of capital and increase yielding income without compromising liquidity risks
- (4) Purchase convertible bonds of good credit standing and fixed income parts of convertible bond asset swaps, and thereby increase income source at manageable credit risk level
- (5) Manage duration of NTD and foreign currency bonds for risk avoidance and higher gains

3. Equity investment business

- (1) Enhance research efforts on industries and individual shares; keep track of changes and analyze both fundamental and technical aspects; monitor market movements and engage in short-term trading at the appropriate time for capital gains
- (2) Build position in shares that exhibit sound credibility are relatively underpriced and offer high dividend yields

Chung Kuo Insurance Company

1. Cope with government policy and group's strategy planning to implement corporate governance to fulfill CSR and sustainable future
2. Increase the efficiency of fund using of Guam representative office to increase income
3. Deepen business among insurance agencies, auto dealers and financial channels (including state-run banks) through online system integration such as B2B platforms and mobile insurance platforms, thereby expanding our business and increasing premium income
4. Optimize the online insurance platform's operational process, provide diversified insurance products; cooperate with social media marketing to promote e-commerce business
5. Use Big Data analysis to launch differentiated products in the market, introducing differentiated insurance products with market competitiveness to diversify business customers
6. Increase marketing channels through the Group's cross selling and promotion campaign
7. Use electronic insurance policy to reduce the use of paper to protect the environment
8. Recruit professionals to cope with development of insurance Fintech
9. Adjust asset allocation to improve the capital efficiency and increase income
10. Optimize risk management mechanism to align with the Group's integrated risk management system and skills

Mega International Investment Trust Company

1. Strengthen the relationship with the distribution channels with multiple collaboration programs
2. Maintain the fund size by tap into small amount investment business
3. Enhance the fund research team's performance and quality
4. Cooperate with the foreign fund management team to develop new product and service
5. Continue to work with state banks and financial institutions to increase sales



Mega Asset Management Company

1. Keep exploring the business of urban redevelopment and old building rebuild work with the targets under urban redevelopment related policies and to help to consolidate the debt, provide advance payment
2. Acting as the executor of the urban redevelopment and provide financing service
3. On behalf of parent FHC and peer subsidiaries to provide rental service, sales agent service, real estate management service, and urban redevelopment service and as well as financing service when needed
4. Invest in the real estate, moving assets, and rights from foreclosure or from government auction to expand fixed income source and stabilize revenue
5. Utilize its expertise on handling NPL to win the business opportunities of debt consolidation services

Mega Venture Capital Company

1. Join pre-IPO competitive auctions, and invest in companies in mature stage or the emerging stocks in the first listing market or the OTC market
2. Invest in those previously invested company with good industrial prospect or product development potential in the open market and sell shares of companies with poor prospect to activate fund application
3. Continue to explore investment opportunity in New Southbound and other Asia-Pacific countries
4. We will orient our investment direction, targeting industries including semiconductor/AI, Industry 4.0/Internet of Things, electric vehicles/self-driving cars, mobile devices, 5G/Netcom, biotechnology and other industries. We will take on unlisted companies with potential (including registered companies and publicly issued companies), selectively avoiding China's red supply chain and industries that bear greater impact from the U.S.-China trade war. We will continue to screen high-quality investment targets, expanding industrial distribution and investment in the development trend of the Asian region, improving profitability and operational performance, and promoting domestic demand while creating domestic employment opportunities

5.1.3 Industry Overview

A. International and Domestic Financial Environment

International Economic and Financial Environment

Impacted by the COVID-19 pandemic, the economies of most countries experienced a significant decline in 2020 due to the adoption of anti-pandemic control measures. However, as all countries have adopted measures such as interest rate cuts and selective credit facilities to slow down the pandemic's impact, some even adopt non-traditional monetary policies to deal with its severe impact during this extraordinary period. Accordingly, the economic recovery in most countries in the second half of the year was better than expected. Therefore, the IMF estimates that the global economic growth rate in 2020 will be -3.5%, which is 0.9 percentage points higher than the previous estimate. Nonetheless, it still marks the biggest drop since the financial crisis. Looking forward to 2021, although the heating up of the pandemic since the beginning of the year has affected the global economic performance in the first quarter, the degree of restrictions in various countries is milder than last year. Furthermore, increased fiscal expenditures are expected on the part of the US, Japan, and other countries and major central banks should not raise interest rates until the end of 2022.

Coupled with ongoing vaccine deliveries, these factors are anticipated to lead to a global economic recovery. The IMF predicts that the global economic growth rate in 2021 will be 6%, a sharp rebound from 2020. This is due to the relatively low base period, so there is no danger of overheating the economy. However, the IMF also pointed out that economic downside risks still exist. These risks include continued pandemic severity that may be detrimental to private consumption activities; the question of whether the effectiveness and popularity of the vaccines meet expectations; and whether policy support exits prematurely.

Domestic Economic and Financial Environment

Taiwan's economic growth rate in 2020 was 3.11%, out of which private consumption decreased by 2.37% year over year; this was mainly dragged down by the sharp drop in consumption abroad caused by border controls. Capital formation performed better than average with an annual increase of 5.30% and constituted the main force driving domestic demand. This was mainly due to the substantial growth of public investment, the booming capital expenditures of the technology-based manufacturing industry, and the continued growth of construction projects. In terms of external demand, the country has benefited from strong digital demand derived from the pandemic and the use of emerging technologies. In contrast, border controls have helped narrow Taiwan's services deficit. Exports increased 1.06% annually while imports declined 3.86%, with the former being offset by the latter. The contribution of net foreign demand to economic growth reached 2.73%, making it the main factor behind Taiwan's sustained positive economic growth in 2020. Looking forward to 2021, the negative impact of the pandemic on the global economy is expected to gradually diminish. The job market continues to recover, the momentum of private investment is expected to maintain moderate expansion, and public investment in areas such as green energy continues to move forward. The Directorate General of Budget, Accounting and Statistics estimates economic growth in 2021 at 4.64%, representing a faster pace than the previous year. However, there is still considerable uncertainty about the impact of the pandemic on the economy domestically and abroad. Moreover, there has been no letup in science and technology disputes between the US and China. Combined with factors including international financial market volatility, crude oil price trends, geopolitical risks, and so on, such factors will also affect Taiwan's overall economic performance.

B. Industry Overview of the Company and its Subsidiary

Financial Holding Company Industry

1. Since the enactment of the Financial Holding Company Act in July 2001, there have been fifteen financial holding corporations listed on the Taiwan Stock Exchange Corporation (TSEC) or the Gre Tai Securities Market (GTSM) and one wholly state-owned financial holding corporation, totally 16 financial holding companies. However, the market shares of the banks under these financial holding corporations account for less than 10%. This shows local banks are still relatively small in size and lack of economies of scale. As a consequence, overbanking hinders the development of the industry. In order to provide a friendly M&A regulatory environment, the Financial Supervisory Commission (FSC) amended or promulgated the "Regulations Governing the Investing Activities of a Financial Holding Company" and other two regulations, respectively on November 28, 2018. The regulation allows the initial shareholding ratio of financial holding companies or banks in other financial institution reduced from the control shareholding (25%) to more than 10%. This provides financial institutions with options to conduct equity participation first and then seek the possibility of merger discussion. However, in recent years those bank-centered

financial holding companies are performing well with good asset quality, increasing profit, and satisfied price to equity, the possible selling price is not attractive to potential buyers. However, on December 18th, 2020, the market was surprised and welcomed with the announcement of Fubon FHC's public tender offering of \$13 per share of Jih Sun FHC with the target acquisition shareholding of 50.01%~100%, which was approved by the Fair Trade Commission, and succeeded on March 23rd of 2021 with successful acquisition shareholding of 53.84%, marking the first ever success of FHCs merger, pending the approval of the regulator.

2. Sustainable development stands as one of the core values upheld by Taiwan. In order to actively move towards sustainable development in line with international standards, the country launched its "Taiwan Sustainable Development Goals" in 2016 and completed them in 2018. In 2019, the corresponding indicators of the "Taiwan Sustainable Development Goals" were established, including those for the financial industry. The FSC also released its "Corporate Governance 3.0- Blueprint for Sustainable Development" on August 25, 2020. It is hoped that a sound ESG ecosystem can be created through strengthening the functions of the board of directors, improving information transparency, strengthening stakeholder communication, guiding due diligence and deepening the company's sustainable governance culture, and providing diversified products and other aspects for promoting the sound development and interaction of enterprises, investors and related stakeholders.
3. Elsewhere, in respect to the development of financial technology, the FSC joined forces with the Taiwan Financial Services Roundtable to build a "Fintech Co-Creation Platform" on November 19, 2020, working together to promote the development of financial technology in the future. The co-creation platform was established for executive groups according to functions including a capacity building group, a data governance group, a supervision technology group, and a publicity exchange group. It thus brings together financial circles, technology circles, the FSC, peripheral units, and so on to jointly stimulate a wealth of financial technology innovation energy. In doing so, it aims to cultivate financial technology talent, develop digital finance and supervision technologies, create new value for Taiwan's financial industry, and achieve the goal of inclusive finance.

Banking Industry

1. Fierce domestic competition harms interest spread

Due to overbanking and excessive liquidity in Taiwan, the banks face low domestic interest spread. Thus, overseas markets become increasingly important. However, as USA and other countries cut interest rate in 2020, the domestic and international interest margin gap narrowed. The banks should diversify their revenue sources to maintain profit. On the other hand, the loan growth in all monetary institutions in Taiwan has been greater than the growth in deposits for four consecutive years, indicating excessive liquidity pressure has been slightly eased.

2. The development of Fintech changes the customers' pattern

The rise of Fintech and internet banking has replaced some functions of physical branches. In 2020, the number of domestic banks' branches in Taiwan reduced by 2, continued with the trend in the past years. As the matter of fact, domestic first ever pure play digital bank was launched in late January of 2021, further demonstrate that banks need to enhance the digital banking service to stay competitive.

3. The pandemic has severely affected economic activity, and the impact on each industry differs substantially
The technology industry has benefited from the pandemic and digital demand derived from the use of emerging technologies. Its economic performance is significantly better than traditional manufacturing and superior to the service industry with its higher risk of infection. Meanwhile, small and medium-sized enterprises are also more vulnerable to the pandemic's effects. These phenomena may influence the willingness of banks to lend to various industries or push them toward lower-risk real estate lending. The central bank is thus motivated to adopt selective credit controls to address problems in the financial markets.
4. A high degree of uncertainty may cause major turbulence in financial markets
The effectiveness and popularity of the vaccine remain to be seen. If a worsening of the pandemic outpaces its positive effects, or if policy support is withdrawn from markets prematurely before stable economic recovery sets in, there may be an adverse impact on business operations and the job market and financial markets could fluctuate violently as a result.

Securities industry

1. The profitability of the securities industry was deeply affected by the trading volume and the index of the Taiwan stock market. In 2020, global market was severely impacted by the COVID-19 pandemic; however Taiwan successfully reduced the impact of pandemic and GDP was up 2.98%. In 2020, TAIEX reached 14,732.53 point, marking 30 years new high, was up by 22.8%; full year average daily trading volume was NT\$253.5bn, average margin balance was NT\$186.1bn, which were up significantly versus 2019. Investors actively participated the domestic equity market, new trading accounts reached 670 thousand, total trading account reached record high of 4.35 million. With the help of the strong market activity, 2020 brokerage industry after tax net profit reached NT\$58.456bn, was up 43.51% versus 2019.
2. Major research institutions around the world predict that the global economy will be more optimistic in 2021. The main reason is that major central banks in various countries maintain easing policies and the calculation base period is low. However, there are still many uncertainties in the global economic recovery. Variables include: progress of the pandemic and the effectiveness of the vaccine; subsequent developments in trade and technology disputes between the US and China; currency policy trends of a range of countries; price trends in international raw materials; fluctuations in international financial markets; and so on. Confronting a business environment that is prone to turn on a dime, the volatility of the securities industry's profits should nonetheless see its susceptibility to market variables reduced as the competent authorities continue to relax their scope of business operations, work toward a complete capital market system, and promote trading activities. This will allow the industry to undertake steady operations and development.

Bills Finance Industry

1. Apart from 39 banks and 4 securities companies engaging in bills finance business, there are 8 dedicated bills finance companies in Taiwan, three of which are subsidiaries of financial holding company. As of the end of 2020, commercial papers outstanding of the whole market reached NT\$2,344.3billion, increased by 15.25% compared to 2019.
2. In 2020, total bond market trading volume was NT\$14.9511 trillion, down by 9.7% versus 2019 of NT\$16.5644 trillion, impacted by the central bank rate cut as customers are increasing the duration and reducing trading volume.

Non-Life Insurance Industry

1. At the end of December 2020, there were a total of 19 property and casualty insurance companies in Taiwan, including 14 domestic companies and 5 foreign companies. Taiwan's property and casualty insurance market has always been dominated by domestic insurance companies. With the support of the vast number of marketing channels, the insurance premiums of the domestic insurance industry accounted for 97.08% of the industry's total premium income. The market share of foreign non-life insurance companies' branches in Taiwan accounts for only about 2.92%.
2. In 2020, benefiting from the growth in auto insurance, fire insurance, ship insurance, airline insurance, construction insurance, injury insurance, and health insurance business, overall premium income in domestic property and casualty insurance market continued to grow.
3. In 2020, the auto insurance overall market premium income was NT\$100.93041 billion, accounting for 53.86% of the total premium income. Auto insurance premium income was the main source of premium income in the property and casualty insurance market, followed by fire insurance (including natural disaster insurance) where premium income accounted for 15.10%, and other insurance (including liability insurance, credit insurance and bond insurance, etc.) accounts for 11.09%; these are the top three kinds of insurance, followed by injury insurance accounted for 10.00%.
4. The insurance market is impacted by the uncertainty of politics, economy, consumption market, liberation of insurance fee, and weak international reinsurance market. Also, since the outbreak of COVID-19, the uncertainty of global economic activities rises and further impacts trade expansion. This will increase the competition on both product line and fee income.

Securities Investment Trust Industry

As of the end of 2020, there are 39 domestic securities investment trust enterprises in Taiwan which manage a total of 980 mutual funds for NT\$4,520 billion and 68 private funds totaling NT\$48.2 billion. The number of discretionary investment account reached 549 with a total business of NT\$1,770 billion. There are 14 securities investment trust companies with AUM of mutual fund exceeding NT\$100 billion.

Asset Management Industry

Since the Financial Supervisory Commission imposed strict restrictions on the sale of NPLs by domestic banks in 2013, the non-performing loan (NPL) sold by domestic banks are limited to NPL of syndicated loans, dramatically cutting the supply of NPL cases. Asset management companies are facing survival challenges. The Financial Supervisory Commission to add the exceptions for financial institutions to sell NPLs in 2015. However, the benefits of these exceptions are still quite limited.

In order to help promotion of the urban renewal policy, the FSC revised "Operation Principles for Financial Holding (Banks) Investing Asset Management Companies" on August 12, 2015 and December 29, 2017, allowing asset management companies to invest in urban renewal service companies. It also set a cap for advance payment at seven times the AMC's net worth to push urban renewal to improve quality of the living environment for the people, boost the value of social resources, and expedite socio-economic developments, creating a multi-win situation.

Mega Venture Capital Industry

According to the Taiwan Venture Capital Association, till the end of August 2020, there are 257 venture capital companies. In terms of the amount invested, IT industry is the largest, followed by the bio-tech,

pharmaceutical, pan-manufacturing industry. Also, venture capital companies continue to support traditional industries. The government has been promoting 5+2 new industries and 6 strategic industries to boost industries transfer and upgrade. This will help to expand the investment business.

5.1.4 Research and Development

Mega Financial Holding Company

A. Research & Development Expenses and Achievements in Past Two Years

1. The Company's R&D expenses incurred in 2019 and 2020 were NT\$1,987 thousand and NT\$3,387 thousand, respectively, mainly for project consulting, establishment and services as well as staff training.
2. The achievements of R&D are as follows:
 - (1) Evaluation of the feasibility of merger with or acquisition of other domestic or foreign financial institutions
 - (2) Introduction of the corporate social responsibility systems to get in sync with international best practices
 - (3) Optimization of the Group's equity investment valuation system, subsidiaries financial performance management system, IFRS 16 lease measurement and reporting system and consolidated financial statement system
 - (4) Improvement of IFRS 7 financial risk reporting system based on new IFRS 9
 - (5) Development of negative news alert system for corporates and industries
 - (6) Completion of the high risk countries' financial products management system and its patent approved on April 21, 2019
 - (7) Completion of corporate financial alert system and its patent approved on January 1, 2020

B. Future R&D Projects

In 2021, estimated R&D expense, including employee training and project services expense, is NT\$ 12,600 thousand.

1. Evaluation on the feasibility of merger with or acquisition of other domestic or foreign financial institutions
2. Planning to build groupwide ESG Sustainability Development platform
3. Continued development of financial and risk reporting system in line with the progress of promotion of IFRS by the competent authority
4. Identification and data collection of high carbon emission industry and high climate risk industry customer credit exposure.
5. Identification of collateral valuation changes of bank and bills subs. under the RCP8.5 scenario of high climate risk.
6. Strengthen internet structure to reinforce information security capacity

Expected R&D expense in 2021 (including employee training and professional services) will be NT\$12,600 thousand.



Mega International Commercial Bank

A. Research & Development Expenses and Achievements in Past Two Years

1. The Bank's R&D expenses incurred in 2019 and 2020 are NT\$2,661 thousand and NT\$2,588 thousand, respectively, mainly for purchase of professional publications, electronic data base, and publishing of Mega Bank Monthly.
2. The achievements of R&D are as follows:
 - (1) The Bank published the Mega Bank Monthly, which includes monographs and articles covering the latest international and domestic economic and financial news and is made public periodically on the bank's website
 - (2) The Bank periodically and non-periodically provide research reports about international and domestic economic and financial development
 - (3) In terms of credit business, we have launched "MegaBee Home Loan" to provide individuals with quick online inquiries about housing prices, life functions, loan line interest rates, and other information. This one-stop service meets the needs of the public, from house inspections and house purchases to mortgage processing. Furthermore, combined with AI Big Data analysis, it introduces financial technology such as robotic process automation and a geographic map information system to create a smart valuation operation procedure. This in turn effectively improves core loan efficiency and shortens consumer waiting times. Among these initiatives, the smart valuation model and process have also obtained six patents from the Taiwan Intellectual Property Office of the Ministry of Economic Affairs. They additionally won the Best Consumer Finance prize bestowed by the 10th Taiwan Banking and Finance Best Practice Awards.
 - (4) In terms of the credit card business, we have worked hand in hand with the Hiyes team, a leader in the real estate agency industry, to co-issue the first domestic credit card specially designed for "Family." This "Hiyes International Co-Branded Card" offers cardholders the ability to enjoy home purchase deposit rewards, deposit installment discounts, preferential interest rates on mortgages and credits, preferential installment interest rates for home appliances and mass merchandise stores, and so on. This allows cardholders to enjoy one-stop all-around value feedback.
 - (5) In terms of enhancement of digital finance applications, the Bank continued to set up more STM Smart Teller Machine,. The Corporate Banking Customer Correlation Analysis was introduced to facilitate development of business at profit-making units. Also, the Bank continued to push for Open Banking initiative and completed third party data and service connection. Last but not the least, the Bank has adopted RPA Robotic Process Automation to save human hours and increase operating efficiency.
 - (6) In terms of digital finance innovation, the Bank continued to be devoted to digital finance R&D and applied for various financial services patents. As of December 31, 2020, it obtained 215 utility model patents, and 56 invention patents approval from the Ministry of Economic Affairs, and 3 utility model patents and 45 invention patents applications are under review

B. Future R&D Projects

The Bank will closely monitor ongoing development of the international and domestic economic and financial situations, and submit research reports for top management's reference or publishing on the bank's websites. Fintech application will be strengthened to satisfy customer needs by continuous fintech development. The R&D expenses are estimated at NT\$2,940 thousand in 2021.

Mega Securities Company

A. Research & Development Expenses and Achievements in the Past Two Years

1. The Company's new products developed in 2019 and 2020 are planned by respective business units and executed through upgrade or adjustment of hardware or software by the IT Department, so no R&D expenses were incurred.
2. The achievements of R&D are as follows:
 - (1) By integrating the TWID identification center of TAIWAN-CA Inc. with the Electronic Direct Debit Authorization (EDDA) of Taiwan Clearing House, we can offer online securities account opening service with electronic authorization.
 - (2) We have upgraded the quotation host and modified the trading system and electronic trading platform in coordination with the stock exchange's online launch of a new system for trade by trade matching transactions.
 - (3) In response to the Exchange's first-stage implementation of intraday odd-lot transactions, we will separately match current round lot transactions while performing modification and testing of transactions, accounting systems and various electronic trading platforms.

B. Future R&D Projects

1. In line with the pace of business scope opened by the competent authority, the company will evaluate introduction of new business together with related system and management mechanism.
2. The company will promote digital services and strengthen e-commerce business development to promote finance 3.0 policy.
3. Functions of various information systems will be continuously established or upgraded

Mega Bills Finance Company

A. Research & Development Expenses and Achievements in the Past Two Years

The company's R&D expenses incurred in 2019 and 2020 are NT\$1,912 thousand and NT\$1,216 thousand, respectively, mainly for employee training. The achievements of R&D are as follows:

1. In 2019
 - (1) Application to competent authority for opening up the business scope of derivatives for bills finance companies
 - (2) Continued to strengthen AML/CFT execution and transaction monitoring
 - (3) Introduced visual analysis tool and strengthened information security management
 - (4) Established relevant information system in response to the Bills Finance Association's promotion of non-physical short-term bills in the primary market. The non-guaranteed CP and transaction documents are issued and sent via e-platform.
2. In 2020
 - (1) Coordinated with Taiwan Depository & Clearing Corporation on the launch of new features including "Short-term Bill Tendering" and "Electronic Delivery for Secondary Market Trade Documents (for Non-specialized Bill Financing Companies)" for improved transaction efficiency, and developed relevant information systems to support phase 2 (market-wide) implementation of electronic delivery for secondary market trade documents.

- (2) Coordinated with bond passbook digitalization task force of Taiwan Securities Association on the digital transformation of bond passbooks and trade confirmations, thereby providing customers with efficient and low-cost settlement service.
- (3) Worked with Financial Information Service Company on financial block-chain confirmation business to minimize the work flow of accountant confirmation transaction.
- (4) Developed a visual decision support system offering user-friendly and useful features to present spread information in charts, thereby adding value to decision-making and analysis.
- (5) Purchased money laundering blacklist and acquired a customer risk assessment system; outcomes of blacklist comparison and customer risk assessment were uploaded to the Company's database for transaction monitoring and for robust money laundering control.

B. Future R&D Projects

1. To build relevant information system in line with promotion of short-term bills' transaction slip dematerialization in the secondary market
2. The company will seek the authority's approval for engaging life insurance companies in USD RP deals.
3. To strengthen macro economy study and industry research. To cautiously allocate the portion of NT\$/Foreign bond, convertible bond, stock, and fix income swapped portion of convertible bond in order to diversify the risk and grasp profit opportunity.
4. To continue to work with Taiwan Depository & Clearing Corporation on Bills Finance Co. Digital Reporting System, utilizing Big Data technology and consolidated reporting line.
5. To cope with Taiwan Information Services Corporation to promote financial block chain confirmation business.
6. To develop financial statement self-generated system to increase the capability of self-generated financial statement, which is required by the new regulatory changes.
7. To continue to optimize the implementation of anti-money laundering and combating financing of terrorism (AML/CFT) practice.

The R&D expenses in 2021 are estimated at NT\$1,800 thousand.

Chung Kuo Insurance Company

A. Research & Development Expenses and Achievements in Past Two Years

The company's R&D expenses incurred in 2019 and 2020 are NT\$4,360 thousand and NT\$3,293 thousand, respectively. The R&D achievements are as follows:

The company launched online auto insurance, health insurance, casualty insurance and travel insurance in May 2020. In addition, we are in the process of developing online mobile product insurance and online property fire insurance. The development of online insurance product will help reduce the usage of paper as well as the carbon emission when utilizing postal service. In 2020, total of 7.5% of insurance transaction was done online. In June 2020, we have launched our mobile insurance platform, so our insurance agent can utilize the mobile online platform to provide quotation and completion of signing; in fact, some of the insurance products can be automatically approved online, to shorten the process duration and increase the efficiency of the insurance agents.

B. Future R&D Projects

In line with the development of insurance technology and information security risk management, the company will continue to optimize the operation process through RPA, robotic process automation and the mobile APP, develop electronic policies or other platform construction as well as operations, and strengthen the operation of social media such as “Line@” etc., in order to increase the adhesion of policyholders and the development of potential customers. In terms of the increasing important risk management of the insurance industry, it is also expected to build up and conduct risk and liquidity self-assessment mechanisms. The estimated R&D expenses for the year 2021 is NT\$8,400 thousand.

Mega International Investment Trust Company

A. Research & Development Expenses and Achievements in Past Two Years

The company’s R&D expenses incurred in 2019 and 2020 are NT\$9,547 thousand and NT\$5,963 thousand, respectively. The R&D expenses are for offering of new mutual funds, subscription of China's financial information services (Wind), Bloomberg database and Refinitiv. The R&D achievements are issuance of Mega Emerging Market Bond Index Fund and Mega Taiwan Advanced Communication 6 Year Tenor Fund.

B. Future R&D Projects

The company will issue one to two funds to increase the breadth of its products. Small investment and internet transaction platform will also be promoted. The R&D expenses for the year 2021 is estimated at NT\$8,511 thousand.

Mega Asset Management Company

A. Research & Development Expenses and Achievements in Past Two Years

The company’s R&D expenses incurred in 2019 and 2020 are NT\$280 thousand and NT\$280 thousand, respectively, mainly for enhancement and upgrade of business and financial information systems, which will make the system function more complete and promote information as well as system integration to provide more efficient and flexible management tools.

B. Future R&D Projects

The operation and practice of asset management are closely related to many legal issues, such as the Compulsory Enforcement Act, the Company Act, the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, the Urban Renewal Act, the Business Tax Act and the Personal Data Protection Act. Besides continuing with project-based research and exchange with and learning from counterparts, newly established or revised applicable laws and regulations were explored at a depth. Meanwhile, educational training was provided to colleagues in order to fulfill regulatory requirements. Close attention was paid to the trends and fluctuations in the real estate sector. The impacts of the economy on the real estate sector in respective stages are followed up on and diversified management strategies are adjusted flexibly to hopefully reduce the impact from economic fluctuations to a minimum. The R&D expenses for the year 2021 is estimated at NT\$2,380 thousand.

Mega Venture Capital Company

A. Research & Development Expenses and Achievements in the Past Two Years

The company's R&D expenses incurred in 2019 and 2020 are NT\$476 thousand and NT\$243 thousand, respectively, mainly for venture information system, upgrade and maintenance of information software and hardware, and employee training.

B. Future R&D Projects

The company will invest in companies which have financial difficulty by cooperating with peers in the same or other industry and enhance development of Asia Pacific investment. The R&D expenses for the year 2021 is estimated at NT\$426 thousand.

5.1.5 Long-term and Short-term Business Development Plans

Mega Financial Holding Company

A. Short-Term Business Development Plans

For facilitating sustainability of the Group, establishes a competitive edge in core businesses, integrating as well as developing operations of subsidiaries, and strengthening resources sharing, the Company has set up short-term business development plans and Group's long-term development strategies. In line with the Group's long-term development strategies, all subsidiaries are required to formulate execution plans as a guide for the operations of all subsidiaries. A description of the short-term business development plans is the same as 2021 operating policies as shown on page 87 of this annual report.

B. Long-Term Business Development Plans

The Company's long-term development strategies will be achieved through enhancement of niche operations and development of the Group's competitive advantage. For internal strategies, the overlapping operations of subsidiaries will be continuously integrated. In terms of external strategies, suitable acquisition targets for expansion of business domain will be evaluated. In addition, the international operations will be strengthened. The Group's long-term plan encompasses the Group vision, medium- and long-term development strategies, and operational objectives as specified below:

1. Group Vision: To become an Asia regional financial group
2. Medium- and long-term development strategy:
 - Promoting corporate governance and further fulfilling corporate social responsibility
 - Seizing the opportunity to develop business in Asian Pacific and creating innovative operating growth model
 - Expanding the competitive advantages of corporate banking and foreign exchange and investing in future star industries
 - Reinforcing consumer banking and wealth management business as well as developing digital service channels
 - Expediting the distribution network reform and enhancing digital platforms integration
 - Strengthening business integrations to increase cross-selling synergy
 - Cultivating international talents, motivating and promoting employee's value
 - Expanding capital and assets scale and improving capital efficiency
 - Adjusting global operating structure and promoting risk management skills

3. Medium and Long term operational target

Business targets

Banking subsidiary	Market share of OBU and overseas branches earnings $\geq 60\%$
	Proportion of small- and medium-sized enterprises lending $\geq 30\%$
	Proportion of consumer lending $\geq 30\%$
	Proportion of fee income $\geq 30\%$
Bills finance subsidiary	Market share of bills underwriting volume ranking top 1, and $\geq 28\%$
	Market share of bills trading volume ranking top 1, and $\geq 28\%$
	Market share of bonds trading volume ranking top 1, and $\geq 28\%$
	Market share of guaranteed issues of commercial paper ² ranking top 1, and $\geq 28\%$
Securities subsidiary	Brokerage market share $\geq 4\%$
Property & casualty insurance subsidiary	Combined ratio $\leq 95\%$
	Proportion of automobile insurance premium $\geq 50\%$
	Market share of premium $\geq 5\%$
	Market share of marine insurance $\geq 10\%$
Securities investment trust subsidiary	Proportion of non-money market funds $\geq 30\%$
	Proportion of number of funds out-performing the market average $\geq 50\%$

Financial targets

The Company	ROE $\geq 12\%$
	Capital adequacy ratio $\geq 110\%$
	Double leverage ratio $\leq 115\%$
Banking subsidiary	ROE $\geq 12\%$
	ROA $\geq 1\%$
	Cost / income ratio $\leq 40\%$
	NPL ratio $\leq 0.5\%$
	Coverage ratio $\geq 300\%$
	Capital adequacy ratio $\geq 12.5\%$
	Tier 1 capital ratio $\geq 10.5\%$
	Ratio of common shares equity $\geq 9\%$
Bills finance subsidiary	ROE $\geq 8\%$
	Capital adequacy ratio $\geq 12\%$
Securities subsidiary	ROE $\geq 8\%$
Property & casualty insurance subsidiary	ROE $\geq 10\%$
	Capital adequacy ratio $\geq 400\%$
Securities investment trust subsidiary	ROE $\geq 15\%$
Asset management subsidiary	ROE $\geq 13\%$
Venture capital subsidiary	ROE $\geq 8\%$

Mega International Commercial Bank Co., Ltd.

A. Short-term Business Development Plans

Wealth management business

1. Compliance mechanism will be enhanced and ties with existing wealth management clients will be strengthened.
2. Strengthen wealth management and research team plus AI quantitative data to provide nest investment strategy.
3. Optimize wealth management operation process and accelerate digital transformation and innovation to increase client satisfactory
4. Enrich robot wealth management services Enrich robot wealth management services and provide investment suggestions for different needs.
5. Follow the market trend to provide multiple product lines to meet the demand of the customers.
6. In line with the government's policy development concerning the insurance business, we have actively transformed our sales model with protection-type and medical-type products as a mainstay and investment-type and savings-like products as supplements.
7. We have continued to implement relevant regulations for policy acceptance and sales staff management while optimizing the regulatory process to protect the rights and interests of customers and improve operational efficiency.
8. We have enhanced the functionality of the insurance agent system, combining transaction and management functions. We have focused on system management and control, supplemented by process control, in order to enhance the effectiveness of management and control and strengthen the risk controls required by the financial inspection.
9. We have promoted the digitization of the insurance business, reducing notes and improving the quality of cases through real-time system review, thereby accelerating underwriting efficiency and improving satisfaction in the customer experience

Credit business

1. Attract customers with good credit or good guarantee conditions and encourage drawdown of the credit facility to promote the overall loans quality and stable income by exerting outstanding marketing capabilities and flexible pricing strategies. And therefore increase market share
2. Follow the 5P (People, Purpose, Payment, Protection, and Prospect)and honor "Equator Principles" by deliberating whether borrowers have fulfilled environmental protection, ethical management, and social responsibilities when conducting corporate credit business. In case of violation, no credit will be granted in order to fulfill the responsibility of promoting a sound society.
3. Cope with government policies to provide financing for three major investment programs, SME, and the 5+2 innovative industries. By taking the advantages of its widespread overseas network, the Bank will actively strive for foreign currency lending business to enhance the profitability.

4. Keep the Bank's competitiveness in domestic syndication market and expand international syndicated loan business. Closely watch global economic and political situation and carefully choose to participate in lower risk and higher return deals to increase profit base.
5. Assist manufacturers in financial planning and financing arrangement for large-scale plant construction, capital expenditure, public construction and project financing etc., to establish professional and competitive advantages, based on its expertise in industrial banking and foreign exchange.
6. To simplify internal consumer financing process under acceptable risk control through information system optimization and digital platform building to increase efficiency and accelerate approval process.

Finance and financial market business

1. Cope with the impact on global economy from COVID-19, prudently conduct short-term stock trading, and select better prospect stock and investment timing to realize capital gains.
2. Respond to maturity of bond positions and enhance capital utilization efficiency, the bond positions will be increased by installments when the yields are getting higher and the risk is within a controllable range
3. Invest in sustainability bonds to implement CSR and optimize corporate image.
4. Keep track of the trends and fluctuations of the financial market and adequately conduct short-term arbitrage trading of financial instruments to augment financial income.
5. Diversify funding channels to lower funding cost. By utilization of the characteristics of the yield curve under the established interest rate risk, operate flexibly in the money market to obtain interest spread between the short-term and long-term interest rate.
6. Review and revise internal relevant operational specifications, strengthen KYC procedures and product suitability operation, and steadily promote TMU business in response to the revision of the relevant regulations by the competent authority.

Trust Business

1. Co-operate with the FSC Trust 2.0 policy and make the necessary changes on the bank subsidiary's business strategy to meet the demand of the customers on life trust and wealth management trust product and service; take full advantage of the new business opportunity of related trust business.
2. Promote care trust business, and enact relevant preferential and incentive programs to achieve the business goal to implement the government's promotion of the care trust policy.
3. Grasp real estate related trust business opportunities by utilizing the Group's resources and cope with the government to promote urban renewal, old housing reconstruction, major public construction, and a sound real estate market.
4. Monitor the global financial market closely, based on the sales team and customer's need, provide multiple product lines on domestic/off-shore funds, ETF products, to increase the wealth management business volume, market share and fee income.
5. Maintain amicable partnerships with investment managers in order to explore new fund and ETF custodianship business that involves special materials, with relatively optimal investment performance



and of a relatively large scale and carefully select funds to be placed in custodianship and promote them in the effective re-launch approach so that the fund custodianship scale may be maximized.

6. Strengthen online banking and mobile banking wealth management platform; improve the user experience of the online channel and shorten the processing duration to make sales and to increase the online transaction percentage.

B. Long-term Business Development Plans

Wealth management business

1. Continue to adopt internal control mechanism into existing control system, as well as RPA, robotic process automation, to streamline the process, strengthen the control, minimize the human error and save cost.
2. Interact with the clients through media to increase client adhesion.
3. Create a panoramic 360-degree view of customers to effectively keep track of, analyze, and manage revenue created by customers.
4. Utilize multiple data collection source and Big Data analysis module to come up with most effective marketing campaign.
5. Provide “high-value asset customers” with more diversified financial products and services and continue to develop high-end wealth management talent in response to the “new wealth management solution” introduced by the Financial Supervisory Commission.
6. Cultivate brand value and continue to communicate with the market and investors to create an optimal wealth management bank image.
7. Make use of data collection analysis; precisely pinpoint the target customers to push the business volume in effective, systematic and strategic matter.
8. Continue to develop the insurance business with paper-less and digitalized strategy.

Credit business

1. Develop overseas business opportunities. By expanding network in high-potential overseas location and integrating years of experience to help Taiwanese entrepreneurs expanding their overseas business to strengthen overseas loan business competitiveness.
2. Strengthen the collaboration mechanism among domestic and overseas business units and jointly provide professional services to explore domestic and overseas business opportunities and increase operation efficiency.
3. Strengthen the development of Fintech and develop online financing services. Use system analysis to seek and screen potential premium customers.
4. Reinforce jumbo corporate financing and continue to expand SME market to enhance a balanced corporate finance business development. Also lower loan credit weight to optimize risk asset allocation.
5. Utilize Big Data and digital tracking analysis to understand the customer's need and to provide tailored made product for different target customers; leverage into multiple trendy marketing channels to attract customer's

attention; co-operate with various industry players to meet the customer's multiple need, to increase the user experience of online transaction and to penetrate further on consumer banking customer base.

6. Continue with digital transformation, streamline the operating process and customer service, develop smart decision making process management system and robotic process automation, provide speedy digital banking user experience, increase the online application and approval percentage of various consumer banking products and services.

Finance and financial market business

1. Set up long-term investment positions for high dividend yield stocks for steady dividend income .
2. Closely watch the Fed monetary guideline, considering the worry of global economy outlook due to US-China trade war and COVID-19 outbreak. Establish long term bond portfolio and build a better bond asset allocation.
3. Issue green bond to support corporate's green loan need and implement CSR. Cope with the government's green industry development policy; Also to issue bonds under NT\$ 30 billion or equivalent limit to support mid and long term capital need.
4. With the introduction of Wealth Management 2.0 business license granted by the regulator, the Bank plans to issue foreign currency bond for high-net-worth customers, as well as launching prop-trading desk to conduct off-shore debt trading transaction with the high-net-worth customers.
5. Study and analyze long-term trend of the financial market so as to look for future niche products and establish trading strategies, and take position in a timely manner to improve overall business performance.
6. Enhance product research capability, supplemented with upgrade of operation system, to strongly support the promotion of TMU business and strengthen the competitiveness in customer services.
7. Timely evaluate and enhance internal operation process and the risk management of asset allocation, focusing on legal compliance and AML/CFT, to make healthy business development under controllable risk.

Trust Business

1. Plan new types of trust products in line with the changes in society, demographic structure, and technological development trends to grasp new-type trust business opportunities.
2. Promote continuously staff training for the promotion of trust business, study of trust-related laws and regulations, and innovation on asset management approaches to achieve the goal of expanding the scale of trusted assets.
3. Follow the market trend to select unique and innovative fund products; while future financial product and service becoming more complex and dynamic, we must elevate our trust platform and train our professional staff, to provide differentiated products and services to stay competitive in the market.
4. Continue to strengthen the relationship with local branch network on marketing technique, tap into Fintech innovation to explore further customer base, leverage into FHC parent company's resource to strengthen cross sell initiatives with peer subsidiaries to provide overall earning efficiency for the whole group.

Mega Securities Co., Ltd.

A. Short-term Business Development Plans

1. Explore new customer base to increase the recurring income and enhance prop-trading performance, so the profit remain stable.
2. Through introducing sound clients to increase corporate performance and increase securities counters performance, customer sources, and brokerage market share.
3. Launch High Wealth Client business; plus, strengthen sub brokerage business and securities lending business, to increase wealth management income
4. Emphasize risk control and trading flexibility in trading units to improve trading performance and reduce the position risk.
5. Maintain the balance between the number of cases and quality on underwriting business to maintain market leading position.
6. Participate proactively in new business relaxed by the competent authority to catch business opportunities.

B. Long-term Business Development Plans

1. Build sound board supervision and management mechanism and strengthen corporate governance.
2. Increase fee income by increasing the market share of securities brokerage business and customer sources.
3. Cultivate wealth management business to increase non-securities revenue.
4. Accelerate the revolution of channels and expand the integration of digital platform .
5. Maintain the leading position in IPO business by grasping business opportunity in Asia Pacific and adapting market change .
6. Promote the performance in proprietary trading, reduce the fluctuation in trading gain (or loss) and maintain the stability of profits.
7. Enhance risk management skill, Implement AML/CFT practice, and cultivate compliance culture.
8. Expand business scale and optimize capital efficiency.

Mega Bills Finance Co., Ltd.

A. Short-term Business Development Plans

1. Watch closely client's operation and financial, industry prospects, and capital management for credit approval reference.
2. Seek to lead syndicated loans and joint underwriting of non-guarantee commercial paper to stabilize CP sources and increase income of bills business.
3. Explore proactively explore opportunities in underwriting or acquisition of NCD, guaranteed or non-guarantee bills to achieve portfolio growth and higher interest spread.
4. Watch central bank's monetary policy and financial situation to manage primary/secondary interest rate and manage bill transaction, in order to increase interest margin of CP issuance and trade to maintain market leading position.

5. Watch closely the change of COVID-19 pandemic, and international and domestic financial and political trend to adjust domestic and foreign bond position. Diversify to stable domestic and foreign bond position to earn maximum bond yields.
6. Position shares that offer good credibility and yield to replace corporate bonds of relatively low interest. Search for quality CB and CBAS while at the same time building up equity trading positions that are suitable given TAIEX's relatively high level.
7. Enhance continuously information systems and operating efficiency. Develop a common reporting and due diligence system (CRS) for the reporting requirements of the competent authority.
8. Promote paperless conference system and paperless report management system to cut back resource consumption and fulfill cooperate social responsibilities.
9. Strengthen information security protection practice and implement related employee training to reduce security threats.
10. Optimize AML/CFT management system and organize relevant training to improve employee's AML risk sense and capacity in identifying suspicious activity.

B. Long-term Business Development Plans

1. Maintain leading market position in bill/bond business.
2. Adjust loan client proportion to maintain adequate CP guarantee business scale and profit.
3. Increase the priority of leading ESG practice corporates when engage in new cases; start to increase adequately on the percentage of green bond and sustainable finance transaction.
4. Monitor the rate environment closely, continue to build up bond position, adjust the REPO position and to maintain stable earning.
5. Continue to develop secondary market customers, lower the funding cost, increase interest spread on bill/bond position and to enhance the operating efficiency.
6. Seek approval from the competent authority to open up new business or transaction counterparty to expand business scope and funding sources.
7. Bundle with FHC group resource to increase cross sell.
8. Elevate IT system operating efficiency and to strengthen IT system safety.
9. Continue to expand human resource training.
10. Enhance capital efficiency through adequate allocation of capital and Fortify risk management system.

Chung Kuo Insurance Co., Ltd.

A. Short-term Business Development Plans

1. Strengthen corporate governance, risk management and legal compliance.
2. Increase Guam representative office's capital use efficiency.
3. Adjust asset allocation and investment portfolio to increase income.
4. Adjust business structure to increase underwriting profits.
5. Promote e-commerce business and optimize platform system.
6. Share internet platform resources across each Group subsidiary to increase cross sell benefit.



7. Optimize corporate image and implement CSR.

B. Long-term Business Development Plans

1. Uplift corporate governance standards and implement CSR.
2. Cultivate Guam business and create profit base.
3. Strengthen commercial insurance business and strive for business opportunity of emerging industries.
4. Expand personal insurance business and develop digital service channel.
5. Expedite revolution of business channels and integrate digital platform.
6. Enhance integration of the Group's business and promote synergy of cross selling.
7. Cultivate talent database and improve employee value.
8. Adjust asset allocation and improve the capital efficiency.
9. Strengthen risk management skill and compliance practice.

Mega International Investment Trust Co., Ltd.

A. Short-term Business Development Plans

1. Promote small amount investment business and strengthen sales performance.
2. Strive for the fund managers' and researchers' performance.
3. Complete oversea fund products and expand product lines.
4. Use new media such as online internet to closely interact with the clients and sales network.
5. Build co-work mechanism with other government-owned financial institutions.

B. Long-term Business Development Plans

1. Search for strategic sales partners to promote products in long term.
2. Continue to upgrade the professions of the research team's on new products and global market.
3. Continue to cooperate with international security companies and research institutions to grasp market change.

Mega Asset Management Co., Ltd.

A. Short-term Business Development Plans

1. Acquire NPLs from peers and continues to seek consolidation of secondary NPLs.
2. Enhance service income by providing services in integration of creditor's rights and advance payment reimbursements, based on the operating principles promulgated by the FSC, for reconstruction of unsafe building, sea sand houses and other building likely to cause harm to public safety under the Urban Renewal Act..

B. Long-term Business Development Plans

1. Acquire high value-added creditor's right or specific property for its own account or for its customers to create stable service fees or capital gains.
2. Seek chances to acquire real estate, among NPL assets, with steady rental income to create stable service fees or capital gains.

Mega Venture Capital Co., Ltd.

A. Short-term Business Development Plans

Participate in pre-listing capital raising auction, participate in circling convertible corporate bonds, invest in high-quality emerging stocks or buy back shares of those previously invested company in the stock markets to realize capital gains and earn stable investment returns.

B. Long-term Business Development Plans

1. Invest in companies which are in the early stage or growth stage and extensively build its investment portfolios. Fully grasp investees' financial, business, and operation management, and assist in the development of the investees.
2. Bundle with government fund to increase investment in SME to increase corporate's productivity and industry chain value.
3. Follow the New South Bond initiatives led by the government and to increase international exposure.
4. Increase profit to contribute more to the Group.

5.2 Cross Selling Synergies

Cross selling synergies among the Company's subsidiaries, which is impacted by the COVID-19 pandemic, reached NT\$867 million in 2020, which is similar versus 2019, achieving 108.44% of adjusted full year target. Key cross-selling results are described as follows:

1. In 2020, the number of Mega International Commercial Bank credit cards sold through the channels of other subsidiaries increased by 11,010. The proportion of new issued credit card through cross selling accounted for 6.75%, while the proportion of credit card outstanding through cross selling accounted for 6.77%. As a settlement bank for securities transaction of Mega Securities Company, the bank's deposits in securities settlement accounts amounted to NT\$29.22 billion, generating cross selling benefits for NT\$94 million, a decrease of 15.11% from NT\$110 million in 2019, impacted by the COVID-19 pandemic.
2. As of the end of 2020, Mega Securities Company has set up 94 securities counters in branches of Mega Bank compared to 75 branches at the end of 2018. The proportion of securities brokerage undertaken through the channels accounted for 5.67% in 2020, up from 4.48% in 2019. The cross-selling benefits of Mega Securities from domestic and overseas stock transaction introduced by other subsidiaries increased by 165.58% to NT\$81 million from NT\$30 million.
3. In 2020, Mega Bills Finance Company acted as an underwriter for a total of NT\$101.1 billion of commercial papers guaranteed by Mega International Commercial Bank, up 77.83% versus NT\$56.9 billion in 2019.
4. In 2020, Chung Kuo Insurance Company reported insurance premium revenues of NT\$561 million through cross selling by other subsidiaries, up 2.16% from the NT\$549 million in 2019. The premium revenues from cross selling accounted for 7.90% of the domestic written premiums, falling from 8.16% in 2019.
5. In 2020, average outstanding amount of mutual funds managed by Mega International Investment Trust Company (MIIT) through cross-selling by other subsidiaries reached NT\$39.4 billion, an 9.81% decrease from the NT\$43.8 billion in 2019. This accounted for 45.23% of average outstanding amount of funds

managed by MIIT, compared to 47.94% in 2019. Mutual funds distributed through cross selling by other subsidiaries accounted for 22.65% of the total distributed amount, decreasing from 37.30% of 2019. The total benefits of cross selling decreased by 20.35% to NT\$125 million from NT\$157 million in 2019.

5.3 Market Overview

There are sixteen financial holding corporations in Taiwan by the end of 2020. The market share of each bank under the financial holding companies accounts for less than 10%, showing that local banks are still relatively small in size and lack of economies of scale. In order to increase market share, reduce operating expenses and expand business scope, financial holding companies will accelerate mergers with financial institutions. Banks that have not yet joined financial holding companies face the constant enlargement of financial holding companies and an increasingly competitive environment caused by cross-sector sales. To avoid being marginalized, they may form their own or join the existing financial holding companies or form strategic alliances with other financial institutions, which in turn results in mergers of domestic financial institutions.

As a financial holding company, the Company's business is limited to investment in, and management of, its invested enterprise(s). Most of the Company's revenues are investment revenues derived from its subsidiaries. Market condition of subsidiary's industry is set forth as follows:

5.3.1 Banking Industry

A. Regions where the main products (services) are sold (provided)

The business scope of banking subsidiary is mainly within Taiwan. However, the oversea market becomes more and more important given the fierce competition, worldwide expansion of Taiwanese companies, and the lower cost of financial products and financial innovation. In 2020, most countries in the world generally fell into recession due to the impact of the pandemic. The extent of their economic shortfalls and the strengths of their recoveries depended upon the disease's progress, pandemic prevention measures, policy support measures, and economic structures and these factors all varied by country. The above reasons, combined with vaccination acceptance and degree of implementation, will continue to affect each country's economic performance this year. For example, the IMF revised up its economic growth forecasts in January 2021 due to the expansion of fiscal expenditures in the United States and Japan. It also believes that because advanced countries are better able to provide financial support and have earlier access to vaccines, their economic losses will be smaller than those of developing countries. On the other hand, it is expected that the positive benefits of expanding fiscal expenditures and maintaining loose monetary policies in advanced countries will help trading countries and improve the financial situations of emerging markets.

B. Future Market Supply and Demand

1. For loan business, domestic banks' loans outstanding reached NT\$29,006.4 billion by the end of 2020, growing by 7.2% compared with the end of 2019. Among them, loans to private sector, including private enterprises and individuals, accounted for 93.9%, an increase of 7.7% compared to last year. In 2020, loans to state-owned enterprises were down two consecutive years, while loans to government agencies slightly were up by 10%, compared to 2019. Look forward, the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan forecasts the drivers of domestic investment will remain given the global economic recovery. This will help maintain momentum of bank financing.

2. For consumer finance business, loans outstanding are NT\$9,559.2 billion by the end of 2020, up 9.0% compared to the end of 2019. This is the fourth year of speedy growth. Among them, mortgage loans which account for 84.1% of total consumer loans grew by 8.5%. Other personal consumer loans grew by 10.0%. In addition, construction loans amounted to NT\$2,461.2 billion as of the end of 2020, growing 17.5% compare to last year end, continued with two consecutive years of double digits growth. Look forward, growth of consumer loans may continue to improve as economic recover further, fueled by low interest rate environment; however, regulators in Taiwan are implementing macroprudential management to curb the property pricing growth, which could slow down the demand for investment-lead mortgage growth and property developer loan growth.
3. As of the end of 2020, the number of credit cards in circulation reached 50.12 million, growing by 5.75% compared to 2019, while the effective card increased by 3.4%. The number of effective cards accounted for 65.9% of all cards in circulation, decreased by 1.5% compared to 2019, indicating the decrease of efficiency of credit card issuance. The revolving credit outstanding balance and cash advance outstanding were down, showing individual customers are getting cautious on financing.

C. Business targets

Item	2021 targets
Average outstanding of deposits (in million NTD)	2,443,877
Average outstanding of loans (in million NTD)	1,972,873
Foreign exchange business undertaken (in million USD)	863,403

D. Positive and Negative Factors Influencing Banks' Future Operations

Positive Factors

1. In 2021, domestic economic is expected to outperform further as global economic recovery continued; plus, our leading position in tech space will continue to be benefited further as new technology and digital demand increased, which could help domestic banking sector loan growth.
2. Taiwan's pandemic prevention performance has been successful, and through its material donations to assist other countries in fighting the disease, the country's international visibility and image enhancement may also help domestic companies expanding their international markets. This in turn should foster a niche for the development of the banking industry.
3. Under the influence of the pandemic, most banks are developing remote office models. This may increase people's willingness to use digital financial services, take advantage of the trend to drive digital transformation opportunities, and optimize the overall operation process.

Negative Factors

1. Global pandemic uncertainty and low interest rate environment remained, which could impact the bank sector's earning.
2. Many corporate account credit rating have been lowered due to pandemic, after the bail-out program exited, corporate operating performance and financial condition could be worsen, which could put pressure on bank's asset quality.

3. US-China tech war, geopolitical uncertainty and COVID-19 pandemic all could put pressure on the sovereign rating of many countries, which could further push up the volatility of the global market.

5.3.2 Securities Industry

A. Regions where the main products (services) are sold (provided)

Mega Securities' businesses include securities brokerage, proprietary trading, underwriting of, stock registry services, futures introducing brokerage, etc. through its business units in north, central and south Taiwan. Its customers include domestic and foreign institutions and general investors.

B. Future Market Supply and Demand

1. As far as supply goes, government continues to deregulate the industry and add flexibility and dynamic of the product and service for the industry, such as "Transaction by transaction" mechanism in March, 2020, Penny Stock trading in October, 2020 as well as issuing 4 licenses to broker to engage in high-net-worth individual customers. In the future, we expect the regulators to further deregulate the industry but at the same time tighten the risk management related supervision initiatives, to help the brokerage industry solving the over-competitive issue and encouraging brokerage house to be engaged in differentiated operating model and promote healthier breadth for the industry.
2. On the demand side, due to the hot money pouring in the market as well as stronger NTD, investors are demanding more sophisticated products and services, plus younger generation are becoming more aware of the importance of personal financial planning, as well as the increase in online trading activities, brokers continue to introduce more product offering to meet the customer's need.

C. Business targets

Item	2021 targets
Market share of securities brokerage	3.40%

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

1. The competent authority continues to release licenses of new business for security firms, which is favorable to business development and profit increase.
2. The volume of stock trade is expected to remain given the huge global fund flow.
3. The brand image of Mega Financial Holding Company attracts outstanding talents, combined with the synergy of cross selling, which helps to enhance profitability and maintain the competitiveness of the company.
4. Every business has developed in balance and has certain market position. The ability to do new business is strong.
5. Employee stability and long-term cultivated clients help the company to be able to provide various kinds of products and services to diversify revenue source.

Negative Factors

1. Brokerage, underwriting, and proprietary business are highly connected to global financial and political situations and the economy. Brokerage fee income and investment gain are also deeply affected by market trading volume, resulting in unstable overall profitability of the company.
2. Brokerage fees are difficult to rise due to business competition and unfavorable to long term business growth.
3. The proportion of trading volume of foreign investor is increasing, and local securities brokers lack the advantage of developing foreign customers.
4. With the diversification of financial products and expansion of business scope, the compliance and risk management expenses are relatively increasing.

5.3.3 Bills Finance Industry

A. Regions where the main products (services) are sold (provided)

Aside from the head office in Taipei, Mega Bills Finance Company has 8 branches in Taiwan which are engaged in credit business, bills and bonds business.

B. Future Market Supply and Demand

(1) Bills market

Following the outbreak of the COVID-19 pandemic, the Board of Supervisors of Taiwan's Central Bank considered the deteriorating global economy and trade prospects in deciding to cut interest rates by 25 basis points in the first quarter, while also lowering the Central Bank's NCD certificate of deposit rate and implementing Taiwan's version of quantitative easing. This alleviated pressure on Taiwan's slowing economic momentum and the expansion of the output gap. Overall, the bill asking rate in the secondary market fell significantly due to rate cuts from the Central Bank. Because quotes in the primary market fell by a lesser degree compared to the secondary market, bill spread had widened in 2020 compared to 2019. In 2020, the underwriting of CP2 in the primary bills market amounted to NT\$10.7932 trillion, increasing by NT\$990.198 billion or 10.89% compared to 2019. Mega Bills occupied 26.80% market shares. Bills trading volume in the secondary bills market amounted to NT\$30.883327 trillion, an increase of NT\$2,233.984 billion or 7.80% compared to 2019. Mega Bills occupied 29.48% market shares. Going Forward, since we are starting off from the low base versus last year; plus the overall pandemic situation is perhaps stabilized, we expect the overall economic activity to improve further; however, the credit risk could still be high, which is why Mega Bills is expect to act conservatively to maintain asset quality, which suggest the growth for 2021 could still be relatively conservative. In addition, we expect 2021 overall spread from our bills business to remain slightly weaker than last year.

(2) Bonds market

For our bond spread business, as of end of 2020, total foreign currency debt balance was US\$1.296 billion, with majority is fixed rate. Overall bond spread business revenue was up last year; however, the re-investment risk has elevated. Our NTD bond portfolio was NT\$94.9 billion as of end of last year, mainly are fix rate.

The central bank of Taiwan continues to favor an expansionary policy in light of the ongoing pandemic and slow recovery around the world; meanwhile, the persistent inflow of foreign capital since the second half of 2020 has caused the NTD to strengthen by a significant extent. With such an abundant supply of liquidity but limited opportunities to invest in, NTD bond yields fell across all tenors and yielding income of new NTD bonds is at a historic low, which presents limited opportunities for reinvestment. With high-yield bonds maturing and new bonds offering unprecedented low yields, it is increasingly difficult to find NTD or foreign currency bonds that offer yielding spreads that adequately compensate for the risks undertaken.

Considering how the Fed has decided to maintain low interest for several years to come and raised its tolerance for inflation, the spread of U.S. bonds should remain relatively unchanged. However, the drastic rate cuts increase reinvestment risks significantly for fixed income instruments and present a major variable in future operations.

(3) Stock investment business

2020 domestic equity market plumed at one time, due to pandemic, but quickly recover to new high as Taiwan domestic pandemic situation is under control. Going forward, we expect the market to perform relatively stable in short term, due to excessive liquidity; however, since the index is at its market new high, which could be more volatile going forward.

C. Business targets

Units: NT\$ million

Item	2021 targets
Underwriting and purchasing of bills	2,759,628
Underwriting amount of commercial paper issued for funding purpose (CP2)	2,559,506
Trading volume of bills	8,514,555
Trading volume of bonds	4,161,098
Repo outstanding balance of bills and bonds	203,313
Average outstanding balance of guaranteed issues of commercial paper	168,000

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

The authority now permits bill financing companies to trade interest rate and exchange rate derivatives as customers, which is beneficial to do highly liquid trades such as U.S. government bond futures and USD interest rate swaps.

Negative Factors

1. Domestic economy remain stable; however, the pandemic is not fully contained, which create a lot of uncertainty and credit risk, plus the monetary policy from the central bankers among major nation are still competitive, low funding cost was the main driver for the bills business earning growth, but long prospect of bills business remained challenging.

2. USD isn't the national currency and is easily affected by international political, economic, and financial situations. If there is any fluctuation, immediate impacts will occur on bond yields and foreign currency fund flow.
3. In addition to the increasingly diversified funding channel in the financial market, banks continue to strive for domestic loan business at low interest rate and compete for non-guarantee CP underwriting business, hindering bills companies' business expansion.
4. US-China trade war and global pandemic is heavily influencing the global political and economical impact, which could put pressure in the overall global market, with increase volatility, the trading difficulty is likely increase as well.
5. Increasing budget deficit and government debts in the U.S. have caused the U.S. Dollar Index to fall consistently. If investors expect a further weakening of the U.S. dollar, the liquidity of the USD may be negatively affected. If the cost of foreign currency rises, foreign currency bonds held in possession may suffer capital loss and loss on exchange and work against a bill financing company's bond strategies.
6. The central bank has maintained an abundant supply of NTD capital. Both bond yields and RP rates have fallen, increasing yielding income and gain on valuation for existing bond positions. However, domestic interests are at a historic low while reinvestment risks have risen, not to mention that return on investment is less appealing than other financial instruments. Prolonged low interest would cause bill financing companies to lose natural-person RP customers and have an adverse impact on yielding trades.

5.3.4 Non-life Insurance Industry

A. Regions where the main products (services) are sold (provided)

Chung Kuo Insurance Company provides domestic non-life insurance service in Taiwan and Guan, supplemented with inward reinsurance. Head office resides in Taipei .the company has 29 domestic branches and one overseas representative.

B. Future Market Supply and Demand

- (1) Insurance is a mutually supportive economic system. In countries with high levels of economic development, the degree of dependence on insurance is also extremely high, Risks arise from frequent commercial activities, high industrial development and continued technological innovation. Plus the impacts of COVID-19 and climate change, the risk awareness arises. People has been focusing more on insurances.
- (2) The property and casualty insurance has short-tailed business characteristics. With the improvement of consumer protection awareness, to protect customers, employees, and corporates themselves and to transfer the risk to maintain sustainable operation, the insurance premium for information security insurance, public liability insurance, product liability insurance, director liability insurance, and employer's compensation insurance and other liability insurance has been growing significantly. E-commerce, insurance APP and big data will also bring to insurance industry a new blue ocean business opportunity.



C. Business targets

Unit: NT\$ thousand

Item	2021 targets
Insurance premiums	8,144,104
Reinsurance premiums	676,064
Total	8,820,168

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

1. The government's implementation of forward-looking infrastructure design plans will contribute to the growth momentum of the property insurance market. these include offshore wind power projects, solar photovoltaic projects, the extension of the High Speed Rail south to Pingtung, urban rapid transit, and so on.
2. Aligned with the government's policy of paying respect to the mountains and the seas, we are promoting such products as mountain-climbing comprehensive insurance, marine activities comprehensive insurance, specific activities comprehensive insurance, and domestic travel comprehensive insurance.
3. Public accidental insurance, product liability insurance, board member liability insurance, agriculture insurance and IT safety insurance are some of the new products, which are heavily promoted by the government as well.
4. Old housing rebuilt and urban renewal projects will help increase the demand for construction project related insurance needs.
5. The aging of Taiwanese is favorable to medical care insurance products, long-term care, and other development of aging insurance products.
6. Younger generation are interested in mobile product insurance, which could provide another insurance premium driver in coming years.
7. Online insurance has become a trend and people have embraced the change. Plus the development of insurance Fintech and big data analysis, the insurance companies are able to optimize operational processes, increase service quality, and develop new types of insurance products. Also, insurance companies can accelerate the process by using online insurance platforms, online payment block chain platform, online claims applications, B2B insurance systems, and strengthen social media management, etc.

Negative Factors

1. In recent years, international natural disasters and major accidents have occurred frequently, resulting in an increased cost of catastrophe reinsurance, relative increase in risk retention, and loss in catastrophe risk affecting underwriting performance.
2. Other insurance peers are aggressively exploring other insurance products to maintain their growth.
3. Consumers are demonstrating a greater awareness of compensation claims, and liability insurance settlement claim amounts have increased accordingly. In the face of price competition, rates for most insurance types are having a hard time maintaining positive consideration, and this in turn could easily undermine the underwriting benefits.
4. COVID-19 outbreak has impacted global economy and will further impact insurance industries.

5.3.5 Securities Investment Trust Industry

A. Regions where the main products (services) are sold (provided)

In addition to the Taipei head office, Mega International Investment Trust Company has no domestic or overseas branches. For customers in central and south Taiwan, the company will appoint dedicated person to provide service if necessary.

B. Future Market Supply and Demand

The FSC has introduced new regulation that fund sales commission should be based on AUM; as a result, investment trust company must redesign sales commission contract, and can not pay other type of commission, nor can they add additional sales target reward. In addition, sales channels are the one control the sales momentum and result, therefore, we will continue to develop products that meet the demand of the sales channel achieve overall volume growth.

Due to global pandemic, market tend to be risk averse when selecting investment products; plus, pandemic related industries such touch-free products and remote access products are quite popular; in addition, 5G related software and hardware application are in high demand as well. Not to mentioned the ESG and corporate social responsibility related investment theme are attracting addition demand from the investors as well.

C. Business targets

Units: NT\$ million

Item	2021 targets
Public funds under management	94,225
Private placement funds under management	16,022
Discretionary account	684

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

1. The FSC has amended regulations stipulated by the Incentive Plan for SITE, adjusting the relevant management asset scale and human resources identification standards. It has done so in order to encourage small and medium-sized investment credit to also be eligible to participate in the project and obtain qualifications to enhance the overall development of the investment credit industry.
2. In order to activate Taiwan's real estate securitization market and promote the diversified development of the domestic asset management market, the relaxation of real estate securitization investment can also be funded and issued in the form of a fund structure, pending the completion of relevant laws and regulations. It will be beneficial to the investment and credit business to participate in the development of the domestic real estate securities market more deeply.

Negative Factors

1. New regulation from FSC on AUM based commission calculation could have positive impact on investment trust company's overall revenue performance and cost of operation; however, sales channel could refuse such practice if overall sales fee structure could not meet the channel's need.
2. With a huge marketing budget and product advantages of its parent company group, foreign investment trust companies are actively advertising in the media to capture the market share, leading to intensive competition in domestic market.

5.3.6 Assets Management Industry

A. Regions where the main products (services) are sold (provided)

Operations of Mega Asset Management is mainly in Taiwan.

B. Future Market Supply and Demand

1. The asset quality of Taiwanese banks has improved and the NPL ratio is low. Thus the source of suitable investments or auction cases is few, causing fierce market competition.
2. The government is promoting urban renewal and old building rebuilt policies. The real estate companies develop aggressively and integrate suitable targets for urban renewal or old building rebuilt. The asset management companies will follow the "Operation Principles for Financial Holding (Banks) Investing Asset Management Companies" to do prepayment business. There is a prospect in the future.

C. Operations targets

In 2021, we expect the property investment portfolio to be increased by NT\$2.6 billion; plus auction property portfolio to be increased by NT\$95 million.

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

1. The government is promoting urban renewal policy and project which should have a positive impact of overall market.
2. Overall excessive liquidity and low interest rate environment will continue to attract funding to pour into the domestic property market, which will have a positive impact on the asset management industry.
3. Asset management subsidiary should continue to adjust its overall business mix, work with outside developer on strategic projects, diversify its business mix and portfolio to increase the operating efficiency.

Negative Factors

1. Domestic financial institution asset quality remain sound, NPL formation is low, plus FSC has regulation on how financial institution can sell its NPL asset; as a result, NPL cases has dramatically decreased in the last few years.
2. Currently asset management subsidiary is mainly engaged in property consolidation service and development, urban renewal housing projects, and auction bidding service as well as short term financing

service of above cases; however, recent years, many peers have aggressively entered the market, plus the banks are entering the market as well, as these urban renewal projects have the advantage of not being included in the property market exposure regulated by the government.

5.3.7 Venture Capital Industry

A. Regions where the main products (services) are sold (provided)

Mega Venture Capital Company mainly invests in Taiwan, with some foreign investments.

B. Future Market Supply and Demand

1. Most Taiwanese enterprises are small and medium-sized. They are relatively insufficient in scale and R&D. It is difficult to obtain brand advantages and establish an international image.
2. In addition, there are many venture capital companies in this small domestic market, and domestic economic development has been maturing. With the above and the increasing uncertainty of the global financial market, it is necessary to expand tentacles in the future to look for suitable targets to invest in, especially investing in demand-driven industries in Asia.

C. Business targets

Units: NT\$ million

Item	2021 targets
long-term investment amount	250
Stock selling income	187

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

1. The effective integration of the Group's resource is conducive to exploration of investment case and assistance in corporate reconstruction.
2. Taiwanese enterprises are heading towards economic transformation, emphasizing technological innovation and cultural creativity for future development, which is good for the company to expand industrial portfolios and increase investment diversification.
3. Mega Management & Consulting Co., Ltd. has set up for years with experienced team. Also the co-work with Group subsidiaries is beneficial for business growth.

Negative Factors

1. In the past venture capital companies focused on technology industry, creating concentration risk. With the upgrade of traditional industries' techniques, Rise of AI, 5G, and bio-tech industry, venture capital companies can diversify investments and lower down concentration risk.
2. Although domestic economy is stable, it has also encountered increasing internal and external challenges. Recent international financial fluctuations increased economic uncertainty and the US-China trade war has impact on Taiwan, and investment risks have increased.

5.4 Human Resources

Unit: Number of person

Item \ Year		2019	2020	Mar. 31, 2021
Number of Employees	Mega FHC	57	56	61
	Mega Int'l Commercial Bank	6,762	6,652	6,616
	Mega Bills Finance	206	213	210
	Mega Securities	1,470	1,464	1,459
	Chung Kuo Insurance	800	825	821
	Mega Int'l Investment Trust	100	94	94
	Mega Asset Management	25	25	24
	Total	9,420	9,329	9,285
Average Age	Mega FHC	51.31	48.06	47.11
	Mega Int'l Commercial Bank	40.15	40.52	40.61
	Mega Bills Finance	45.89	45.25	45.59
	Mega Securities	46.00	46.06	46.25
	Chung Kuo Insurance	41.70	41.80	41.80
	Mega Int'l Investment Trust	45.17	45.40	45.51
	Mega Asset Management	46.00	45.00	46.00
Average Years of Services	Mega FHC	13.20	11.53	10.74
	Mega Int'l Commercial Bank	13.45	13.84	13.90
	Mega Bills Finance	16.30	15.61	15.99
	Mega Securities	11.96	12.55	12.73
	Chung Kuo Insurance	11.30	11.40	11.40
	Mega Int'l Investment Trust	10.68	11.08	11.26
	Mega Asset Management	12.20	9.10	9.70

Operational Overview

Academic background

Item \ Year		2019	2020	Mar. 31, 2021
Doctoral Degree	Mega FHC	3.51%	3.70%	3.28%
	Mega Int'l Commercial Bank	0.03%	0.03%	0.03%
	Mega Bills Finance	0.49%	0.50%	0.00%
	Mega Securities	0.07%	0.07%	0.07%
	Chung Kuo Insurance	0.25%	0.25%	0.24%
	Mega Int'l Investment Trust	0.00%	0.00%	0.00%
	Mega Asset Management	0.00%	0.00%	0.00%
Master's Degree	Mega FHC	47.37%	48.21%	50.82%
	Mega Int'l Commercial Bank	25.60%	26.47%	26.62%
	Mega Bills Finance	48.06%	51.64%	52.38%
	Mega Securities	11.90%	12.09%	12.47%
	Chung Kuo Insurance	13.38%	13.21%	13.28%
	Mega Int'l Investment Trust	46.00%	40.43%	38.30%
	Mega Asset Management	28.00%	28.00%	25.00%
Bachelor's Degree	Mega FHC	47.37%	46.43%	44.26%
	Mega Int'l Commercial Bank	71.15%	70.48%	70.54%
	Mega Bills Finance	49.03%	46.95%	46.19%
	Mega Securities	74.01%	74.11%	73.68%
	Chung Kuo Insurance	79.75%	80.61%	80.39%
	Mega Int'l Investment Trust	52.00%	58.51%	60.64%
	Mega Asset Management	72.00%	72.00%	75.00%
High School	Mega FHC	0.00%	0.00%	0.00%
	Mega Int'l Commercial Bank	2.88%	2.68%	2.55%
	Mega Bills Finance	2.43%	1.41%	1.43%
	Mega Securities	14.01%	13.73%	13.78%
	Chung Kuo Insurance	6.50%	5.82%	5.97%
	Mega Int'l Investment Trust	2.00%	1.06%	1.06%
	Mega Asset Management	0.00%	0.00%	0.00%
Below high school	Mega FHC	1.75%	1.79%	1.64%
	Mega Int'l Commercial Bank	0.34%	0.35%	0.26%
	Mega Bills Finance	0.00%	0.00%	0.00%
	Mega Securities	0.00%	0.00%	0.00%
	Chung Kuo Insurance	0.13%	0.12%	0.12%
	Mega Int'l Investment Trust	0.00%	0.00%	0.00%
	Mega Asset Management	0.00%	0.00%	0.00%



Professional Certificates Held by Employees

Unit: Number of person

Item	Year	2019	2020	Mar. 31, 2021
Trust personnel		5,728	5,766	5,725
Bank internal controller		4,464	3,800	3,766
Junior credit personnel		2,146	2,231	2,222
Advanced credit personnel		74	76	76
Junior foreign exchange personnel		3,200	3,441	3,421
Bills finance personnel		335	359	355
Bond personnel		253	266	267
Stock affairs personnel		207	211	211
Life insurance representative		5,920	5,958	5,908
Life insurance broker		4	6	6
Life insurance agent		8	13	13
Investment-linked insurance sales agent		2,115	2,140	2,119
Non-life insurance broker		13	10	10
Non-life insurance agent		13	13	13
Non-life insurance representative		4,128	4,110	4,087
Non-life insurance assessor		93	132	132
Non-life insurance claim adjuster		66	95	95
Securities specialist		2,195	2,216	2,204
Senior securities specialist		2,607	2,595	2,595
Securities margin trading specialist		388	330	328
Securities investment specialist		1,692	1,601	1,603
Securities analyst		120	122	121
Futures commission specialist		154	151	151
Futures brokerage specialist		2,067	2,041	2,035
Futures analyst		17	21	21
Certified public accountant (Domestic)		35	38	38
Certified public accountant (Foreign)		8	8	8
Professional and Technical Personnel Examinations -Attorney		31	27	27
Certified Management Accountant (CMA)		1	1	1
Financial Risk Manager (FRM)		48	49	49
Certified financial planning personnel		2,038	2,005	1,992
Certified financial planner (CFP)		146	141	143
CFA(level1)		59	60	61
CFA(Level2)		25	23	23
CFA(Level3)		9	10	10
US CBA(Bank internal auditor)		1	1	1
Certified internal auditor		14	12	12
Actuary (Domestic)		2	2	2
CAMS		3,284	3,227	3,204
CAMS (English edition)		144	145	144

5.5 Corporate Responsibility and Ethical Conduct

1. Corporate Responsibility (Please refer to page 45 of the annual report)

Mega Financial Holdings adheres to the principles of integrity, transparency, and sustainable development. While pursuing profits, we should also pay more attention to the rights and interests of stakeholders and integrate ESG sustainability concepts into operation management and business development strategies. In order to communicate with stakeholders regarding the sustainable planning of the Group, Mega Financial Holdings regularly discloses the implementation of the Group's ESG plan through annual reports, sustainability reports, and its external website.

Mega Financial Holdings attaches great importance to ESG issues, and its relevant sustainability performance has been recognized by competent authorities and by investors. For many years, it has been selected for inclusion as a constituent stock in the TWSE Corporate Governance 100 Index of the Taiwan Stock Exchange, as well as the TWSE RA Taiwan Employment Creation 99 Index, the Taiwan High Compensation 100 Index, and the FTSE4Good TIP Taiwan ESG Index. Meanwhile, Mega International Commercial Bank has been honored by the Environmental Protection Administration with accolades including "Outstanding Unit for Green Procurement and Green Consumption Promotions" and by Environmental Protection Agency with its "Green Procurement Performance Award for Private Enterprises and Organizations." This demonstrates the Company's determination to implement ESG.

2. Ethical behavior: to help the directors, managers, and employees of respective companies within the Group understand the ethical behavioral standards of the Group and precisely follow them, there are regulations such as the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Procedures for Handling Material Inside Information", "Codes of Ethical Conduct", and "Employee Code of Conduct" available at the Company and respective subsidiaries that directors, managers, and employees must precisely follow. They cover the prohibition against bribery, accepting bribery, providing unlawful political contributions, engaging in inappropriate charity donations or sponsorships, offering or accepting unreasonable gifts, receptions, and other illegitimate benefits; creating a fair employment environment; preventing against insider trading; and protecting the workplace and the health and safety of staff, among others. In addition, the Company and respective subsidiaries define their own rigid accounting, internal control, and audit systems to protect against dishonest behavior and have a reporting system in place to encourage reporting of unlawful and dishonest behaviors internally and externally. Meanwhile, related operating procedures are evaluated periodically for compliance. As of the end of 2020, the Company had never had transactions with any party with a history of dishonest behaviors and none of its directors, managers, and employees had been reported of violating the ethical management principle.

5.6 Employee Average Welfare of Non-Managerial Officers

Unit: Persons ; NT\$ thousand

	2019	2020	Difference
Number of non-supervisor employees	7,575	7,856	281
Non-supervisor employees 'annual average salary	1,435	1,427	(8)
Non-supervisor employees 'annual median salary	1,138	1,134	(4)

Note: Non-supervisor employees means those who are not managerial persons.



5.7 Information equipment

5.7.1 Major information system hardware, deployment of software and maintenance

1. Both IBM and HP are core hardware vendors of Mega Group's computer systems. And the major operating systems are UNIX, Microsoft Windows and those dedicated OS running on IBM Mainframe, IBM AS/400. With adopting CISCO as the network system, we have established Group's communication network which is linked by specific lines.
2. DB2, Oracle, SQL, and IBM etc. are main database systems. Weblogic and WebSphere provide the Web application platforms.
3. Respective hardware systems are maintained by dedicated personnel under the maintenance agreements with outsourcing business. And core equipment is insured.

5.7.2 Group information system to be developed or purchased

Mega International Commercial Bank

1. In order to ensure the stability and safety of business operations, we will continue to adjust system architecture in 2021 while also strengthening infrastructure, rewriting application systems, strengthening network architecture, and exercising various emergency response plans. Furthermore, we plan to carry out the procurement and construction of our Front and Back End Scan Management for Information Security Configuration. Through automated deployment and compliance detection mechanisms, this will serve as an important foundation for the advancement of our Standardized Execution Framework for Information Security Configuration throughout the Bank.
2. In 2021, the Company is expected to in full compliance of ISO22301 (BCMS, Business Continuity Management System), to ensure the bank is capable of maintaining high degree of stability, functionality and reliability, and to withstand high level of IT related incident and capable of responding to such incident, so we are prepared with the Bank 4.0 and 5G communication era.

Mega Securities Company

1. Wealth management business related computer equipment purchase.
2. Acquire equipment for paperless account opening process.
3. Acquire information security related equipment.

Mega Bills Finance Company

1. Enhance information security equipment
2. Enhance the AML information system
3. Replace the back up internet equipment
4. Digitalization of documents and official documents
5. Upgrade Oracle database to Weblogic
6. Upgrade personal computer
7. Upgrade server such as OTC.

Chung Kuo Insurance Company

1. Establish new construction accident insurance system
2. Establish new fire insurance system
3. Establish APIM system
4. Establish special account and recording system
5. Replace F5 firewall system

Mega International Investment Trust Company

Replace SPAM email system management, proxy server and web content filter.

Maga Venture Capital Company

Replace person computers and upgrade the functions of venture capital management information system.

5.7.3 Emergency backup and security protection measures

In order to be able to quickly restore all key operational information to an acceptable level after an accident, the Company continues to perform technical and management-related inspections, improve its software and hardware equipment resources and improve operating procedures. In addition, remote host backup and remote data backup mechanisms for important systems are in place. System recovery rehearsals take place periodically to ensure validity of the restoration mechanism, to minimize the risk of possible system interruptions as a result of unwarned natural disasters and manned negligence, and to keep the data intact.

A. Emergency backup

- (1) Data backup and offsite storage: Important data are kept in magnetic tapes or backed up in other types of media periodically and stored in a safe place. Some of them will also be stored in a separate copy in a third place in order to prevent against simultaneous destruction of equipment and data during major catastrophes.
- (2) Real-time support system: For important information facilities, equipment, or servers, at least one set of the same system or an auxiliary system will be set up additionally as real-time support upon system abnormalities in order to fulfill the goal of non-interrupted services.
- (3) Internet Access Backup: In order to prevent against service interruption as a result of network anomaly, the connection of important networks will be backed up by multiple lines or multiple routers, or networks provided by different fixed network operators will be adopted in order to enhance the backup capability. In order to address the condition where it is impossible to come into office for work due to disease outbreaks, the secure and encrypted remote access backup solution based on VPN is also available at some branches for use in an emergency.
- (4) System offsite backup: In order to prevent against extended suspension of operation due to major catastrophes (such as war or natural disasters), for key systems required for current daily operations, the necessary software and hardware are also configured at a different site. This enables the systems to be recovered within a short period of time during major catastrophes so that the duration of suspension of operation may be minimized.

B. Security Protection Measures

- (1) Physical protection: All important information equipment is placed in a controlled area with access control, surveillance cameras, and control staff in order to control access of staff and objects. For the sake of maintaining a safe environment, there are environment monitoring facilities to detect abnormal incidents in real time (such as fires, abnormal electricity and abnormal temperatures, among others) and activate protective measures and notify related staff in order to avoid damage to the equipment.
- (2) Protection of network safety: There are security measures such as the firewall, invasion detection, communication encryption, and separating networks with different purposes.
- (3) Equipment access control: There is necessary access control in place that is reflective of the varied importance of respective equipment or facilities. The basic account number/password mechanism, for example, is available to prevent access by unauthorized staff. The password used each time differs and is not available for repeated use in order to prevent against theft of the password. In addition, a software or hardware certificate is used in order to verify the actual identity of the staff or equipment.
- (4) Protection against viruses and malware: All information operating servers and personal computers are installed with anti-virus and invasion-proof software. Centralized management is also available for some of the said servers and computers. Therefore, monitors are able to discover invasion incidents and manage them or prevent against them adequately in the first moment.

5.8 Labor Relations

A. Labor-management negotiations and its implementation

5.8.1 Work Environments, Protection of Employee's Safety and Employee's Benefits

The Company not only insures its staff for labor insurance, national health insurance, and group insurance but has also established an Employee Welfare Committee in charge of employee welfare. The Company's employee welfare measures include marriage and funeral subsidies, baby-deliver subsidies, retirement consolation, consolation payments for injuries, diseases, or hospital stays, scholarship, festival gifts, culture and recreation activities. Protective measures in respect of work environments and personal safety include visitor entry and exit registration and controls, daily cleaning of office environments by designated personnel. The Company also implements regular maintenance of fire extinguishers and monthly inspections of sprinkler systems, stairway lighting, and emergency escape equipment. Qualified fire protection companies are commissioned to report the state of fire equipment at year end. These reports are reviewed and approved by competent authorities. Fire drills for staff members are organized on a semiannual basis and work environments are sterilized in 2-month intervals.

5.8.2 Pension Scheme

To enable retirees to lead a stable life, staff retirement policies have been formulated in accordance with the Labor Standards Act and work rules and regulations. Staff pension contributions are paid on a monthly basis and a Supervisory Committee of Workers' Retirement Funds has been established. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued

and the average monthly salaries and wages of the last 6 months prior to retirement. In line with the new labor pension system implemented in force since July 1, 2005, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The new labor pension system applies to employees who select the new system or have joined the Company after July 1, 2005.

5.8.3 Employee Training

As for staff training and on-the-job education organized by the group, a subsidy system for the acquisition of licenses has been established, and personnel are dispatched to training organizations to attend training programs every year. The Company also organizes its own training programs such as training for newly inducted staff, professional training, language and computer training.

The training expense of the Company and its subsidiaries amounted to NT\$ 72,223 thousand in 2020, accounting for 0.37%, 0.25% and 0.12% of the Company's consolidated employee welfare expenses, operating expenses and profit, respectively. The number of trainee totaled 237,402.

5.8.4 Employee's Behavior and Ethical Principles

The Company has formulated work rules and a service code such as "Ethical Operation Principle," "Ethical Behavior Principle," "Internal Material Information Process Principle," "Moral Behavior Principle," and "Employee Code of Conduct" to rule employee's behaviors. It is clearly stated that all laws should be obeyed when doing the job, conflicts should be avoided, Unethical behavior is not allowed, intelligent property right should be obeyed, confidentiality should be kept, discrimination is not allowed, illegal political contribution is prohibited, and insider trade is prohibited. The punishment not obeying the above is also clearly stated. The relevant rules are announced in the Company's internal website and promoted during employee training.

5.8.5 Other labor management negotiations

The subsidiary Mega International Commercial Bank and its labor union have signed collective agreements to regulate all labor conditions.

B. Loss on labor-management disputes: None

1. The Company in the most recent financial year and till the date of publishing this annual report, there is no loss or potential loss due to labor-management disputes. Subsidiary bank does have labor-management dispute case as followed.
 - (1) On May 12, 2020, Mega Life Insurance Agency was merged into Mega Bank; however, during the process of laying off excessive personnel, one labor contract dispute resulted in litigation process, which Mega Bank lost the case on March 31, 2021. As a result, the subsidiary bank was ordered to re-instate that person's position with un-paid monthly salary of NT\$45,109, with interest of 5%, and monthly pension benefit of NT\$2,748, starting from June 1st, 2020 until the date the job position was re-instated.
 - (2) Going forward, the Company will take more caution step when dealing with labor issue when conducting in merger and acquisition cases.

2. There are a few labor regulation violations from the subsidiary level as followed:

Item number	Mega Bank	Mega Securities	CKI
Sanction date	2020.5.15	2021.1.7	2020.5.20
Case number	Taipei City No. 10960296051	Tainan City No. 1091608103	Kaohsiung City No. 10935265400
Violation of:	Labor code Section 22, No.2, Section 79 No.1 Item.1 and Section 80, No. 1, Item. 1	Labor code Section 24, Section 79, No. 1, Item. 1	Labor code Section 24
Violation details	Without employee's explicit permission, the company deduct the employee lunch expense reimbursement directly for the group lunch program; there are also cases where employee salaries were not fully paid to the employee.	Labor expense book does not show record of paying over-time paid to employee; without employee's consent, the company stated that over-time hours must be used for vacation instead of paying monetary compensation.	Labor expense book does not show record of paying over-time paid to employee; without employee's consent, the company stated that over-time hours must be used for vacation instead of paying monetary compensation.
Penalty	Fine of NT\$20,000 with name of the company and representative announced.	Fine of NT\$20,000 with name of the company and representative announced.	Fine of NT\$20,000 with name of the company and representative announced.
Remedy	All personnel's lunch expense reimbursement will be fully paid instead, will not assist on deducting group lunch program expense.	All the un-paid overtime are fully paid; supervisors are to monitor closely on the employee over-time work situation.	Employee will be able to choose monetary compensation or vacation time on overtime work. Monthly monetary compensation is to be paid every month. Yearly un-used vacation time will be paid upon January of next year.

5.9 Important Contract

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Important contract that has impacts on shareholders' and depositors' rights	Mega International Commercial Bank (MICB) and New York State Department of Financial Services (NYDFS)	Signed on August 19, 2016 Ending date of the contract: to be designated by NYDFS	NYDFS conducted an examination of the New York Branch of Mega International Commercial Bank in January to March of 2015 and provided its Report of Examination in February 2016. NYDFS signed a consent order with MICB under New York Banking Law §§ 39 and 44. In addition to paying a penalty to NYDFS in the amount of US\$180,000,000, MICB and its New York Branch shall engage a Compliance Consultant and Independent Monitor of NYDFS's choosing, to consult about, and oversee/review the improvements of deficiencies in the New York Branch's AML compliance function. (The contract between the bank and the consultant matured at the end of 2019)	None
Important contract that has impacts on shareholders' and depositors' right	Mega International Commercial Bank, Federal the Board of Governors of the Federal Reserve System (FED) and Illinois Department of Financial and Professional Regulation (IDFPR)	Signed on January 17, 2018 Ending date of the contract: to be designated by FED and IDFPR	According to the Report of Examination of 2016, the New York, Chicago, and Silicon Valley branches had deficiencies in AML. Mega Bank signed a Cease and Desist Order with FED and IDFPR on January 17, 2018. In addition to paying a penalty in the amount of US\$29,000,000, Mega Bank should submit an improvement plan and engage an independent third party to engage an independent third party to conduct a review and lookback investigation of the New York Branch's U.S. dollar clearing transaction activity from January 1, 2015 to June 30, 2015.	None

Financial Information



Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet

Unit: NT\$1,000

Item	Year	2020	2019	2018	2017	2016
Cash and cash equivalents, due from the Central Bank and call loans to banks		494,892,806	633,642,673	643,895,292	711,066,683	638,143,099
Financial assets at fair value through profit or loss, net		228,608,073	208,313,130	196,201,030	191,581,454	186,317,373
Available-for-sale financial assets		0	0	0	442,557,049	354,464,708
Financial assets at fair value through other comprehensive income		560,779,813	536,232,599	421,176,553	0	0
Investments in debt instruments at amortized cost, net		534,327,284	275,214,156	272,926,017	0	0
Securities purchased under resell agreements		950,137	3,584,364	2,623,231	2,553,228	2,855,885
Receivables, net		89,970,775	99,308,276	92,723,255	96,055,863	86,825,802
Current tax assets		379,014	483,744	272,816	757,391	577,485
Assets classified as held for sale, net		15,813	276,900	328,350	0	0
Loans discounted, net		1,889,958,222	1,873,677,834	1,864,447,103	1,762,160,756	1,715,278,766
Reinsurance contract assets, net		5,170,035	3,984,617	3,854,464	3,555,454	4,261,668
Held-to-maturity financial assets		0	0	0	284,687,657	280,997,362
Investments accounted for using equity method, net		5,519,229	3,115,829	3,168,973	3,184,501	3,108,470
Other financial assets, net		5,134,375	7,418,321	5,112,210	15,089,381	14,955,209
Investment property, net		1,111,518	1,025,375	1,500,403	1,696,863	1,711,561
Property and equipment, net		21,950,817	22,080,894	21,973,422	21,981,154	21,787,452
Right-of-use assets, net		1,837,841	1,777,500	0	0	0
Intangible assets, net		960,918	610,731	518,222	382,728	270,438
Deferred income tax assets		5,629,637	5,801,886	7,552,961	6,018,307	5,463,227
Other assets, net		9,180,225	6,998,951	3,785,059	3,964,038	2,772,911
Total assets		3,856,376,532	3,683,547,780	3,542,059,361	3,547,292,507	3,319,791,416
Deposits from the Central Bank and banks		405,296,111	420,833,162	411,643,388	404,371,657	401,731,599
Due to the Central Bank and banks		20,363,979	21,161,321	53,920,881	29,632,968	39,974,427
Financial liabilities at fair value through profit or loss		20,934,933	22,115,709	27,357,462	9,966,779	12,105,231
Securities sold under repurchase agreements		269,355,119	259,192,262	252,298,265	237,706,429	231,191,763
Commercial paper issued, net		22,392,125	19,963,897	15,929,662	20,165,421	11,701,649
Payables		89,502,574	75,207,489	66,362,081	70,119,748	59,001,999
Current tax liabilities		11,007,264	9,149,946	9,319,314	9,216,815	8,589,599
Deposits and remittances		2,613,890,191	2,459,457,135	2,320,637,263	2,386,555,016	2,171,287,924
Bonds payable		18,000,000	12,000,000	13,300,000	31,670,036	41,924,088
Other borrowings		338,028	3,464,909	4,934,529	1,325,368	5,954,030
Provisions		30,059,406	28,110,114	26,977,832	26,182,764	25,047,224
Other financial liabilities		13,160,602	15,818,346	15,325,367	12,698,470	10,849,706
Lease liabilities		1,881,625	1,801,315	0	0	0
Deferred income tax liabilities		3,370,193	3,164,054	2,526,612	2,266,455	2,201,659
Other liabilities		10,235,422	8,046,873	7,271,276	7,319,019	6,203,075
Total liabilities	Before distribution	3,529,787,572	3,359,486,532	3,227,803,932	3,249,196,945	3,027,763,973
	After distribution	Note 1	3,382,606,233	3,250,923,633	3,269,596,681	3,047,075,723
Equity attributable to owners of parent		326,588,960	324,061,248	314,242,280	298,054,133	291,985,353
Common stock		135,998,240	135,998,240	135,998,240	135,998,240	135,998,240
Capital surplus		68,194,233	68,194,233	68,194,233	68,194,233	68,194,233
Retained earnings	Before distribution	108,207,754	107,511,364	102,575,350	94,868,778	89,958,846
	After distribution	Note 1	84,391,663	79,455,649	74,469,042	70,647,096
Other equity interest		14,188,733	12,357,411	7,474,457	(1,007,118)	(2,165,966)
Non-controlling interest		0	0	13,149	41,429	42,090
Total Equity	Before distribution	326,588,960	324,061,248	314,255,429	298,095,562	292,027,443
	After distribution	Note1	300,941,547	291,135,728	277,695,826	272,715,693

Note 1: The distribution of 2020 profits is to be recognized by annual shareholders' meeting in 2021.

Note 2: As of the publication date of this annual report, no financial information of 2021 had been audited or reviewed by CPAs.

6.1.2 Condensed Unconsolidated Balance Sheet

Unit: NT\$1,000

Item	Year	2020	2019	2018	2017	2016
Cash and cash equivalents		58,854	87,474	152,693	307,833	83,306
Financial assets at fair value through profit or loss		0	0	203,062	0	0
Financial assets at fair value through other comprehensive income		2,278,091	2,687,373	2,154,580	0	0
Available-for-sale financial assets		0	0	0	6,196,895	5,844,300
Receivables, net		0	0	0	389	0
Current tax assets		319,360	1,582,395	1,259,321	1,669,679	225,605
Investments accounted for using equity method, net		364,965,483	358,254,779	345,071,763	325,981,280	316,539,845
Other financial assets, net		100	100	100	758,293	758,293
Investment property, net		131,083	132,593	134,104	135,615	137,126
Property and equipment, net		588,220	593,195	595,986	595,029	603,350
Right-of-use assets, net		3,066	3,267	0	0	0
Deferred income tax assets		6,629	9,651	4,734	8,092	8,092
Other assets, net		4,300	6,474	8,618	8,667	5,704
Total assets		368,355,186	363,357,301	349,584,961	335,661,772	324,205,621
Financial liabilities at fair value through profit or loss		0	0	0	183,860	156,600
Commercial paper issued, net		11,483,855	13,338,100	13,007,338	10,397,276	6,398,631
Payables		23,753,085	23,220,100	21,285,593	19,813,499	16,481,538
Current tax liabilities		1,476,085	1,256,310	980,678	1,164,368	1,789,244
Bonds payable		5,000,000	0	0	5,770,036	5,724,088
Other borrowings		0	1,400,000	0	0	1,600,000
Provisions		33,969	74,076	61,801	62,523	57,935
Lease liabilities		3,080	3,278	0	0	0
Deferred income tax liabilities		0	0	0	205	1,124
Other liabilities		16,152	4,189	7,271	215,872	11,108
Total liabilities	Before distribution	41,766,226	39,296,053	35,342,681	37,607,639	32,220,268
	After distribution	Note 1	62,415,754	58,462,382	58,007,375	51,532,018
Common stock		135,998,240	135,998,240	135,998,240	135,998,240	135,998,240
Capital surplus		68,194,233	68,194,233	68,194,233	68,194,233	68,194,233
Retained earnings	Before distribution	108,207,754	107,511,364	102,575,350	94,868,778	89,958,846
	After distribution	Note 1	84,391,663	79,455,649	74,469,042	70,647,096
Other equity interest		14,188,733	12,357,411	7,474,457	(1,007,118)	(2,165,966)
Total Equity	Before distribution	326,588,960	324,061,248	314,242,280	298,054,133	291,985,353
	After distribution	Note 1	300,941,547	291,122,579	277,654,397	272,673,603

Note 1: The distribution of 2020 profits is to be recognized by annual shareholders' meeting in 2021.

Note 2: As of the publication date of this annual report, no financial information of 2021 had been audited or reviewed by CPAs.

6.1.3 Condensed Consolidated Income Statement

Unit: NT\$1,000 (except EPS in NT\$)

Item \ Year	2020	2019	2018	2017	2016
Interest income	49,724,053	71,681,244	68,345,796	57,094,672	54,113,662
Less: interest expense	(18,173,179)	(36,614,396)	(30,301,244)	(21,215,148)	(16,420,610)
Net interest revenue	31,550,874	35,066,848	38,044,552	35,879,524	37,693,052
Net revenue other than interest	29,259,048	30,208,014	23,564,855	23,780,864	17,371,068
Net revenue	60,809,922	65,274,862	61,609,407	59,660,388	55,064,120
Bad debts expense, commitment, and guarantee liability provisions	(2,151,568)	(687,183)	(1,996,406)	(4,336,814)	(3,613,467)
Net change in provisions for insurance liabilities	(227,160)	(34,968)	68,884	152,758	(116,264)
Operating expenses	(29,100,556)	(30,898,437)	(28,601,925)	(26,195,605)	(23,417,176)
Profit from continuing operations before tax	29,330,638	33,654,274	31,079,960	29,280,727	27,917,213
Income tax expense	(4,312,670)	(4,699,474)	(2,986,515)	(3,551,632)	(5,474,318)
Profit from continuing operations after tax	25,017,968	28,954,800	28,093,445	25,729,095	22,442,895
Profit for the year	25,017,968	28,954,800	28,093,445	25,729,095	22,442,895
Total other comprehensive income (after income tax)	629,445	3,982,425	(407,496)	(349,226)	(3,471,024)
Total comprehensive income	25,647,413	32,937,225	27,685,949	25,379,869	18,971,871
Profit attributable to owners of parent	25,017,968	28,956,244	28,109,164	25,734,515	22,456,183
Loss attributable to non-controlling interests	0	(1,444)	(15,719)	(5,420)	(13,288)
Comprehensive income attributable to owners of parent	25,647,413	32,938,669	27,701,668	25,380,530	18,981,010
Comprehensive income attributable to non-controlling interests	0	(1,444)	(15,719)	(661)	(9,139)
Earnings per share (EPS)	1.84	2.13	2.07	1.89	1.65

Note : As of the publication date of this annual report, no financial information of 2021 had been audited or reviewed by CPA.

6.1.4 Condensed Unconsolidated Income Statement

Unit: NT\$1,000 (except EPS in NT\$)

Item \ Year	2020	2019	2018	2017	2016
Share of profit of associates and joint ventures accounted for using equity method	25,470,382	29,345,776	27,913,508	25,926,293	23,132,410
Other revenues	118,320	158,590	255,974	188,208	166,501
Operating expenses	(403,919)	(412,436)	(384,452)	(371,553)	(365,275)
Other expenses and losses	(65,046)	(60,937)	(62,002)	(106,228)	(67,257)
Profit from continuing operations before tax	25,119,737	29,030,993	27,723,028	25,636,720	22,866,379
Income tax (expense) benefit	(101,769)	(74,749)	386,136	97,795	(410,196)
Profit for the year	25,017,968	28,956,244	28,109,164	25,734,515	22,456,183
Other comprehensive loss for the period, net of tax	629,445	3,982,425	(407,496)	(353,985)	(3,475,173)
Total comprehensive income for the period	25,647,413	32,938,669	27,701,668	25,380,530	18,981,010
Earnings per share	1.84	2.13	2.07	1.89	1.65

Note : As of the publication date of this annual report, no financial information of 2021 had been audited or reviewed by CPA.

6.1.5 Independent Auditors' Name and Opinion

Year	CPA Firm	CPA's Name	Auditing Opinion
2020	PricewaterhouseCoopers, Taiwan	Shu-Mei Chi, Chung-Hsi Lai	Unqualified Opinion
2019	PricewaterhouseCoopers, Taiwan	Shu-Mei Chi, Chung-Hsi Lai	Unqualified Opinion
2018	PricewaterhouseCoopers, Taiwan	Shu-Mei Chi, Chung-Hsi Lai	Unqualified Opinion
2017	PricewaterhouseCoopers, Taiwan	King-Tse Huang, Chung-Hsi Lai	Unqualified Opinion
2016	PricewaterhouseCoopers, Taiwan	Chien-Hung Chou, King-Tse Huang	Unqualified Opinion

6.2 Five-Year Financial Analysis

Item \ Year		2020	2019	2018	2017	2016
Operating ability	Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02
	Loans to deposits ratio of bank subsidiary (%)	73.09	77.62	82.08	75.14	80.38
	NPL ratio of bank subsidiary (%)	0.21	0.14	0.15	0.13	0.11
	NPL ratio of bills finance subsidiary (%)	0.00	0.00	0.00	0.00	0.00
	Average operating revenue per employee of the Group (NT\$1,000)	6,289	6,676	6,620	6,728	6,546
	Average profit per employee (NT\$1,000)	2,587	2,962	3,019	2,902	2,668
Profitability	Return on total assets (%)	0.66	1.61	1.47	1.26	1.07
	Return on equity (%)	7.69	9.07	9.04	8.72	7.67
	Net income margin (%)	41.14	44.36	45.60	43.13	40.76
	Earnings per share (NT\$)	1.84	2.13	2.07	1.89	1.65
Financial structure (%)	Ratio of liabilities to assets	91.53	91.20	91.13	91.60	91.20
	Ratio of liabilities to net worth	1,080.80	1,036.68	1,027.13	1,089.99	1,036.81
	FHC's double leverage ratio	112.45	111.38	110.56	111.70	110.67
	The financial ratio set by FHC Act §41	-	-	-	-	-
Leverage ratio (%)	Operating leverage ratio	1.13	1.06	1.09	1.17	1.16
	FHC's financial leverage ratio	1.00	1.00	1.00	1.00	1.00
Growth rates (%)	Growth rate of assets	4.69	3.99	(0.15)	6.85	(2.32)
	Growth rate of profit	(13.60)	8.28	6.14	4.88	(20.48)
Cash flow (%)	Cash flow ratio	Note 2	11.69	Note 2	29.06	2.94
	Cash flow adequacy ratio	218.10	234.15	276.18	481.10	336.01
	Cash flow coverage ratio	Note 2	Note 2	Note 2	Note 2	Note 2
Operating scale (%)	Market share of assets	5.86	6.13	6.36	6.76	6.91
	Market share of net worth	6.66	7.29	8.52	8.02	8.69
	Market share of deposits of bank subsidiary	5.84	5.50	5.48	5.81	5.50
	Market Share of loans of bank subsidiary	6.03	5.72	5.95	5.93	5.99

Capital adequacy ratio (%)	Capital adequacy ratio of each subsidiary calculated according to its own industry regulations (%)				
	Mega International Commercial Bank	14.04	13.92	13.86	14.30
	Mega Securities Co., Ltd.	363.03	447.81	500.36	424.69
	Mega Bills Finance Co., Ltd.	13.21	13.58	13.57	13.64
	Chung Kuo Insurance Co., Ltd.	683.99	720.14	762.18	751.95
	Eligible capital of each subsidiary (in NTD thousands)				
	Mega International Commercial Bank	302,458,804	299,282,941	293,769,063	282,955,080
	Mega Securities Co., Ltd.	14,117,338	13,024,144	12,775,462	12,831,508
	Mega Bills Finance Co., Ltd.	38,990,116	36,622,230	34,898,052	35,146,019
	Chung Kuo Insurance Co., Ltd.	7,467,330	7,189,577	7,132,025	6,765,462
	Mega Asset Management Co., Ltd.	2,779,978	2,753,530	2,731,316	2,775,707
	Mega Venture Capital Co., Ltd.	829,781	761,477	713,200	801,698
	Mega Int'l Investment Trust Co., Ltd.	849,740	845,920	820,145	841,988
	Group's net eligible capital	328,305,711	324,651,590	319,151,058	309,989,545
	Statutory capital requirement (in NTD thousands)				
	Mega International Commercial Bank	226,191,970	225,757,313	209,367,448	183,050,518
	Mega Securities Co., Ltd.	5,833,059	4,362,605	3,829,847	4,532,031
	Mega Bills Finance Co., Ltd.	23,605,607	21,575,707	20,568,663	20,619,364
	Chung Kuo Insurance Co., Ltd.	2,183,448	1,996,730	1,871,472	1,799,450
	Mega Asset Management Co., Ltd.	7,157,783	5,823,786	6,435,398	5,967,847
	Mega Venture Capital Co., Ltd.	415,739	380,772	356,699	406,603
	Mega Int'l Investment Trust Co., Ltd.	463,009	470,897	467,823	478,050
	Group's total statutory capital requirement	268,852,024	264,121,493	246,248,635	224,832,106
	Group capital adequacy ratio (%)	122.11	122.92	129.61	137.88
The percentage of credit extension, guarantees or other transaction conducted by all subsidiaries of the Company to the same person, the same related party and the same affiliated enterprise that are subject to disclosure under article 46 of the FHC ACT (%)		970.31	968.98	961.70	1,071.44
Analysis of over 20% change in last two years :					
1. The NPL ratio of bank subsidiary increased by 50% is due to the increase of NPL amount.					
2. Return on total assets decreased by 59% is due to the decrease of profit in 2020.					
3. Growth rate of profit decreased by 264% is due to the decrease of profit in 2020.					

Note 1: As of the publication date of this annual report, no financial information of 2021 had been audited or reviewed by CPA.

Note 2: The net cash flow from operating or investing activities is negative, and therefore not included in the analysis herein.

Formulas of the above financial analysis are as follows:

1. Operating ability

- (1) Total assets turnover = Net revenue / Average total assets
- (2) Loans to deposits ratio of bank subsidiary = Total loans outstanding of bank subsidiary / Total deposits outstanding of bank subsidiary
- (3) NPL ratio of bank subsidiary = Non-performing loans of bank subsidiary / Total loans outstanding of bank subsidiary
- (4) Average operating revenue per employee = Net revenue / Total number of employee
- (5) Average profit per employee = Net income / Total number of employee

2. Profitability

- (1) Return on assets = [Net income + Interest expense \times (1 - Tax rate)] / Average total assets
- (2) Return on equity = Net income / Average equity
- (3) Net profit margin = Net income / Net revenue
- (4) Earnings per share = (Net income attributable to owners of parent - Preferred stock dividend) / Weighted average number of shares outstanding

3. Financial structure

- (1) Ratio of liabilities to assets = Total liabilities / Total assets
- (2) Ratio of liabilities to net worth = Total liabilities / Total equity
- (3) Double leverage ratio of financial holding company = Equity investment made under Paragraph 2 of Article 36 and Article 37 of Financial Holding Company Act / New worth

4. Leverage

- (1) Operating leverage ratio = (Net revenue - Variable cost) / Net income before tax
- (2) Financial leverage ratio of financial holding company = (Net income before tax + Interest expense) / Net income before tax

5. Growth rates

- (1) Growth rate of assets = (Total assets - Total assets of previous year) / Total assets of previous year
- (2) Growth rate of profit = (Net income before tax - Net income before tax of previous year) / Net income before tax of previous year

6. Cash flow

- (1) Cash flow ratio = Net cash provided by operating activities / (Due to other banks and overdrafts + Commercial paper payable + Financial liabilities at fair value through profit or loss + Bills and bonds sold under repurchase agreements + Payables with maturity within one year)
- (2) Cash flow adequacy ratio = Five-year sum of net cash provided by operating activities / Five-year sum of capital expenditures and cash dividend
- (3) Cash flow coverage ratio = Net cash provided by operating activities / Net cash provided by investing activities

7. Operating scale

- (1) Market share of assets = Total assets / Total assets of all financial holding companies
- (2) Market share of new worth = New worth / Total net worth of all financial holding companies
- (3) Market share of deposits of bank subsidiary = Total deposits outstanding / Total deposits of all financial institutions
- (4) Market share of loans of bank subsidiary = Total loans outstanding / Total loans of all financial institutions

8. Capital adequacy

- (1) Group's net eligible capital = eligible capital of the financial holding company + (ownership percentage in subsidiaries \times eligible capital of each subsidiary) - mandatory deductions.
- (2) Group's statutory capital requirement = statutory capital requirement of the financial holding company + ownership percentage in subsidiaries \times statutory capital requirement of each subsidiary.
- (3) Group capital adequacy ratio = Group's net eligible capital / Group's statutory capital requirement

6.2.2

Disclosures of the sum of amounts of endorsements and guarantees provided by all subsidiaries of the Company to the same natural person, same related natural person, or same related company for loans or other transactions:

December 31, 2020 unit: in NTD thousand; %

Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)	Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)
1. Same natural or juridical person			Tatung Co.	5,547,140	1.70
Central Bank of the Republic of China (Taiwan)	364,481,152	111.58	Chang Hwa Commercial Bank, Ltd.	5,529,610	1.69
Government National Mortgage Association	104,487,205	31.99	SAKAI DISPLAY PRODUCTS CORPORATION	5,448,000	1.67
Ministry of Finance	89,422,103	27.38	CHINA GOVERNMENT	5,412,275	1.66
Taiwan Power Company	84,585,319	25.90	Dafu Media Co., Ltd.	5,363,107	1.64
Taiwan High Speed Rail Corporation	47,254,071	14.47	The Export-Import Bank of China	5,183,770	1.59
CPC Corporation, Taiwan	46,063,542	14.10	Formosa Plastics Corporation	5,130,851	1.57
Yuan Lih Constructions Co Ltd.	13,996,477	4.28	THE EXPORT-IMPORT BANK OF KOREA	5,123,227	1.57
YFG SHOPPING CENTRES PTY LTD ATF THE FU	13,569,007	4.15	Formosa Petrochemical Corporation	5,118,028	1.57
Taiwan Semiconductor Manufacturing Company Limited	13,290,266	4.07	Chang Chun Investment Co., Ltd.	5,015,400	1.54
Hon Hai Precision Industry Co., Ltd.	13,220,054	4.05	King's Town Construction Co., Ltd.	4,918,000	1.51
Far EasTone Telecommunications Co., Ltd.	12,197,861	3.73	NATIONAL AUSTRALIA BANK LTD. MELBO	4,880,403	1.49
UNITED STATES TREASURY DEPT	12,158,109	3.72	U-Ming Marine Transport Corporation	4,827,072	1.48
Highwealth Construction Corp.	11,832,978	3.62	CSBC Corporation, Taiwan	4,821,686	1.48
Taiwan Cement Corporation	9,988,642	3.06	China Development Bank	4,581,842	1.40
Nan Ya Plastics Corporation	9,770,771	2.99	Hotai Finance Co., Ltd.	4,557,676	1.40
Taiwan Mobile Co., Ltd.	9,724,469	2.98	Yi Tai Investment Co., Ltd.	4,545,960	1.39
Yageo Corporation	9,271,035	2.84	CTCI Corporation	4,521,128	1.38
Eva Airways Corporation	7,420,514	2.27	Asia Cement Corporation	4,512,365	1.38
Ruentex Development Co., Ltd.	7,245,426	2.22	AU Optonics Corp.	4,462,358	1.37
Run Long Construction Co., Ltd.	7,172,821	2.20	Yieh United Steel Corporation	4,397,720	1.35
GOVERNMENT OF JAPAN	7,150,853	2.19	EVERGREEN MARINE(SINGAPORE) PTE. LTD.	4,266,843	1.31
NAN YA PLASTICS CORPORATION AMERICA	7,023,750	2.15	Ruen Hua Dyeing & Weaving Co., Ltd.	4,255,000	1.30
Lin Yuan Investment Co., Ltd.	6,938,214	2.12	KEB HANA BANK	4,213,380	1.29
China Petrochemical Development Corporation	6,756,106	2.07	Fubon Land Development Co., Ltd.	4,209,739	1.29
Huei Hong Investment Co., Ltd.	6,708,640	2.05	Bank of China	4,206,361	1.29
Rich Development Construction Co., Ltd.	6,596,844	2.02	K. WAH FINANCIAL SERVICES LIMITED	4,077,225	1.25
GREENCOMPASS MARINE S.A.	6,586,576	2.02	Fubon Financial Holding Co., Ltd.	4,061,287	1.24
CHOW TAI FOOK ENTERPRISES LIMITED	6,266,565	1.92	Farglory Land Development Co., Ltd.	4,047,861	1.24
Grand River D. Limited	6,084,371	1.86	Mayfull Corporation	4,021,970	1.23
Chinese Maritime Transport Ltd.	6,031,835	1.85	Siliconware Precision Industries Co., Ltd.	4,000,000	1.22
Chailease Finance Co., Ltd.	5,953,444	1.82	King Yuan Electronics Co., Ltd.	3,970,837	1.22
MUFG Bank Ltd. of Japan, Taipei Branch	5,908,183	1.81	US GOVERNMENT N SOVEREIGNS	3,958,026	1.21
FORMOSA HA TINH (CAYMAN) LIMITED	5,731,380	1.75	BANK OF EAST ASIA LTD HONG KONG	3,918,040	1.20
Wanbao Development Co., Ltd.	5,571,431	1.71	United Microelectronics Corp.	3,901,187	1.19
			ZHEN DING TECHNOLOGY HOLDING LIMITED	3,826,006	1.17
			Uni-President Enterprises Corp.	3,760,596	1.15

Financial Information

Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)	Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)
Far Eastern New Century Corporation	3,753,780	1.15	Mr./Ms.Li	13,628,215	4.17
Chang Chun Petrochemical Co., Ltd.	3,723,041	1.14	Mr./Ms.F	13,590,481	4.16
Ruen Chen Investment Holding	3,648,000	1.12	Mr./Ms.Cheng	13,587,978	4.16
Evergreen Marine Corporation (Taiwan) Ltd.	3,609,431	1.11	Mr./Ms.Lu	13,573,110	4.16
Oriental Petrochemical (Taiwan) Co., Ltd.	3,585,617	1.10	Mr./Ms.Xie	13,321,216	4.08
Yang Ming Marine Transport Corporation	3,471,592	1.06	Mr./Ms. Chang	13,299,560	4.07
Homeplus Digital Co., Ltd.	3,459,598	1.06	Mr./Ms. Tseng	13,220,295	4.05
Huaku Development Co., Ltd.	3,453,673	1.06	Mr./Ms.Li	12,604,062	3.86
Taiyuan Assets Co., Ltd.	3,445,000	1.05	Mr./Ms. Chen	10,580,107	3.24
Advanced Semiconductor Engineering, Inc.	3,435,162	1.05	Mr./Ms.Kuo	9,438,231	2.89
Der Chao Construction Co., Ltd.	3,428,580	1.05	Mr./Ms. Lin	9,365,669	2.87
Sumitomo Mitsui Banking Corporation of Japan, Taipei Branch	3,416,820	1.05	Mr./Ms. Chen	9,052,567	2.77
Fengyi Department Store Co., Ltd.	3,360,000	1.03	Mr./Ms. Lan	8,037,108	2.46
SUNWORLD DYNASTY US HOLDINGS LLC	3,352,857	1.03	Mr./Ms. Tsai	7,419,758	2.27
Winbond Electronics Corporation	3,351,538	1.03	Mr./Ms. Hou	7,257,959	2.22
Central Investment Co., Ltd.	3,345,000	1.02	Mr./Ms.Chiu	7,172,821	2.20
Cheng Uei Precision Industry Co., Ltd.	3,285,815	1.01	Mr./Ms.Miao	6,642,910	2.03
Jun Investment International Co., Ltd.	3,275,141	1.00	Mr./Ms. Zhao	6,066,802	1.86
Synnex Technology International Corporation	3,270,002	1.00	Mr./Ms.Lin	5,940,213	1.82
Jong Shyn Shipbuilding Co., Ltd.	3,265,267	1.00	Mr./Ms. Ho	5,895,385	1.80
Long Terng Construction Co., Ltd.	3,261,749	1.00	Mr./Ms. Wu	5,787,943	1.77
Powerchip Semiconductor Manufacturing Corporation	3,256,700	1.00	Mr./Ms. Wu	5,498,941	1.68
Shin Ruenn Development Co., Ltd.	3,232,233	0.99	Mr./Ms. Wu	5,215,577	1.60
WESTPAC BANKING CORPORATION SYDNEY	3,206,623	0.98	Mr./Ms. Zhu	5,128,061	1.57
Yeashin International Development Co., Ltd.	3,100,517	0.95	Mr./Ms.Chang	5,111,809	1.56
Emirates NBD Bank PJSC	3,099,335	0.95	Mr./Ms.Lai	5,102,411	1.56
COMMONWEALTH BANK OF AUSTRALIA SYD	3,093,563	0.95	Mr./Ms. Huang	5,100,433	1.56
Huayulien Development Co.,Ltd	3,085,900	0.94	Mr./Ms.Yu	4,969,433	1.52
Innolux Corporation	3,081,858	0.94	Mr./Ms. Chang	4,942,752	1.51
INDUSTRIAL AND COMMERCIAL BANK OF CHINA	3,073,379	0.94	Mr./Ms. Yang	4,573,468	1.40
TRONDAGE ENTERPRISES PTY LTD	3,030,608	0.93	Mr./Ms. Hsu	4,543,374	1.39
Cathay Financial Holdings Co., Ltd.	3,010,585	0.92	Mr./Ms.Lin	4,170,443	1.28
2. Principal, his /her spouse, blood relatives within the second degree and enterprises in which the principal or his/her spouse is the responsible person			Mr./Ms.Chien	4,110,460	1.26
Mr./Ms. Chang	47,258,883	14.47	Mr./Ms. Kuo	4,038,689	1.24
Mr./Ms. Tsai	21,469,250	6.57	Mr./Ms.Chang	3,982,640	1.22
Mr./Ms.Tsai	18,668,972	5.72	Mr./Ms. Sheng	3,964,841	1.21
Mr./Ms.Hsu	17,754,869	5.44	Mr./Ms. Han	3,803,297	1.16
Mr./Ms.Lan	15,596,477	4.77	Mr./Ms. Huang	3,657,264	1.12
			Mr./Ms. Lin	3,626,973	1.11
			Mr./Ms. Chiu	3,626,310	1.11
			Mr./Ms. Chou	3,595,428	1.10
			Mr./Ms. Chuang	3,453,673	1.06
			Mr./Ms. Chen	3,429,188	1.05
			Mr./Ms. Xie	3,421,209	1.05
			Mr./Ms. Yeh	3,365,451	1.03



Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)
Mr./Ms. Kao	3,272,390	1.00
Mr./Ms. Chang	3,247,347	0.99
Mr./Ms. Su	3,222,329	0.99
Mr./Ms. Chan	3,172,482	0.97
Mr./Ms. Shih	3,002,402	0.92
3. Same affiliated enterprises		
Taiwan Power Company	84,778,461	25.95
CPC Corporation, Taiwan	46,063,542	14.10
Formosa Plastics Corporation	35,301,036	10.81
Formosa Chemicals & Fibre Corp.	33,146,481	10.15
Nan Ya Plastics Corporation	32,813,053	10.05
Formosa Petrochemical Corporation	30,699,516	9.40
Huei Hong Investment Co., Ltd.	27,675,413	8.47
Ruentex Xing Co., Ltd.	26,892,967	8.23
Fu-Da Transport Corporation	26,754,250	8.19
Ruen Chen Investment Holding	24,722,313	7.57
Ren Ying Industrial Co., Ltd.	23,594,967	7.22
Far Eastern New Century Corporation	22,691,148	6.95
Far Eastern Medical Foundation	20,660,860	6.33
Ruentex Industries Co., Ltd.	19,769,992	6.05
Highwealth Construction Corp.	19,221,220	5.88
FOXCONN(FAR EAST) LTD.	17,335,010	5.31
Far EasTone Telecommunications Co., Ltd.	17,045,152	5.22
TRONDAGE ENTERPRISES PTY LTD	16,599,615	5.08
Far Eastern Construction Co., Ltd.	16,360,731	5.01
Hon Hai Precision Industry Co., Ltd.	15,348,550	4.70
Ennoconn Corporation	15,297,526	4.68
Chuan Lian Enterprise Co., Ltd.	15,161,477	4.64
Taiwan Cement Corporation	14,945,606	4.58
FOXCONN VENTURES PTE. LTD	14,607,295	4.47
CHAILLEASE HOLDINGS LTD.	14,150,149	4.33
Onyx Ta-Ho Environmental Services Co., Ltd.	13,680,114	4.19
Chuangju Limited Partnership	13,638,885	4.18
Asia Pacific Telecom Co., Ltd.	13,577,308	4.16
China Steel Corporation	13,520,599	4.14
Evergreen Marine Corporation (Taiwan) Ltd.	13,492,689	4.13
Foxsemicon Integrated Technology Inc.	13,469,166	4.12
Ruentex Development Co., Ltd.	13,431,853	4.11
Taiwan Semiconductor Manufacturing Company Limited	13,303,037	4.07
International CSRC Investment Holdings Co., Ltd.	12,660,081	3.88
Yieh Hsing Enterprise Co., Ltd.	10,965,683	3.36
Chow Tai Fook Enterprises Limited	10,769,608	3.30

Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)
ASE Technology Holding Co., Ltd.	10,469,884	3.21
Feng Shehg Enterprise Company	10,420,535	3.19
Lih Pao Construction Co., Ltd.	10,163,816	3.11
Yageo Corporation	10,143,999	3.11
Taiwan Mobile Co., Ltd.	9,778,364	2.99
Rich Development Construction Co., Ltd.	9,636,212	2.95
Oriental Petrochemical (Taiwan) Co., Ltd.	9,175,944	2.81
Evergreen Air Cargo Services Corporation	9,048,035	2.77
Uni Airways Corporation	9,035,143	2.77
Pegatron Corporation	8,816,744	2.70
Dao Ying Co., Ltd.	8,785,830	2.69
Uni-President Enterprises Corp.	8,598,426	2.63
Asia Cement Corporation	8,571,990	2.62
Yuanxiang Construction Co., Ltd.	8,384,217	2.57
Wisdom Marine International Inc.	8,274,328	2.53
E-Da Development Corp.	8,193,621	2.51
China Airlines Ltd.	8,044,042	2.46
Eliter International Corporation	8,025,584	2.46
Yieh United Steel Corporation	8,018,134	2.45
Yieh Phui Enterprise Co., Ltd.	7,990,654	2.45
Ching Chen Construction Co., Ltd.	7,940,190	2.43
King's Town Construction Co., LTD	7,795,190	2.39
ASIAZONE CO., LIMITE	7,774,525	2.38
Lealea Enterprise Co., Ltd.	7,729,585	2.37
Regiant Industrial Co., Ltd.	7,665,359	2.35
Walsin Lihwa Corporation	7,624,374	2.33
Yieh Mau Corp.	7,493,144	2.29
China Steel Structure Co., Ltd.	7,477,229	2.29
Evergreen International Storage & Transport Corporation	7,475,620	2.29
Excellent Rewards International Co., Ltd.	7,335,005	2.25
U-Ming Marine Transport Corporation	7,254,286	2.22
China Petrochemical Development Corporation	7,206,109	2.21
Ya Tung Ready Mixed Concrete Co., Ltd.	7,134,990	2.18
CMT Logistics Co., Ltd.	7,105,160	2.18
NAN YA PLASTICS CORPORATION AMERICA	7,023,750	2.15
Jiarui Development Co., Ltd.	6,996,151	2.14
Qisda Corporation	6,884,490	2.11
Dafu Media Co., Ltd.	6,792,414	2.08
Cheng Shin Rubber Ind. Co., Ltd.	6,679,211	2.04
Associated Transport Inc.	6,571,835	2.01
AU Optronics Corp.	6,384,665	1.95
Yulon Motor Co., Ltd.	6,341,102	1.94
Grand River D. Limited	6,084,371	1.86

Financial Information

Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)	Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)
Shin Ruenn Development Co., Ltd.	6,043,322	1.85	TAC Finance Leasing Co., Ltd.	4,122,471	1.26
Daxin Materials Corp.	5,933,822	1.82	Sun-In Construction & Development Co., Ltd.	4,099,769	1.26
Tatung Co.	5,916,613	1.81	K. WAH FINANCIAL SERVICES LIMITED	4,077,225	1.25
Ima Foods Corporation	5,859,011	1.79	UNI-PRESIDENT VIETNAM CO. LTD	4,067,740	1.25
Elitegroup Computer Systems Co., Ltd.	5,803,802	1.78	UNI-PRESIDENT SOUTHEAST ASIA HOLDINGS LIMITED	4,050,222	1.24
CTCI Corporation	5,735,269	1.76	United Microelectronics Corp.	4,020,524	1.23
Prince Housing & Development Corp.	5,712,854	1.75	Fumao Development (Cayman) Co., Ltd.	3,992,147	1.22
WPG Holdings Limited	5,699,692	1.74	YFY Inc.	3,970,341	1.22
Lien Hwa Industrial Holdings Corporation	5,647,845	1.73	MITAC Holdings Corporation	3,849,951	1.18
Yang Ming Marine Transport Corporation	5,631,977	1.72	Cheng Loong Corporation	3,817,900	1.17
CTCI-HDEC (Chungli) Corporation	5,602,597	1.72	Quanta Computer Inc.	3,795,031	1.16
Oriental Union Chemical Corporation	5,576,684	1.71	San-Ching Engineering Co., Ltd.	3,790,010	1.16
SAKAI DISPLAY PRODUCTS CORPORATION	5,448,000	1.67	TTET Union Corporation	3,775,343	1.16
Hoyun International Lease Co., Ltd.	5,315,690	1.63	Foxwell Energy Corporation Ltd.	3,770,857	1.15
SOFTBANK GROUP CORP.	5,200,649	1.59	Linde Lienhwa Industrial Gases Co., Ltd.	3,769,743	1.15
Central Investment Co., Ltd.	5,174,798	1.58	Taiwan Glass Industry Corp.	3,764,117	1.15
Shih Wei Navigation Co., Ltd.	5,119,751	1.57	Yi Jinn Industrial Co., Ltd.	3,708,411	1.14
Edora Park Co., Ltd.	5,103,941	1.56	Shin Yang Steel Co., Ltd.	3,681,534	1.13
Zhongtai Hotel Co., Ltd.	5,090,510	1.56	Starlux Airlines Co., Ltd.	3,609,620	1.11
SAN MIGUEL CORPORATION	5,075,128	1.55	China Steel Chemical Corporation	3,583,530	1.10
CSBC Corporation, Taiwan	4,951,182	1.52	JSL Entertainment Co., Ltd.	3,572,168	1.09
Advanced Semiconductor Engineering, Inc.	4,890,421	1.50	Well Shipmanagement and Maritime Consultant Co., Ltd.	3,560,055	1.09
Cheng Uei Precision Industry Co., Ltd.	4,848,357	1.48	Carplus Leasing Co., Ltd.	3,533,948	1.08
Everlasting Cable TV Co., Ltd.	4,829,495	1.48	Far Eastern Department Store Co., Ltd.	3,529,974	1.08
Boardtek Electronics Corporation	4,795,144	1.47	Carplus Auto Leasing Corporation	3,464,274	1.06
Chang Chun Petrochemical Co., Ltd.	4,793,972	1.47	Huaku Development Co., Ltd.	3,453,673	1.06
Radium Life Tech Co., Ltd.	4,648,750	1.42	Shinkong Synthetic Fibers Corp.	3,453,232	1.06
Shin Kong Mitsukoshi	4,641,051	1.42	Taiyuan Assets Co., Ltd.	3,445,000	1.05
Hsiang Ho Fishery Co., Ltd.	4,614,678	1.41	Der Chao Construction Co., Ltd.	3,428,580	1.05
Guanhong Development Co., Ltd.	4,561,332	1.40	Kee Tai Properties Co. Ltd.	3,359,688	1.03
Lextar Electronics Corp.	4,521,580	1.38	Wan Hai Lines Ltd.	3,337,120	1.02
JSL Construction & Development Co., Ltd.	4,479,140	1.37	Yeashin Inter. Development Co., Ltd.	3,265,197	1.00
Pou Chen Corporation	4,440,162	1.36	Ying Fong Construction Co., Ltd.	3,264,935	1.00
L&K Engineering Co., Ltd.	4,435,734	1.36	China Prosperity Development Corporation	3,262,724	1.00
King Yuan Electronics Co., Ltd.	4,328,988	1.33	Powerchip Semiconductor Manufacturing Corporation	3,256,700	1.00
Hengshang Investment Co., Ltd.	4,322,874	1.32	Innolux Corporation	3,239,158	0.99
United Steel Engineering & Construction Corporation	4,307,246	1.32	Peng Cheng Construction Co., Ltd.	3,218,520	0.99
An Hei Construction Co., Ltd.	4,268,397	1.31	Supreme Electronics Co., Ltd.	3,163,124	0.97
Mediatek Inc.	4,268,145	1.31	Chicony Industrial (Wuhan) Co., Ltd.	3,153,273	0.97
EVERGREEN MARINE(SINGAPORE) PTE. LTD.	4,266,843	1.31	Fabulous Cultural & Creative Enterprise Co., Ltd.	3,075,100	0.94
Fengyi Department Store Co., Ltd.	4,212,205	1.29			
BANK OF COMMUNICATIONS CO. LTD.	4,127,857	1.26			



6.3 Audit Committee's Review Report

Mega Financial Holding Co., Ltd. Audit Committee's 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

6.4 Consolidated Financial Statements

Report of Independent Accountants

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.
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

CS-Hsi Lai

Chi, Shu-Mei

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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)

			December 31, 2020		December 31, 2019	
	Items	Notes	Amount	%	Amount	%
	Assets					
11000	Cash and cash equivalents	6(1)	\$ 119,427,578	3	\$ 146,189,216	4
11500	Due from the Central Bank and call loans to banks	6(2) and 11	375,465,228	10	487,453,457	13
12000	Financial assets at fair value through profit or loss	6(3), 11 and 12	228,608,073	6	208,313,130	6
12150	Financial assets at fair value through other comprehensive income	6(4) and 12	560,779,813	15	536,232,599	15
12200	Investments in debt instruments at amortised cost	6(5) and 12	534,327,284	14	275,214,156	7
12500	Securities purchased under resell agreements		950,137	-	3,584,364	-
13000	Receivables, net	6(6)	89,970,775	2	99,308,276	3
13200	Current tax assets		379,014	-	483,744	-
13300	Assets classified as held for sale, net	6(8)(15) and 12	15,813	-	276,900	-
13500	Loans discounted, net	6(7) and 11	1,889,958,222	49	1,873,677,834	51
13700	Reinsurance contract assets, net	6(9)(26)	5,170,035	-	3,984,617	-
15000	Investments accounted for using equity method, net	6(10)	5,519,229	-	3,115,829	-
15500	Other financial assets, net	6(11) and 12	5,134,375	-	7,418,321	-
18000	Investment property, net	6(14) and 12	1,111,518	-	1,025,375	-
18500	Property and equipment, net	6(15) and 12	21,950,817	1	22,080,894	1
18600	Right-of-use asset, net	6(12)	1,837,841	-	1,777,500	-
19000	Intangible assets, net		960,918	-	610,731	-
19300	Deferred income tax assets	6(41)	5,629,637	-	5,801,886	-
19500	Other assets, net	6(16) and 12	9,180,225	-	6,998,951	-
	Total Assets		\$ 3,856,376,532	100	\$ 3,683,547,780	100
	Liabilities					
21000	Deposits from the Central Bank and banks	6(17) and 11	\$ 405,296,111	11	\$ 420,833,162	11
21500	Due to the Central Bank and banks	6(18)	20,363,979	1	21,161,321	1
22000	Financial liabilities at fair value through profit or loss	6(19)	20,934,933	1	22,115,709	1
22500	Securities sold under repurchase agreements	6(20)	269,355,119	7	259,192,262	7
22600	Commercial paper issued, net	6(21) and 11	22,392,125	1	19,963,897	1
23000	Payables	6(22)	89,502,574	2	75,207,489	2
23200	Current tax liabilities		11,007,264	-	9,149,946	-
23500	Deposits and remittances	6(23)	2,613,890,191	68	2,459,457,135	67
24000	Bonds payable	6(24)	18,000,000	-	12,000,000	-
24400	Other borrowings	6(25)	338,028	-	3,464,909	-
24600	Provisions	6(26)	30,059,406	1	28,110,114	1
25500	Other financial liabilities	6(27)	13,160,602	-	15,818,346	-
26000	Lease liabilities	6(12)	1,881,625	-	1,801,315	-
29300	Deferred income tax liabilities	6(41)	3,370,193	-	3,164,054	-
29500	Other liabilities	6(28)	10,235,422	-	8,046,873	-
	Total Liabilities		3,529,787,572	92	3,359,486,532	91
	Equity					
	Equity attributable to owners of parent					
31100	Capital					
31101	Common stock	6(29)	135,998,240	3	135,998,240	4
31500	Capital surplus	6(29)	68,194,233	2	68,194,233	2
	Retained earnings					
32001	Legal reserve	6(29)	40,962,325	1	38,066,701	1
32003	Special reserve	6(29)	2,538,952	-	2,545,151	-
32011	Unappropriated earnings	6(30)	64,706,477	2	66,899,512	2
	Other equity interest					
32500	Other equity interest	6(31)	14,188,733	-	12,357,411	-
	Total Equity		326,588,960	8	324,061,248	9
	TOTAL LIABILITIES AND EQUITY		\$ 3,856,376,532	100	\$ 3,683,547,780	100

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

Financial Information

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

			Year ended December 31				Change percentage (%)
			2020		2019		
			Items	Notes	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		31,550,874	52	35,066,848	54	(10)
	Net revenue other than interest						
49800	Net service fee revenue and commissions	6(33)	9,876,263	16	9,236,835	14	7
49810	Net insurance revenue		2,042,767	3	1,700,648	3	20
49820	Gain on financial assets and liabilities at fair value through profit or loss	6(34) and 11	9,002,001	15	12,022,391	19	(25)
49825	Gain on investment property	6(8)(14)	357,223	1	91,876	-	289
49835	Realized gain on financial assets at fair value through other comprehensive income	6(4)(35)	5,568,609	9	3,427,508	5	62
49850	Loss arising from derecognition of financial assets measured at amortised cost	6(5)	(155,917)	-	(4)	-	3897825
49870	Foreign exchange gains		1,399,058	2	2,175,522	3	(36)
49890	Share of (loss) profit of associates and joint ventures accounted for using equity method	6(10)	(19,633)	-	145,443	-	(113)
49898	Gain (loss) on reclassification under the overlay approach	6(3)(31)	37,841	-	(104,084)	-	(136)
48000	Net other revenue other than interest income	6(37)	1,213,657	2	1,542,353	2	(21)
55000	Impairment losses on assets	6(36)	(62,821)	-	(30,474)	-	106
	Net revenue		60,809,922	100	65,274,862	100	(7)
58100	Bad debts expense, commitment and guarantee liability provision	6(9)(11) and 8(3)	(2,151,568)	(4)	(687,183)	(1)	213
58300	Net change in provisions for insurance liabilities	6(26)	(227,160)	-	(34,968)	-	550
	Operating expenses						
58501	Employee benefit expenses	6(38)	(19,736,020)	(32)	(19,538,641)	(30)	1
58503	Depreciation and amortization expense	6(39)	(1,544,318)	(3)	(1,456,326)	(3)	6
58599	Other general and administrative expenses	6(40)	(7,820,218)	(13)	(9,903,470)	(15)	(21)
61000	Profit from continuing operations before tax		29,330,638	48	33,654,274	51	(13)
61003	Income tax expense	6(41)	(4,312,670)	(7)	(4,699,474)	(7)	(8)
69000	Profit		\$ 25,017,968	41	\$ 28,954,800	44	(14)
	Components of other comprehensive income that will not be reclassified to profit or loss, net of tax						
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)
	Components of other comprehensive income that will be reclassified to profit or loss, net of tax						
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	Other comprehensive income		629,445	1	3,982,425	6	(84)
69700	Total comprehensive income		\$ 25,647,413	42	\$ 32,937,225	50	(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)
			\$ 25,017,968	41	\$ 28,954,800	44	(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)
			\$ 25,647,413	42	\$ 32,937,225	50	(22)
	Earnings per share						
70000	Basic and diluted earnings per share (in dollars)	6(42)	\$ 1.84		\$ 2.13		

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)

		For the years ended December 31	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 29,330,638	\$ 33,654,274
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(39)	1,467,409	1,384,068
Amortization expense	6(39)	76,909	72,258
Bad debts expense, commitment and guarantee liability provision		2,151,568	687,183
Interest expense	6(32)	18,173,179	36,614,396
Interest income	6(32)	(49,724,053)	(71,681,244)
Dividend income	6(34)(35)	(1,833,208)	(1,896,440)
Net change in provisions for insurance liabilities		227,160	34,968
Impairment losses on assets	6(36)	62,821	30,474
Gain on disposal of property and equipment		(561)	(35)
Gain on disposal of investment property		-	(25,199)
Gain on disposal of assets classified as held for sale	6(8)	(334,651)	(55,980)
Share of loss (profit) of associates accounted for using equity method	6(10)	19,633	(145,443)
(Profit) loss reclassified by applying overlay approach	6(3)	(37,841)	104,084
Changes in operating assets and liabilities			
Changes in operating assets			
(Increase) decrease in due from Central Bank and call loans to other banks		(42,487,815)	19,115,755
Increase in financial assets at fair value through profit or loss		(20,294,943)	(12,112,100)
Increase in financial assets at fair value through other comprehensive income		(21,584,077)	(109,190,792)
Increase in investments in debt instruments measured at amortised cost		(259,124,391)	(2,297,550)
Decrease (increase) in receivables		7,427,837	(6,998,218)
Increase in discounts and loans		(18,623,564)	(10,377,993)
Increase in reinsurance contract assets		(1,185,418)	(130,153)
Increase in other financial assets		(226,808)	(2,256,431)
Increase in other assets		(1,865,190)	(3,615,295)
Changes in operating liabilities			
(Decrease) increase in deposits from the Central Bank and banks		(15,537,051)	9,189,774
Decrease in financial liabilities at fair value through profit or loss		(1,180,776)	(5,241,753)
Increase in bills and bonds purchased under resale agreements		10,162,857	6,893,997
Increase in payables		14,269,286	6,073,689
Increase in deposits and remittances		154,433,056	138,819,872
(Decrease) increase in other financial liabilities		(2,657,744)	492,979
Increase in liabilities reserve		1,194,669	427,476
Increase in other liabilities		989,186	621,512
Cash (outflow) inflow generated from operations		(196,711,883)	28,192,133
Interest received		51,685,274	72,287,776
Cash dividend received		1,978,950	2,044,738
Interest paid		(20,524,076)	(36,228,366)
Income tax paid		(1,843,956)	(2,503,981)
Net cash flows (used in) from operating activities		(165,415,691)	63,792,300
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	6(15)	(\$ 774,165)	(\$ 876,055)
Proceeds from disposal of property and equipment		2,160	774
Acquisition of intangible assets		(733,515)	(461,912)
Acquisition of investment properties		(93,642)	(549)
Proceeds from disposal of investment property		-	426,010
Proceeds from disposal of assets classified as held for sale	6(8)	611,551	110,050
Proceeds from capital reduction of liquidation		-	75,754
Net cash flows used in investing activities		(987,611)	(725,928)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in due to the Central Bank and banks		(797,342)	(32,759,560)
Increase in commercial papers payable		2,423,000	4,038,000
Proceeds from issuing bonds		5,000,000	-
Increase (decrease) in bank notes payable		1,000,000	(1,300,000)
Decrease in other borrowings		(3,126,881)	(1,469,620)
Increase in guarantee deposits received		1,220,380	152,040
Cash dividends paid	6(30)	(20,737,777)	(20,737,777)
Payment of lease liabilities	6(12)	(574,619)	(557,437)
Changes in non-controlling interests		-	(11,705)
Net cash flows used in financing activities		(15,593,239)	(52,646,059)
Effect of exchange rate changes on cash and cash equivalents		(1,875,383)	(581,672)
Net (decrease) increase in cash and cash equivalents		(183,871,924)	9,838,641
Cash and cash equivalents at beginning of year		496,998,144	487,159,503
Cash and cash equivalents at end of year		\$ 313,126,220	\$ 496,998,144
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		\$ 313,126,220	\$ 496,998,144

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

Financial Information

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

	Notes	Share capital- common stock	Capital Surplus
<u>For the year ended December 31, 2019</u>			
Equity at beginning of year		\$ 135,998,240	\$ 68,194,233
Profit (loss)		-	-
Other comprehensive income (loss)	6(31)	-	-
Total comprehensive income (loss)		-	-
Earnings distribution for 2018			
Legal reserve		-	-
Cash dividends		-	-
Disposal of investment in equity instruments designated at fair value through other comprehensive income	6(4)	-	-
Changes in non-controlling interests		-	-
Equity at end of year		\$ 135,998,240	\$ 68,194,233
<u>For the year ended December 31, 2020</u>			
Equity at beginning of year		\$ 135,998,240	\$ 68,194,233
Profit		-	-
Other comprehensive income (loss)	6(31)	-	-
Total comprehensive income (loss)		-	-
Earnings distribution for 2019			
Legal reserve		-	-
Reversal of special reserve		-	-
Cash dividends		-	-
Disposal of investment in equity instruments designated at fair value through other comprehensive income	6(4)	-	-
Equity at end of year		\$ 135,998,240	\$ 68,194,233

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



Equity attributable to owners of the parent									
Retained Earnings			Other equity interest				Total	Non-controlling interests	Total equity
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			
\$ 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
-	-	(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
2,810,917	-	(2,810,917)	-	-	-	-	-	-	-
-	-	(23,119,701)	-	-	-	-	(23,119,701)	-	(23,119,701)
-	-	(152,934)	-	152,934	-	-	-	-	-
-	-	-	-	-	-	-	-	(11,705)	(11,705)
\$ 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
\$ 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
-	-	(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
2,895,624	-	(2,895,624)	-	-	-	-	-	-	-
-	(6,199)	6,199	-	-	-	-	-	-	-
-	-	(23,119,701)	-	-	-	-	(23,119,701)	-	(23,119,701)
-	-	(685,802)	-	685,802	-	-	-	-	-
\$ 40,962,325	\$ 2,538,952	\$ 64,706,477	(\$ 4,107,628)	\$ 18,349,008	(\$ 35,934)	(\$ 16,713)	\$ 326,588,960	\$ -	\$ 326,588,960

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

1. ORGANIZATION AND OPERATIONS

- (1) CTB Financial Holding Co., Ltd. was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.), and was formed by Chiao Tung Bank Co., Ltd. (“CTB”) and International Securities Co., Ltd. (“IS”) through a share swap on February 4, 2002 pursuant to the Financial Holding Company Act and other related laws. The Company’s shares have been publicly traded on the Taiwan Stock Exchange since February 4, 2002. On August 22, 2002, the Company further acquired Chung Hsing Bills Finance Corporation and Barits Securities Co., Ltd. (“BS”) (which later merged with IS on January 31, 2003, with IS being the surviving entity and was later renamed Barits International Securities Co., Ltd. (“BIS”) as one of the subsidiaries of the Company through a second share swap. On December 31, 2002, the Company also acquired 100% equity stock in both International Commercial Bank of China (“ICBC”), an investee of the Company originally accounted for by the equity method with a 28% equity interest, and Chung Kuo Insurance Co., Ltd. (“CKI”) through a further share swap and changed its name from CTB Financial Holding Co., Ltd. to Mega Financial Holding Co., Ltd. (the “Company”). During the period from 2003 to 2005, the Company had made investments in Mega Asset Management Co., Ltd. (“MAM”), Mega Investment Trust Co., Ltd. (“MITC”), Mega Life Insurance Agency Co., Ltd. (“MLIAC”) and Mega CTB Venture Capital Co., Ltd. (“Mega CTB Venture Capital”). On May 23, 2006, International Investment Trust Co., Ltd. (“IIT”) was acquired by the Company and ICBC through cash injection of capital.
- (2) In order to expand the economic scale of its business operations, two of the Company’s subsidiaries, CTB and ICBC, entered into a merger agreement, effective from August 21, 2006, which is to be implemented by way of “absorption”, with CTB being the dissolving bank and ICBC, later renamed Mega International Commercial Bank Co., Ltd. (“MICB”) being the surviving bank. In addition, IIT and MITC entered into a merger agreement, with MITC as the dissolving company and IIT simultaneously renamed Mega International Investment Trust Co., Ltd., (“MITC”) being the surviving company, effective from September 17, 2007.
- (3) The Company’s subsidiary-MICB merged with the subsidiary-MLIAC due to Group reorganisation, and the effective date for this merger was set on May 12, 2020.
- (4) The number of employees of the Company and its subsidiaries (collectively referred herein as the “Mega Group”) was 9,669 and 9,777 as of December 31, 2020 and 2019, respectively.
- (5) The Company is mainly engaged in investment activities approved by the governing authorities and management of the investee companies.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors and issued on March 23, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020(Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact on the Mega Group’s financial condition and financial performance based on the Mega Group’s assessment.

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Mega Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform-Phase 2’	January 1, 2021



Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment:

A. Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform—Phase 2'

The amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Given the pervasive nature of IBOR-based contracts, the amendments provide accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform, end date for Phase 1 relief for non contractually specified risk components in hedging relationships, additional temporary exceptions from applying specific hedge accounting requirements, and Additional IFRS 7 disclosures related to IBOR reform.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

Except for the following, the above standards and interpretations have no significant impact on the Mega Group's financial condition and financial performance based on the Mega Group's assessment. The quantitative impact will be disclosed when the assessment is complete:

A. IFRS 17, 'Insurance Contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held—recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in these consolidated financial statements are set out below. These accounting policies set out below have been consistently applied to all the periods presented in consolidated financial statements, unless otherwise stated.

(1) Compliance statement

The accompanying consolidated financial statements of the Mega Group are prepared in conformity 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 Publicly 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.

(2) Basis for preparation

- A. The consolidated financial statements consist of the consolidated balance sheet, consolidated statement of comprehensive income (showing components of profit or loss and components of other comprehensive income.), consolidated statement of changes in equity, consolidated statement of cash flows and the related notes.
- B. Except for financial assets and financial liabilities (including derivative instruments) recognised at fair value, financial assets at fair value through other comprehensive income, defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, and insurance liabilities and reinsurance reserve assets measured based on the laws and regulations of the insurance industry, and these consolidated financial statements have been prepared under the historical cost convention.
- C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Mega Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis for preparation of consolidated financial statements

- A. The Mega Group prepares the consolidated financial statements by aggregating the Company's and its subsidiaries' assets, liabilities, revenues and gains, and expenses and losses accounts, which have been eliminated versus owners' equity during the consolidation. In addition, the Mega Group's financial statements are prepared in the same reporting period. The accounts on the accompanying consolidated financial statements are not categorized into current and non-current items. The related accounts are properly categorized according to the nature of each accounts, and sequenced by their liquidity.
- B. The names of the subsidiaries that are included in the consolidated financial statements and the percentage of Company's ownership in each subsidiary are set forth below:

Investor	Subsidiary	Ownership (%)		Remark
		December 31, 2020	December 31, 2019	
The Company	Mega International Commercial Bank Co., Ltd ("MICB")	100.00	100.00	Note 1
The Company	Mega Securities Co., Ltd ("MS")	100.00	100.00	Note 2
The Company	Mega Bills Finance Co., Ltd ("MBF")	100.00	100.00	Note 3
The Company	Mega International Investment Trust Co., Ltd ("MITC")	100.00	100.00	Note 4
The Company	Chung Kuo Insurance Co., Ltd ("CKI")	100.00	100.00	Note 5
The Company	Mega Asset Management Co., Ltd ("MAM")	100.00	100.00	Note 6
The Company	Mega Venture Capital	100.00	100.00	Note 7
The Company	Mega Life Insurance Agency Co., Ltd.	-	100.00	Note 8
MICB	Mega International Commercial Bank Public Co., Ltd ("MICBPC")	100.00	100.00	Note 9
MS	Mega Futures Co., Ltd ("MF")	100.00	100.00	Note 10
MS	Mega International Securities Investment Consulting Co.Ltd.	100.00	100.00	Note 11
MICB, MS and CKI	Mega I Venture Capital	-	-	Note 12

- (1) MICB is mainly engaged in extending medium-term and long-term loans, equity and venture capital investments, international banking and trust related business. In line with the government's economic policy and economic development programs, MICB also assists major industries in developing strategies for improving the industrial infrastructure and promotes industrial development of ROC.
- (2) Principal activities of MS include underwriting, brokerage and proprietary trading of securities, margin trading of securities and bills, issuance of stock warrants, brokerage of overseas securities, and proprietary trading of futures.
- (3) MBF is mainly engaged in proprietary trading, brokerage and underwriting of short-term notes and bills and financial bonds, provision of guarantees for short-term notes and bills, arrangement of inter-bank call loans, corporate financial consulting and proprietary trading of government bonds and corporate bonds.
- (4) MITC is primarily engaged in investment trust related businesses.
- (5) CKI is primarily engaged in general insurance business.
- (6) MAM is primarily engaged in purchases, evaluations, auctions, and management of financial institutions' loan assets.
- (7) Mega Venture Capital is primarily engaged in venture capital investments as well as providing operational, managerial and consulting services.
- (8) Mega Life Insurance Agency Co., Ltd. is primarily engaged in the business of life insurance agency. On April 23, 2019, the Board of Directors of the Company during its meeting resolved to merge MLIAC into the subsidiary-MICB. On April 10, 2020, the Board of Directors of the subsidiary-MICB during their meeting resolved to merge with the subsidiary- MLIAC and establish the life insurance agency office. The merger was completed on May 12, 2020.
- (9) MICBPC is mainly engaged in accepting deposits, negotiation of import/export bills, collections and exchange of foreign currencies and extension of credits.
- (10) Mega Futures Co., Ltd. ("MF") is mainly engaged in brokerage of domestic and foreign futures trading, and settlement and consulting services for domestic futures trading.
- (11) Mega International Securities Investment Consulting Co., Ltd. is 100% owned by MS, and is mainly engaged in investment consulting services.
- (12) Mega I Venture Capital is 40% owned jointly by MICB, MS and CKI with a total investment amount of \$135 million. Mega I Venture Capital is primarily engaged in venture capital activities and it is regarded as a subsidiary in which the Company has control due to the Company's significant influence over its financial, operational and personnel policies. On May 13, 2019, the Board of Directors of the subsidiary during its meeting resolved to dissolve and liquidate of the subsidiary, and the liquidation was completed on November 20, 2019.



C. Details of the Company's subsidiaries that are not included in the consolidated financial statements are set forth below:

Investor	Subsidiary	Ownership (%)		Business Activities
		December 31, 2020	December 31, 2019	
MICB	Mega Management Consulting Corporation	100.00	100.00	Management consulting
MICB	Cathay Investment & Warehousing Ltd.	100.00	100.00	Real estate investments and leases
MICB	Ramlett Finance Holdings Inc.	100.00	100.00	Real estate investments and leases
MICB	Yung Shing Industries Co.	99.56	99.56	Agency services for industrial and mining related businesses, import and export related businesses, services requested by customers
MICB	China Products Trading Company	68.27	68.27	Transportation and storage of farming products and by-products, and investments in the related businesses
Yung Shing Industries Co.	Win Card Co., Ltd.	100.00	100.00	Business administration consulting, advertising, and management of past due accounts receivable
Yung Shing Industries Co.	ICBC Asset Management & Consulting Co., Ltd.	100.00	100.00	Investment consulting, corporate management consulting and venture investment management consulting

As the individual total assets or operating revenue amounts of the above subsidiaries are immaterial, the accounts of these subsidiaries are not included in the Mega Group's consolidated financial statements although the Mega Group holds more than 50% equity interest in these subsidiaries. The investments of certain subsidiaries are accounted for under the equity method.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. All subsidiaries are included in the Mega Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Mega Group. The Mega Group controls an entity when the Mega Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date the Mega Group obtains control of the subsidiaries and ceases when the Mega Group loses control of the subsidiaries.

G. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

H. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

I. When the Mega Group loses control of a subsidiary, the Mega Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Mega Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(4) Foreign currency translations

A. Functional and presentation currency

Items included in the financial statements of each of the Mega Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Mega Group's presentation currency.

B. Transactions and balances

The transactions denominated in foreign currency or to be settled in foreign currency are translated into a functional currency at the spot exchange rate between the functional currency and the underlying foreign currency on the date of the transaction.

Foreign currency monetary items should be reported using the closing rate (market exchange rate) at the date of each balance sheet. When multiple exchange rates are available for use, they should be reported using the rate that would be used to settle the future cash flows of the foreign currency transactions or balances at the measurement date. Foreign currency non-monetary items measured at historical cost should be reported using the exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value should be reported at the rate that existed when the fair values were determined.

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements are reported in profit or loss in the period, with one exception. The exception is that exchange differences associated with the gains or losses of the parts of effective hedges of cash flow hedges or hedges of net investments in foreign operations are recognised in other comprehensive income.

If a gain or loss on a non-monetary item is recognised in other comprehensive income, any foreign exchange component of that gain or loss is also recognised in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognised in profit or loss, any foreign exchange component of that gain or loss is also recognised in profit or loss.

C. Translation of foreign operations

The operating results and financial position of all the Mega Group's entities in the consolidated financial statements that have a functional currency (which is not the currency of a hyperinflationary economy) different from the presentation currency are translated into the presentation currency as follows:

- (A) Assets and liabilities presented are translated at the Mega Group's closing exchange rate at the date of that balance sheet;
- (B) The profit and loss presented is translated by the average exchange rate in the period (except for the situation that the exchange rate on the trade date shall be adopted when the exchange rate fluctuate rapidly); and
- (C) All resulting exchange differences are recognised in other comprehensive income.

The translation differences arising from above processes are recognised as 'Exchange differences arising on translation of foreign operations' under equity items.

(5) Cash and cash equivalents

"Cash and cash equivalents" in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In respect of the consolidated statements of cash flows, cash include cash and cash equivalents shown in the consolidated balance sheet, investments in securities under resell agreements satisfying the definition of cash and cash equivalents in IAS 7 as approved by FSC.

(6) Securities under repurchase or resell agreements

The transactions of securities with a condition of repurchase agreement or resell agreement are accounted for under the financing method. The interest expense and interest income are recognised as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognised at the date of sale or purchase.

(7) Financial assets or liabilities

The financial assets and liabilities of the Mega Group including derivatives are recognised in the consolidated balance sheet and are properly classified in accordance with IFRSs as endorsed by FSC.

A. Financial assets

Financial assets owned by the Mega Group are classified based on both the Mega Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset into 'loans discounted, net', 'receivables', 'financial assets at fair value through profit or loss', 'financial assets at fair value through comprehensive income', and 'investments in debt instrument at amortised cost'.

Business model refers to the method by which the Mega Group manages the financial assets to generate cash flows, which originates from collecting contractual cash flows, selling financial assets, or both. When determining whether the contractual cash flows of the asset are solely payments of principal and interest on principal amount outstanding, the Mega Group assesses whether the contractual cash flows



are consistent with those required in a basic loan agreement. In other words, the Mega Group determines whether interest is solely based on the time value of money, credit risk related to the principal amount outstanding on specified dates, other risks and costs associated with the basic loan agreement, and marginal profits consideration.

(A) A regular way purchase or sale

The Mega Group recognises a regular way purchase or sale of financial assets using trade date accounting based on their category and accounting classification.

(B) Loans discounted, net

Loans discounted consist of export bills negotiation, export bills discount, loans, and overdue receivables arising from loans. Loans discounted are measured at amortised cost using the effective interest rate method. Measurement at initial investment amount is allowed if effect of discounting is immaterial.

If a loan discounted held by the Mega Group is renegotiated or has its terms modified due to financial difficulties of the borrower, so that it is required to be derecognised, entirely or partially, in accordance with IFRS 9, the old financial asset is derecognised, and a new financial asset and related gains or losses are recognised.

If a loan discounted held by the Mega Group is renegotiated or has its terms modified due to financial difficulties of the borrower, but is not required to be derecognised, or if renegotiations or modification of terms are for reasons other than financial difficulties, which rarely results in the derecognition of the asset, the carrying amount of the asset is recalculated and resulting gains or losses are recognised in profit or loss.

Interest arising from loans discounted is recognised as 'interest income'.

(C) Receivables, net

Receivables include receivables originated and not originated by the Mega Group. Receivables originated by the entity arising from a direct provision of money, goods or services to debtors while receivables not originated by the Mega Group include otherwise.

Receivables are measured at amortised cost using the effective interest method. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

The Mega Group determines whether the receivables that has been discounted or transferred qualify derecognition under IFRS 9 based on how much control over the risks and rewards of the receivables it has retained.

Significant amounts of receivables due from related parties are shown separately.

Interest arising from receivables are recognised as 'interest income'.

(D) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

At initial recognition, Mega Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. Mega Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

Dividends are recognised as gain (loss) on financial assets or liabilities at fair value through profit or loss - dividend revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be measured reliably.

(E) Investments in debt instruments at amortised cost

a. Financial assets at amortised cost are those that meet all of the following criteria:

- (a) The objective of the Mega Group's business model is achieved by collecting contractual cash flows.
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

b. At initial recognition, the Mega Group measure the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in derecognition designated as gain (loss) on financial assets at amortised cost when the asset is derecognised or impaired.

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

a. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Mega Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Mega Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.
- b. At initial recognition, the Mega Group measures the financial assets at fair value plus transaction costs. The Mega Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as realised gains (losses) on financial assets at fair value through other comprehensive income-dividend revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Mega Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(G) Reclassification of financial assets

When, and only when, the Mega Group changes its business model for managing financial assets it reclassifies all affected financial assets except for equity instruments at fair value through comprehensive income and financial assets designated as at fair value through profit or loss. The Mega Group applies the reclassification prospectively from the reclassification date and does not restate any previously recognised gains, losses or interest.

(H) Margin loans, short sale stock loans and securities borrowed

- i. For handling margin trading of securities business, margin loans extended to stock investors are recorded as "marginal receivables" under the "Receivables, net" account and the stocks purchased by the borrowers are held by the Mega Group as collateral. The collateral is recorded in the memorandum account and is returned to the borrowers when the loans are repaid.

Guarantee deposits received from stock investors on short sales are recorded as "margin deposits on short sales" under the "Payables" account. The proceeds from short sales (less the securities transaction tax, consignment trading service charges, and financing commission) are held as guarantee deposits which are recorded as "payables on proceeds from short sales" under the "Payables" account. The stocks lent to the customers are recorded in the memorandum account. When the stocks are returned to the Mega Group, the margin deposits and proceeds from the short sales are returned to the customers accordingly.

- ii. Loans borrowed by the Mega Group from other securities lenders when the Mega Group has insufficient fund to conduct margin trading are recorded as "margin loans from other securities lenders" under the "Payables" account, and the stocks purchased by the borrowers are held as collateral.
- iii. When the Mega Group has insufficient stocks to conduct short selling, the guarantee deposits and collateral paid for the stocks borrowed from other securities lenders are recorded as "deposits paid to other securities lenders" under the "Receivables, net" account. The proceeds from short sales are then paid to the securities lenders as additional guarantees and are respectively recorded as "payables on proceeds from short sales" under the "Payables" account and "refinancing guarantees receivable" under the "Receivables, net" account.

B. Financial liabilities

Financial liabilities held by the Mega Group comprise financial liabilities at fair value through profit or loss (including financial liabilities designated as at fair value through profit or loss on initial recognition) and financial liabilities measured at amortized cost.

(A) Financial liabilities at fair value through profit or loss

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- i. Hybrid (combined) contracts; or
- ii. They eliminate or significantly reduce a measurement or recognition inconsistency; or
- iii. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

At initial recognition, Mega Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. Mega Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(B) Financial liabilities measured at amortised cost

Liabilities not classified as financial liabilities at fair value through profit or loss and financial guarantee contracts are all included in financial liabilities carried at amortised cost.

C. Decision of fair value

Please refer to Note 7, 'Fair value and level information of financial instruments' for details.

D. Derecognition of financial assets

The Mega Group derecognises a financial asset when one of the following conditions is met:

- (A) The contractual rights to receive cash flows from the financial asset expire;
- (B) The contractual rights to receive cash flows from the financial asset have been transferred and the Mega Group has transferred substantially all risks and rewards of ownership of the financial asset;
- (C) The contractual rights to receive cash flows from the financial asset have been transferred.

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

In case of securities lending or borrowing by the Mega Group or provision of bonds or stocks as security for Repo trading, the Mega Group does not derecognise the financial asset, because substantially all risks and rewards of ownership of the financial asset are still retained in the Mega Group.

(8) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when (A) there is a legally enforceable right to offset the recognised amounts and (B) there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(9) Impairment of financial assets

For loans discounted, receivables, debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loan commitments and financial guarantee contracts, at each reporting date, the Mega Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Mega Group recognises the impairment provision for lifetime ECLs.

The Mega Group measures expected credit losses in a way that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. The time value of money; and
- C. Reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

For loan assets, the Mega Group assesses the loss allowance at the balance sheet date in accordance with "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as issued by the FSC, "Financial-Supervisory-Banks Letter No. 10300329440" issued on December 4, 2014 relating to the strengthening of domestic banks' risk endurance to real estate loans, "Financial-Supervisory-Banks Letter No. 10410001840" issued on April 23, 2015 relating to the strengthening of domestic banks' risk endurance to management of exposures in China and "Regulation Governing the Procedures for Bill Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as well as IFRS 9 requirements. The loss allowance is provisioned at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9 and then presented at net value.

Impairment assessment of reinsurance contract assets and recognition of the appropriate amount of bad debt allowance are required at the financial reporting date in accordance with "Regulations Governing the Procedures for Insurance Companies to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and IFRS 4.

(10) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

(11) Leasing arrangements (lessor) lease receivables/ operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Assets (or disposal groups) held for sale

Assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(13) Investments accounted for using equity method

- A. Associates are all entities over which the Mega Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using equity method and are initially recognised at cost.
- B. The Mega Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Mega Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Mega Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. Unrealised gains on transactions between the Mega Group and its associates are eliminated to the extent of the Mega Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Mega Group.
- D. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Mega Group's ownership percentage of the associate, the Mega Group recognises the Mega Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- E. When the Mega Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property and equipment

- A. The property and equipment of the Mega Group are recognised on the basis of the historical cost less accumulated depreciation.
- B. Historical cost includes all costs directly attributable to the acquisition of the assets. Such assets are subsequently measured using the cost model. If the future economic benefit generated from subsequent expenses of the asset can be measured reliably and is very likely to flow into the Mega Group, the subsequent expenses of property and equipment may be individually recognised as an asset or included in the carrying amount of the asset. The carrying amount of the replaced part is derecognised.

- C. Significant renewals and improvements incurred to increase the future economic benefits of the assets are capitalised. Routine maintenance and repairs are charged to expense as incurred.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Item	Years
Buildings and structures	1~60
Equipment	1~20
Leasehold improvements	1~10

(15) Investment property

- A. The properties held by the Mega Group, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land leased out in a form of operating lease.
- B. Part of the property may be held by the Mega Group and the remaining will be used to generate rental income or capital appreciation. If the property held by the Mega Group can be sold individually, then the accounting treatment should be made respectively. IAS 16 as endorsed by the FSC applies to the self-use property, and property used to generate rental income or capital appreciation or both is applicable for investment property set out in IAS 40 as endorsed by the FSC. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.
- C. When the future economic benefit related to the investment property is highly likely to flow into the Mega Group and the costs can be reliably measured, the investment property shall be recognised as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalised. All maintenance cost are recognised as incurred in the consolidated statement of comprehensive income.
- D. Investment property is subsequently measured using the cost model. Depreciated cost is used to calculate depreciation expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

(16) Leasing arrangements (lessee) ☐ right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Mega Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
- Lease payments are comprised of the following:
- (A) Fixed payments, less any lease incentives receivable;
 - (B) Variable lease payments that depend on an index or a rate;
 - (C) Amounts expected to be payable by the lessee under residual value guarantees;
 - (D) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
 - (E) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.
- The Mega Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (A) The amount of the initial measurement of lease liability;
 - (B) Any lease payments made at or before the commencement date;

(C) Any initial direct costs incurred by the lessee; and

(D) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Intangible assets

Intangible assets of Mega Group, mainly computer software, is stated at cost and amortised on a straight-line basis over their estimated useful lives of 1 to 10 years.

(18) Foreclosed properties

Foreclosed properties are stated at the lower of its carrying amount or fair value less costs to sell at the end of period.

(19) Impairment of non-financial assets

The Mega Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Provisions, contingent liabilities and contingent assets

A. When all the following criteria are met, the Mega Group shall recognise a provision:

(A) A present obligation (legal or constructive) as a result of a past event;

(B) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(C) The amount of the obligation can be reliably estimated.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions should be recognised when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.

B. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Mega Group. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Mega Group did not recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

C. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Mega Group. The Mega Group did not recognise any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

D. Valuation basis for various insurance liabilities

Insurance liabilities of subsidiaries are dealt with following the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations Governing Reserve for Compulsory Automobile Liability Insurance and Related Administration", "Regulations Governing Various Reserves for Nuclear Power Insurance", "Regulations Governing Risk Dispersing Mechanism for Residential Earthquake Insurance", "Regulations Governing Reserves for the Members of the Enhance Residential Earthquake Insurance Joint Institute", "Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon/flood Insurance" and "Regulations Governing Reserve for Natural Disaster by Property Insurance Industry" of regulatory authorities, and shall be certified by actuary authorised by the Financial Supervisory Commission. Except for special reserve, the provisions for reserves could also apply to assumed reinsurance and ceded reinsurance.



Except for the provision of reserves for one-year group life accident insurance which is the higher of actual insurance premium or insurance premium calculated based on the Tai-Cai-Bao Letter No. 852367814, other insurance liabilities are provided based on the following bases:

(A) Unearned premium reserve

Unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period, unless otherwise provided by laws or regulations, it is determined by actuary according to various risk characteristics.

(B) Claims reserve

Claims reserves are provided based on claim experience and expenses of various insurance types and are calculated with methods based on actuarial principles. Reserves are provided for Claims Reported but Not Paid and Claims Incurred but Not Reported. For Reported but Not Paid Claims, a reserve has been provided on a per-policy-claim-report basis for each type of insurance.

(C) Special reserve

Special reserves for retained businesses include “Significant Peril Special Reserve” and “Risk Variation Special Reserve”. Except for compulsory automobile liability insurance, nuclear power insurance, residential earthquake insurance and commercial earthquake insurance and typhoon/flood insurance that have another regulations requiring reserves for them to be recognised in ‘liabilities’, the additional special reserve provision for each year calculated less income tax is listed as special reserve under equity. The deficiency less income tax for each year shall be written off or recovered using special reserves under equity.

(D) Deficiency reserve

Potential claims and expenses are estimated for effective contracts yet to mature or covered risks yet to terminate in the coverage period. The estimated amount, including the premium deficiency reserve based on the difference between claim reserves/expenses, and unearned premium reserve and the expected premium income shall be recognised.

(E) Liability reserve

The minimum liability reserve for health insurance policies with over 1-year coverage term is assessed and modified annually. Reserve for specialised health insurance is recognised in compliance with statutory standard approved by the competent authority.

(F) Liability adequacy reserve

In accordance with IFRS 4, ‘Insurance Contracts’ and the regulations of The Actuarial Institute Of The Republic Of China, liability adequacy test is performed using the gross premium valuation based on all contracts of the Company as a whole. At the end of the reporting period, liability adequacy reserve is provided for all deficiency in net carrying amount and recognised in profit or loss, through comparison between the net carrying amounts of insurance liabilities less deferred acquisition cost and related intangible assets and the present value of estimated future cash flows of insurance contracts.

(G) Unqualified reinsurance reserve

Unqualified reinsurance reserves of received and ceded reinsurance business under ceded reinsurance and other risk assumption mechanism on the ceded date or balance sheet date shall be reserved and disclosed in the notes to the financial statements.

Among the reserves above, except for unearned premium reserve for long-term fire insurance which was calculated and provided based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(21) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the Mega Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A loan commitment is an agreement to provide credit under predetermined terms and conditions.

The Mega Group initially recognises financial guarantee contracts at fair value on the date of issuance. The Mega Group charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognised in deferred accounts and amortized through straight-line method during the contract term.

Provisions are recognised for financial guarantee contracts and loan commitments, and the amounts of loss allowance are determined by expected credit losses.

Subsequently, the Mega Group should measure the financial guarantee contract issued at the higher of:

A. The amount of loss allowance is determined by using an expected-credit-loss model; and

B. The initially recognised amount less the cumulative gains that were recognised under IFRS 15 ‘Revenue from contracts with customers’.

Loss allowance for the aforementioned reserve for guarantee liabilities is assessed in accordance with “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” as issued by the FSC and IFRS 9 requirements. A provision is then recognised at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9.

The loss allowance is recognized as provision for loan commitments and financial guarantee contracts. If the financial instrument contains both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component and the Mega Group is unable to identify the expected credit losses (ECLs) of the financial asset and loan commitment component, the ECLs of loan commitment is recognised together with the loss allowance for financial asset. A provision is recognised for the aggregate ECLs exceeding the carrying amount of the financial asset.

The increase in liabilities due to financial guarantee contracts and loan commitments is recognised in ‘bad debts expense, commitment and guarantee liability provision’.

(22) Employee benefits

A. Short-term employee benefits

The Mega Group should recognise the undiscounted amount of the short-term benefits expected to be paid in the future as expenses in the period when the employees render service.

B. Employee preferential savings

The Mega Group provides preferential interest rate for employees, including flat preferential savings rate for current employees and flat preferential savings rate for retired employees and current employees. The difference gap compared to market interest rate is deemed as employee benefits.

According to “Regulations Governing the Preparation of Financial Statements by Public Banks”, the preferential monthly interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest rate and the market interest rate is recognised under “employee benefit expense”. According to Article 30 of “Regulations Governing the Preparation of Financial Statements by Public Banks”, the excess interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be recognized in accordance with IAS 19, Defined Benefit Plan, as endorsed by the FSC. However, various parameters should be in compliance with the competent authority if indicated otherwise.

C. Termination benefits

Termination benefit is paid to the employees who are eligible for retirement and terminated or voluntarily dismiss in exchange of termination benefit. The Mega Group has made promises in the formal detailed employment termination plan which is irrevocable, and shall recognise liabilities when providing termination benefit to employees who voluntarily resign as a result of encouragement. Termination benefit paid 12 months after the financial reporting date should be discounted.

D. Post-employment benefit

The pension plan of the Mega Group includes both Defined Benefit Plan and Defined Contribution Plan. In addition, defined contribution plan is adopted for employees working overseas according to the local regulations.

(A) Defined contribution plans

The contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid pension assets are recognised to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Mega Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using market yields at the balance sheet date on high-quality corporate bonds with a currency and term consistent with the currency and term of the related pension liability; when there is no deep market in high-quality corporate bonds, the Mega Group uses market yields on government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.

iii. Past service costs are recognised immediately in profit or loss if vested immediately.

E. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(24) Classification of insurance contracts

A. In accordance with IFRS 4, 'Insurance Contracts', subsidiaries classify insurance products issued. An insurance contract is a "contract" under which one party (the insurer) accepts significant insurance risk transferred from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance contract defined above can be applied to original insurance contract and reinsurance contract. For the Group, significant insurance risk refers to the risk that the Group has to pay significant additional compensation when any insured event occurs.

B. All direct insurance contracts issued or reinsurance contracts taken by subsidiaries during the financial statement period are insurance contracts.

(25) Revenue and expense

Income and expense of the Mega Group are recognised as incurred. Expense consists of employee benefit expense, depreciation and amortisation expense and other business and administration expenses. Dividend revenues are recognised within 'Financial assets or financial liabilities at fair value through profit or loss' and 'Realized (loss) gain on financial assets at fair value through other comprehensive income' in the consolidated statement of comprehensive income when the right to receive dividends is assured.

A. Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expenses generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognised as "interest income" and "interest expense" in the consolidated statement of comprehensive income.

B. Service fee income and expense are recognised upon the completion of services of loans or other services; service fee earned from performing significant items shall be recognised upon the completion of the service, such as syndication loan service fee received from sponsor, service fee income and expense of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period.

C. Income and expense of insurance business

The premiums income derived from underwriting business is recognised in the period when the respective policies are issued. The associated expenses such as commissions, agency cost and service charges are recognised accordingly. Claims of direct coverage are recognised based on claims (including claim expenses) applied and paid during the period. Please refer to Note 4 (20) for related details of provision for liabilities.

(26) Reinsurance contracts

A. Revenues and expenses of inward and outward reinsurance business are recognised on the date the bills are received. Appropriate methods should be adopted in estimating payments and income arising from unrecognised reinsurance expense, such as revenues and expenses of reinsurance commission, revenues or expenses of reinsurance surcharge fee, and amortized claim and payment of reinsurance, etc., should all be recognised. Other relevant profit and loss of reinsurance are not deferrable.

B. With the classification of reinsurance contract, the Mega Group assesses the agreements under the deposit accounting given that the objective insurance risks of reinsurance agreements are not transferred to the reinsured.

- C. The Mega Group evaluates whether privilege of reinsured is impaired or non-collectable on a regular basis and offers specifically the alternatives such as reinsurance reserve assets, reinsurance claims and payment receivables, reinsurance transaction receivables and outward insurance responsibility reserve fund. When objective evidence indicates that such option being exercised after the initial recognition will possibly lead to the Mega Group being unable to collect all receivables on the contract, and the impact of the receivables from reinsured can be reliably measured with regard to the aforementioned event, a provision for accumulated loss will be recognised if the receivables do not exceed reinsurance reserve asset at book value. Recognition should be appropriately made according to the amount for amortisable claim, payment of reinsurance, reinsurance transaction receivables and non-collectable outward reinsurance reserve fund.

(27) Income tax

A. Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the following year after the Board of Directors make resolution in respect of earnings appropriation proposal on behalf of stockholders.

B. Deferred income tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realisation or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amount and temporary differences of assets and liabilities included in the consolidated balance sheet are calculated through liability method and recognised as deferred income tax. The temporary difference of the Mega Group mainly occurs due to the setting aside and transferring of depreciation of property and equipment, valuation of certain financial instruments (including derivatives), and reserve for pension and other post-employment benefits. Deductible temporary difference within the scope that is probable to offset taxable income is recognised as deferred income tax.

Temporary difference related to investment in the subsidiaries, branches and affiliated entities are recognised as deferred income tax liabilities. However, when the Mega Group is capable of controlling the time length required to reverse the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future, the temporary difference is not recognised.

The land revaluation appraisal occurring due to the revaluation assessment in line with relevant regulations, deemed as taxable temporary difference, is recognised as deferred income tax liabilities.

If the future taxable income is probable to provide as unused loss carry forwards or deferred income tax credit which can be realised in the future, the proportion of realisation is deemed as deferred income tax assets.

- C. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- D. Certain transactions of the Mega Group are recognised in other comprehensive income. The tax effects on these kinds of transactions are also recognised in other comprehensive income.

(28) Share capital and dividends

Net of incremental costs directly attributable to the issuance of new shares will be removed from equity after related income tax expenses is eliminated. Dividends on ordinary shares are recognised in equity in the period in which they are approved by the stockholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance. They are not recognised and only disclosed as subsequent event in the notes if the dividend declaration date is later than the consolidated balance sheet date.

(29) Operating segments

Information of operating segments of the Mega Group is reported in the same method as the internal management report provided to the Chief Operating Decision-Maker (CODM). The CODM is in charge of allocating resources to operating segments and evaluating their performance.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION

UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Mega Group's accounting policies and make critical assumptions and estimates concerning future events. These judgements affect the results of the financial reporting.

The assumptions and estimates made by the Mega Group are the best assumptions and estimates under the IFRSs. Assumptions and estimates are continually evaluated and adjusted based on historical experience and other factors (such as impact of the COVID-19) including projections of the future. Management's critical judgements in applying the Mega Group's accounting policies that have significant impact on the consolidated financial statements are outlined below:

(1) Fair value measurement of investment in unlisted stock

The fair value of unlisted stocks without an active market is determined by using valuation techniques such as market approach and net asset approach. The measurement of fair value may adopt observable information or models of similar financial instruments or use assumptions in an appropriate manner if the observable parameters are unavailable in the market. Observable information is the primary source of reference. When valuation models are used for the measurements, calibration are performed to ensure its accountability in reflecting real information and market price.

In the fair value measurement, the Mega Group primarily uses reference of the latest updated market multipliers of similar listed stocks in the industry alike and takes into account marketability discount and discount in the specialised risks. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 7 for the financial instruments fair value information.

(2) Expected credit losses

For financial assets at amortised cost and financial assets at fair value through other comprehensive income, the measurement of expected credit losses (ECLs) involves complex model and various assumptions associated with macro-economic projections and borrowers' situation in terms of the probability of default and losses-given-default. Information relating to parameters, assumptions, methods of estimation, ECL's sensitivity analysis corresponding to the aforementioned factors is provided in Note 8(3).

The measurement of ECLs in accordance with the framework of accounting principles involves several significant judgements, such as:

- A. Criteria in determining whether there has been a significant increase in credit risk;
- B. A selection of appropriate models and assumptions in ECLs measurement;
- C. Forward-looking information to be taken into consideration in terms of different products; and
- D. Grouping the financial instruments to include financial assets with the same credit risk characteristics into one group.

Please refer to Note 8(3) for the aforementioned judgements and estimates with respect of ECLs.

(3) Post-employment benefit

The present value of post-employment benefit obligations are estimated based on several assumptions. Any changes in those assumptions will affect the carrying amounts of post-employment benefit obligations.

The assumptions used to determine net pension cost (revenue) comprise the discount rate. The Mega Group determines the appropriate discount rate at the end of each year, and uses the discount rate in calculating the present value of future cash out of post-employment benefit obligations. The discount rate is chosen by reference to the rate of high-quality corporate bonds where the currency and maturity date of high-quality corporate bonds are in agreement with those of post-employment benefit obligations.

(4) Claims reserve and ceded claims reserve

Reserve for claims is estimated based on the nature and extent of insurance risks, claim development mode, historical data, etc. and using the actuarial method used worldwide. The actuarial method is included in the insurance specification. The reserve for claims that are reported but not paid is estimated based on each case and the remaining is the reserve for claims not reported.

Among the assets of reserve for claims transferred to reinsurer, the refund of claims that are reported but not paid is estimated based on individual reinsurance terms, and the refund of claims that are not reported is estimated based on the difference between the reserve for unpaid claims for original insurance and reinsurance and the reserve for unpaid claims for retained insurance business.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	\$ 14,095,320	\$ 20,361,656
Bank deposits	3,520,356	4,403,989
Cash equivalents	792,959	946,584
Checks for clearance	547,733	1,037,136
Due from banks	100,471,220	119,439,851
Subtotal	119,427,588	146,189,216
Less: Allowance for doubtful accounts-due from banks	(10)	-
Total	\$ 119,427,578	\$ 146,189,216

Information relating to credit risk is provided in Note 8(3).

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

	December 31, 2020	December 31, 2019
Reserve for deposits-category A	\$ 18,943,085	\$ 12,811,817
Reserve for deposits-category B	46,395,791	39,604,012
Reserve for deposits-general	266	284
Reserve for deposits-foreign currency	696,177	631,211
Deposits of overseas branches with foreign Central Banks	154,718,126	228,656,079
Interbank settlement fund of Fund Center	12,012,994	4,005,092
Call loans to banks and bank overdrafts	142,698,948	201,759,527
Subtotal	375,465,387	487,468,022
Less: Allowance for bad debt expense-call loans to banks	(153)	(14,565)
Less: Allowance for bad debt expense-due from the Central Bank	(6)	-
Total	\$ 375,465,228	\$ 487,453,457

A. As required by relevant laws, the reserves for deposits are calculated at required reserve ratios based on the monthly average balances of various deposit accounts. Reserve for deposits - category B cannot be used except upon the monthly adjustment of the reserve.

B. On December 31, 2020 and 2019, reserve for deposits and call loans to banks of the Mega Group that were in accordance to the definition of cash and cash equivalents under IAS 7, which included the total of the above-listed Reserve for deposit-category A, Reserve for deposit-general, Call loans to banks and bank overdrafts, Reserve for deposit-foreign currency and a portion of Deposit of overseas branches with foreign Central Banks that are highly liquid and readily convertible to cash, was \$192,748,505 and \$347,224,564, respectively.

C. Information relating to credit risk is provided in Note 8(3).

(3) Financial assets at fair value through profit or loss

	December 31, 2020	December 31, 2019
<u>Financial assets mandatorily measured at fair value through profit or loss</u>		
Stocks	\$ 18,456,434	\$ 22,491,619
Commercial papers	134,844,117	103,046,904
Beneficiary certificates	2,288,107	2,114,524
Negotiable certificates of deposit	17,160,000	16,900,000
Corporate bonds	18,347,358	22,232,640
Government bonds	4,668,957	9,101,795
Financial bonds	5,465,179	8,543,118
Derivative instruments	5,402,174	5,464,283
Other securities	87,674	6,810
Convertible corporate bond asset swaps	16,747,054	14,370,743
Subtotal	223,467,054	204,272,436
Valuation adjustment	5,141,019	4,040,694
Total	\$ 228,608,073	\$ 208,313,130



A. Gain or loss on financial assets mandatorily measured at fair value through profit or loss for the years ended December 31, 2020 and 2019 are provided in Note 6(34).

B. Please refer to Note 12 for details of the aforementioned financial assets provided as collaterals as of December 31, 2020 and 2019.

C. As of December 31, 2020 and 2019, the above financial assets used as underlying assets for repurchase agreements held by the Mega Group were \$122,595,230 and \$111,039,096, respectively.

D. Information relating to the CKI's reclassification for the designated financial assets applying overlay approach is as follows:

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 105,254	\$ 387,414
Beneficiary certificates	1,893,073	1,595,919
	1,998,327	1,983,333
Valuation adjustment	(35,934)	1,907
	<u>\$ 1,962,393</u>	<u>\$ 1,985,240</u>

E. Information relating to the CKI's reclassification between profit or loss and other comprehensive income for the designated financial assets applying overlay approach is as follows:

	For the years ended December 31,	
	2020	2019
Profit or loss recognised in accordance with IFRS 9	\$ 83,011	\$ 216,065
Less: Profit or loss that would have been recognised under IAS 39	120,852	111,981
Profit or loss from adopting reclassification under the overlay approach	<u>(\$ 37,841)</u>	<u>\$ 104,084</u>

F. Information relating to credit risk is provided in Note 8(3).

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

	December 31, 2020	December 31, 2019
Debt instruments		
Government bonds	\$ 117,397,217	\$ 156,079,667
Financial bonds	119,386,340	129,327,013
Corporate bonds	214,097,968	164,219,945
Bank's certificates of deposit	9,914,736	11,176,373
Beneficiary securities	64,111,460	46,438,486
Subtotal	524,907,721	507,241,484
Valuation adjustment	7,067,446	4,603,463
Debt instruments, net	<u>531,975,167</u>	<u>511,844,947</u>
Equity instruments		
Stocks	17,083,989	13,968,524
Other marketable securities	302,258	300,000
Subtotal	17,386,247	14,268,524
Valuation adjustment	11,418,399	10,119,128
Equity instruments, net	<u>28,804,646</u>	<u>24,387,652</u>
Total	<u>\$ 560,779,813</u>	<u>\$ 536,232,599</u>

A. The Mega Group has elected to classify investments that are considered to be strategic investments and with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$28,804,646 and \$24,387,652 as at December 31, 2020 and 2019, respectively.

B. Due to the dampened market demand as a result of the COVID 19 pandemic and the lower prices of raw materials due to the significant decline in international oil prices, the subsidiaries -MICB, CKI, MBF and MS sold \$1,074,215, \$3,404,252, \$966,953 and \$587,570 of equity instruments at fair value to adjust the investment position and resulted in cumulative losses on disposal amounting to \$454,440,

\$50,126, \$185,533 and resulted in cumulative gain on disposal amounting to \$143, respectively. The investee BDF II of the subsidiary-MICB has processed the liquidation and the cumulative loss on disposal was \$6,355. In addition, the investee H&QAP GCGF has ceased to make new investments, subsequently disposed assets and returned the investments, including cumulative gain on disposal of \$14,315 for the year ended December 31, 2020.

The subsidiaries-MICB, MS and CKI sold equity investments due to the rising uncertainty of the global situation and to avoid short-term market fluctuation. The fair value of the equity investments sold were \$1,930,261, \$370,999 and \$1,640,128, and the cumulative loss was \$59,504 and cumulative gain was \$675 and \$240, respectively. The investee of the subsidiaries-MICB has processed the liquidation and the cumulative loss on disposal was \$91,302. The subsidiary-MBF sold equity investments for raising capital adequacy ratio, the fair value of the equity investments sold was \$92,611 and the cumulative gain on disposal was \$266 for the year ended December 31, 2019.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 616,713	\$ 1,921,689
Cumulative loss reclassified to retained earnings due to derecognition	\$ 685,802	\$ 152,934
Dividend income recognised in profit or loss		
Held at end of year	\$ 1,016,657	\$ 986,069
Derecognised during the year	48,788	44,570
	\$ 1,065,445	\$ 1,030,639
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 6,944,062	\$ 6,370,018
Cumulative other comprehensive income reclassified to profit or loss		
Reversal due to impairment recognition	\$ 94,520	\$ 29,568
Reclassified due to derecognition	(4,503,164)	(2,396,869)
	(\$ 4,408,644)	(\$ 2,367,301)
Interest income recognised in profit or loss	\$ 7,184,808	\$ 8,757,694

D. Please refer to Note 12 for details of the aforementioned financial assets provided as collateral as of December 31, 2020 and 2019.

E. As of December 31, 2020 and 2019, financial assets at fair value through other comprehensive income undertaken for repurchase agreements were \$156,111,861 and \$149,534,909, respectively.

F. Information relating to credit risk is provided in Note 8(3).

(5) Investments in debt instruments at amortised cost

	December 31, 2020	December 31, 2019
Central Bank's certificates of deposit	\$ 348,884,420	\$ 179,271,045
Bank's certificates of deposit	7,660,205	6,302,756
Financial bonds	31,381,897	29,034,722
Government bonds	5,375,137	3,600,692
Corporate bonds	4,274,830	2,069,705
Commercial papers	136,385,848	54,958,282
Treasury securities	399,310	-
Subtotal	534,361,647	275,237,202
Less: Accumulated impairment	(34,363)	(23,046)
Total	\$ 534,327,284	\$ 275,214,156

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,	
	2020	2019
Interest income	\$ 2,250,688	\$ 2,484,386
Loss on impairment	(11,263)	(9,411)
Loss on disposal	(35)	(4)
	<u>\$ 2,239,390</u>	<u>\$ 2,474,971</u>

B. For the year ended December 31, 2020, the Mega Group sold its investments in debt instruments due to the value of treasury bills is easily affected by market fluctuations, resulting to a loss on disposal amounting to \$35.

For the year ended December 31, 2019, the Mega Group sold the investments in debt instruments due to the issuer's credit downgrade, resulting to a loss on disposal amounting to \$4.

C. Please refer to Note 12 for details of the aforementioned financial assets provided as collateral as of December 31, 2020 and 2019.

D. Please refer to Note 8(3) for the movement information on accumulated loss for the years ended December 31, 2020 and 2019.

E. Information relating to credit risk is provided in Note 8(3).

(6) Receivables, net

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 15,933,257	\$ 25,405,420
Factoring receivable	17,544,174	28,218,088
Notes receivable	147,301	163,161
Accrued income and interest	6,890,998	8,797,100
Acceptances receivable	6,392,924	5,638,677
Insurance receivable	680,989	637,689
Margin loans and securities business money lending receivable	13,695,910	10,641,593
Recovery of accounts receivable	44,097	49,096
Purchase of obligor receivable for acting as assignee	39,866	18,856
Credit card receivables	7,934,806	7,597,716
Receivable accounts for settlement	19,592,842	12,468,690
Receivable accounts for settlement consideration	2,179,207	-
Other receivables	475,454	1,474,610
Subtotal	91,551,825	101,110,696
Less: Allowance for bad debts	(1,581,050)	(1,802,420)
Receivables, net	<u>\$ 89,970,775</u>	<u>\$ 99,308,276</u>

A. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2020 and 2019.

B. Information relating to credit risk is provided in Note 8(3).

(7) Loans discounted, net

	December 31, 2020	December 31, 2019
Bills and notes discounted	\$ 47,315	\$ 12,949
Overdrafts	232,794	1,320,257
Short-term loans	503,722,431	559,609,907
Medium-term loans	735,803,605	727,534,712
Long-term loans	669,809,653	604,855,982
Import/export bills negotiated	5,504,446	7,613,470
Loans transferred to non-accrual loans	4,003,945	2,313,988
Subtotal	1,919,124,189	1,903,261,265
Less: Allowance for bad debts	(29,165,967)	(29,583,431)
Loans, net	<u>\$ 1,889,958,222</u>	<u>\$ 1,873,677,834</u>

- A. As of December 31, 2020 and 2019, the amounts reclassified from non-performing loans to overdue loans were \$4,003,945 and \$2,313,988, including interest receivable of \$18,311 and \$14,229, respectively.
- B. The Mega Group's derecognised credit assets at amortised cost and the disposal losses amounted to NT\$155,822 for the year ended December 31, 2020.
- C. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2020 and 2019.
- D. The amounts of recovery of write-off for the years ended December 31, 2020 and 2019 were \$497,728 and \$459,473, respectively.
- E. Information relating to credit risk is provided in Note 8(3).

(8) Assets classified as held for sale, net

A. Subsidiary-MS

On December 18, 2019, the Board of Directors of subsidiary-MS during their meeting resolved to sell its land located in Yibao, Liugui Dist, which was initially recorded under 'investment property' for assets activation, and the relevant assets were reclassified under assets classified as held for sale. The transfer of the land located in Yibao, Liugui Dist. was completed on March 6, 2020, and the proceeds from disposal of the land amounted to \$3,551, resulting to a gain on disposal of \$931, net of the related costs, which is recognised in gains on investment property.

On November 26, 2018, the Board of Directors of subsidiary-MS during their meeting resolved to sell its asset, 'Metropolitan International Center', which was initially recorded under 'investment property' for assets activation, and the relevant assets were reclassified under assets classified as held for sale. Proceeds from disposal of certain assets classified as held for sale on April 3, 2019 amounted to \$113,000, resulting to a gain on disposal of \$55,980, net of the related costs, which is recognised in gains on investment property. Remaining assets classified as held for sale were publicly tendered on December 25, 2019, the contract for this public tender was signed on February 21, 2020, and the assets were transferred on March 5, 2020. Proceeds from disposal of remaining assets classified as held for sale amounted to \$608,000, resulting to a gain on disposal of \$333,720, net of the related costs, which is recognised in gains on investment property.

As of December 31, 2020 and 2019, the carrying amount of assets classified as held for sale amounted to \$0 and \$276,900, respectively. MS's assets classified as held for sale are valued using comparative method and income approach by external appraiser. As of December 31, 2020 and 2019, the fair value of assets classified as held for sale were \$0 and \$590,311, respectively, and were included in Level 2.

B. Please refer to Note 6(15) for the information of assets classified as held for sale of the subsidiary-CKI.

C. Please refer to Note 12 for the information of assets classified as held for sale pledged as collaterals as of December 31, 2019.

(9) Reinsurance contract assets-net

A. Details are as follows:

	December 31, 2020	December 31, 2019
Reinsurance claims and payment receivables	\$ 706,095	\$ 365,423
Reinsurance transaction receivables	202,233	288,512
Overdue reinsurance		
-Claims and payment receivables	221	2,441
-Transaction receivables	25,864	48,880
Less: Allowance for bad debts	(13,318)	(25,917)
Subtotal	921,095	679,339
Reinsurance reserve assets		
Ceded unearned premium reserve	1,839,206	1,587,492
Ceded claim reserve	2,355,094	1,692,166
Ceded premium deficiency reserve	53,940	24,720
Ceded liability reserve	700	900
Subtotal	4,248,940	3,305,278
Total	\$ 5,170,035	\$ 3,984,617

Except for overdue receivables, the property insurance CKI's reinsurance contracts assets that are neither past due nor impaired all have credit ratings ranged between twAAA and twBBB of the Taiwan Ratings, so it expects that the probability of counterparty default is remote. There is no collateral held by CKI for security.

B. Changes in allowance for bad debts of reinsurance contract assets are as follows:

	For the years ended December 31,	
	2020	2019
Balance at January 1,	\$ 25,917	\$ 15,127
(Reversal of provision) impairment loss	(12,562)	10,806
Foreign currency translation adjustments	(37)	(16)
Balance at December 31,	\$ 13,318	\$ 25,917

(10) Investments accounted for using equity method, net

Individually Immaterial Associates	December 31, 2020		December 31, 2019	
	Amount	Percentage of Shareholding	Amount	Percentage of Shareholding
Mega Management Consulting Corporation	\$ 64,007	100.00	\$ 60,680	100.00
Cathay Investment & Warehousing Ltd.	34,119	100.00	41,043	100.00
Ramlett Finance Holdings INC.	-	100.00	5,396	100.00
Yung Shing Industries Co.	704,125	99.56	695,046	99.56
China Products Trading Company	27,916	68.27	28,057	68.27
Next Commercial Bank Co., LTD.(Note)	2,284,743	25.10	-	-
An Feng Enterprise Co., Ltd.	12,034	25.00	11,918	25.00
Taiwan Bills Finance Corporation	1,776,306	24.55	1,676,448	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	46,333	22.22	45,156	22.22
Mega Growth Venture Capital Co., Ltd.	264,096	20.08	252,008	20.08
China Real Estate Management Co., Ltd.	180,215	20.00	177,461	20.00
Universal Venture Capital Investment Corporation	125,335	11.84	122,616	11.84
Total	\$ 5,519,229		\$ 3,115,829	

Note: In January 2019, the Board of Directors of the subsidiary-MICB resolved to establish an internet-only bank, Next Bank, with Chunghwa Telecom, which has been approved by FSC in July 2019. On January 31, 2020, the registration for establishment was completed and the prepaid investment originally accounted for this internet-only bank was reclassified as investment accounted for using the equity method. In addition, the subsidiary- MICB has provided the necessary financial support letter to Next Bank. Information relating to credit risk is provided in Note 13(1)3.

For the year ended December 31, 2020, the subsidiary-MICB recognized cumulative investment loss amounting to \$225,257 based on Next bank's unreviewed financial statements.

A. The carrying amount of the Mega Group's interests in all individually immaterial associates and the Mega Group's share of the operating results are summarised below:

	For the years ended December 31,	
	2020	2019
(Loss) profit for the year	(\$ 19,633)	\$ 145,443
Other comprehensive income (after income tax)	58,197	23,110
Total comprehensive income	\$ 38,564	\$ 168,553

B. The shares of individually immaterial associates and joint ventures the Mega Group owns have no quoted market price available in an active market. There is no significant restriction on fund transfers from the associates to their stockholders, i.e. distribution of cash dividends, repayment of loans or money advanced.

C. The ownership percentage of MICB's investment in Universal Venture Capital Investment Corporation is 11.84%. However, due to MICB occupying 2 board seats of Universal Venture Capital Investment Corporation's total 11 board seats, and MICB being elected as the chairman of the board, MICB has influence over decision-making. Therefore, valuations are accounted for using the equity method.

D. The Company's and its subsidiaries' investments for using the equity method as of December 31, 2020 and 2019 have not been pledged or provided as collateral.

(11) Other financial assets, net

	December 31, 2020	December 31, 2019
Prepaid investments(Note)	\$ -	\$ 2,510,000
Exchange bills negotiated	773	2,485
Purchase of obligor receivable	4,517	4,817
Non-accrual loans transferred from accounts other than loans	154,016	173,477
Pledged time deposits	400,000	400,000
Customer margin account	4,078,904	4,381,082
Security lending deposits	443,229	25,374
Call loan to security brokers	78,666	-
Others	93,871	48,281
Subtotal	5,253,976	7,545,516
Less: Allowance for bad debts-exchange bills negotiated	(8)	(25)
Allowance for bad debts-non-accrual loans transferred from accounts other than loans	(119,593)	(127,170)
Total	\$ 5,134,375	\$ 7,418,321

Note: Related information is provided in Note 6(10).

A. As of December 31, 2020 and 2019, for the aforesaid financial assets pledged as collaterals, please refer to Note 12.

B. Information relating to credit risk is provided in Note 8(3).

(12) Leasing arrangements-lessee

A. The Mega Group leases various assets including land and land improvements, buildings and auxiliary and equipment. Rental contracts are typically made for periods of 1 to 30.3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land and land improvements	\$ 478,105	\$ 498,451
Buildings and auxiliary	1,240,686	1,139,360
Equipment	118,460	138,360
Other equipment	590	1,329
Total	\$ 1,837,841	\$ 1,777,500

	For the years ended December 31,	
	2020	2019
	Depreciation expense	Depreciation expense
Land and land improvements	\$ 25,902	\$ 26,122
Buildings and auxiliary	484,680	464,120
Equipment	58,746	64,518
Other equipment	749	1,089
Total	\$ 570,077	\$ 555,849

C. The information on income and expense accounts and cashflow relating to lease contracts is as follows:

	For the years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 29,162	\$ 29,198
Expense on short-term lease contracts	8,667	12,554
Expense on leases of low-value assets	7,079	7,898
<u>Other disclosures</u>		
Addition of right-of-use assets	\$ 673,388	\$ 1,000,889
Cash outflow for leases	(619,527)	(607,087)

(13) Leasing arrangements – lessor

- A. The Mega Group leases various assets including land and land improvements, buildings and auxiliary and equipment. Rental contracts are typically made for periods of 1 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.
- B. For the years ended December 31, 2020 and 2019, the Mega Group recognised rental income in the amounts of \$170,104 and \$178,108, respectively, based on the operating lease agreement, of which variable lease payments amounted to \$0 and \$1,616, respectively.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2020	December 31, 2019
Within 1 year	\$ 233,014	\$ 226,991
1-2 years	120,655	184,961
2-3 years	52,705	77,742
3-4 years	20,284	43,210
4-5 years	5,325	19,705
After 5 years	15,272	17,853
Total	\$ 447,255	\$ 570,462

(14) Investment property, net

For the years ended December 31, 2020 and 2019, the movement of the Mega Group's investment property is as follows:

January 1, 2020	Land and land improvements	Buildings and structures	Total
Cost	\$ 779,716	\$ 389,473	\$ 1,169,189
Accumulated depreciation	-	(143,814)	(143,814)
	\$ 779,716	\$ 245,659	\$ 1,025,375
For the year ended December 31, 2020			
Opening net book amount as at January 1	\$ 779,716	\$ 245,659	\$ 1,025,375
Additions	63,249	30,393	93,642
Depreciation expense	-	(7,484)	(7,484)
Foreign exchange differences	-	(15)	(15)
December 31, 2020	\$ 842,965	\$ 268,553	\$ 1,111,518
December 31, 2020			
Cost	\$ 842,965	\$ 419,825	\$ 1,262,790
Accumulated depreciation	-	(151,272)	(151,272)
	\$ 842,965	\$ 268,553	\$ 1,111,518

January 1, 2019	Land and land improvements	Buildings and structures	Total
Cost	\$ 1,091,868	\$ 627,511	\$ 1,719,379
Accumulated depreciation	-	(165,917)	(165,917)
Accumulated impairment	(29,060)	(23,999)	(53,059)
	\$ 1,062,808	\$ 437,595	\$ 1,500,403
For the year ended December 31, 2019			
Opening net book amount as at January 1	\$ 1,062,808	\$ 437,595	\$ 1,500,403
Additions	-	549	549
Disposals	(220,817)	(179,994)	(400,811)
Transfers	(91,335)	(25,097)	(116,432)
Reversal of impairment	29,060	23,999	53,059
Depreciation expense	-	(11,410)	(11,410)
Foreign exchange differences	-	17	17
December 31, 2019	\$ 779,716	\$ 245,659	\$ 1,025,375
December 31, 2019			
Cost	\$ 779,716	\$ 389,473	\$ 1,169,189
Accumulated depreciation	-	(143,814)	(143,814)
	\$ 779,716	\$ 245,659	\$ 1,025,375

A. The fair values of the investment property held by the Mega Group as of December 31, 2020 and 2019 were \$4,249,633 and \$4,143,681, respectively, according to the result of valuation by an independent valuation expert using comprehensive consideration of comparison method, income approach, and cost approach. In addition, a portion of investment property was valued according to the result of internal valuation, which was made by choosing investments in neighboring regions shown in the public website of Department of Land Administration, M.O.I. and calculating the average actual transaction price of the investments at the end of each financial reporting period last year. As of December 31, 2020 and 2019, Level 2 within the fair value hierarchy was \$3,165,423 and \$3,167,687, respectively, and Level 3 within the fair value hierarchy was \$1,084,210 and \$975,994, respectively.

B. Rental income from the lease of the investment property for the years ended December 31, 2020 and 2019 was \$22,571 and \$18,792, respectively.

C. For the aforesaid investment property pledged as collaterals for the years ended December 31, 2020 and 2019, please refer to Note 12.

(15) Property and equipment, net

Details of property and equipment are as follows:

January 1, 2020	Land and land improvements	Buildings	Equipment	Leasehold improvements	Prepayments for equipment	Total
Cost	\$ 14,928,464	\$ 13,036,831	\$ 7,078,861	\$ 243,133	\$ 28,537	\$ 35,315,826
Accumulated depreciation	-	(7,246,476)	(5,554,792)	(232,584)	-	(13,033,852)
Accumulated impairment	(149,119)	(51,961)	-	-	-	(201,080)
Total	\$ 14,779,345	\$ 5,738,394	\$ 1,524,069	\$ 10,549	\$ 28,537	\$ 22,080,894
For the year ended December 31, 2020						
At January 1,	\$ 14,779,345	\$ 5,738,394	\$ 1,524,069	\$ 10,549	\$ 28,537	\$ 22,080,894
Additions	-	67,623	621,044	7,396	78,102	774,165
Disposals	-	-	(1,599)	-	-	(1,599)
Transfers (Note)	(7,632)	(8,181)	71,636	4,507	(94,613)	(34,283)
Depreciation expense	-	(286,176)	(599,658)	(4,014)	-	(889,848)
Reversal of impairment	43,018	652	-	-	-	43,670
Foreign exchange differences	(2,921)	(5,787)	(13,474)	-	-	(22,182)
December 31, 2020	\$ 14,811,810	\$ 5,506,525	\$ 1,602,018	\$ 18,438	\$ 12,026	\$ 21,950,817
At December 31, 2020						
Cost	\$ 14,917,911	\$ 13,015,293	\$ 7,248,906	\$ 248,755	\$ 12,026	\$ 35,442,891
Accumulated depreciation	-	(7,457,459)	(5,646,888)	(230,317)	-	(13,334,664)
Accumulated impairment	(106,101)	(51,309)	-	-	-	(157,410)
Total	\$ 14,811,810	\$ 5,506,525	\$ 1,602,018	\$ 18,438	\$ 12,026	\$ 21,950,817

Note: The subsidiary-CKI, reclassified land and land improvements and buildings to assets classified as held for sale in the amounts of \$7,632 and \$8,181, respectively.

January 1, 2019	Land and land improvements	Buildings	Equipment	Leasehold improvements	Prepayments for equipment	Total
Cost	\$ 14,842,331	\$ 12,904,925	\$ 6,666,253	\$ 252,219	\$ 11,838	\$ 34,677,566
Accumulated depreciation	-	(6,999,075)	(5,301,542)	(244,670)	-	(12,545,287)
Accumulated impairment	(101,267)	(57,590)	-	-	-	(158,857)
Total	\$ 14,741,064	\$ 5,848,260	\$ 1,364,711	\$ 7,549	\$ 11,838	\$ 21,973,422
For the year ended December 31, 2019						
At January 1,	\$ 14,741,064	\$ 5,848,260	\$ 1,364,711	\$ 7,549	\$ 11,838	\$ 21,973,422
Additions	-	142,615	681,489	3,437	48,514	876,055
Disposals	-	-	(739)	-	-	(739)
Transfers	86,723	22,422	9,652	5,179	(31,815)	92,161
Depreciation expense	-	(280,205)	(530,988)	(5,616)	-	(816,809)
Reversal of impairment	(47,852)	5,629	-	-	-	(42,223)
Foreign exchange differences	(590)	(327)	(56)	-	-	(973)
December 31, 2019	\$ 14,779,345	\$ 5,738,394	\$ 1,524,069	\$ 10,549	\$ 28,537	\$ 22,080,894
At December 31, 2019						
Cost	\$ 14,928,464	\$ 13,036,831	\$ 7,078,861	\$ 243,133	\$ 28,537	\$ 35,315,826
Accumulated depreciation	-	(7,246,476)	(5,554,792)	(232,584)	-	(13,033,852)
Accumulated impairment	(149,119)	(51,961)	-	-	-	(201,080)
Total	\$ 14,779,345	\$ 5,738,394	\$ 1,524,069	\$ 10,549	\$ 28,537	\$ 22,080,894

Please refer to Note 12 for details of the property and equipment pledged as collateral as of December 31, 2020 and 2019.



(16) Other assets, net

	December 31, 2020	December 31, 2019
Prepayments	\$ 295,131	\$ 248,097
Refundable deposits	6,429,427	4,740,112
Guarantee deposits held for operation and funds for security settlements	1,098,962	922,971
Temporary payments	1,201,717	882,528
Others	154,988	205,243
Total	<u>\$ 9,180,225</u>	<u>\$ 6,998,951</u>

As of December 31, 2020 and 2019, for details of the other assets pledged as collaterals, please refer to Note 12.

(17) Deposits from the Central Bank and banks

	December 31, 2020	December 31, 2019
Call loans from banks	\$ 144,650,842	\$ 182,542,231
Deposits from Chunghwa Post	39,343	71,410
Overdrafts on banks	2,298,837	4,533,459
Deposits from the banks	67,236,076	58,859,396
Deposits from the Central Bank	191,071,013	174,826,666
Total	<u>\$ 405,296,111</u>	<u>\$ 420,833,162</u>

(18) Due to the Central Bank and banks

	December 31, 2020	December 31, 2019
Due to the Central Bank	\$ 3,586,089	\$ 3,768,861
Other dues to the Central Bank	9,754,140	-
Call loan from other banks	7,023,750	17,392,460
Total	<u>\$ 20,363,979</u>	<u>\$ 21,161,321</u>

(19) Financial liabilities at fair value through profit or loss

	December 31, 2020	December 31, 2019
<u>Financial liabilities held for trading</u>		
Derivative instruments	\$ 3,472,527	\$ 3,006,942
Liabilities on sale of borrowed securities	113,604	34,130
Issuance of call (put) warrants	293,599	218,323
Bonds purchased under resell agreements	-	332,673
Others	930	3,945
Subtotal	<u>3,880,660</u>	<u>3,596,013</u>
<u>Financial liabilities designated at fair value through profit or loss</u>		
Financial bonds	15,570,980	17,362,339
Valuation adjustment	1,483,293	1,157,357
Subtotal	<u>17,054,273</u>	<u>18,519,696</u>
Total	<u>\$ 20,934,933</u>	<u>\$ 22,115,709</u>

A. For information regarding the Mega Group's recognised profit or loss of financial assets and liabilities held for trading and measured at fair value through profit or loss for the years ended December 31, 2020 and 2019, please refer to the explanations in Note 6(34).

B. For subsidiary-MICB, financial liabilities designated at fair value through profit or loss is for the purpose of eliminating recognition inconsistency, please refer to the explanations in Note 6(24).

Financial Information

(20) Securities sold under repurchase agreements

	December 31, 2020	December 31, 2019
Short-term bills	\$ 106,489,378	\$ 91,436,423
Bonds	162,865,741	167,755,839
Total	<u>\$ 269,355,119</u>	<u>\$ 259,192,262</u>

(21) Commercial papers issued, net

	December 31, 2020	December 31, 2019
Domestic commercial papers	\$ 22,400,000	\$ 19,977,000
Less: Unamortised discount	(7,875)	(13,103)
Net	<u>\$ 22,392,125</u>	<u>\$ 19,963,897</u>

As of December 31, 2020 and 2019, none of the aforementioned commercial papers issued was provided for guarantees, and the interest rate ranged from 0.21% to 0.55% and 0.43% to 0.87%, respectively.

(22) Payables

	December 31, 2020	December 31, 2019
Notes and accounts payable	\$ 15,713,810	\$ 13,007,302
Settlement amounts payable	21,541,977	11,401,089
Accrued expenses	6,406,179	6,545,644
Interest payable	2,122,100	4,478,225
Dividends payable	29,285,143	27,398,604
Acceptances	6,504,180	5,670,515
Collections for others	1,057,690	1,267,229
Commissions payable	112,146	111,665
Due from other insurers	1,205,288	792,795
Securities financing refundable deposits	1,591,292	1,009,494
Deposits payable for securities financing	1,778,177	1,156,090
Other payables	2,184,592	2,368,837
Total	<u>\$ 89,502,574</u>	<u>\$ 75,207,489</u>

(23) Deposits and remittances

	December 31, 2020	December 31, 2019
Checking account deposits	\$ 25,419,849	\$ 26,398,219
Demand deposits	787,059,901	655,764,866
Time deposits	984,110,687	1,018,183,955
Demand savings deposits	520,156,920	466,103,601
Time savings deposits	286,782,369	282,924,395
Negotiable certificates of deposits	1,401,700	859,500
Remittances	8,958,765	9,222,599
Total	<u>\$ 2,613,890,191</u>	<u>\$ 2,459,457,135</u>

(24) Bonds payable

	December 31, 2020	December 31, 2019
Financial bonds, net	\$ 12,000,000	\$ 12,000,000
General bank debentures	1,000,000	-
Corporate bonds	5,000,000	-
Total	<u>\$ 18,000,000</u>	<u>\$ 12,000,000</u>



Financial bonds issued by the Company were as follows:

Name of bond (Note 1)	Issuing period	Interest rate	Total issued amount	December 31, 2020	December 31, 2019
109-1 unsecured corporate bonds A	2020.05.27-2027.05.27	0.66%	\$ 3,200,000	\$ 3,200,000	\$ -
109-1 unsecured corporate bonds B	2020.05.27-2030.05.27	0.71%	1,800,000	1,800,000	-
Total				\$ 5,000,000	\$ -

(Note 1) The interest was paid yearly, the principal was repaid at maturity.

Financial bonds issued by MICB were as follows:

Name of bond (Note 2)	Issuing period	Interest rate	Total issued amount	December 31, 2020	December 31, 2019
103-1 Development financial bond (Note 3)	2014.03.28-2021.03.28	1.70%	\$ 4,900,000	\$ 4,900,000	\$ 4,900,000
103-2 Development financial bond (Note 3)	2014.06.24-2021.06.24	1.65%	7,100,000	7,100,000	7,100,000
109-1 Development financial bond (Note 4)	2020.03.11-2023.03.11	0.60%	1,000,000	1,000,000	-
Total				\$ 13,000,000	\$ 12,000,000

(Note 2) The interest was paid yearly, the principal was repaid at maturity.

(Note 3) It was a subordinated bank debenture.

(Note 4) It was a general bank debenture.

Unit: In thousands of US Dollars

Name of bond (Note 5)	Issuing period	Interest rate	Total issued amount	December 31, 2020	December 31, 2019
107-1 Development financial bond	2018.03.01-2048.03.01	0.00%	\$ 330,000	\$ 330,000	\$ 330,000
107-2 Development financial bond	2018.05.17-2048.05.17	0.00%	164,000	164,000	164,000
107-3 Development financial bond	2018.11.28-2048.11.28	0.00%	45,000	-	45,000
Total				\$ 494,000	\$ 539,000

(Note 5) The principal was repaid at maturity.

As of December 31, 2020 and 2019, the unpaid balance of financial bonds issued by the subsidiary, amounted to US\$494,000 and US\$539,000; and NT\$13,000,000 and NT\$12,000,000, respectively. The financial bonds are senior bonds of US\$494,000 and US\$539,000, respectively. The interest rate swaps which are used to hedge the interest rate risk are measured at fair value, and changes in fair value are recognised in profit or loss. In order to eliminate the inconsistency in accounting, the above financial bonds are also designated as financial liabilities at fair value through profit or loss.

(25) Other borrowings

	December 31, 2020	December 31, 2019
Credit borrowings	\$ 338,028	\$ 3,464,9099

As of December 31, 2020 and 2019, the interest rates ranged from 0.60% to 0.75% and 0.68% to 2.63%, respectively.

(26) Provisions

	December 31, 2020	December 31, 2019
Insurance liabilities	\$ 9,969,250	\$ 8,812,271
Liabilities reserve for employee benefits	14,858,348	14,090,808
Reserve for guarantee liabilities	5,009,386	5,107,614
Provisions for loan commitments	219,469	97,542
Other provisions	2,953	1,879
Total	\$ 30,059,406	\$ 28,110,114

A. Details of reserves for insurance liabilities as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Reserve for unearned premiums	\$ 4,244,779	\$ 4,006,908
Reserve for outstanding losses	4,377,670	3,481,888
Reserve for catastrophic losses	1,289,986	1,296,484
Deficiency reserve	55,900	25,810
Liability reserve	915	1,181
Total	<u>\$ 9,969,250</u>	<u>\$ 8,812,271</u>

(A) Changes in unearned premium reserve and ceded unearned premium reserve are as follows:

	For the year ended December 31, 2020		
	Total	Ceded	Net
Balance at January 1	\$ 4,006,908	\$ 1,587,492	\$ 2,419,416
Provision	4,244,779	1,839,206	2,405,573
Recovery	(4,006,908)	(1,587,492)	(2,419,416)
Balance at December 31	<u>\$ 4,244,779</u>	<u>\$ 1,839,206</u>	<u>\$ 2,405,573</u>

	For the year ended December 31, 2019		
	Total	Ceded	Net
Balance at January 1	\$ 3,678,778	\$ 1,477,383	\$ 2,201,395
Provision	4,006,908	1,587,492	2,419,416
Recovery	(3,678,778)	(1,477,383)	(2,201,395)
Balance at December 31	<u>\$ 4,006,908</u>	<u>\$ 1,587,492</u>	<u>\$ 2,419,416</u>

(B) Details of claims reserve, as well as changes in claims reserve and ceded claims reserve are as follows:

a. Details of claims reserve:

	December 31, 2020	December 31, 2019
Claims reported but not paid	\$ 3,330,037	\$ 2,548,738
Claims incurred but not reported	1,047,633	933,150
	<u>\$ 4,377,670</u>	<u>\$ 3,481,888</u>

b. Detail of ceded claim reserve:

	December 31, 2020	December 31, 2019
Claims reported but not paid	\$ 1,955,264	\$ 1,340,241
Claims incurred but not reported	399,830	351,925
	<u>\$ 2,355,094</u>	<u>\$ 1,692,166</u>

c. Changes in claims reserve and ceded claims reserve are as follows:

	For the year ended December 31, 2020		
	Total	Ceded	Net
Balance at January 1	\$ 3,481,888	\$ 1,692,166	\$ 1,789,722
Provision	4,377,670	2,355,094	2,022,576
Recovery	(3,481,888)	(1,692,166)	(1,789,722)
Balance at December 31	<u>\$ 4,377,670</u>	<u>\$ 2,355,094</u>	<u>\$ 2,022,576</u>

	For the year ended December 31, 2019		
	Total	Ceded	Net
Balance at January 1	\$ 3,416,365	\$ 1,670,738	\$ 1,745,627
Provision	3,481,888	1,692,166	1,789,722
Recovery	(3,416,365)	(1,670,738)	(1,745,627)
Balance at December 31	<u>\$ 3,481,888</u>	<u>\$ 1,692,166</u>	<u>\$ 1,789,722</u>



(C) Changes in special reserve are as follows:

For the year ended December 31, 2020			
	Compulsory insurance	Others	Total
Balance at January 1	\$ 222,483	\$ 1,074,001	\$ 1,296,484
Net change	(6,498)	-	(6,498)
Balance at December 31	\$ 215,985	\$ 1,074,001	\$ 1,289,986

For the year ended December 31, 2019			
	Compulsory insurance	Others	Total
Balance at January 1	\$ 232,864	\$ 1,074,001	\$ 1,306,865
Net change	(10,381)	-	(10,381)
Balance at December 31	\$ 222,483	\$ 1,074,001	\$ 1,296,484

- a. In accordance with “Regulations Governing Reserve for Natural Disaster by Property Insurance Industry”, “Regulations Governing Reserves for the Members of the Enhance Residential Earthquake Insurance Joint Institute” and “Regulations Governing Various Reserves for Nuclear Power Insurance”, commencing from January 1, 2013, CKI’s special reserves provisioned under liabilities prior to December 31, 2012 shall cover, in full, the deficiencies of special reserve for catastrophes and special reserves for fluctuation of risks provisioned for commercial earthquake insurances and typhoon/flood insurances. The remainder, after deducting income taxes, in accordance with the requirements in IAS 12, shall be provisioned as special reserve under equity.
- b. The impact of the disaster reserve strengthening mechanism, residential earthquake reserve and nuclear insurance reserve applicable or non-applicable to CKI is as follows:

For the year ended December 31, 2020				
	Net income	Earnings per share	Total liability	Equity
Applicable amount	\$ 301,831	\$ 1.01	\$ 1,289,986	\$ 7,243,400
Non-applicable amount	301,831	1.01	215,985	8,102,601
Affected amount	\$ -	\$ -	\$ 1,074,001	(\$ 859,201)

For the year ended December 31, 2019				
	Net income	Earnings per share	Total liability	Equity
Applicable amount	\$ 181,466	\$ 0.60	\$ 1,296,484	\$ 7,066,409
Non-applicable amount	181,466	0.60	222,483	7,925,610
Affected amount	\$ -	\$ -	\$ 1,074,001	(\$ 859,201)

(D) Changes in deficiency reserve and ceded premium deficiency reserve:

For the year ended December 31, 2020			
	Total	Ceded	Net
Balance at January 1	\$ 25,810	\$ 24,720	\$ 1,090
Provision	55,900	53,940	1,960
Recovery	(25,810)	(24,720)	(1,090)
Balance at December 31	\$ 55,900	\$ 53,940	\$ 1,960

For the year ended December 31, 2019			
	Total	Ceded	Net
Balance at January 1	\$ 36,140	\$ 36,140	\$ -
Provision	25,810	24,720	1,090
Recovery	(36,140)	(36,140)	-
Balance at December 31	\$ 25,810	\$ 24,720	\$ 1,090

(E) Change in ceded liability reserve and liability reserve are as follows:

	For the year ended December 31, 2020		
	Total	Ceded	Net
Balance at January 1	\$ 1,181	\$ 900	\$ 281
Provision	915	700	215
Recovery	(1,181)	(900)	(281)
Balance at December 31	<u>\$ 915</u>	<u>\$ 700</u>	<u>\$ 215</u>

	For the year ended December 31, 2019		
	Total	Ceded	Net
Balance at January 1	\$ 589	\$ 472	\$ 117
Provision	1,181	900	281
Recovery	(589)	(472)	(117)
Balance at December 31	<u>\$ 1,181</u>	<u>\$ 900</u>	<u>\$ 281</u>

B. Liabilities reserve for employee benefits are as follows:

	December 31, 2020	December 31, 2019
Recognised in consolidated balance sheet:		
- Defined benefit plans	\$ 9,671,293	\$ 9,359,229
- Employee preferential savings plans	5,187,055	4,731,579
Total	<u>\$ 14,858,348</u>	<u>\$ 14,090,808</u>

(A) Defined benefit plans

a. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount of 2% to 11.896% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The pension costs under the defined contribution pension plans of the Mega Group for the years ended December 31, 2020 and 2019 were \$601,272 and \$843,804, respectively.

b. The amounts recognized in the balance sheet are determined as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 19,462,962	\$ 19,203,212
Fair value of plan assets	(9,804,293)	(9,853,400)
Net defined benefit liability	<u>\$ 9,658,669</u>	<u>\$ 9,349,812</u>

c. Movements in net defined benefit liabilities are as follow:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2020			
Balance at January 1	\$ 19,203,212	(\$ 9,853,400)	\$ 9,349,812
Current service cost	538,149	-	538,149
Interest expense (income)	131,343	(68,185)	63,158
Past service cost	-	(65)	(65)
	<u>19,872,704</u>	<u>(9,921,650)</u>	<u>9,951,054</u>
Remeasurements:			

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Return on plan assets (excluding amounts included in interest income or expense)	\$ -	(\$ 330,553)	(\$ 330,553)
Change in demographic assumptions	77	-	77
Change in financial assumptions	964,774	-	964,774
Experience adjustments	11,981	(4,953)	7,028
	<u>976,832</u>	<u>(335,506)</u>	<u>641,326</u>
Pension fund contribution	-	(900,947)	(900,947)
Paid pension	(1,386,574)	1,353,810	(32,764)
Balance at December 31	<u>\$ 19,462,962</u>	<u>(\$ 9,804,293)</u>	<u>\$ 9,658,669</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2019			
Balance at January 1	\$ 18,575,284	(\$ 9,930,748)	\$ 8,644,536
Current service cost	550,015	-	550,015
Interest expense (income)	180,801	(98,223)	82,578
Past service cost	163,077	(85)	162,992
	<u>19,469,177</u>	<u>(10,029,056)</u>	<u>9,440,121</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(349,575)	(349,575)
Change in demographic assumptions	106	-	106
Change in financial assumptions	757,102	-	757,102
Experience adjustments	533,583	(4,853)	528,730
	<u>1,290,791</u>	<u>(354,428)</u>	<u>936,363</u>
Pension fund contribution	-	(1,008,990)	(1,008,990)
Paid pension	(1,556,756)	1,539,074	(17,682)
Balance at December 31	<u>\$ 19,203,212</u>	<u>(\$ 9,853,400)</u>	<u>\$ 9,349,812</u>

d. The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

e. The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2020	2019
Discount rate	0.25%~0.67%	0.6%~0.95%
Future salary increases	1.25%~3.52%	1.16%~3.36%

Assumptions regarding future mortality rates are set based on the 5th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	<u>(\$ 449,436)</u>	<u>\$ 465,776</u>	<u>\$ 448,346</u>	<u>(\$ 435,195)</u>
December 31, 2019				
Effect on present value of defined benefit obligation	<u>(\$ 444,843)</u>	<u>\$ 461,276</u>	<u>\$ 446,966</u>	<u>(\$ 433,532)</u>

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once.

The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

f. The Mega Group expects to contribute \$533,645 for defined benefit plan in 2021.

(B) Subsidiary-MICB's payment obligations of fixed-amount preferential savings for retired employees and current employees after retirement are based on the internal policy, "Rules Governing Pension Preferential Savings of Staff of Mega International Commercial Banks". The excess interest arising from the preferential savings interest rate upon retirement agreed with the employees in excess of general market interest rate should be recognised in accordance with IAS 19, 'Employee benefits' on employees' retirement.

a. Adjustment of assets and liabilities recognized in the consolidated balance sheets, present value of defined benefit obligations, and fair value of plan assets:

	For the years ended December 31,	
	2020	2019
Present value of defined benefit obligations	\$ 5,187,055	\$ 4,731,579
Less: employee preferential savings fair value of plan assets	-	-
	<u>\$ 5,187,055</u>	<u>\$ 4,731,579</u>

b. Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2020			
Balance at January 1	\$ 4,731,579	\$ -	\$ 4,731,579
Interest expense	180,439	-	180,439
	<u>4,912,018</u>	<u>-</u>	<u>4,912,018</u>
Remeasurements:			
Change in demographic assumptions	646,947	-	646,947
Experience adjustments	593,480	-	593,480
	<u>1,240,427</u>	<u>-</u>	<u>1,240,427</u>
Pension fund contribution	-	(965,390)	(965,390)
Paid pension	(965,390)	965,390	-
Balance at December 31	<u>\$ 5,187,055</u>	<u>\$ -</u>	<u>\$ 5,187,055</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2019			
Balance at January 1	\$ 4,315,032	\$ -	\$ 4,315,032
Interest expense	164,618	-	164,618
	<u>4,479,650</u>	<u>-</u>	<u>4,479,650</u>
Remeasurements:			
Change in demographic assumptions	545,544	-	545,544
Experience adjustments	574,868	-	574,868
	<u>1,120,412</u>	<u>-</u>	<u>1,120,412</u>
Pension fund contribution	-	(868,483)	(868,483)
Paid pension	(868,483)	868,483	-
Balance at December 31	<u>\$ 4,731,579</u>	<u>\$ -</u>	<u>\$ 4,731,579</u>



c. Actuarial assumptions are as follows:

	2020	2019
Discount rate for employee preferential interest savings	4.00%	4.00%
Return rate on capital deposited	2.00%	2.00%
Annual decreasing ratio for account balance	1.00%	1.00%
Probability of change in preferential savings system in the future	50.00%	50.00%

Because the main actuarial assumption changed, the present value of employee preferential interest savings obligation is affected. The analysis was as follows:

	Discount rate		Deposit cost rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 103,333)	\$ 107,183	(\$ 24,206)	\$ 24,206
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 94,797)	\$ 98,340	(\$ 34,433)	\$ 34,433

Subsidiary-MICB recognized employee benefit expenses of \$1,692,849 and \$1,533,094 for the years ended December 31, 2020 and 2019, respectively.

(C) Defined contribution plans

Effective July 1, 2005, the Mega Group has established a funded defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”). Employees have the option to be covered under the New Plan. Under the New Plan, the Mega Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees’ individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in lump sum. The pension costs under the defined contribution pension plan for the years ended December 31, 2020 and 2019 were \$276,418 and \$198,762, respectively.

Pursuant to relevant government regulations in the country where the entity operates, local staff of the Mega Group’s overseas subsidiaries, recognised pension expenses of \$28,656 and \$47,453 applying defined contribution plans for the years ended December 31, 2020 and 2019, respectively.

(27) Other financial liabilities

	December 31, 2020	December 31, 2019
Structured instruments	\$ 8,637,515	\$ 10,846,094
Appropriated loan fund	476,479	620,221
Futures traders’ equity	4,046,608	4,352,031
Total	\$ 13,160,602	\$ 15,818,346

(28) Other liabilities

	December 31, 2020	December 31, 2019
Deposits received	\$ 5,246,385	\$ 3,405,043
Advance receipt	1,383,269	1,472,015
Receipts under custody from customers’ security subscription	1,099,660	-
Other liabilities to be settled	403,013	425,622
Temporary receipts and suspense accounts	1,497,619	2,134,565
Others	605,476	609,628
Total	\$ 10,235,422	\$ 8,046,873

(29) Equity

A. Common stock

As of December 31, 2020, the Company’s authorised capital was \$220 billion. The Company’s issued capital was \$135,998,240, and consisting of 13,599,824 thousand shares, with a par value of \$10 per share.

B. Capital surplus

(A) The sources and details of capital surplus of the Company are as follows:

	December 31, 2020	December 31, 2019
Consolidation surplus arising from share conversion	\$ 43,047,306	\$ 43,047,306
Changes in additional paid-in capital of investees accounted for using equity method	375,908	375,908
Capital increase by cash – additional paid-in capital	24,161,500	24,161,500
Share-based payments (Note)	609,519	609,519
	<u>\$ 68,194,233</u>	<u>\$ 68,194,233</u>

Note: All the subsidiaries' share-based payments were included.

(B) As of December 31, 2020, the capital surplus of the Company provided by unappropriated earnings of MICB (formerly CTB and ICBC) before conversion has amounted to \$3,265,237, and the portion was not used for cash dividends, capital increase or any other purposes.

C. Legal reserve and special reserve

(A) Legal reserve

The legal reserve is to be used exclusively to offset any deficit or to increase capital by issuing new shares or to distribute cash dividends to original stockholders in proportion to the number of shares being held by each of them and is not to be used for any other purposes. For the legal reserve to be used for issuing new shares or distributing cash dividends, only the portion of the legal reserve exceeding 25% of paid-in capital may be capitalised or released.

(B) Special reserve

Under Article 41-1 of the Securities and Exchange Act, special reserve can be used to recover accumulated deficit and under Article 239 of the R.O.C. Company Act, a company shall not use the capital reserve to recover its capital loss, unless the surplus reserve is insufficient to recover such loss. However, the annual net income after income taxes should first be used to recover accumulated deficits, and the remaining amount should then be set aside as special reserve. The remaining earnings are then distributed to stockholders.

In accordance with Financial-Supervisory-Securities-Corporate Letter No. 1010012865 of FSC dated on April 6, 2012, upon the first-time adoption for IFRSs, equivalent amounts of special reserve with regard to the unrealised revaluation increment under the equity and cumulative translation adjustment (gains) transferred to retained earnings should be set aside. For the said special reserve, reversal of distributed earnings shall be based on the proportion of the original ratio of special reserve provision in the subsequent use, disposal or reclassification for the related assets. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land. If the assets are investment property other than land, the amounts are reversed over the use period and should be reversed by amortised balance upon disposal.

In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(30) Appropriation of earnings and dividend policy

A. According to the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating loss, and the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings plus prior year's accumulated unappropriated earnings are subject to the Board of Directors' decision to propose a distribution plan and to be submitted for approval of the stockholders at the stockholders' meeting. For distribution of dividend, cash dividends shall account for at least 50% of the total dividends distributed and the remainder will be accounted for as stock dividends.

B. The Company's earning distributions for 2019 and 2018 were resolved at the Board meetings on April 28, 2020 and April 23, 2019, respectively, and were approved by the stockholders at the stockholders' meeting on June 19, 2020 and June 21, 2019, respectively. Details of the earnings appropriation for 2019 and 2018 are set forth below:

	Appropriated Amount		Dividend Per Share (in dollars)	
	2019	2018	2019	2018
Dividends – cash	<u>\$ 23,119,701</u>	<u>\$ 23,119,701</u>	<u>\$ 1.70</u>	<u>\$ 1.70</u>



(31) Other equity items

	Exchange differences on translation of foreign financial statements	Gain (loss) on financial assets at fair value through other comprehensive income	Gain (loss) on reclassification under the overlay approach through other comprehensive income	Other equity-other	Total
At January 1, 2020	(\$ 2,413,580)	\$ 14,799,177	\$ 1,907	(\$ 30,093)	\$12,357,411
Financial assets at fair value through other comprehensive income					
Evaluation adjustment in the period	-	7,560,775	-	-	7,560,775
Changes in accumulated impairments in the period	-	94,520	-	-	94,520
Realized gain and loss in the period	-	(3,817,362)	-	-	(3,817,362)
Translation gain and loss on the financial statements of foreign operating entities in the period	(1,692,991)	-	-	-	(1,692,991)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method in the period	(1,057)	48,116	-	13,380	60,439
Gain (loss) on reclassification under the overlay approach through other comprehensive income	-	-	(37,841)	-	(37,841)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(336,218)	-	-	(336,218)
At December 31, 2020	(\$ 4,107,628)	\$ 18,349,008	(\$ 35,934)	(\$ 16,713)	\$14,188,733

	Exchange differences on translation of foreign financial statements	Gain (loss) on financial assets at fair value through other comprehensive income	Gain (loss) on reclassification under the overlay approach through other comprehensive income	Other equity-other	Total
At January 1, 2019	(\$ 1,600,479)	\$ 9,232,789	(\$ 102,177)	(\$ 55,676)	\$ 7,474,457
Financial assets at fair value through other comprehensive income					
Evaluation adjustment in the period	-	8,291,707	-	-	8,291,707
Changes in accumulated impairments in the period	-	29,568	-	-	29,568
Realized gain and loss in the period	-	(2,243,935)	-	-	(2,243,935)
Translation gain and loss on the financial statements of foreign operating entities in the period	(809,797)	-	-	-	(809,797)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method in the period	(3,304)	2,324	-	25,583	24,603
Gain (loss) on reclassification under the overlay approach through other comprehensive income	-	-	104,084	-	104,084
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(513,276)	-	-	(513,276)
At December 31, 2019	(\$ 2,413,580)	\$ 14,799,177	\$ 1,907	(\$ 30,093)	\$12,357,411

(32) Net interest revenue

	For the years ended December 31,	
	2020	2019
Interest income		
Interest income of loans discounted	\$ 34,642,500	\$ 45,564,938
Interest income of deposits and call loans from the other banks	4,467,551	13,149,585
Interest income of securities investment	9,526,863	11,364,674
Interest income of securities purchased under resell agreements	19,670	30,001
Credit card interest income	178,740	172,644
Interest income of securities purchased under resell agreements income	520,588	508,318
Interest income of accounts receivable	168,981	484,244
Other interest income	199,160	406,840
Subtotal	49,724,053	71,681,244
Interest expense		
Interest expense of deposits	(13,649,121)	(25,226,492)
Interest expense of interbank overdraft and call loans	(2,629,787)	(8,067,835)
Interest expense of issuance of securities	(318,353)	(320,217)
Interest expense of bonds payable under repurchase agreements	(1,468,166)	(2,769,295)
Other interest expense	(107,752)	(230,557)
Subtotal	(18,173,179)	(36,614,396)
Total	\$ 31,550,874	\$ 35,066,848



(33) Net service fee revenue and commission

	For the years ended December 31,	
	2020	2019
Service fee income and commission income		
Service fee income from export and import business	\$ 393,738	\$ 486,669
T/T service fee income	647,119	745,611
Loans service fee income	1,240,801	1,273,492
Guarantee service fee income	1,452,172	1,495,691
Brokerage fee income	3,117,481	1,888,576
Service fee income of trust and ancillary business	2,109,876	1,538,448
Agency service fee income	1,496,136	2,176,189
Reinsurance commission income	616,199	564,965
Underwriting fee income	490,861	380,791
Other service fee income	1,466,338	1,719,911
Subtotal	13,030,721	12,270,343
Service fee expense and commission expense		
Insurance commission expense	(1,117,179)	(1,085,601)
Agency service fee expense	(734,617)	(901,989)
Brokerage handling fee expense	(279,206)	(177,904)
Other commission expense	(329,856)	(275,996)
Other service fee expense	(693,600)	(592,018)
Subtotal	(3,154,458)	(3,033,508)
Total	\$ 9,876,263	\$ 9,236,835

Subsidiary-MICB provides custody, trust, and investment management and consultation service to the third party, and therefore subsidiary-MICB is involved with the exercise of planning, managing and trading decision of financial instruments. In relation to the management and exercise of trust fund and portfolio for brokerage, subsidiary-MICB records and prepares the financial statements independently for internal management purposes, which are not included in the financial statements of subsidiary-MICB.

(34) Financial assets or financial liabilities at fair value through profit or loss

	For the years ended December 31,	
	2020	2019
Gain and loss from disposal of financial assets and liabilities at fair value through profit or loss		
Short-term notes and bills	\$ 667,953	\$ 493,772
Bonds	34,997	120,301
Stocks	598,536	340,773
Derivative instruments	5,558,599	5,986,539
Negotiable certificates of deposit	1,940	5,321
Beneficiary certificates	69,310	36,144
Warrant	7,316	666,078
Others	(162,151)	(12,820)
Subtotal	6,776,500	7,636,108
Valuation gains and losses on financial assets and liabilities at fair value through profit or loss		
Short-term notes and bills	23,949	19,844
Bonds	176,346	1,006,948
Stocks	748,511	2,630,892
Derivative instruments	(452,424)	(678,163)
Negotiable certificates of deposit	(1,333)	(87)
Beneficiary certificates	(32,289)	99,334
Warrant	(111,277)	(636,627)
Others	3,197	(28,881)
Subtotal	354,680	2,413,260
Interest income on financial assets at fair value through profit or loss	1,829,155	2,109,546
Interest expense on financial liabilities at fair value through profit or loss	(726,097)	(1,002,324)
Dividend and bonus from financial assets at fair value through profit or loss	767,763	865,801
Total	\$ 9,002,001	\$ 12,022,391



(35) Realized gain on financial assets at fair value through other comprehensive income

	For the years ended December 31,	
	2020	2019
Dividend income	\$ 1,065,445	\$ 1,030,639
Gain on bonds disposal	4,503,164	2,396,869
	<u>\$ 5,568,609</u>	<u>\$ 3,427,508</u>

(36) Impairment losses on assets

	For the years ended December 31,	
	2020	2019
Loss on debt instrument at fair value through other comprehensive income	(\$ 94,520)	(\$ 29,568)
Loss on investments in debt instruments at amortised cost	(11,263)	(9,411)
Loss on other financial assets	(708)	(337)
Gains on reversal on impairment of property and equipment	43,670	8,842
Total	<u>(\$ 62,821)</u>	<u>(\$ 30,474)</u>

(37) Net other revenue other than interest income

	For the years ended December 31,	
	2020	2019
Gain on rental, net	\$ 170,104	\$ 178,108
Advisory income	802,317	777,258
(Loss) gain on sales of property and equipment	(13,407)	35
Gain on sales of nonperforming loans	7,168	81,480
Others	247,475	505,472
Total	<u>\$ 1,213,657</u>	<u>\$ 1,542,353</u>

(38) Employee benefit expenses

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 14,804,494	\$ 14,700,287
Labor and health insurance fees	1,036,148	1,005,948
Pension costs	2,599,195	2,623,113
Other personnel expenses	1,296,183	1,209,293
Total	<u>\$ 19,736,020</u>	<u>\$ 19,538,641</u>

A. According to the Articles of Incorporation of the Company, employees' compensation shall account for 0.02% to 0.15% of the amount of current year's profit less accumulated deficit. Directors' remuneration shall not exceed 0.5% of the amount of current year's profit less accumulated deficit.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$15,596 and \$17,513, respectively; directors' remuneration was accrued at \$126,388 and \$145,942, respectively. The aforementioned amounts were recognised in wages and salaries.

The actual distributed amount of employees' and directors' remuneration for 2019 resolved at the Board of Directors' annual meeting were \$18,013 and \$145,972, respectively. Compared to the 2019 consolidated financial statements, there was an increase of \$500 and \$30, respectively. The amount was due to estimated differences and is treated as a change in accounting estimate, where the difference was recognised as profit or loss in 2020.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and the stockholders at the stockholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

Financial Information

(39) Depreciation and amortization expense

	For the years ended December 31,	
	2020	2019
Depreciation expense	\$ 1,467,409	\$ 1,384,068
Amortisation expense	76,909	72,258
Total	\$ 1,544,318	\$ 1,456,326

(40) Other general and administrative expenses

	For the years ended December 31,	
	2020	2019
Rental expense	\$ 15,476	\$ 50,632
Information technology expense	1,190,544	1,009,759
Tax and official fee	2,384,217	2,518,864
Donations	82,300	85,458
Insurance expense	422,599	427,502
Office supplies and printing expenses	1,819,334	2,108,058
Service expense	952,581	2,729,160
Other operating expenses	953,167	974,037
Total	\$ 7,820,218	\$ 9,903,470

(41) Income tax expense

A. The income taxes comprise the following:

(A) The income taxes comprise the following:

	For the years ended December 31,	
	2020	2019
Current tax		
Current tax on profits for the year	\$ 4,061,476	\$ 3,663,978
Income tax of adjustments for over provisions of prior years' income tax	(16,740)	(33,976)
Separate income tax	15	6
Additional tax on distributed earnings	97,471	91,045
Total current tax	4,142,222	3,721,053
Deferred income tax		
Origination and reversal of temporary differences	170,448	978,421
Total deferred income tax	170,448	978,421
Income tax expense	\$ 4,312,670	\$ 4,699,474

(B) Income tax charge relating to components of other comprehensive income:

	For the years ended December 31,	
	2020	2019
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 336,218)	(\$ 513,276)
Remeasurement of defined benefit plans	128,278	187,272
	(\$ 207,940)	(\$ 326,004)

B. Differences between accounting income and taxable income are reconciled as follows:

	For the years ended December 31,	
	2020	2019
Income tax from pre-tax income calculated at statutory tax rate	\$ 5,866,128	\$ 6,730,855
Effects of items not recognized under relevant regulations	(158,613)	(137,566)
Tax on undistributed earnings	97,471	91,045
Effect of alternative minimum tax	725,070	242,527
Income tax of adjustments for over provisions of prior years' income tax	(16,740)	(33,976)
Effects of income tax exemption and adjustment of other income	(2,200,646)	(2,193,411)
Income tax expense	\$ 4,312,670	\$ 4,699,474



C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	For the year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income or loss	December 31
Temporary differences:				
Deferred tax liabilities				
Reserve for bad debts expense in excess of limit	\$ 2,378,714	(\$ 109,457)	\$ -	\$ 2,269,257
Reserve for guarantee liabilities in excess of limit	234,820	47,801	-	282,621
Unpaid liabilities reserve for employee benefits	2,223,557	(20,475)	128,278	2,331,360
Unrealized loss on impairment	23,257	6,188	-	29,445
Others	941,538	(207,532)	(17,052)	716,954
	<u>\$ 5,801,886</u>	<u>(\$ 283,475)</u>	<u>\$ 111,226</u>	<u>\$ 5,629,637</u>

	For the year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income or loss	December 31
Temporary differences:				
Deferred tax liabilities				
Reserve for bad debts expense in excess of limit	\$ 3,456,720	(\$ 1,078,006)	\$ -	\$ 2,378,714
Reserve for guarantee liabilities in excess of limit	234,820	-	-	234,820
Unpaid liabilities reserve for employee benefits	1,913,000	123,285	187,272	2,223,557
Unrealized loss on impairment	874,968	(851,711)	-	23,257
Unrealized valuation gains on foreign bond	331,062	-	(331,062)	-
Others	742,391	199,147	-	941,538
	<u>\$ 7,552,961</u>	<u>(\$ 1,607,285)</u>	<u>(\$ 143,790)</u>	<u>\$ 5,801,886</u>

	For the year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income or loss	December 31
Temporary differences:				
Deferred tax liabilities				
Land revaluation increment tax	(\$ 1,053,300)	\$ -	\$ -	(\$ 1,053,300)
Unrealized exchange gain	(540,259)	(74,001)	-	(614,260)
Share of profit of associates and joint ventures accounted for under equity method	(766,055)	(61,813)	-	(827,868)
Unrealized valuation gains on foreign bond	(182,214)	-	(319,166)	(501,380)
Others	(622,226)	248,841	-	(373,385)
	<u>(\$ 3,164,054)</u>	<u>\$ 113,027</u>	<u>(\$ 319,166)</u>	<u>(\$ 3,370,193)</u>

	For the year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income or loss	December 31
Temporary differences:				
Deferred tax liabilities				
Land revaluation increment tax	(\$ 1,053,300)	\$ -	\$ -	(\$ 1,053,300)
Unrealized exchange gain	(528,479)	(11,780)	-	(540,259)
Share of profit of associates and joint ventures accounted for under equity method	(766,055)	-	-	(766,055)
Unrealized valuation gains on foreign bond	-	-	(182,214)	(182,214)
Others	(178,778)	(443,448)	-	(622,226)
	<u>(\$ 2,526,612)</u>	<u>(\$ 455,228)</u>	<u>(\$ 182,214)</u>	<u>(\$ 3,164,054)</u>

D. Assessment of income tax returns

The Company's profit-seeking enterprise income tax return through 2014 was assessed by the Tax Authority.

(A) MICB: The income tax returns of 2014 are under reinvestigation.

(B) MS: The income tax for the year ended December 31, 2012 is still under administrative appeal. The income tax returns during the period 2013 to 2014 are under reinvestigation.

(C) MITC: The income tax for the year ended December 31, 2012 is still under administrative appeal. The income tax return of 2013 is under reinvestigation.

(D) MBF: The income tax return of 2010 to 2011 is under reinvestigation.

(42) Earnings per share

Basic and diluted earnings per share

	For the years ended December 31,	
	2020	2019
Profit attributable to ordinary stockholders of the Company	\$ 25,017,968	\$ 28,956,244
Weighted-average number of shares outstanding (In thousands of shares)	13,599,824	13,599,824
Basic earnings per share (In dollars)	\$ 1.84	\$ 2.13

(43) Changes in liabilities from financing activities

	Financial bonds	Corporate bonds	Liabilities from financing activities-gross
January 1, 2020	\$ 12,000,000	\$ -	\$ 12,000,000
Issuance of financial bonds	1,000,000	-	1,000,000
Issuance of corporate bonds	-	5,000,000	5,000,000
December 31, 2020	\$ 13,000,000	\$ 5,000,000	\$ 18,000,000

	Financial bonds	Corporate bonds	Liabilities from financing activities-gross
January 1, 2019	\$ 13,300,000	\$ -	\$ 13,300,000
Issuance of financial bonds	(1,300,000)	-	(1,300,000)
December 31, 2019	\$ 12,000,000	\$ -	\$ 12,000,000

7. FAIR VALUE AND LEVEL INFORMATION OF FINANCIAL INSTRUMENTS

(1) Overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments are initially recognised by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognised by amortized cost or cost. If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value. If the market in which a financial instrument traded is not active, the Mega Group then adopts a valuation technique or uses pricing information provided by Bloomberg, Reuters, or counterparties to measure the fair value of the instrument, incorporating credit risk information on the counterparties in relation to the Mega Group.

(2) Fair value information of financial instruments

Except for those listed in the table below, the carrying amount of some of the Mega Group's financial instruments (e.g. cash and cash equivalents, due from Central Bank and call loans to other banks, securities purchased under resell agreement, receivables, loans discounted, refundable deposits, financial assets at amortised cost-central bank's certificate of deposit and short-term note and bill, deposits from the Central Bank and banks, due to Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances, bonds payable, other financial liabilities and guarantee deposits) is approximate to their fair value (please refer to Note 7 (5)). The fair value information of financial instruments measured at fair value is provided in Note 7(6).



	December 31, 2020	
	Carrying Value	Fair Value
Investments in debt instruments at amortised cost	\$ 41,031,864	\$ 41,505,592

	December 31, 2019	
	Carrying Value	Fair Value
Investments in debt instruments at amortised cost	\$ 34,705,119	\$ 34,997,226

For the above-mentioned investments in debt instruments at amortised cost and held to maturity financial assets-bond investment are considered Level 1 and Level 2 within the fair value hierarchy.

(3) Financial instruments at fair value through profit or loss

The quoted market price is used as the fair value when the financial instruments have an active market, such as market prices provided by the Stock Exchange Corporation, Bloomberg and Reuters are all foundation of fair value for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If the above condition is not met, the market is deemed inactive. In general, significant price variance between the purchase price and selling price or significantly increasing price variance are both indicators of an inactive market.

In addition to above financial instruments with an active market, other financial instruments at fair value are assessed by evaluation technique with reference to other financial instruments at fair value with similar conditions and characteristics in actual practice, cash flow discounting method and other evaluation technique, including market information obtained by exercising the model at balance sheet date (such as yield curve used in OTC and the Taipei Interbank Offered Rate (Taibor) price curve).

When a financial instrument has no standardized evaluation and with less complexity involved, such as interest rate swap, currency swap and options. The Mega Group usually adopt the valuation generally accepted by market users. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. For financial instruments with higher complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments with no quoted market price (including debt instrument of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Mega Group needs to make appropriate estimates based on the assumptions.

The valuation of derivative instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models.

The output of the evaluation model is an estimate, and the valuation technique may not reflect all the relevant factors of the financial instruments held by the Bank and its subsidiaries. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk, liquidity risk or credit risk of counterparties. According to the Bank and its subsidiaries valuation model management and other related controlling procedures, the adjustment made is adequate and necessary and the balance sheet is believed to present fairly, in all material aspects, the fair value of financial instruments. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

A. NTD Central Government Bond: the yield rates across different contract length and one-hundred price bulletined by Over-The-Counter (hereinafter Taipei Exchange) are used.

B. NTD corporate bonds, financial debentures, government bonds, bond-type beneficiary securities and designated financial debentures issued by the Mega Group: the present value of future estimated cash flows is calculated by using the yield rate curve.

C. NTD short-term bills and NTD bill-type beneficiary securities: the present value of future estimated cash flows of NTD and USD short-term bills is calculated by using average interest rate of TAIBOR rate and TAIFX3 central parity rate from Reuters, respectively.

D. Foreign securities: quoted prices from Bloomberg or counterparties are adopted.

E. Listed stock: The closing price being listed in TSE is adopted.

F. Emerging stocks: The fair value is determined by the object's transaction price if there is a recent representative transaction. Alternatively, the fair value is measured by transaction price of a comparative listed stock during the latest one-month period using an appropriate

market approach such as price earnings multiple method, price-book-value multiple method, corporate value to net profit before interest and tax method or net profit or revenue before interest, tax, depreciation and amortisation to corporate value multiple method relative to the comparative issuer's business condition after considering the liquidity discount of the object. If the fair value cannot be estimated with comparative issuer's information or market approach, other valuation techniques such as net asset method or income approach are adopted.

G. Unlisted stock and domestic/foreign partnership-type fund: If the object recently has representative trading, its trading price might be the best estimate of its fair value. If the object has comparable listed trades, its fair value can be estimated by using appropriate market method, such as P/E method, P/B method, EV/EBIT method or EBITDA×EV method, taking into account the operation condition of the comparable listed companies, most recent one month trading information and its liquidity. And if the object has no comparable instruments or its fair value cannot be estimated using market method, other valuation technique, such as net assets method or income approach, is used to estimate its fair value.

H. Funds: Net fund value is adopted.

I. Derivative financial instruments:

(A) Foreign exchange forward contract, currency swaps, forward rate agreement, interest rate swaps and cross currency swaps: the discounting future cash flow is adopted.

(B) Options: Black-Scholes model is mainly adopted for valuation.

(C) Some structured derivative financial instruments are valued by using the quoted prices from Bloomberg and Standard Barrier model.

(D) Some foreign-currency derivatives are valued by using the quoted prices from Bloomberg or counterparties.

(4) Credit risk value adjustment

A. Credit risk value adjustments can be primarily classified as either credit value adjustments or debit value adjustments. The definitions are as follows:

(A) Credit value adjustments refer to adjustments through fair value, which reflect the possibility that a counterparty may default on repayments and that an entity may not be able to recover, in full, the market value, for transactions in non-centralised markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).

(B) Debit value adjustments refer to adjustments through fair value, which reflect the possibility that an entity may default on repayments and that an entity may not be able to pay, in full, the market value, for transactions in non-centralised markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).

B. The Consolidated Company has incorporated credit risk value adjustments in the considerations for calculating the fair value of financial instruments in order to respectively reflect the counterparty's credit risk and the Consolidated Company's credit quality.

(5) Fair value of financial instruments not measured at fair value through profit or loss

A. In relation to cash and cash equivalents, securities purchased under resell agreements, due from the Central Bank and call loans to banks, receivables, restricted assets, refundable deposits, deposits from the Central Bank and banks, due to the Central Bank and banks, securities sold under repurchase agreements, payables and refundable deposits, the book value of the financial instruments which have a short maturity period will be considered as their fair value. While the maturities are quite close or the future payment or receipt is close to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.

B. Interest rates of subsidiaries' loans discounted (including non-performing loans) are generally based on the benchmark interest rate plus or minus certain adjustment to reflect the market interest rate. Thus, their fair values are based on the book value after adjustments of estimated recoverability. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

C. When there is a quoted market price available in an active market, the fair value of financial assets measured at amortised cost is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value.

D. The fair values of deposits and remittances are represented by their book values.

E. The coupon rate of convertible bonds and financial bonds issued by the Mega Group is equivalent to market interest rate; therefore, fair value estimated based on the present value of future cash flows is equivalent to book value.



(6) Level information of financial instruments at fair value

A. Three definitions of the Mega Group's financial instruments at fair value

(A) Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities that are deemed as level 1. A market is regarded as active when all of the following conditions are met: commodities in the market have identical characteristics; buyers and sellers in the market are readily available for transaction and pricing information is publicly available. The Mega Group's investments in listed stocks, OTC stocks, beneficiary certificates, active central government bonds and derivatives with quoted prices in an active market are all deemed as Level 1.

(B) Level 2

Observable prices other than the quoted prices in an active market comprise direct (e.g. prices) or indirect (e.g. derived from prices) observable inputs obtained from an active market. The Mega Group's investments in non-popular government bonds, corporate bonds, financial bonds, convertible bonds and most derivative instruments and corporate bonds issued by the Mega Group belong to this category.

(C) Level 3

Inputs for assets or liabilities that are not based on observable inputs through the market are deemed as Level 3. (Example of an unobservable input: an option pricing model that uses historical volatility; historical volatility does not reflect expected future volatility of all market participants). A portion of the Mega Group's derivatives and equity instruments without an active market are deemed as Level 3.

B. Information of fair value hierarchy of financial instruments

Recurring fair value measurements	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
<u>Assets</u>				
Financial assets mandatorily measured at fair value through profit or loss				
Investment in stocks	\$ 21,461,743	\$ 10,858,167	\$ 4,129,727	\$ 6,473,849
Investment in bonds	47,297,193	2,481,404	44,815,789	-
Investment in bills	152,099,070	-	152,099,070	-
Others	2,347,893	2,302,393	45,500	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	28,486,022	10,828,361	1,228,052	16,429,609
Investment in bonds	521,995,163	36,580,799	485,414,364	-
Investment in bills	9,980,004	-	9,980,004	-
Others	318,624	318,624	-	-
<u>Liabilities</u>				
Financial liabilities held for trading	(408,133)	(408,133)	-	-
Financial liabilities designated as at fair value through profit or loss	(17,054,273)	-	(17,054,273)	-
Derivative financial instruments				
<u>Assets</u>				
Financial assets mandatorily measured at fair value through profit or loss	5,402,174	479,067	4,922,877	230
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	(3,472,527)	(1,077)	(3,471,188)	(262)

Recurring fair value measurements	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets mandatorily measured at fair value through profit or loss				
Investment in stocks	\$ 24,773,010	\$ 14,944,225	\$ 4,638,585	\$ 5,190,200
Investment in bonds	55,928,619	3,205,220	52,723,399	-
Investment in bills	120,021,716	-	120,021,716	-
Others	2,125,502	2,125,502	-	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	24,080,152	7,364,200	5,151,767	11,564,185
Investment in bonds	500,651,572	31,907,659	468,743,913	-
Investment in bills	11,193,375	-	11,193,375	-
Others	307,500	307,500	-	-
Liabilities				
Financial liabilities held for trading	(589,071)	(253,923)	(335,148)	-
Financial liabilities designated as at fair value through profit or loss	(18,519,696)	-	(18,519,696)	-
Derivative financial instruments				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	5,464,283	564,167	4,900,116	-
Liabilities				
Financial liabilities at fair value through profit or loss	(3,006,942)	-	(3,006,380)	(562)

C. The transfer between Level 1 and Level 2.

On December 31, 2020, the balance of MICB's held 2019 Fiscal Year Order 9 Category 1 Central Government Construction Bonds was \$2,623,549. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

On December 31, 2019, the balance of MICB's held 2018 Fiscal Year Order 9 Category 1 Central Government Construction Bonds was \$865,000. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

The reasons of the Company' and subsidiaries' equity investments transferred between level 1 and level 2: For equity investments which transferred into level 2 were because the volume decreased and less quoted market price information in the active markets can be obtained. For equity investments which transferred into level 1 were because the volume increased and more quoted market price information in the active markets can be obtained.

D. Movements of financial assets and liabilities classified into Level 3 of fair value are as follows:

(A) Movements of financial assets classified into Level 3 of fair value are as follows:

For the year ended December 31, 2020

Item	January 1, 2020	Valuation gain or loss		Addition		Reduction		December 31, 2020
		Recognised as profit or loss	Recognised as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
<u>Non-derivative financial instruments</u>								
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	\$ 5,190,200	\$ 791,183	\$ -	\$ 371,866	\$ 615,437	(\$ 216,337)	(\$ 278,500)	\$ 6,473,849
Financial assets at fair value through other comprehensive income	11,564,185	-	(549,832)	-	6,866,468	(140,947)	(1,310,265)	16,429,609
<u>Derivative financial instruments</u>								
Financial assets mandatorily measured at fair value through profit or loss	-	(348)	-	4,191	-	(3,613)	-	230
Total	\$ 16,754,385	\$ 790,835	(\$ 549,832)	\$ 376,057	\$ 7,481,905	(\$ 360,897)	(\$ 1,588,765)	\$22,903,688

The Company and subsidiaries held unlisted stocks in the amount of \$7,481,905, and the fair value of the unlisted stocks was determined based on market approach, therefore, those unlisted stocks were transferred from Level 2 to Level 3.

The Company and subsidiaries held unlisted stocks in the amount of \$1,588,765, and the fair value of the unlisted stocks was determined based on recent marketing transaction price, therefore, those unlisted stocks were transferred from Level 3 to Level 2.

For the year ended December 31, 2019

Item	January 1, 2019	Valuation gain or loss		Addition		Reduction		December 31, 2019
		Recognised as profit or loss	Recognised as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
<u>Non-derivative financial instruments</u>								
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	\$ 5,140,803	\$ 135,474	\$ -	\$ 151,831	\$ 413,234	(\$ 146,111)	(\$ 505,031)	\$ 5,190,200
Financial assets at fair value through other comprehensive income	8,665,085	-	1,691,348	-	1,746,046	(247,294)	(291,000)	11,564,185
<u>Derivative financial instruments</u>								
Financial assets mandatorily measured at fair value through profit or loss	-	-	-	93	-	(93)	-	-
Total	\$ 13,805,888	\$ 135,474	\$ 1,691,348	\$ 151,924	\$ 2,159,280	(\$ 393,498)	(\$ 796,031)	\$16,754,385

(B) Movements of financial liabilities classified into Level 3 of fair value are as follows:

For the year ended December 31, 2020

Item	January 1, 2020	Valuation gain or loss		Addition		Reduction		December 31, 2020
		Recognised as profit or loss	Recognised as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Liabilities								
Financial liabilities at fair value through profit or loss	(\$ 562)	\$ 46	\$ -	(\$ 2,577)	\$ -	\$ 2,923	\$ -	(\$ 262)

For the year ended December 31, 2019

Item	January 1, 2019	Valuation gain or loss		Addition		Reduction		December 31, 2019
		Recognised as profit or loss	Recognised as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Liabilities								
Financial liabilities at fair value through profit or loss	(\$ 317)	\$ 31	\$ -	(\$ 2,607)	\$ -	\$ 2,331	\$ -	(\$ 562)

Transfers into or out from level 3 (for example, transfers resulted from changes in the observability of market data) and the reasons for those transfers: significant transfers out from level 3 mainly resulted from certain emerging stocks whose trading volume of current month did not meet the definition of active market and being transferred from level 2. Significant transfers out from level 3 mainly resulted from certain emerging stocks whose trading volume of current month meets the definition of active market and being transferred into level 2.

(C) The measure of fair value for Level 3, the sensitivity analysis for the reasonable alternative hypothesis of the fair value.

The Mega Group's fair value measurement of financial instruments was reasonable, if valued using different model or parameters, it would obtain different results. For Level 3, if the parameters of valuation varied up or down by 10%, the effect on profit or loss would be shown as follows:

December 31, 2020	Changes in the fair value recognized in the current profit or loss		Changes in the fair value recognized in the comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
The level 3 of financial instruments	\$ 647,408	(\$ 647,408)	\$ 1,642,961	(\$ 1,642,961)

December 31, 2019	Changes in the fair value recognized in the current profit or loss		Changes in the fair value recognized in the comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
The level 3 of financial instruments	\$ 519,020	(\$ 519,020)	\$ 1,156,419	(\$ 1,156,419)

The favorable and unfavorable changes meant the fluctuation of fair value, and the fair value was calculated by the unobservable parameters in different levels, if the fair value of financial instrument was affected by one of the above parameters, the favorable changes and unfavorable changes would not consider the correlation and variability in the table.

(D) Quantitative information of fair value measurement of significant unobservable inputs (level 3)

Fair value of the Mega Group belongs to level 3 because of financial assets mandatorily measured at fair value through profit or loss-equity investments, financial assets at fair value through other comprehensive income-equity investments and derivative instruments-structured products.

Fair value of the Mega Group belongs to equity investments of level 3 because there is significant unobservable input that includes lack of liquidity discount and price-book value ratio multiple. Derivative instruments-structured products have several significant unobservable inputs. As significant unobservable inputs of derivative instruments-structured products are independent from each other, the inputs have no relation.

(E) Table below summarises quantitative information of significant unobservable inputs

December 31, 2020	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Items measured at fair value on a recurring basis					
Non-derivative financial assets					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Equity investment	\$ 5,548,180	Market approach	Lack of liquidity discount	15%~50%	The higher the liquidity discount, the lower the fair value.
			Price-book value ratio multiple	0.81~3.24	The higher the price-book value ratio multiple, the higher the fair value.
	925,669	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment	13,570,089	Market approach	Lack of liquidity discount	10%~30%	The higher the liquidity discount, the lower the fair value.
			Price-book value ratio multiple	0.87~2.77	The higher the price-book value ratio multiple, the higher the fair value.
	2,509,269	Net asset approach	N/A	N/A	N/A
	350,251		Lack of liquidity discount	20%	The higher the liquidity discount, the lower the fair value.
Derivative financial assets					
Structured products	230	Determined using the Option Pricing Model verified by the subsidiary – MS	Price volatility	20%~50%	The higher the price volatility, the higher the fair value.
Derivative financial liabilities					
Structured products	(262)	Determined using the Option Pricing Model verified by the subsidiary – MS	Price volatility	20%	The higher the price volatility, the lower the fair value.

December 31, 2019	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Items measured at fair value on a recurring basis					
Non-derivative financial assets					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Equity investment	\$ 4,501,251	Market approach	Lack of liquidity discount	15%~40%	The higher the liquidity discount , the lower the fair value.
	549,620	Net asset approach	Price-book value ratio multiple	0.53~2.85	The higher the price-book value ratio multiple, the higher the fair value.
	139,329	Recent transaction price or rights offering price	N/A	N/A	N/A
			N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment	8,915,149	Market approach	Lack of liquidity discount	10%~30%	The higher the liquidity discount , the lower the fair value.
			Price-book value ratio multiple	0.78~3.18	The higher the price-book value ratio multiple, the higher the fair value.
	2,268,508	Net asset approach	N/A	N/A	N/A
	380,528		Lack of liquidity discount	20%	The higher the liquidity discount, the lower the fair value.
Derivative financial liabilities					
Structured products	(562)	Determined using the Option Pricing Model verified by the subsidiary – MS	Price volatility	20%	The higher the price volatility, the lower the fair value.

(F) Fair value measurement process for instruments classified in Level 3

The financial instrument assessment team is in charge of valuation procedures for fair value measurements, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

8. THE MANAGEMENT OBJECTIVES AND POLICIES OF FINANCIAL RISKS

(1) Overview

The Mega Group earns profits mainly from lending, financial instruments trading, investments, brokerage, financial planning, assets management and insurance businesses. The Mega Group is supposed to bear and manage any risks from these business activities. These risks include credit risk, market risk, operating risk, liquidity risk and insurance risk. Among those risks, credit risk, market risk and liquidity risk have greatest impact.

The Mega Group regards any potential factors that might negatively affect earnings and reputation as risks. To maintain steady profits and good reputation and avoid losses from incidental events, the Mega Group's risk management policies focus on prevention and reduction of anticipated business risks and increase of capital in response to future anticipated risks. In order to meet the solid operating requirements by the competent authorities, depositors and other stakeholders for management objectives for risks, business risks are controlled within the tolerable scope.

(2) The organization framework of risk management

The Mega Group has established risk management policies and guidelines and whole risk tolerance of the Mega Group. Subsidiaries therefore follow the Company's instructions in setting risk management organisation, policies, objectives, regulations, internal control procedures, risk monitor mechanism and risk limits, and report to the Company on risk management issues. Therefore, overall risk management structure and reporting systems of the Mega Group is completely established.

The Board of Directors is the highest decision-making unit of the Mega Group's risk management and is responsible for establishment and effective operation of the risk management system. The system includes risk management policies, standards and guidelines, organisation structure, risk preference, internal control system and management of significant business cases. Under the Board of Directors, the risk management committee is established. The risk management committee is responsible for examination and monitor of risk management. The Company and significant subsidiaries all have risk management unit, being a part of the risk management committee and responsible for supervising the establishment of risk management mechanism, risk limits allocation, risk monitor and reporting.

Under the management, several committees and other administrative units are established. They are responsible for risk review and control of credits, investments, trading and assets/liabilities management businesses.

Administrative unit of each subsidiary is responsible for identifying the possible risks of businesses, establishing internal control procedures and regulations, measuring risk degrees regularly and adopting responding measures for any negative effects.

Business units follow operating guidance and report to the management units directly. Risk management unit is responsible for monitoring of overall risk positions and concentration, and summarising relevant details before reporting to the management or Board of Directors.

Auditing office examines the operations of business and administration units regularly or irregularly to ensure the three risk management defense lines operate normally.

The Company has assigned personnel to sit on the Board of Directors of each subsidiary to monitor the governance of each subsidiary.

(3) Credit risk

A. The source and definition of credit risk

Credit risk pertains to the risk of loss that the borrowers, issuers or counterparties might default on contracts due to deterioration in their financial position or other factors.

The Mega Group is exposed to credit risk mainly on businesses of corporate and individual loans, guarantees, trade financing, interbank deposits and call loans and securities investments.

Credit risk is the primary risk of the Mega Group's capital expenditure.

B. Credit risk management policies

The objectives of the Mega Group's credit risk management are to maintain stable assets allocation strategy, careful lending policy and excellent assets quality to secure assets and earnings. The Mega Group's risk management department is responsible for supervision of the Mega Group's credit risk and regularly submits summary report to the Board of Directors and the management.

The management mechanism of subsidiaries for credit risk includes:

The establishment of assets/liabilities, risk management, lending and investment committees which adopt responding measures to market environment, changes in industry, and capital limits, and review relevant regulations and cases of significant lending and investments.

Setting careful prior review procedures for lending and criteria of handling subsequent matters, regular post-lending follow-up, understanding of clients' operation and capital outflows, and increase in the frequency of review on clients with higher risk.

Classifying credit ratings based on clients' probability of default or behavior scoring with management put in practice.

Controlling concentration of credit risk by setting credit limits for individuals, corporate groups, industries, areas, and different types of collaterals.

Setting credit risk limits by reference to external ratings and prospects with attention to changes in market credit spread and risk concentration of counterparties.

Establishing the pre-warning list of credit and reporting system.

Assessing assets quality regularly and setting aside sufficient reserve for losses.

Setting the management unit and the audit committee of the creditor's right for accelerating collection of non-performing loans.

(a) Credit extensions

Classification of credit assets and internal risk ratings are as follows:

I. Credit risk measurement

Corporate credit risk is measured by using the borrower's default probability model with logistic regression analysis in which financial and non-financial factors are incorporated, which predicts the default probability of borrower within the next year. Besides, the extent of risk is measured by using credit rating table and taking into account the characteristics and scale of business. Lending examination and post management are dealt with based on clients' credit rating. Individual borrowers are grouped into different risk levels and managed by using application scoring and behavior scoring cards. Back-testing is conducted on internal models regularly; those models are subject to adjustments when necessary. Clients' credit ratings are reviewed annually and subject to adjustments when there is significant change in their credit ratings.

II. Internal risk rating

The internal rating for lending is classified as excellent, satisfactory, fair and weaker, which corresponds to the Standard & Poor rating as follows:

Internal risk rating	Excellent	Satisfactory	Fair	Weaker
Corresponding to S&P	AAA~BBB-	BB+~ BB-	B+	B and below

(b) Interbank deposits and call loans

Before trading with other banks, the Mega Group assesses their credit by reference to their ratings offered by external rating agencies, their assets and scales of owners' equity and their country risks, and therefore set credit risk limits for each of them. The Mega Group monitors changes in market prices of the financial instruments issued by those banks and CDS quoted prices daily to keep attention to their risk.

(c) Bonds and derivative instruments

The limits of bonds purchased by the Mega Group are set by considering the credit rating of bond issuers or guarantors (ex. S&P, Moody's, Fitch, Taiwan ratings or Fitch Taiwan), which needs to meet the minimum rating set by the Board of Directors, and country risk at the application, share price of issuers, changes in CDS quoted prices, earnings, market condition, and capital utilisation status of the applying unit.

Subsidiaries have set trading units and overall total risk limit for non-hedging derivative instruments, and use positive trading contract evaluation as the basis for calculating credit risk and add the limit to the total credit risk limit for monitoring.

(d) Asset quality

The Mega Group has set the minimum requirements and examination procedures for the quality of financial assets of each type, and controls risk concentration of assets portfolios of each type based on the risk limit of each type. The Mega Group also monitors the changes in assets quality regularly during the duration of the assets and takes measures to maintain their quality. According to the policies and regulations, reserve for losses is provided adequately for those assets to actually reflect and safeguard the value of owners' equity.

C. Expected credit losses calculation

In the assessment of impairment and calculation of expected credit losses, the Mega Group considers reasonable and supportable information (including forward-looking information that can be obtained without costing excessive costs or inputs) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Mega Group determines at the reporting date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognises expected credit loss according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognised for assets in Stage 1, and lifetime expected credit losses are recognised for assets in Stage 2 and Stage 3.

The definition of each stage and the recognition of expected credit loss are as follows:

Low credit risk (Stage 1)

The Mega Group estimates the 12 months expected credit losses if financial assets which has low credit risk at reporting date, or there has not been a significant increase in credit risk since initial recognition.

Significant increase in credit risk (Stage 2)

The Mega Group estimates the lifetime expected credit losses (ECLs) if such credit risk has significant increased since initial recognition but not impaired after taking into consideration all reasonable and verifiable information.

Credit-impaired (Stage 3)

The credit is impaired when expected future cash flows of the financial assets have one or more events that occurred with adverse effects, and the Mega Group shall estimate the lifetime expected credit losses (ECLs).

(1) Determination of a significant increase in credit risk after initial recognition

(A) Loan business

Subsidiary, MICB, assesses the changes in default risk over the lifetime of each category of credit assets at each reporting date to determine whether there has been a significant increase in credit risk. The assessment takes into account reasonable and supportable information including forward-looking information that demonstrates a significant increase in credit risk after initial recognition. The main indicators taken into consideration include:

a. Qualitative indicators

(a) Changes in internal/external credit ratings

The credit risk of the financial instrument is assessed to be significantly increased after initial recognition if its external credit rating were lowered over 2 to 3 grades and it qualified other conditions at the reporting date. A financial instrument that is not externally rated whose internal credit rating needs to be mapped with an external grade and then determined based on its external credit rating. A no-rated financial instrument is determined by default events and qualitative indicators.

The credit assets are allocated in 13 scales of internal rating. The scales corresponds to the ratings of Standard & Poor's as follows:

Internal risk rating	1~3	4~6	7~9	10~13
Corresponding to S&P	AA-or better~A-	BBB+~ BBB-	BB+~B+	B +and below

(b) Default events

The repayment of principal and interest is later 1 to 3 months over when contractually dues, and not included in credit-impaired (Stage 3).

b. Quantitative indicators:

- (a) The subsidiary, MICB, reported a dishonored check issued by debtor.
- (b) Debtor was notified as a dishonoured account by Taiwan clearing house.
- (c) The pledged collateral of the debtor is seized by another bank.
- (d) Debtor's loans from other financial institutions have been reclassified as overdue loan or written off as bad debt.
- (e) The independent auditor issues an opinion expressing material uncertainty over the company's ability to continue as a going concern.
- (f) The debtor has other records of bad credit that has affected its capital procurement and normal operation.

The loan assets of the Mega Group and its subsidiaries are assumed to have no significant increase in credit risk since initial recognition if they are of low credit risk at the reporting date.

(B) Bond investments and counterparty transactions

The Mega Group assesses the changes in default risk over the lifetime of bond investments and counterparty transactions at each reporting date to determine whether there has been a significant increase in credit risk. The assessment takes into account reasonable and supportable information including forward-looking information that demonstrates a significant increase in credit risk after initial recognition. The main indicators taken into consideration include:

- a. The repayment including interests is over 30 days past due.
- b. The fair value and cost are lower than a certain percentage.
- c. A change in internal/external credit ratings.

At the reporting date, if the external credit rating of the financial instrument has decreased by more than 3 grades since initial recognition, or if the instrument is not investment grade, it is determined to have significant increase in credit risk. If the financial instrument only has an internal credit rating, the assessment is based on the equivalent external credit rating.

- d. The CDS spread of bond issuer/counterparty is over certain basis points.
- e. Fluctuation rate of individual stock price relative to the overall market price.

The fluctuation rate of individual stock price of the bond issuer/ counterparty relative to the overall market price is lower than a certain percentage in consecutive months.

(2) Definition of default and credit impaired financial asset

(A) Credit business

The Mega Group uses the credit-impaired indicators as follows:

- a. Qualitative indicator: Except for the accounts receivable factoring without recourse resulting from a non-financial factor, the repayment of principal and interest is over 90 days past due.
- b. Quantitative indicators:
 - (a) The accounts receivable factoring without recourse has been recorded as non- performing loans.
 - (b) Overdue receivables.
 - (c) The amount cannot be expected to be recovered because of the debtor's financial difficulties.
 - (d) A modification of the contractual terms led by the debtor's financial difficulties, including an extended repayment term of principal and a punctual repayment of interests, extended repayment term of interests, debt negotiations for agreed settlement administered by the Bank Association.
 - (e) The debtor has filed for bankruptcy or is likely to file for bankruptcy.
 - (f) The debtor entered into reorganisation or is likely to file for reorganisation.

(B) Bond investments and counterparty transactions

The Mega Group uses the credit-impaired indicators as follows:

- a. The repayment is over 90 days past due.
- b. Overdue receivables.
- c. Bad debts.
- d. The issuer or debtor encounters financial difficulties.



- e. A modification of the contractual terms due to the debtor's financial difficulties.
- f. The debtor has filed for bankruptcy or is likely to file for bankruptcy.
- g. The debtor entered into reorganisation or is likely to file for reorganization.
- h. Externally rated as in default.

(3) Write-off policy

The Mega Group writes-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

- (A) The recourse procedures has ceased.
- (B) The debtor's assets or income is evaluated to be insufficient to repay outstanding payments.

The Mega Group may proceed recourse activities for the written-off financial assets and undergo recourse procedures in accordance with related policies.

(4) Measurement of expected credit loss

The Mega Group recognises the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial recognition and recognises the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition.

(A) Credit business

Expected credit loss are measured based on probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

a. Probability of default ("PD"):

The estimation of PD is based on the rated financial assets and no-rated financial assets of the Mega Group, with the 12-month PD and lifetime PD estimated separately.

- (a) Calculate the actual 12-month PD from historical data, which is adjusted by using forward-looking information, and use it to estimate the future 12-month PD parameter.
- (b) Lifetime PD: The Mega Group adopts Markov Chain to estimate lifetime PD, which is obtained by a matrix multiplication from rating transition matrix.

In addition, probability of default of externally rated financial assets is measured by the same method with "Bond investments and counterparty transactions".

b. Loss given default ("LGD"):

Loans are grouped according to type (corporate or consumer) and whether they are secured with collateral, and the LGD of each group is calculated based on historical recovery experience.

c. Exposure at default ("EAD"):

- (a) On balance sheet: calculated from the total book value at the reporting date (including interest receivable).
- (b) Off balance sheet: off balance sheet figures multiplied by the credit conversion factor (CCF). The CCF is estimated according to the rules described in the "Calculation Method of Equity Capital and Risky Assets and Accompanying Forms-Credit Risk Standard Rules."

(B) Bond investments and counterparty transactions

- a. PD is calculated based on external credit ratings data, which takes into consideration forward-looking information.
- b. LGD is an average LGD obtained from external credit ratings.
- c. EAD:
 - (a) Stage 1 and Stage 3: calculated from total book value (including interest receivable)
 - (b) Stage 2: used the cash flows of bonds during its duration.

(5) Consideration of forward-looking information

(A) Credit business

The Mega Group incorporates forecastable information when determining whether there has been a significant increase in credit risk since initial recognition and measuring expected credit losses.

a. For determining significant increase in credit risk

Clients' financial condition, repayment ability, corporate governance and forward-looking information such as industry's prospects are taken into consideration.

b. For measuring expected credit losses

Consideration of forward-looking information are reflected by PD and LGD. Consideration of forward-looking information classifies loans into three types: loans with (a) external credit ratings (b) with internal credit ratings and (c) without credit ratings:

(a) Loans with external credit ratings:

ECLs are measured by the same approach by considering the same forward-looking information adopted for bond investments and counterparty transactions.

(b) Loans with internal credit ratings:

To measure the PD of internally rated financial assets, the Mega Group considers forward-looking information by assessing corporate and individual customers sequentially, referring to academic literatures across the countries and employing statistical methods to screen relevant macro-economic factors (including economic growth rate, unemployment rate, consumer price index, interest rate, exchange rate and real estate price index) in order to assess the effects on each rating level while the macro-economic changes, and use it to be the forward-looking information adjustment of future PD. In addition, the Mega Group's adjustment of forward-looking information is including the analysis under the different macro-economic environments, which are appropriated the weight in accordance with its incidence. As a result, the weighted average was calculated based on different economic environments, and it reflects the non-linear system between the incidence of different macroeconomic environments and the existence of credit loss.

(c) No-rated financial assets:

To measure the PD of no-rated financial assets, the Mega Group considers forward-looking information by complying with the impairment estimation methodology guidelines released by the Bankers Association of the Republic of China.

(B) Bond investments and counterparty transactions

To measure the forecastable estimation of PD, the PDs under different ratings and limits are obtained by constructing the regression model and combining the result of regression with the assessment of macroeconomy.

- (6) As a result of the COVID-19 outbreak in the beginning of 2020, certain entities and global economic were impacted, and the quality of the Mega Group's credit assets or the operating result of the Mega Group might be affected. However, the actual impact would be determined based on the subsequent development of the epidemic and the affected degree of economic. The Mega Group has collected historical, current and future development information, and grouped related factors into various parameters and assumptions which were associated with the expected credit loss impairment model and methodology (including a newest future economic condition criteria in measurement of the expected credit impairment loss). The Mega Group will continually follow the development of the epidemic, and cautiously assess and positively resolve the related impact on financial conditions and operating performance.

D. Policies of hedging or mitigation of credit risk

To reduce credit risk, the Mega Group adopts the following policies.

a. Obtaining collaterals and guarantors

The Mega group has established regulations on collateral management, mortgage loan line setting, scope of collaterals, collateral valuation, collateral management and disposal. In addition, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or the debtor's deposits can be used to offset its liabilities to mitigate credit risks.

b. Loan limit control

To avoid extreme credit risk concentration, the Mega group established policies for control of credit risk concentration and set up credit extension limit for a single individual, a single group, a single industry, a single area/country, and single collateral.

c. Net settlement agreement

The Mega Group has net settlement agreements with some counterparties. If the counterparty defaults, all transactions with the counterparty will be terminated and be settled by net amount to further reduce credit risk.

d. Other credit enhancements

The Mega Group upon formulation of the credit agreement included an offsetting clause, which clearly stipulated that upon the occurrence of a credit incident, deposits to the Mega Group by the debtor may be offset with the debtor's liabilities and guarantees from third- parties or financial institutions may be acquired to mitigate the credit risk.

E. The maximum exposure to credit risk

The maximum exposure to credit risk is presented with the book amounts for the financial assets in balance sheet, undrawn loan facilities for the irrevocable commitments off balance sheet, and the issued but not used balance for letters of credit and guarantees provided.

The maximum exposure of the financial assets on the balance sheets of the Mega group, not taking into account collateral or other credit enhancements, is approximately the carrying value of these assets.



(A) The total carrying amount of financial assets held by the Mega Group that has the maximum exposure to credit risk is as follow:

a. Loans discounted, net

December 31, 2020

Loans discounted, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	\$ 853,021,294	\$ 143,523	\$ -	\$ -	\$ 853,164,817
- good	482,946,503	30,025,494	-	-	512,971,997
- acceptable	288,875,824	20,756,685	310,450	-	309,942,959
- weak	96,868,501	15,066,021	11,607,873	-	123,542,395
No rated	116,424,827	1,284,970	1,792,224	-	119,502,021
Total carrying amount	1,838,136,949	67,276,693	13,710,547	-	1,919,124,189
Allowance for bad debt	(2,961,164)	(581,822)	(2,109,119)	-	(5,652,105)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(23,513,862)	(23,513,862)
Total	\$ 1,835,175,785	\$ 66,694,871	\$ 11,601,428	(\$ 23,513,862)	\$ 1,889,958,222

December 31, 2019

Loans discounted, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	\$ 858,600,604	\$ 94,564	\$ 119,597	\$ -	\$ 858,814,765
- good	493,218,432	30,695,221	60,995	-	523,974,648
- acceptable	269,148,634	21,940,794	248,357	-	291,337,785
- weak	92,394,474	12,773,535	8,988,527	-	114,156,536
No rated	113,231,932	1,203,030	542,569	-	114,977,531
Total carrying amount	1,826,594,076	66,707,144	9,960,045	-	1,903,261,265
Allowance for bad debt	(2,736,126)	(599,373)	(2,350,961)	-	(5,686,460)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(23,896,971)	(23,896,971)
Total	\$ 1,823,857,950	\$ 66,107,771	\$ 7,609,084	(\$ 23,896,971)	\$ 1,873,677,834

b. Receivables

December 31, 2020

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	\$ 21,623,514	\$ 685	\$ -	\$ -	\$ 21,624,199
- good	6,426,025	152,484	-	-	6,578,509
- acceptable	7,193,393	422,185	42	-	7,615,620
- weak	199,255	88,945	354,093	-	642,293
No rated	53,835,653	512,284	743,267	-	55,091,204
Total carrying amount	89,277,840	1,176,583	1,097,402	-	91,551,825
Allowance for bad debt	(546,324)	(35,515)	(90,075)	-	(671,914)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(909,136)	(909,136)
Total	\$ 88,731,516	\$ 1,141,068	\$ 1,007,327	(\$ 909,136)	\$ 89,970,775

December 31, 2019

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	\$ 30,677,997	\$ 89	\$ 2	\$ -	\$ 30,678,088
- good	8,143,758	425,106	17	-	8,568,881
- acceptable	7,192,457	316,528	81	-	7,509,066
- weak	418,415	25,664	311,024	-	755,103
No rated	52,811,016	9,645	778,897	-	53,599,558
Total carrying amount	99,243,643	777,032	1,090,021	-	101,110,696
Allowance for bad debt	(622,332)	(3,197)	(131,770)	-	(757,299)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(1,045,121)	(1,045,121)
Total	\$ 98,621,311	\$ 773,835	\$ 958,251	(\$ 1,045,121)	\$ 99,308,276



c. Debt instruments

December 31, 2020

Debt instruments	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Credit ratings				
- excellent	\$ 1,057,905,649	\$ -	\$ -	\$ 1,057,905,649
- good	6,873,105	453,640	-	7,326,745
- acceptable	-	-	-	-
- weak	1,104,420	-	-	1,104,420
No rated	-	-	-	-
Total carrying amount	1,065,883,174	453,640	-	1,066,336,814
Allowance for bad debt	(34,363)	-	-	(34,363)
other equity	(266,046)	(6,091)	-	(272,137)
Total	\$ 1,065,582,765	\$ 447,549	\$ -	\$ 1,066,030,314

December 31, 2019

Debt instruments	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Credit ratings				
- excellent	\$ 779,147,306	\$ -	\$ -	\$ 779,147,306
- good	6,693,798	-	-	6,693,798
- acceptable	-	-	-	-
- weak	1,241,045	-	-	1,241,045
No rated	-	-	-	-
Total carrying amount	787,082,149	-	-	787,082,149
Allowance for bad debt	(23,046)	-	-	(23,046)
other equity	(182,477)	-	-	(182,477)
Total	\$ 786,876,626	\$ -	\$ -	\$ 786,876,626

(B) The maximum exposure to credit risk in relation to the items off balance sheet is as follows:

December 31, 2020

Loan commitments and financial guarantee contracts	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	\$ 285,729,926	\$ -	\$ -	\$ -	\$ 285,729,926
- good	158,045,809	16,751,032	-	-	174,796,841
- acceptable	79,605,218	4,195,944	-	-	83,801,162
- weak	24,120,994	2,709,911	276,209	-	27,107,114
No rated	22,847,898	-	28,015	-	22,875,913
Total carrying amount	570,349,845	23,656,887	304,224	-	594,310,956
Provisions for liabilities and loan commitments	(360,595)	(134,518)	(34,650)	-	(529,763)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(4,699,092)	(4,699,092)
Total	\$ 569,989,250	\$ 23,522,369	\$ 269,574	(\$ 4,699,092)	\$ 589,082,101

December 31, 2019

Loan commitments and financial guarantee contracts	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	\$ 288,769,838	\$ -	\$ -	\$ -	\$ 288,769,838
- good	162,589,523	6,095,455	-	-	168,684,978
- acceptable	69,577,859	2,686,088	37,060	-	72,301,007
- weak	20,967,843	3,109,776	429,068	-	24,506,687
No rated	28,744,898	-	25,903	-	28,770,801
Total carrying amount	570,649,961	11,891,319	492,031	-	583,033,311
Provisions for liabilities and loan commitments	(355,583)	(126,283)	(16,295)	-	(498,161)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(4,706,995)	(4,706,995)
Total	\$ 570,294,378	\$ 11,765,036	\$ 475,736	(\$ 4,706,995)	\$ 577,828,155

(C) The analysis of risk exposure by the asset's counterparty and category is as follows:

December 31, 2020

	Cash and cash equivalents, Due from the Central Bank and call loans to banks	Loans discounted, net	Reinsurance contract assets	Receivables, net	Securities purchased under resell agreements and debt instruments	Derivatives	Other on balance sheet	Loan commitments and financial guarantee contracts	Total
Government institution	\$ 247,454,412	\$ 6,672,830	\$ -	\$ 920,099	\$ 212,820,865	\$ -	\$ 1,380	\$ 18,118,395	\$ 485,987,981
Finance, investment and insurance	247,438,563	155,056,667	5,183,353	3,316,124	683,073,182	4,952,684	5,104,758	62,428,994	1,166,554,325
Enterprise and commerce	-	1,230,350,092	-	41,576,126	370,012,001	359,923	61,329	413,282,719	2,055,642,190
Individuals	-	523,590,175	-	44,167,748	-	15,639	86,509	97,109,598	664,969,669
Other	-	3,454,425	-	1,571,728	777,166	73,928	-	3,371,250	9,248,497
Total	494,892,975	1,919,124,189	5,183,353	91,551,825	1,266,683,214	5,402,174	5,253,976	594,310,956	4,382,402,662
Less: allowance for bad debt, accumulated impairment and provisions for liabilities	(169)	(29,165,967)	(13,318)	(1,581,050)	(306,500)	-	(119,601)	(5,228,855)	(36,415,460)
Net	\$ 494,892,806	\$ 1,889,958,222	\$ 5,170,035	\$ 89,970,775	\$ 1,266,376,714	\$ 5,402,174	\$ 5,134,375	\$ 589,082,101	\$ 4,345,987,202

The trade financing for corporates and businesses accounts for 7.19%, equivalent to \$88,453,647 while the housing loans for individuals accounts for 77.30%, equivalent to \$404,729,015.



December 31, 2019

	Cash and cash equivalents, Due from the Central Bank and call loans to banks	Loans discounted, net	Reinsurance contract assets	Receivables, net	Securities purchased under resell agreements and debt instruments	Derivatives	Other on balance sheet	Loan commitments and financial guarantee contracts	Total
Government institution	\$ 307,368,283	\$ 8,017,535	\$ -	\$ 1,581,644	\$ 235,583,742	\$ -	\$ 4,391	\$ 18,400,195	\$ 570,955,790
Finance, investment and insurance	326,288,955	182,067,939	4,010,534	5,024,292	489,974,655	4,843,169	7,404,370	65,927,894	1,085,541,808
Enterprise and commerce	-	1,254,182,896	-	61,078,404	240,231,469	345,854	32,519	408,204,822	1,964,075,964
Individuals	-	455,042,162	-	31,846,427	-	23,577	104,237	87,984,371	575,000,774
Other	-	3,950,733	-	1,579,929	826,982	251,683	-	2,516,029	9,125,356
Total	633,657,238	1,903,261,265	4,010,534	101,110,696	966,616,848	5,464,283	7,545,517	583,033,311	4,204,699,692
Less: allowance for bad debt, accumulated impairment and provisions for liabilities	(14,565)	(29,583,431)	(25,917)	(1,802,420)	(205,523)	-	(127,195)	(5,205,156)	(36,964,207)
Net	\$ 633,642,673	\$ 1,873,677,834	\$ 3,984,617	\$ 99,308,276	\$ 966,411,325	\$ 5,464,283	\$ 7,418,322	\$ 577,828,155	\$ 4,167,735,485

The trade financing for corporates and businesses accounts for 10.21%, equivalent to \$128,000,397 while the housing loans for individuals accounts for 75.84%, equivalent to \$345,086,507.

(D) Relevant financial information on effect of the Mega Group's assets exposed to credit risk, net settlement master netting arrangements and other credit improvements is as follows:

December 31, 2020	Collateral	Net settlement master netting arrangements	Guarantee	Total
On-Balance-Sheet Items				
Cash and cash equivalents	\$ 792,960	\$ -	\$ -	\$ 792,960
Financial assets mandatorily measured at fair value through profit or loss				
- debt instrument	-	-	27,357,378	27,357,378
- derivative instrument	2,978,667	498,075	-	3,476,742
Financial assets at fair value through other comprehensive income-debt instrument	-	-	28,369,773	28,369,773
Investments in debt instruments at amortised cost	-	-	30,227,258	30,227,258
Securities purchased under resell agreements	962,450	-	-	962,450
Receivables	27,617,637	-	-	27,617,637
Loans discounted, net	1,227,852,728	-	104,022,454	1,331,875,182
Other assets	85,050	-	-	85,050
Off-Balance-Sheet Items				
Irrevocable loan commitments	36,060,596	-	4,278,984	40,339,580
Guarantees	172,608,196	-	1,635,100	174,243,296
Letters of credit	11,382,150	-	387,385	11,769,535

December 31, 2019	Collateral	Net settlement master netting arrangements	Guarantee	Total
On-Balance-Sheet Items				
Cash and cash equivalents	\$ 946,584	\$ -	\$ -	\$ 946,584
Financial assets mandatorily measured at fair value through profit or loss				
- debt instrument	-	-	13,257,248	13,257,248
- derivative instrument	1,973,425	372,276	-	2,345,701

Financial assets at fair value through other comprehensive income-debt instrument	-	-	21,193,368	21,193,368
Investments in debt instruments at amortised cost	-	-	16,236,544	16,236,544
Securities purchased under resell agreements	3,581,190	-	-	3,581,190
Receivables	21,983,521	-	-	21,983,521
Loans discounted, net	1,149,068,826	-	73,351,554	1,222,420,380
Other assets	32,193	-	-	32,193
<u>Off-Balance-Sheet Items</u>				
Irrevocable loan commitments	31,956,442	-	4,148,331	36,104,773
Guarantees	159,993,048	-	1,580,884	161,573,932
Letters of credit	10,185,273	-	314,212	10,499,485

(Note 1) : Collaterals include property, movable property, certification of authorization, securities, certificates of deposits, notes receivable and rights in property.

i. Value of collaterals pledged for assets that arise from lending is the lower of collateral value/ market value and maximum exposure amount. If the collateral value cannot be obtained, value of collaterals must be assessed.

ii. Value of collaterals pledged for assets that do not arise from lending is the lower of market value and maximum exposure amount.

(Note 2) : Details of improvement to net settlement master netting arrangements and other credits are provided in Note 8(3) D. (C) and D. (D).

(E) The Mega group closely monitors the value of the collateral of financial instruments and considers the credit-impaired financial assets that require impairment recognition. Information on credit-impaired assets and the value of collateral used to offset potential losses is as follows:

December 31, 2020	Total carrying amount	Allowance for impairment	Total risk exposure	Collateral/Guarantee credit enhancement
Receivables				
- Credit card business	\$ 65,981	\$ 59,183	\$ 6,798	\$ -
- Other	1,031,421	655,293	376,128	125,318
Loan discounted, net	13,710,547	2,400,562	11,309,985	7,279,545
Reinsurance contract assets	26,085	13,318	12,767	-
Other financial assets	154,016	119,593	34,423	-
Impaired financial assets on balance sheet	\$ 14,988,050	\$ 3,247,949	\$ 11,740,101	\$ 7,404,863
Irrevocable loan commitments	\$ 20,179	\$ 6,673	\$ 13,506	\$ 196
All types of guarantees	51,500	37,712	13,788	14,205
Letters of credit	232,545	17,707	214,838	151,925
Impaired financial assets off balance sheet	\$ 304,224	\$ 62,092	\$ 242,132	\$ 166,326

December 31, 2019	Total carrying amount	Allowance for impairment	Total risk exposure	Collateral/Guarantee credit enhancement
Receivables				
- Credit card business	\$ 80,117	\$ 63,838	\$ 16,279	\$ -
- Other	1,009,904	700,065	309,839	125,318
Loan discounted, net	9,960,045	2,539,266	7,420,779	5,394,191
Reinsurance contract assets	51,321	25,917	25,404	-
Other financial assets	173,477	127,170	46,307	-
Impaired financial assets on balance sheet	\$ 11,274,864	\$ 3,456,256	\$ 7,818,608	\$ 5,519,509
Irrevocable loan commitments	\$ 386,132	\$ 107	\$ 386,025	\$ -
All types of guarantees	70,709	42,907	27,802	13,838
Letters of credit	35,190	5,707	29,483	10,185
Impaired financial assets off balance sheet	\$ 492,031	\$ 48,721	\$ 443,310	\$ 24,023

F. Movements in allowance for bad debts, accumulated impairment and provisions for financial assets are as follows:

a. The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from loan discounted for the years ended December 31, 2020 and 2019, is shown below:

For the year ended December 31, 2020

Loans discounted, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the year	\$ 2,736,126	\$ 599,373	\$ 2,350,961	\$ 5,686,460	\$ 23,896,971	\$ 29,583,431
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(48,288)	56,182	(7,894)	-	-	-
- Transferred to credit impaired financial asset	(76,951)	(19,206)	96,157	-	-	-
- Transferred to 12-month expected credit losses	211,042	(204,858)	(6,184)	-	-	-
- Derecognised financial assets	(1,153,931)	(160,695)	(163,970)	(1,478,596)	-	(1,478,596)
- Additional provision and reversal	(126,753)	167,691	2,334,985	2,375,923	-	2,375,923
Originated or purchased new financial assets	1,372,488	138,744	37,350	1,548,582	-	1,548,582
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(383,109)	(383,109)
Write-off of uncollectible amount	-	-	(2,584,979)	(2,584,979)	-	(2,584,979)
Foreign exchange and other changes	47,431	4,591	52,693	104,715	-	104,715
Balance at the end of the year	\$ 2,961,164	\$ 581,822	\$ 2,109,119	\$ 5,652,105	\$ 23,513,862	\$ 29,165,967

For the year ended December 31, 2019

Loans discounted, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the year	\$ 2,625,625	\$ 700,461	\$ 2,956,493	\$ 6,282,579	\$ 23,976,668	\$ 30,259,247
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(22,819)	28,018	(5,199)	-	-	-
- Transferred to credit impaired financial asset	(13,770)	(13,117)	26,887	-	-	-
- Transferred to 12-month expected credit losses	127,987	(127,475)	(512)	-	-	-
- Derecognised financial assets	(1,076,827)	(201,197)	(908,237)	(2,186,261)	-	(2,186,261)
- Additional provision and reversal	(135,124)	53,653	1,579,524	1,498,053	-	1,498,053
Originated or purchased new financial assets	1,270,122	138,170	160,800	1,569,092	-	1,569,092
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(79,697)	(79,697)
Write-off of uncollectible amount	-	-	(2,038,889)	(2,038,889)	-	(2,038,889)
Foreign exchange and other changes	(39,068)	20,860	580,094	561,886	-	561,886
Balance at the end of the year	\$ 2,736,126	\$ 599,373	\$ 2,350,961	\$ 5,686,460	\$ 23,896,971	\$ 29,583,431

Financial Information

b. The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from receivables for the years ended December 31, 2020 and 2019, is shown below:

For the year ended December 31, 2020

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the year	\$ 622,333	\$ 3,195	\$ 131,771	\$ 757,299	\$ 1,045,121	\$ 1,802,420
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(13,364)	14,448	(1,084)	-	-	-
- Transferred to credit impaired financial asset	(77)	(272)	349	-	-	-
- Transferred to 12-month expected credit losses	1,010	(311)	(699)	-	-	-
- Derecognised financial assets	(128,723)	(2,252)	(102,795)	(233,770)	-	(233,770)
- Additional provision and reversal	1,963	2,465	12,370	16,798	-	16,798
Originated or purchased new financial assets	80,672	17,205	5,491	103,368	-	103,368
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(135,985)	(135,985)
Write-off of uncollectible amount	(17,477)	(16,738)	42,362	8,147	-	8,147
Foreign exchange and other changes	(13)	.17,775	2,310	20,072	-	20,072
Balance at the end of the year	\$ 546,324	\$ 35,515	\$ 90,075	\$ 671,914	\$ 909,136	\$ 1,581,050

For the year ended December 31, 2019

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the year	\$ 628,399	\$ 4,684	\$ 91,377	\$ 724,460	\$ 1,192,990	\$ 1,917,450
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(184)	729	(545)	-	-	-
- Transferred to credit impaired financial asset	(96)	(251)	347	-	-	-
- Transferred to 12-month expected credit losses	1,019	(601)	(418)	-	-	-
- Derecognised financial assets	(112,553)	(3,195)	(86,159)	(201,907)	-	(201,907)
- Additional provision and reversal	1,497	740	31,473	33,710	-	33,710
Originated or purchased new financial assets	115,890	12,416	45,071	173,377	-	173,377
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(147,869)	(147,869)
Write-off of uncollectible amount	(11,626)	(11,327)	52,063	29,110	-	29,110
Foreign exchange and other changes	(13)	-	(1,438)	(1,451)	-	(1,451)
Balance at the end of the year	\$ 622,333	\$ 3,195	\$ 131,771	\$ 757,299	\$ 1,045,121	\$ 1,802,420



c. The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from debt instruments for the years ended December 31, 2020 and 2019, is shown below:

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

For the year ended December 31, 2020

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 182,477	\$ -	\$ -	\$ 182,477
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(756)	756	-	-
- The impairment allowance for financial assets derecognised in the current year	(24,379)	-	-	(24,379)
- Additional provision and reversal	20,826	5,335	-	26,161
Originated or purchased new financial assets	89,529	-	-	89,529
Foreign exchange and other changes	(1,651)	-	-	(1,651)
Balance at the end of the year	\$ 266,046	\$ 6,091	\$ -	\$ 272,137

For the year ended December 31, 2019

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 153,879	\$ -	\$ -	\$ 153,879
Changes from financial instruments recognised at the beginning of the year:				
- The impairment allowance for financial assets derecognised in the current year	(18,049)	-	-	(18,049)
- Additional provision and reversal	(17,920)	-	-	(17,920)
Originated or purchased new financial assets	64,090	-	-	64,090
Foreign exchange and other changes	477	-	-	477
Balance at the end of the year	\$ 182,477	\$ -	\$ -	\$ 182,477

(b) Investments in debt instruments at amortised cost

For the year ended December 31, 2020

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 23,046	\$ -	\$ -	\$ 23,046
Changes from financial instruments recognised at the beginning of the year:				
- The impairment allowance for financial assets derecognised in the current year	(15,304)	-	-	(15,304)
- Additional provision and reversal	(686)	-	-	(686)
Originated or purchased new financial assets	27,315	-	-	27,315
Change of models/risk parameters	(19)	-	-	(19)
Foreign exchange and other changes	(27)	-	-	(27)
Balance at the end of the year	\$ 34,363	\$ -	\$ -	\$ 34,363

Financial Information

For the year ended December 31, 2019

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 14,024	\$ -	\$ -	\$ 14,024
Changes from financial instruments recognised at the beginning of the year:				
- The impairment allowance for financial assets derecognised in the current year	(8,197)	-	-	(8,197)
- Additional provision and reversal	(1,263)	-	-	(1,263)
Originated or purchased new financial assets	18,560	-	-	18,560
Change of models/risk parameters	(74)	-	-	(74)
Foreign exchange and other changes	(4)	-	-	(4)
Balance at the end of the year	\$ 23,046	\$ -	\$ -	\$ 23,046

d. The reconciliation from the beginning balance to ending balance of the provisions for loan commitments and guarantee liabilities for the years ended December 31, 2020 and 2019, is shown below:

For the year ended December 31, 2020

Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the year	\$ 355,583	\$ 126,283	\$ 16,295	\$ 498,161	\$ 4,706,995	\$ 5,205,156
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(3,768)	3,768	-	-	-	-
- Transferred to credit impaired financial asset	(23)	(45)	68	-	-	-
- Transferred to 12-month expected credit losses	6,135	(6,135)	-	-	-	-
- Derecognised financial assets	(89,534)	(19,202)	(7,300)	(116,036)	-	(116,036)
- Additional provision and reversal	(43,787)	(18,541)	486	(61,842)	-	(61,84)
Originated or purchased new financial assets	114,635	47,651	21,879	184,165	-	184,165
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(7,903)	(7,903)
Foreign exchange and other changes	21,354	739	3,222	25,315	-	25,315
Balance at the end of the year	\$ 360,595	\$ 134,518	\$ 34,650	\$ 529,763	\$ 4,699,092	\$ 5,228,855



For the year ended December 31, 2019

Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the year	\$ 368,080	\$ 92,538	\$ 41,094	\$ 501,712	\$ 5,067,585	\$ 5,569,297
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(3,398)	17,916	(14,518)	-	-	-
- Transferred to credit impaired financial asset	(15)	(50)	65	-	-	-
- Transferred to 12-month expected credit losses	14,564	(14,564)	-	-	-	-
- Derecognised financial assets	(89,067)	(12,589)	(8,305)	(109,961)	-	(109,961)
- Additional provision and reversal	(46,881)	28,848	(3,262)	(21,295)	-	(21,295)
Originated or purchased new financial assets	104,751	15,263	5,183	125,197	-	125,197
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(360,590)	(360,590)
Foreign exchange and other changes	7,549	(1,079)	(3,962)	2,508	-	2,508
Balance at the end of the year	\$ 355,583	\$ 126,283	\$ 16,295	\$ 498,161	\$ 4,706,995	\$ 5,205,156

G. Movements in the total carrying amount of financial assets

a. The movement in the total carrying amount of loans discounted for the years ended December 31, 2020 and 2019, is shown below:

For the year ended December 31, 2020

Loan discounted, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 1,826,594,076	\$ 66,707,144	\$ 9,960,045	\$1,903,261,265
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(30,945,224)	30,994,907	(49,683)	-
- Transferred to credit impaired financial asset	(6,449,997)	(811,330)	7,261,327	-
- Transferred to 12-month expected credit losses	20,827,902	(20,780,543)	(47,359)	-
- Derecognition(including recovery, write-off bad debt not included)	(705,287,614)	(23,040,828)	(882,074)	(729,210,516)
- Decreased	(83,212,528)	(3,945,857)	(1,423,627)	(88,582,012)
Originated or purchased new financial assets	822,026,252	18,185,011	1,519,707	841,730,970
Write-off of uncollectible amount	-	-	(2,584,979)	(2,584,979)
Foreign exchange and other changes	(5,415,918)	(31,811)	(42,810)	(5,490,539)
Balance at the end of the year	\$ 1,838,136,949	\$ 67,276,693	\$ 13,710,547	\$1,919,124,189

For the year ended December 31, 2019

Loan discounted, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 1,810,668,079	\$ 74,633,965	\$ 9,404,306	\$1,894,706,350
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(16,674,461)	16,693,674	(19,213)	-
- Transferred to credit impaired financial asset	(3,288,999)	(649,337)	3,938,336	-
- Transferred to 12-month expected credit losses	10,261,087	(10,257,186)	(3,901)	-
- Derecognition(including recovery, write-off bad debt not included)	(693,635,495)	(30,531,719)	(1,948,411)	(726,115,625)
- Decreased	(76,048,854)	(5,075,421)	(151,528)	(81,275,803)
Originated or purchased new financial assets	799,516,951	21,915,239	779,839	822,212,029
Write-off of uncollectible amount	-	-	(2,038,889)	(2,038,889)
Foreign exchange and other changes	(4,204,232)	(22,071)	(494)	(4,226,797)
Balance at the end of the year	\$ 1,826,594,076	\$ 66,707,144	\$ 9,960,045	\$1,903,261,265

b. The movement in the total carrying amount of receivables for the years ended December 31, 2020 and 2019, is shown below:

For the year ended December 31, 2020

Receivables, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 99,243,643	\$ 777,032	\$ 1,090,021	\$ 101,110,696
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(215,570)	217,143	(1,573)	-
- Transferred to credit impaired financial asset	(41,524)	(19,448)	60,972	-
- Transferred to 12-month expected credit losses	92,481	(91,292)	(1,189)	-
- Derecognition(including recovery, write-off bad debt not included)	(54,806,538)	(460,816)	(225,406)	(55,492,760)
- Increased(decreased)	(7,300,199)	518,144	162,860	6,619,195
Originated or purchased new financial assets	52,773,608	252,559	105,600	53,131,767
Write-off of uncollectible amount	(17,477)	(16,739)	(30,904)	(65,120)
Foreign exchange and other changes	(450,584)	-	(62,979)	(513,563)
Balance at the end of the year	\$ 89,277,840	\$ 1,176,583	\$ 1,097,402	\$ 91,551,825

For the year ended December 31, 2019

Receivables, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 92,400,856	\$ 1,181,902	\$ 1,057,947	\$ 94,640,705
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(150,103)	150,880	(777)	-
- Transferred to credit impaired financial asset	(53,151)	(13,708)	66,859	-
- Transferred to 12-month expected credit losses	38,118	(37,529)	(589)	-
- Derecognition(including recovery, write-off bad debt not included)	(63,148,064)	(925,339)	(198,766)	(64,272,169)
- Increased(decreased)	8,493,812	(224)	16,671	8,510,259
Originated or purchased new financial assets	62,847,033	432,377	182,602	63,462,012
Write-off of uncollectible amount	(60,759)	(11,327)	(20,001)	(92,087)
Foreign exchange and other changes	(1,124,099)	-	(13,925)	(1,138,024)
Balance at the end of the year	\$ 99,243,643	\$ 777,032	\$ 1,090,021	\$ 101,110,696

c. The movement in the total carrying amount of debt instruments for the years ended December 31, 2020 and 2019, is shown below:

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

For the year ended December 31, 2020

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 511,844,947	\$ -	\$ -	\$ 511,844,947
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(850,071)	850,071	-	-
Originated or purchased new financial assets	197,427,278	(400,046)	-	197,027,232
Derecognition	(176,672,238)	-	-	(176,672,238)
Change in valuation adjustment	2,645,625	362	-	2,645,987
Foreign exchange and other changes	(2,874,014)	3,253	-	(2,870,761)
Balance at the end of the year	\$ 531,521,527	\$ 453,640	\$ -	\$ 531,975,167

For the year ended December 31, 2019

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 401,292,856	\$ -	\$ -	\$ 401,292,856
Originated or purchased new financial assets	203,286,445	-	-	203,286,445
Derecognition	(94,119,054)	-	-	(94,119,054)
Change in valuation adjustment	3,948,128	-	-	3,948,128
Foreign exchange and other changes	(2,563,428)	-	-	(2,563,428)
Balance at the end of the year	\$ 511,844,947	\$ -	\$ -	\$ 511,844,947

(b) Investments in debt instruments at amortised cost

For the year ended December 31, 2020

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 275,237,202	\$ -	\$ -	\$ 275,237,202
Originated or purchased new financial assets	504,998,948	-	-	504,998,948
Derecognition	(245,706,786)	-	-	(245,706,786)
Foreign exchange and other changes	(167,717)	-	-	(167,717)
Balance at the end of the year	\$ 534,361,647	\$ -	\$ -	\$ 534,361,647

For the year ended December 31, 2019

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the year	\$ 272,940,041	\$ -	\$ -	\$ 272,940,041
Originated or purchased new financial assets	255,582,281	-	-	255,582,281
Derecognition	(253,255,473)	-	-	(253,255,473)
Foreign exchange and other changes	(29,647)	-	-	(29,647)
Balance at the end of the year	\$ 275,237,202	\$ -	\$ -	\$ 275,237,202

H. Credit risk concentration

Extreme credit risk concentration will enhance risk degree, such as large amount of risk exposure concentrated on one credit product, one client, or minor clients, or a group of clients in same industry or with similar business or in same area or with same risk characteristics. When adverse economic changes occur, a financial institution may incur a significant loss.

To avoid extreme credit risk concentration, the Mega Group has regulated credit limit and management rules for single client, single business group and large amount of risk exposure. Subsidiaries have to monitor and control the credit risk concentration within the limit. Status of credit risk concentration must be shown in the regular risk report by industry, area/country, collateral and other forms.

Except for overdue receivables, the property insurance CKI's reinsurance contracts assets that are neither past due nor impaired all have credit ratings ranged between twAA ~ twBBB-, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at the end of the reporting period is the carrying amount of all reinsurance contracts assets.

(A) Loans and credit commitments of the Mega Group are shown below by industry:

		Loans and credit commitments			
		December 31, 2020		December 31, 2019	
		Amount	Percentage (%)	Amount	Percentage (%)
Individuals	Individuals	\$ 620,699,772	24.70%	\$ 543,026,533	21.84%
Corporation	Government institution	24,791,226	0.99%	26,417,729	1.06%
	Finance, investment and insurance	217,485,661	8.65%	247,995,833	9.97%
	Enterprise and commerce	1,643,632,811	65.39%	1,662,387,718	66.87%
	- Manufacturing	619,039,614	24.63%	664,014,756	26.71%
	- Electricity and gas supply	45,088,589	1.79%	65,047,189	2.62%
	- Wholesale and retail	176,176,866	7.01%	174,545,172	7.02%
	- Transportation and storage	161,860,341	6.44%	161,839,673	6.51%
	- Real estate	402,085,766	16.00%	360,207,217	14.49%
	- Others	239,381,635	9.52%	236,733,711	9.52%
	Others	6,825,675	0.27%	6,466,763	0.26%
Total		\$ 2,513,435,145	100.00%	\$ 2,486,294,576	100.00%

(B) Loans and credit commitments of the Mega Group are shown below by location.

	Loans and credit commitments			
	December 31, 2020		December 31, 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
ROC	\$ 1,942,823,541	77.30%	\$ 1,905,107,215	76.62%
Asia	364,890,389	14.52%	374,917,569	15.08%
North America	111,881,690	4.45%	94,063,181	3.78%
Others	93,839,525	3.73%	112,206,611	4.52%
Total	\$ 2,513,435,145	100.00%	\$ 2,486,294,576	100.00%

(C) Loans and credit commitments of the Mega Group are shown below by collaterals

	Loans and credit commitments			
	December 31, 2020		December 31, 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Unsecured	\$ 955,207,553	38.00%	\$ 1,061,642,993	42.70%
Secured				
- Secured by stocks	64,087,514	2.55%	65,810,985	2.65%
- Secured by bonds	101,169,518	4.03%	98,784,206	3.97%
- Secured by real estate	1,135,794,427	45.19%	1,026,988,379	41.31%
- Secured by movable property	86,693,287	3.45%	90,922,286	3.66%
- Letter of guarantee	110,323,923	4.39%	79,403,582	3.19%
- Others	60,158,923	2.39%	62,742,145	2.52%
Total	\$ 2,513,435,145	100.00%	\$ 2,486,294,576	100.00%

I. Foreclosed properties management policy

As of December 31, 2020 and 2019, other assets in the consolidated balance sheet include foreclosed properties' book value of MICB totaling \$0, respectively. According to the regulations of competent authorities, foreclosed properties of the bank shall be sold within four years, unless approved by the competent authority.

J. Supplementary information in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks"

(A) MICB's asset quality of non-performing loans and overdue accounts

Month / Year		December 31, 2020				
Business / Items		Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans	\$ 2,308,060	\$ 672,359,648	0.34%	\$ 9,849,332	426.74%
	Unsecured loans	1,078,301	723,174,366	0.15%	11,736,554	1088.43%
Consumer banking	Residential mortgage loans (Note 4)	713,816	405,299,051	0.18%	5,873,726	822.86%
	Cash card services	-	-	-	-	-
	Small amount of credit loans (Note 5)	27,579	19,046,120	0.14%	291,877	1058.33%
	Others	82,993	99,221,320	0.08%	1,414,145	1703.93%
	(Note 6) Unsecured loans	-	23,684	0.00%	333	-
Gross loan business		\$ 4,210,749	\$ 1,919,124,189	0.22%	\$ 29,165,967	692.66%
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services		\$ 15,930	\$ 7,905,561	0.20%	\$ 72,304	453.89%
Without recourse factoring (Note 7)		\$ 25,628	\$ 17,544,174	0.15%	\$ 258,860	1010.07%

Month / Year		December 31, 2019				
Business / Items		Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans	\$ 1,251,075	\$ 650,715,921	0.19%	\$ 9,586,843	766.29%
	Unsecured loans	619,858	797,503,182	0.08%	13,303,482	2146.21%
Consumer banking	Residential mortgage loans (Note 4)	719,382	345,499,682	0.21%	5,096,522	708.46%
	Cash card services	-	-	-	-	-
	Small amount of credit loans (Note 5)	25,223	17,615,811	0.14%	255,537	1013.11%
	Others	135,908	91,894,180	0.15%	1,340,578	986.39%
	(Note 6) Unsecured loans	137	32,489	0.42%	469	342.34%
Gross loan business		\$ 2,751,583	\$ 1,903,261,265	0.14%	\$ 29,583,431	1075.14%
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services		\$ 13,812	\$ 7,542,405	0.18%	\$ 75,367	545.66%
Without recourse factoring (Note 7)		\$ -	\$ 28,218,088	-	\$ 460,750	-



Note 1: The amount recognised as non-performing loans is in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amount included in overdue accounts for credit card is in accordance with the Banking Bureau (4) Letter No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit card=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit card=allowance for doubtful accounts for accounts receivable of credit card/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouses) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau Letter No. 09850003180 dated August 24, 2009, the amount of without recourse factoring will be recognised as overdue accounts within three-month after the factor or insurance company resolves not to compensate the loss.

(B) Total amount of non-performing loans or overdue receivables exempted from reporting to the competent authority of MICB

	December 31, 2020	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	\$ -	\$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	179	1,694
Total	\$ 179	\$ 1,694

	December 31, 2019	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	\$ -	\$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	220	2,149
Total	\$ 220	\$ 2,149

Note 1: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt negotiation in accordance with the Banking Bureau (1) letter No. 09510001270 dated April 25, 2006.

Note 2: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt liquidation program and restructuring program in accordance with the Banking Bureau (1) letter No. 09700318940 dated September 15, 2008.

(C) Credit risk concentration of MICB

Year	December 31, 2020		
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
1	A Company –Transport via Railways	\$ 46,504,072	15.45%
2	B Group –Other Financial Service Activities Not Elsewhere Classified	37,132,762	12.61%
3	C Group –Chemical Materials Manufacturing	32,211,469	10.93%
4	D Group –Ocean Freight Transportation Forwarding Services	23,880,651	8.11%
5	E Group –Real Estate Activities for Sale and Rental with Own or Leased Property	17,032,558	5.78%
6	F Group –Manufacture of liquid crystal panel and components	16,142,435	5.48%
7	G Group –Ocean Freight Transportation Forwarding Services	14,129,855	4.80%
8	H Group –Rolling and Extruding of Iron and Steel	14,045,469	4.77%
9	I Group –Real Estate Development Activities	13,162,180	4.47%
10	J Group –Real Estate Development Activities	12,698,488	4.31%



Year	December 31, 2019		
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
1	A Company –Transport via Railways	\$ 49,843,216	17.06%
2	B Group –Real Estate Development Activities	35,655,512	12.20%
3	C Group –Other Financial Service Activities Not Elsewhere Classified	31,184,710	10.67%
4	D Group –Air Transport	24,154,365	8.27%
5	E Group –Computer Manufacturing	23,143,632	7.92%
6	F Group –Ocean Freight Transportation Forwarding Services	18,874,575	6.46%
7	G Group –Steel and Smelting	17,084,103	5.85%
8	H Group –Rolling and Extruding of Iron and Steel	15,246,809	5.22%
9	I Group –Other Financial Service Activities Not Elsewhere Classified	14,043,033	4.81%
10	J Group –Real Estate Development Activities	13,441,553	4.60%

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of the enterprise group should be categorised and listed in total, and disclosed by “code” plus “industry type” (for example, company (or group) A – Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group would be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listing.

Note 3: Total outstanding loan amount is the sum of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), bills purchased, without recourse factoring, acceptance receivable and guarantees.

(D) Supplementary information in accordance with the “Regulations Governing the Procedures for Bills Finance Companies.”

(a) The quality of assets

Item	December 31, 2020	December 31, 2019
Guarantees in arrear and guaranteed credits overdue for longer than three months	\$ -	\$ -
Overdue credits (non-accrual loans are inclusive)	-	-
Loans under surveillance	-	-
Overdue receivables	-	-
Ratio of overdue credits (%)	-	-
Ratio of overdue credits plus ratio of loans under surveillance (%)	-	-
Provision for bad debts and guarantees as required by regulations	2,055,005	2,077,011
Provision for bad debts and guarantees actually reserved	2,413,688	2,151,208

Note: Items follow “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt”.

(b) Overview of main business

Item	December 31, 2020	December 31, 2019
Total guarantees and endorsement for short-term bills	\$ 177,665,200	\$ 169,807,100
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	4.97	5.18
Total securities sold under repurchase agreements	241,164,641	204,173,461
Securities sold under repurchase agreements / Net amount (after deducting final accounts allotment)	6.75	6.23

(c) Credit risk concentration

Item	December 31, 2020		December 31, 2019	
Amount of credit extensions to interested parties	\$	-	\$	97,000
Ratio of credit extensions to interested parties (%) (Note 1)		-		0.06
Ratio of credit extensions secured by stocks (%) (Note 2)		18.07		20.08
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount) (Note 3)	Industry	Ratio (%)	Industry	Ratio (%)
	Real estate	28.48	Real estate	27.61
	Financial & Insurance	27.61	Financial & Insurance	28.48
	Manufacturing	19.97	Manufacturing	19.97

Note 1: The ratio of credit extensions to interested parties = the amount of credit extensions to interested parties / the total amount of all credit extensions.

Note 2: The ratio of credit extensions secured by stocks = the amount of credit extensions secured by stocks / the total amounts of all credit extensions.

Note 3: Total amount of credit extensions include guarantees receivable, endorsed notes and overdue credit advances (including account collections, accounts receivable and notes receivable).

(4) Liquidity risk

A. Definition and sources of liquidity risk

The Mega Group defines liquidity risk as the risk of financial loss to the Group arising from default on the payment obligations from financial instruments. For example, the Group may default on payment obligations, such as withdrawals paid to depositors and loans repayment. Or, the Group is unable to obtain funds within a certain period at reasonable cost in response to increased demand for assets.

B. Procedures for liquidity risk management and measurement of liquidity risk

The Mega group primarily operates in the financial industry, and emphasis is placed on the management of capital liquidity. The management objective are as follows: (1) be in compliance with the liquidity requirements of the competent authority; (2) maintain a reasonable liquidity level according to business development plans in order to meet daily payment obligations and business expansion needs; hold a sufficient amount of highly liquid assets and maintain the ability to secure external funding in emergencies.

The financial department of the Mega Group is responsible for daily capital liquidity management. According to the limits authorised by the Board of Directors, the Group monitors the indexes of liquidity risk, executes capital procurement trading and reports the conditions of capital liquidity to the management. The Group also reports the liquidity risk control to the capital review committee, risk management committee and Board of Directors regularly, and performs regular liquidity stress-testing to ensure sufficient capital to meet the funding requirements for increase in assets and payment obligations.

The Mega Group daily performs intensive control over capital sources and the period for fund gaps and liquidity risk management. Future cash flows are estimated based on the financial liability contracts due date and expected cash collection date of financial assets. The Group also takes into account the extent of practical utilization of capital in contingent liabilities such as use of loan limits, guarantees and commitments.

The assets that can be used to repay matured debt and fund loan commitments include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investments in debt instruments at amortised cost, securities purchased under resell agreements, receivables, loans discounted and other financial assets. The Group can also use repo trade and sale of bonds and bills in response of unexpected cash outflows.

The liquidity management policies of the Mega Group include:

- (A) Maintain the ability to perform all payment obligations immediately.
- (B) Maintain solid assets/liabilities structure to ensure medium and long-term liquidity safety.
- (C) Diversify capital sources and absorb stable core depositors to avoid depending on certain large-sum depositors or minor borrowers.
- (D) Avoid potential unknown loss risk which will increase capital cost and capital procurement pressure.
- (E) Conduct due date management to ensure that cash inflow is greater than cash outflow in short term.
- (F) Keep liquidity ratio regulated by the supervision authority.
- (G) Awareness of high-quality, high-liquidity assets.
- (H) Awareness of the liquidity, safety and diversity of financial instruments.
- (I) The Mega Group has capital emergency plans, which are reviewed regularly.
- (J) The overseas branches of the Mega Group must comply with the regulations of ROC and the local supervisory authorities. They may be penalized for violation of these regulations.

C. Financial assets and financial liabilities held for liquidity risk management maturity analysis

The table below lists analysis for cash inflow and outflow of the non-derivative and derivative financial assets and liabilities held by the Mega Group for liquidity risk management of primary currency based on the remaining period at the financial reporting date to the contractual maturity date.

(A) The Mega Group's maturity analysis for non-derivative liabilities

(Please refer to page 137~138 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

(B) Structure analysis for maturity of derivative financial assets and liabilities (settled by gross amount)

(Please refer to page 139 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

(C) Structure analysis for maturity of derivative financial assets and liabilities (settled by net amount)

(Please refer to page 140~141 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

(D) Maturity analysis for contracts off the balance sheet

(Please refer to page 142 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)



D. Disclosure requirements in the “Regulations Governing the Preparation of Financial Reports by Public Banks”

(A) Maturity analysis of NTD of subsidiary-MICB

	December 31, 2020						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$2,308,429,403	\$ 294,658,563	\$ 281,497,169	\$ 232,299,595	\$ 242,988,126	\$ 256,322,086	\$1,000,663,864
Primary funds outflow upon maturity	2,957,087,728	134,211,344	263,033,791	414,495,988	328,055,568	520,191,450	1,297,099,587
Gap	(\$ 648,658,325)	\$ 160,447,219	\$ 18,463,378	(\$ 182,196,393)	(\$ 85,067,442)	(\$ 263,869,364)	(\$ 296,435,723)

	December 31, 2019						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$1,915,318,243	\$ 275,175,039	\$ 198,450,965	\$ 152,407,863	\$ 224,375,175	\$ 166,861,754	\$ 898,047,447
Primary funds outflow upon maturity	2,459,536,895	107,110,773	180,406,137	321,925,179	252,697,632	428,131,098	1,169,266,076
Gap	(\$ 544,218,652)	\$ 168,064,266	\$ 18,044,828	(\$ 169,517,316)	(\$ 28,322,457)	(\$ 261,269,344)	(\$ 271,218,629)

(B) Maturity analysis of USD of subsidiary-MICB

Unit: In thousand of US dollars

	December 31, 2020					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 58,740,880	\$ 25,993,208	\$ 7,329,903	\$ 5,747,349	\$ 5,573,377	\$ 14,097,043
Primary funds outflow upon maturity	67,082,625	27,759,140	9,476,152	6,449,578	7,695,810	15,701,945
Gap	(\$ 8,341,745)	(\$ 1,765,932)	(\$ 2,146,249)	(\$ 702,229)	(\$ 2,122,433)	(\$ 1,604,902)

	December 31, 2019					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 59,161,168	\$ 26,065,330	\$ 8,661,893	\$ 3,825,506	\$ 3,370,008	\$ 17,238,431
Primary funds outflow upon maturity	68,087,117	25,567,497	12,994,797	6,958,351	6,962,965	15,603,507
Gap	(\$ 8,925,949)	\$ 497,833	(\$ 4,332,904)	(\$ 3,132,845)	(\$ 3,592,957)	\$ 1,634,924

Note 1 : The funds denominated in US dollars means the amount of all US dollars of subsidiary MICB.

Note 2 : If overseas assets exceed 10% of subsidiary MICB total assets, supplementary information shall be disclosed.

(C) Maturity analysis of USD of MICB's-overseas branches

Unit: In thousand of US dollars

	December 31, 2020					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 18,272,277	\$ 8,437,601	\$ 1,886,839	\$ 691,696	\$ 1,203,907	\$ 6,052,234
Primary funds outflow upon maturity	19,850,415	11,485,495	1,724,870	1,180,507	1,089,376	4,370,167
Gap	(\$ 1,578,138)	(\$ 3,047,894)	\$ 161,969	(\$ 488,811)	\$ 114,531	\$ 1,682,067

	December 31, 2019					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 19,125,697	\$ 9,301,792	\$ 2,543,455	\$ 751,666	\$ 1,017,276	\$ 5,511,508
Primary funds outflow upon maturity	20,741,754	10,026,119	1,514,538	1,227,448	1,006,878	6,966,771
Gap	(\$ 1,616,057)	(\$ 724,327)	\$ 1,028,917	(\$ 475,782)	\$ 10,398	(\$ 1,455,263)

E. Disclosure requirements in the “Regulations Governing the Procedures for Bills Finance Companies.”

Utilization and Sources of Capital December 31, 2020

Unit: In millions of NT dollars

Item	Gap	1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	80,620	70,494	3,002	-	-
	Bonds	195	2,089	3,248	5,631	131,411
	Bank deposits	310	-	-	400	-
	Total	81,125	72,583	6,250	6,031	131,411
Sources of Capital	Loans borrowed	17,012	-	-	-	-
	Securities sold under repurchased agreements	195,064	44,020	1,723	358	-
	Own capital	-	-	-	-	41,407
	Total	212,076	44,020	1,723	358	41,407
Net flow of capital		(130,951)	28,563	4,527	5,673	90,004
Accumulated net flow of capital		(130,951)	(102,388)	(97,861)	(92,188)	(2,184)

Utilization and Sources of Capital December 31, 2019

Unit: In millions of NT dollars

Item	Gap	1-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year
Utilization of Capital	Bills	46,601	68,126	7,499	-	-
	Bonds	201	1,746	2,649	5,618	118,943
	Bank deposits	356	-	-	400	-
	Total	47,158	69,872	10,148	6,018	118,943
Sources of Capital	Loans borrowed	14,132	-	-	-	-
	Securities sold under repurchased agreements	153,364	49,455	1,213	141	-
	Own capital	-	-	-	-	38,277
	Total	167,496	49,455	1,213	141	38,277
Net flow of capital		(120,338)	20,417	8,935	5,877	80,666
Accumulated net flow of capital		(120,338)	(99,921)	(90,986)	(85,109)	(4,443)

(5) Market risk

A. Definition of market risk

The Mega Group has market risk on changes in fair value and estimated cash flows of financial instruments arising from fluctuations in interest rate, foreign exchange rate, credit spread, stock price, bond price and financial product price. Trading book and non-trading book both generate market risk.

The Mega Group's trading book operation is mainly for the requirement of its own trading or for supporting clients' investment and hedge, which are accounted for interest rate, foreign exchange rate, equity and credit instruments, including positions of derivative and non-derivative instruments. Non-trading book operation is mainly for assets/liabilities management requirement, such as stock, bond and bill investments.

B. Objective of market risk management

The objective of the Mega Group's market risk management is to confine the risks to the tolerable scopes, to avoid the impact of fluctuations of interest rate, foreign exchange rate and financial instrument price on values of future profit and assets/liabilities.

C. Market risk management policies and procedures

The Board of Directors decided the risk tolerant limits and then allocates position limits, Value-at-Risk limits, sensitivity limits, loss limits to each business unit and product line based on budgets and utilization of capital. Market risk management comprises trading book control and non-trading book control. Trading book operation mainly pertains to the positions held by bills and securities firms due to market making. Policies for financial instrument trading of bank are based on back-to-back operation principle. Non-trading book is based on held-to-maturity principle and adopts hedging measures.



D. Procedures for market risk management

Each entity of the Mega Group manages finance independently. Each subsidiary has set organisation structure and rules on market risk management based on the Company's guiding principle and each subsidiary's own business nature. The Board of Directors is the highest decision unit for market risk tolerant limits and authorises certain committee/management to be in charge of obeying the policies and put into operation. The certain committee/ management sets trading strategies within total risk limits, trading scopes and limits of money market, capital market, foreign exchange market and derivatives and sets business goals based on business policies, domestic and foreign economic situations, future market interest rates, foreign exchange rates and prices trends. The management monitors the positions of securities, stocks and derivatives, VaR, sensitivity limits and loss limits, performs sensitivity analysis and valuation test, gives reports to the Risk Management Committee and Board of Directors regularly about the risk management operations and daily reports the financial positions to the Finance Control Department. The Risk Management Department of the Company reviews financial instruments VaR of the Group daily, and market risk management operations of subsidiaries regularly.

E. Methods of risk measurement (market risk valuation technique)

Each business unit is responsible for identifying the risk factors of each product and the Risk Management Department is responsible for verification of those factors. The Mega Group adopts sensitivity analysis (PV01, Delta, Vega, Gamma) and VaR method to measure market risk and conducts stress test monthly.

The Company with subsidiaries-MIBC, MS, MB and CKI adopt VaR models to assess the risk of investment portfolios (including financial assets and liabilities designated at fair value through profit or loss) and assess the market risk of holding positions based on the assumptions of several changes in market conditions and maximum expected loss.

Value at risk estimates possible losses of the existing positions resulted from the unfavorable market changes based on statistical method. Subsidiaries calculate their tolerable "Maximum potential loss" by using 99% confidence interval; therefore, there is still 1% probability that actual loss might be greater than VaR estimation. Assuming the least holding duration is ten days, they assess the VaR of their own positions through historical simulation method and based on the fluctuations in foreign exchange rates, interest rates, prices or indexes for the past one year. The actual calculation results are used to monitor and test regularly the accuracy of parameters and assumptions used in the calculation. The evaluation method above cannot prevent the losses caused by excessive market fluctuations.

The Mega Group currently monitors market risk using sensitivity analysis mainly, and using VaR supportingly.

F. Policies and procedures of trading-book risk management

The Company and its subsidiaries daily monitor trading-book positions, changes in risk exposures, and various risk limits, including trading rooms, traders and product line risk limits.

If trading-book financial instruments have market price, the valuation of those instruments is conducted at least one time daily using the independent source and available information. If using model valuation, the assumptions and parameters used in the model are reviewed regularly.

Risk measurement methods include VaR and sensitivity analysis.

The Mega Group conducts stress test on the positions of its interest rate, stock and foreign exchange rate products on the assumptions of the monthly change in interest rate, securities market index and foreign exchange rate by 1%, 15% and 3%, respectively, and reports to the risk control meeting.

G. Trading-book interest rate risk management

Trading-book interest rate risk refers to the financial loss of the decline in values of interest rate products held due to unfavorable changes in interest rates, including securities and derivatives with interest.

The trading group screens the credits and financial positions of issuers and selects investment objectives by judging interest rate trend and a variety of country risks and based on the authorised minimum investment criteria. Subsidiaries set trading-book trading limits and stop-loss limits (including trading rooms, traders, trading products, and counterparties, daily and overnight limits) based on business strategies and market conditions, and measure monthly the extent of impact of interest rate risk on investment portfolios using DV01 value.

H. Non-trading-book interest rate risk management

Non-trading book interest rate risk mainly comes from the unmatched maturity dates of assets and liabilities or price resetting dates, and inconsistent changes in base interest rates for assets and liabilities. The Mega Group's interest rate risk mainly comes from the unmatched periods of interest-rate sensitive assets and liabilities of bank subsidiaries.

As the Mega Group has interest-rate sensitive gaps, market interest rate fluctuations have good or bad impacts on the Mega Group's earnings and cash flows.

The Mega Group manages non-trading book interest rate risk by using reprising gap analysis. The interest-rate reprising gap analysis is to estimate the difference between the assets and liabilities with interest bearing that are to be due near or reprised within a certain period and measure the impact of interest rate change on net interest revenue. The analysis assumes assets and liabilities structure remain unchanged

and there are parallel movements of interest rate curves, and excludes the customer behavior, basis risk, option characteristics of early repayment of bonds. The Mega Group calculates the change in net interest revenue for this year and also monitors the percentage of change in net interest revenue to the projection of net interest revenue for this year.

The Mega Group monthly analyses and monitors interest rate risk positions limits and various interest rate risk management indexes. If any risk management index exceeds limit, the Mega Group will adopt responding measures and report the analysis and monitoring results to the Risk Management Committee.

I. Foreign exchange risk management

Foreign exchange risk refers to the losses caused by the exchange of two different currencies at different times. The Mega Group's foreign exchange risk mainly comes from its derivative instruments business such as spot foreign exchange, forward foreign exchange and foreign exchange options. The foreign exchange trading of the bank subsidiaries is mainly for offsetting customers' positions on the same day; therefore, foreign exchange risk is relatively low.

To control trading-book foreign exchange risk, subsidiaries have set trading limits and stop-loss limits for trading rooms and traders and also set the annual maximum loss limits to control the losses within the tolerable scopes.

J. The Mega Group's foreign exchange risk gaps

	December 31, 2020				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	\$ 62,857,724	\$ 1,367,053	\$ 18,858,943	\$ 1,918,436	\$ 17,804,307
Due from the Central Bank and call loans to banks	241,782,705	1,465,549	5,854,730	570,020	22,967,796
Financial assets at fair value through profit or loss	32,396,300	1,614,780	1,191	287,124	1,540
Financial assets at fair value through other comprehensive income	174,741,890	72,518,925	21,232,609	2,384,885	7,216,857
Investments in debt instruments at amortised cost	39,028,917	544,070	4,014,252	345,288	545,355
Securities purchased under resell agreements	-	-	-	-	-
Receivables	16,040,167	7,658,415	1,176,152	629,468	2,220,524
Current tax assets	11	-	-	-	-
Loans discounted	409,115,672	72,859,761	18,011,683	33,493,559	31,355,772
Reinsurance contract asset	161,658	-	-	24	12
Investments accounted for using the equity method	34,118	-	-	-	-
Other financial assets	888,779	-	8,663	11,166	23,307
Right-of-use asset	347,540	51,324	-	40,563	14,364
Property and equipment	163,416	20,627	8,041	38,692	25,478
Intangible assets	97,371	816	23,785	-	654
Deferred income tax assets	365,016	-	3,559	-	17,240
Liabilities					
Deposits from the Central Bank and banks	\$ 326,519,001	\$ 4,766,128	\$ 5,598,908	\$ 2,556,223	\$ 34,400,847
Due to the Central Bank and banks	10,609,839	-	-	-	-
Financial liabilities at fair value through profit or loss	18,213,683	3,023	1,197	2,440	1,417
Securities sold under repurchased agreements	38,095,561	12,447,289	-	581,343	-
Payables	15,000,990	223,309	1,069,279	466,060	2,163,905
Current tax liabilities	317,400	-	73,381	19,100	146,828
Deposits and remittances	878,064,833	36,901,607	94,594,145	27,704,130	25,513,443
Other borrowings	-	-	-	38,023	-
Provisions	567,060	4,023	-	329	26,376
Other financial liabilities	4,586,373	1,150,184	1,302,633	562,657	201,202
Lease liabilities	378,293	54,987	-	40,211	14,850
Off-balance sheet commitments	78,197,927	1,083,087	5,374,052	12,654,674	4,922,544

	December 31, 2019				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	\$ 91,421,404	\$ 363,470	\$ 17,357,095	\$ 1,890,735	\$ 12,283,401
Due from the Central Bank and call loans to banks	380,402,426	3,495,475	9,294,280	356,215	27,434,206
Financial assets at fair value through profit or loss	36,274,806	2,681,798	12,016	499,712	524
Financial assets at fair value through other comprehensive income	160,787,598	78,736,145	14,753,549	4,499,053	9,155,888
Investments in debt instruments at amortised cost	30,770,574	844,746	4,853,456	420,330	552,474
Securities purchased under resell agreements	1,438,626	-	-	245,337	-
Receivables	30,697,049	9,429,516	1,363,737	1,166,034	1,474,251
Loans discounted	473,653,541	57,195,287	17,341,313	31,143,294	32,294,330
Reinsurance contract asset	181,304	-	-	42	891
Investments accounted for using the equity method	46,439	-	-	-	-
Other financial assets	738,297	421	7,721	11,114	43,498
Right-of-use asset	272,821	64,506	32,262	5,851	37,140
Property and equipment	156,035	21,120	9,676	37,728	27,888
Intangible assets	39,507	1,151	18,455	47	797
Deferred income tax assets	429,583	-	147,039	-	-
Liabilities					
Deposits from the Central Bank and banks	\$ 327,003,756	\$ 3,357,858	\$ 13,305,132	\$ 3,033,681	\$ 39,175,827
Due to the Central Bank and banks	21,161,321	-	-	-	-
Financial liabilities at fair value through profit or loss	19,645,423	9,329	754	278,857	546
Securities sold under repurchased agreements	52,715,436	14,686,716	-	687,225	-
Payables	16,608,641	269,673	1,704,548	676,559	1,106,531
Deposits and remittances	951,662,036	36,636,223	95,792,969	30,471,713	26,049,106
Other borrowings	209,909	-	-	-	-
Provisions	541,399	3,922	-	314	30,034
Other financial liabilities	5,839,677	1,813,867	1,167,318	941,477	81,828
Lease liabilities	291,617	66,890	30,622	5,039	37,879
Off-balance sheet commitments	90,507,888	1,574,650	3,884,941	13,123,161	3,542,948

K. Equity securities risk management

- (A) The market risk of the equity securities held by the Mega Group include individual risks incident to market price fluctuations of individual equity securities and general market risks incident to the overall market price fluctuations.
- (B) The Mega Group's risk management for equity securities is primarily categorised into positions held for short-term selling to earn capital gains, positions primarily held for earning dividends, or positions primarily held for capital gains arising from stock prices that reflect good industry prospects or an increase in long-term profitability. The Group's trading strategy sets the annual loss limits of the annual risk management objective as the scope for tolerable risk
- (C) Related control measures include: daily market price valuation to control loss limits, monthly stress-testing to calculate possible losses on the Mega Group's investment portfolios, measurement of the extent of the impact of systematic risk on investment portfolios using β value, and reporting to the Risk Management Committee quarterly.

L. Sensitivity Analysis

Sensitivity analysis of the Mega Group's financial instruments (including trading book and non- trading book).

The following table indicates measurement positions of the Mega Group's financial products on the report date that impact profit or loss when such positions experience a movement in value incident to relative market risk factors experiencing a movement by 1 unit. A 1 unit movement in a market risk factor refers to a 1bp (basis point) increase or decrease in the yield curve, 1% increase or decrease in the weighted stock index, or 1% appreciation or depreciation for foreign currency exchanges in New Taiwan Dollars. Foreign exchange risk is the Group's net position less equity investments of overseas subsidiaries plus the current year earnings test of overseas branches (subsidiaries). Interest rate risk is the positions of bond products, interest rate swaps, bond options and other interest rate derivatives, not including the PV01 tests of deposits and loans. Equity securities risk is the variation testing of the β value of purchased stocks, convertible bonds and the portfolio of subsidiary issued stock warrants in respect to the weighted stock index.

December 31, 2020

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	(\$ 69,180)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	69,180	-
Interest rate risk (not including deposits and loans)	Major increases in interest rates 1BP	(61,514)	(123,486)
Interest rate risk (not including deposits and loans)	Major decline in interest rates 1BP	57,633	127,367
Equity securities risk	TAIEX declined by 1%	(50,323)	(142,677)
Equity securities risk	TAIEX increased by 1%	48,866	139,134

December 31, 2019

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	(\$ 64,121)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	64,121	-
Interest rate risk (not including deposits and loans)	Major increases in interest rates 1BP	(60,939)	(119,461)
Interest rate risk (not including deposits and loans)	Major decline in interest rates 1BP	69,137	153,870
Equity securities risk	TAIEX declined by 1%	(42,812)	(121,196)
Equity securities risk	TAIEX increased by 1%	48,880	139,120

M. Value at Risk analysis of the Mega Group's financial instruments

The following table indicates measurement positions of the Mega Group's financial instruments on the report date, the maximum potential loss under a 99% confidence interval.

December 31, 2020

Value at risk of primary market	Average	Maximum	Minimum
Value at risk of equity securities	\$ 458,710	\$ 773,042	\$ 144,379
Value at risk of interest products	1,957,012	2,486,931	1,427,092
Value at risk of foreign exchange products	278,878	455,807	101,948
Value at risk of credit products	179,155	255,914	102,396
Total VaR	\$ 2,873,755	\$ 3,971,694	\$ 1,775,815

December 31, 2019

Value at risk of primary market	Average	Maximum	Minimum
Value at risk of equity securities	\$ 536,928	\$ 773,042	\$ 300,815
Value at risk of interest products	1,701,678	2,196,755	1,206,600
Value at risk of foreign exchange products	305,082	466,752	143,413
Value at risk of credit products	185,527	239,190	131,864
Total VaR	\$ 2,729,215	\$ 3,675,739	\$ 1,782,692

N. Disclosure requirements in the "Regulations Governing the Preparation of Financial Reports by Public Banks"

Interest rate sensitivity analysis on assets and liabilities of MICB (NT Dollars)

December 31, 2020

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 796,396,316	\$ 942,391,694	\$ 92,156,355	\$ 137,990,275	\$ 1,968,934,640
Interest rate sensitive liabilities	610,349,253	844,287,606	55,429,074	9,522,032	1,519,587,965
Interest rate sensitive gap	\$ 186,047,063	\$ 98,104,088	\$ 36,727,281	\$ 128,468,243	\$ 449,346,675
Net worth					\$ 282,209,651
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					129.57%
Ratio of interest rate sensitivity gap to net worth					159.22%



Interest rate sensitivity analysis on assets and liabilities of MICB (NT Dollars)

December 31, 2019

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 555,584,995	\$ 913,074,565	\$ 22,892,052	\$ 154,092,044	\$ 1,645,643,656
Interest rate sensitive liabilities	481,824,600	726,722,387	53,519,867	18,785,106	1,280,851,960
Interest rate sensitive gap	\$ 73,760,395	\$ 186,352,178	(\$ 30,627,815)	\$ 135,306,938	\$ 364,791,696
Net worth					\$ 278,923,929
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					128.48%
Ratio of interest rate sensitivity gap to net worth					130.79%

Notes: 1. The above amounts included only New Taiwan dollar amounts, excluded foreign currency by the onshore branches of the Company).

2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

3. Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities.

4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities.

Interest rate sensitivity analysis on assets and liabilities of MICB (US Dollars)

December 31, 2020

Unit : In thousands of US Dollars

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 30,413,504	\$ 783,232	\$ 398,409	\$ 671,968	\$ 32,267,113
Interest rate sensitive liabilities	37,787,700	3,079,796	2,078,458	-	42,945,954
Interest rate sensitive gap	(\$ 7,374,196)	(\$ 2,296,564)	(\$ 1,680,049)	\$ 671,968	(\$ 10,678,841)
Net worth					\$ 537,724
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					75.13%
Ratio of interest rate sensitivity gap to net worth					(1,985.93%)

Interest rate sensitivity analysis on assets and liabilities of MICB (US Dollars)

December 31, 2019

Unit : In thousands of US Dollars

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 35,667,502	\$ 1,158,572	\$ 396,606	\$ 297,548	\$ 37,520,228
Interest rate sensitive liabilities	37,941,456	3,756,806	1,798,327	7,509	43,504,098
Interest rate sensitive gap	(\$ 2,273,954)	(\$ 2,598,234)	(\$ 1,401,721)	\$ 290,039	(\$ 5,983,870)
Net worth					\$ 479,434
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					86.25%
Ratio of interest rate sensitivity gap to net worth					(1,248.11%)

Notes: 1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch, contingent assets and liabilities are excluded.

2. Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities.

3. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities.

O. Disclosure requirements in the “Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies”

(A) The information of interest rate sensitivity

Interest rate sensitivity analysis on assets and liabilities of MBF

December 31, 2020

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$ 153,707,697	\$ 6,250,392	\$ 6,030,767	\$ 131,411,065	\$ 297,399,921
Interest rate sensitivity liabilities	256,096,003	1,723,031	357,794	-	258,176,828
Interest-rate sensitivity gap	(\$ 102,388,306)	\$ 4,527,361	\$ 5,672,973	\$ 131,411,065	\$ 39,223,093
Net worth					\$ 41,406,923
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					115.19%
liabilities Ratio of interest rate sensitivity gap to net worth					94.73%

Interest rate sensitivity analysis on assets and liabilities of MBF

December 31, 2019

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$ 117,029,746	\$ 10,147,551	\$ 6,018,385	\$ 118,942,884	\$ 252,138,566
Interest rate sensitivity liabilities	216,951,364	1,213,297	140,831	-	218,305,492
Interest-rate sensitivity gap	(\$ 99,921,618)	\$ 8,934,254	\$ 5,877,554	\$ 118,942,884	\$ 33,833,074
Net worth					\$ 38,277,225
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					115.50%
Ratio of interest rate sensitivity gap to net worth					88.39%

Note 1: Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

Note 2: Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities.

Note 3: Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities.

(B) Average amount and average interest rates of interest-earning assets and interest-bearing liabilities of MBF

	For the year ended December 31, 2020	
	Average amount	Average interest rate (%)
Assets		
Cash and cash equivalents (Note)	\$ 866,178	0.22
Financial assets at fair value through profit or loss	132,540,868	0.85
Financial assets at fair value through other comprehensive income	126,832,485	1.65
Investments in debt instruments at amortised cost	426,272	4.40
Securities purchased under resell agreements	56,012	0.32
Liabilities		
Interbank call loans and overdrafts	14,497,726	0.44
Securities sold under repurchase agreements	213,360,061	0.46

	For the year ended December 31, 2019	
	Average amount	Average interest rate (%)
Assets		
Cash and cash equivalents (Note)	\$ 937,583	0.24
Call loans	1,644	0.19
Financial assets at fair value through profit or loss	129,868,666	0.90
Financial assets at fair value through other comprehensive income	129,203,448	1.77
Investments in debt instruments at amortised cost	443,692	4.41
Securities purchased under resell agreements	435,251	0.49
Liabilities		
Interbank call loans and overdrafts	20,656,690	0.86
Securities sold under repurchase agreements	208,789,330	0.84

Note: Cash and cash equivalents comprise pledged certificates of deposit and bill reserve account.

(6) Transfer of financial assets

A. Transferred financial assets that are not derecognised in their entirety

The Mega Group's transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements or equity securities lent out based on security lending agreements. The financial assets have been transferred when collecting the cash flow of the contract, and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Mega Group may not use, sell or pledge the transferred financial assets during the valid period of the transaction. The financial assets were not derecognised as the consolidated company is still exposed to interest rate risk and credit risk. Financial assets that do not meet the derecognition conditions and related financial liabilities are analysed as follows:

December 31, 2020		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Securities purchased under resell agreements Repurchase agreement	\$ -	\$ -
Financial assets measured at fair value through profit or loss Repurchase agreement	107,425,448	107,393,587
Financial assets at fair value through other comprehensive income Repurchase agreement	56,523,893	53,531,606
Investments in debt instruments at amortised cost Repurchase agreement	189,671	213,680

December 31, 2019		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Securities purchased under resell agreements Repurchase agreement	\$ -	\$ -
Financial assets measured at fair value through profit or loss Repurchase agreement	100,535,908	100,213,611
Financial assets at fair value through other comprehensive income Repurchase agreement	69,063,586	66,021,560
Investments in debt instruments at amortised cost Repurchase agreement	201,391	211,262

B. Transferred financial assets that are derecognised in their entirety

The Mega Group does not have any financial asset securitisation transaction and do not have any derecognised and transferred financial asset.

(7) Offsetting financial assets and financial liabilities

The Mega Group has financial instruments that meet the offsetting criteria in paragraph 42 of IAS 32, the gross financial liability is set off against the gross financial asset, resulting in the presentation of a net amount presented in the balance sheet.

The Mega Group's financial assets and financial liabilities do not meet the offsetting criteria. However, as net settled master netting arrangements or similar agreements are signed with counterparties, transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; otherwise, transactions are settled on a gross basis. However, if one party breaches the contract, the counterparty can choose to use net settlement. The offsetting of financial assets and financial liabilities are set as follows:

December 31, 2020						
Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative instruments	\$ 5,403,818	\$ 1,644	\$ 5,402,174	\$ 3,415,194	\$ 61,549	\$ 1,925,431
Resell agreement	*	-	*	*	-	*
Total	\$ 5,403,818	\$ 1,644	\$ 5,402,174	\$ 3,415,194	\$ 61,549	\$ 1,925,431
Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative instruments	\$ 3,474,171	\$ 1,644	\$ 3,472,527	\$ 498,075	\$ 11,693	\$ 2,962,759
Repurchase agreement	31,741,228	-	31,741,228	31,694,416	45,654	1,158
Total	\$ 35,215,399	\$ 1,644	\$ 35,213,755	\$ 32,192,491	\$ 57,347	\$ 2,963,917

December 31, 2019						
Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative instruments	\$ 5,464,283	\$ -	\$ 5,464,283	\$ 2,270,374	\$ 75,328	\$ 3,118,581
Resell agreement	245,337	-	245,337	239,633	-	5,704
Total	\$ 5,709,620	\$ -	\$ 5,709,620	\$ 2,510,007	\$ 75,328	\$ 3,124,285
Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative instruments	\$ 3,006,942	\$ -	\$ 3,006,942	\$ 372,276	\$ 12,128	\$ 2,622,538
Repurchase agreement	54,065,986	-	54,065,986	52,783,474	1,281,468	1,044
Total	\$ 57,072,928	\$ -	\$ 57,072,928	\$ 53,155,750	\$ 1,293,596	\$ 2,623,582

Note : Including netting settlement agreements and non-cash collaterals.

9. Insurance risk management

In order to effectively recognise, measure and monitor the risks CKI is exposed to and ensure that the risks are within a coverable range, to balance risks and rewards reasonably, to maximize the value of equity and to maintain the adequacy of self-owned capital and repayment ability to secure the company's operation, CKI established a risk management committee under the Board of Directors and a risk control department independent from business units as well as risk control policy and procedures. Insurance risks and financial risks will be explained below.

(1) Insurance risk, measurement and corresponding risk management

Insurance risk refers to the risk of loss due to unexpected changes when paying the claims and related expenses by the terms stated in the insurance contract because of assuming the risks transferred from the insured after collecting insurance premium for conducting the insurance business. CKI primarily covers automobile insurance, fire insurance, accident insurance and marine insurance, and the risk management methods are stated as follows:

A. Automobile insurance

The automobile insurance mainly covers automobile insurance businesses, and the risks primarily resulting from accident losses due to the behavior of the insured; therefore, the subsidiary selects clients of good quality through careful underwriting standards and practice. The amount of each policy is small and covered insurance is spread all over the country and the insurance is not concentrated on a specific location or on people of certain age group or occupation. However, the accumulative risks as a whole are still large, the subsidiary signs reinsurance contracts for automobile insurance when claims of various insurance exceed retention amount.

B. Fire insurance

The fire insurance mainly covers commercial fire insurance businesses, and the targets include manufacturing factories, losses due to machines and operation interruption. The insurance primarily covers fire or explosion resulting from machine abandonment, machine damage or human behavior, and risks concentrate on industrial parks, and petrochemical or heavy industries. Also, the insurance additionally covers typhoon, flood and earthquake, which elevates the overall degree of risks covered; therefore, CKI excludes high risk clients through strict underwriting policy. CKI disperses risks through fire reinsurance contract, over-insurance per risk unit reinsurance contract, over-insurance for catastrophe losses reinsurance contract or coinsurance. Also, CKI assesses the relation between the scope of insurance cases and premium consideration; those with lower risks are self-retained, and facultative reinsurance arrangement will be adopted for the rest.

C. Accident insurance

The accident insurance mainly includes engineering insurance businesses targeting non-renewal contracts to cover the risks encountered in the process of engineering construction and equipment installation. Higher risks are resulted from typhoons, floods and earthquakes due to Taiwan's geographic location. CKI disperses risks through reinsurance contract and coinsurance with the Engineering Insurance Association; if CKI is unable to disperse risks through the abovementioned methods, the relations between actual risk and premium consideration is considered, and those with lower risks are self-retained, while facultative reinsurance arrangement are adopted for the rest. For large and concentrated losses from natural disasters such as typhoons or earthquakes, the excessive amount of self-retained risk beyond the losses in combination with fire insurance covered by the reinsurance contracts will transfer to the reinsurers in an effort to control risk within the affordable limit.

D. Marine insurance

Marine insurance includes cargo transportation, hull insurance and fishing vessel insurance, primarily covering risks resulting from hull or cargo damage from accidents, which does not generate risk concentration problems. However, the accumulative risks as a whole are still large, CKI not only selects quality businesses through strict underwriting policy but also arranges reinsurance properly for the dispersion of risk and seeks the transfer of dangerous responsibility to reduce or relieve the overloaded responsibility based on insurance types and targets, e.g. hull insurance contracts. The self-retained part is additionally arranged in over-insurance reinsurance contract. For cargo transportation insurance, CKI disperses risks through surplus reinsurance contract and quota share reinsurance. When there are businesses that cannot be covered by reinsurance contracts or special risks, facultative reinsurance arrangement is adopted to disperse risks.

(2) Insurance risk concentration

The over concentration of risks in locations and industries arising from CKI underwriting fire insurance, earthquake insurance and engineering insurance policies is primarily dispersed through reinsurance ceding. As of December 31, 2020 and 2019, the over concentration of insurance risk is displayed respectively as follows through CKI's premium income and self-retained premium of fire insurance, earthquake insurance and engineering insurance.

Type	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Premium Income	Self-retained Premium	Premium Income	Self-retained Premium
Earthquake insurance	\$ 819,796	\$ 178,084	\$ 744,716	\$ 199,858
Fire insurance	774,364	346,248	756,405	341,857
Engineering insurance	328,865	112,854	264,224	121,864

(3) Sensitivity analysis of insurance risk

CKI assesses claim reserves through the loss development model and the estimated loss rate for various insurance types. Due to elements of uncertainty, including changes in the environment (e.g. changes in regulations or legal rulings), tendency or claim payment methods, which may change the loss development model and the estimated loss rate, affecting the estimation of claim reserves, thus CKI's sensitivity test on the estimated loss rate as follows:

Type	December 31, 2020		December 31, 2019	
	Final loss rate increases 5%		Final loss rate increases 5%	
	Total increase of claim reserves	Net increase of claim reserves	Total increase of claim reserves	Net increase of claim reserves
Fire Insurance	\$ 93,113	\$ 31,498	\$ 92,233	\$ 33,153
Marine Insurance	42,208	9,572	38,619	9,489
Automobile Insurance	190,937	146,284	180,933	138,416
Accident Insurance	59,000	27,731	53,949	27,717
Injury Insurance	27,008	15,487	25,124	13,088
Offshore Branches	4,071	4,071	4,606	4,606

Sensitivity testing calculates the impact a 5% increase in the final loss rate has on the Company's profit or loss based on the retained earned premium within 1 year as of the financial report's year-end date. If the movement of the final loss rate is inverse, the above-mentioned claims reserve held is also inverted.

(4) Claim development tendency

As of December 31, 2020 and 2019, the subsidiary-CKI's claim development tendency is as follows:

A. Accumulative claim amounts (Before reinsurance ceding)

December 31, 2020											
Year of Accident	Day of evaluation						Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
	2015.12.31	2016.12.31	2017.12.31	2018.12.31	2019.12.31	2020.12.31					
2015 and before	34,417,246	34,690,177	34,654,299	34,596,229	34,486,359	34,433,084	34,433,084	34,147,842	285,242		
2016		4,325,180	4,617,426	4,538,979	4,563,929	4,545,044	4,545,044	4,405,223	139,821		
2017			2,717,118	3,176,160	3,270,286	3,241,328	3,241,328	3,152,031	89,297		
2018				2,841,225	3,611,662	3,658,774	3,658,774	3,360,132	298,642		
2019					2,883,148	3,991,769	3,991,769	3,087,967	903,802		
2020						3,313,587	3,313,587	1,836,231	1,477,356		
Total							53,183,586	49,989,426	3,194,160	1,183,510	4,377,670

December 31, 2019											
Year of Accident	Day of evaluation						Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
	2014.12.31	2015.12.31	2016.12.31	2017.12.31	2018.12.31	2019.12.31					
2014 and before	31,483,433	31,644,078	31,614,995	31,549,009	31,493,673	31,398,026	31,398,026	31,130,671	267,355		
2015		2,773,168	3,075,182	3,105,290	3,102,556	3,088,333	3,088,333	3,002,177	86,156		
2016			4,325,180	4,617,426	4,538,979	4,563,929	4,563,929	4,371,270	192,659		
2017				2,717,118	3,176,160	3,270,286	3,270,286	3,120,383	149,903		
2018					2,841,225	3,611,662	3,611,662	2,983,362	628,300		
2019						2,883,148	2,883,148	1,777,238	1,105,910		
Total							48,815,384	46,385,101	2,430,283	1,051,605	3,481,888

Note: Claim reserves for credit insurance, nuclear energy insurance and government sponsored earthquake insurance are provided in accordance with related regulations; therefore, the loss development triangle of direct businesses does not include the abovementioned insurance types. Claim reserves on account are estimated based on current available data; however, the final result might differ from initial estimation value due to subsequent developments.

B. Accumulative claim amounts (After reinsurance ceding)

December 31, 2020											
Year of Accident	Day of evaluation						Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
	2015.12.31	2016.12.31	2017.12.31	2018.12.31	2019.12.31	2020.12.31					
2015 and before	20,847,345	21,131,469	21,108,367	21,069,564	21,045,348	21,020,594	21,020,594	20,846,989	173,605		
2016		1,971,815	2,281,993	2,289,463	2,303,094	2,298,396	2,298,396	2,250,198	48,198		
2017			1,578,405	1,905,701	1,992,756	1,984,546	1,984,546	1,937,325	47,221		
2018				1,691,109	2,213,015	2,288,280	2,288,280	2,167,725	120,555		
2019					1,781,237	2,300,125	2,300,125	2,058,219	241,906		
2020						1,875,695	1,875,695	1,226,360	649,335		
Total							31,767,636	30,486,816	1,280,820	741,756	2,022,576

December 31, 2019											
Year of Accident	Day of evaluation						Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
	2014.12.31	2015.12.31	2016.12.31	2017.12.31	2018.12.31	2019.12.31					
2014 and before	19,124,378	19,359,951	19,403,022	19,341,419	19,314,379	19,292,591	19,292,591	19,129,826	162,765		
2015		1,487,394	1,728,447	1,766,948	1,755,185	1,752,757	1,752,757	1,704,326	48,431		
2016			1,971,815	2,281,993	2,289,463	2,303,094	2,303,094	2,233,191	69,903		
2017				1,578,405	1,905,701	1,992,756	1,992,756	1,907,165	85,591		
2018					1,691,109	2,213,015	2,213,015	1,981,071	231,944		
2019						1,781,237	1,781,237	1,249,333	531,904		
Total							29,335,450	28,204,912	1,130,538	659,184	1,789,722



Note: Claim reserves for credit insurance, nuclear energy insurance and government sponsored earthquake insurance are provided in accordance with related regulations; therefore, the loss development triangle of retention businesses does not include the abovementioned insurance types. Claim reserves on account are estimated based on current available data; however, the final result might differ from initial estimation value due to subsequent developments.

(5) Credit risk, liquidity risk and market risk of insurance contracts

A. Credit risk

Credit risk mainly comes from the condition when the reinsurers of the Group's reinsurance business fail to fulfill their obligations and thus premiums, claims or other expenses may not be recovered from reinsurers. To control this risk, subsidiaries would consider diversifying reinsurers to eliminate credit risk concentration and would carefully select reinsurers according to the Group's reinsurance risk management policy. The reinsurance contracts would require using net payment way to pay reinsurance premiums, which have excluded receivables or recoverable amounts, to mitigate credit risk.

After the reinsurance business was classified, subsidiaries review the credit rating of reinsurers regularly according to the reinsurance risk management policy. If the credit rating of reinsurer is downgraded and this reinsurance has met the criteria of not qualifying for reinsurance as specified in the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", subsidiaries shall disclose the amount of reserve for unqualified reinsurance according to relevant regulations.

B. Liquidity risk

Liquidity risk of insurance contract occurs when the Group is unable to realise assets immediately or acquires adequate capital and thus it fails to fulfill payment obligations for insurance. To control this risk, subsidiaries conduct maturity analysis of insurance contracts regularly and examine the matching of assets and liabilities. Future actual payment amounts will differ by the difference between actual experience and expected experience.

The following table illustrates the cash outflows for the claims of the subsidiary - CKI as of December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
Within 1 year	\$	4,104,707	\$	3,032,082
1-5 years		272,963		449,806
Total	\$	4,377,670	\$	3,481,888

C. Market risk

Subsidiaries provide reserve for each type of insurance liability in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and relevant laws. Except for the reserve for unearned premiums for long-term fire insurance that is provided based on the insurance reserve provision coefficient table published by the competent authority, other reserves are provided without discounting, which are therefore not affected by market interest rate fluctuations.

(6) Disclosures in "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises"

A. Details of calculation of net premiums are as follows:

For the year ended December 31, 2020						
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)	Net change in reserve for unearned premiums (5)	Net premiums (6)=(4)+(5)
Compulsory insurance	\$ 417,849	\$ 175,417	\$ 176,929	\$ 416,337	\$ 3,212	\$ 419,549
Non-compulsory insurance	7,394,966	576,372	3,708,661	4,262,677	10,631	4,273,308
Total	\$ 7,812,815	\$ 751,789	\$ 3,885,590	\$ 4,679,014	\$ 13,843	\$ 4,692,857

For the year ended December 31, 2019						
Type	Premium income (1)	Reinsurance premium (2)	Reinsurance premiums ceded (3)	Retained insurance premiums(4)=(1)+(2)-(3)	Net change in reserve for unearned premiums (5)	Net premiums (6)=(4)+(5)
Compulsory insurance	\$ 439,678	\$ 173,954	\$ 187,838	\$ 425,794	(\$ 2,413)	\$ 423,381
Non-compulsory insurance	7,028,086	595,686	3,302,165	4,321,607	(215,608)	4,105,999
Total	\$ 7,467,764	\$ 769,640	\$ 3,490,003	\$ 4,747,401	(\$ 218,021)	\$ 4,529,380

The subsidiaries had no premium income from compulsory insurance in Guam and premium income of \$720,132 and \$740,335 from non-compulsory insurance income for the years ended December 31, 2020 and 2019, respectively.

B. Details of calculation of net claims are as follows:

Type	For the year ended December 31, 2020			
	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
Compulsory insurance	\$ 360,485	\$ 153,515	\$ 215,276	\$ 298,724
Non-compulsory insurance	3,331,861	293,898	1,322,495	2,303,264
Total	<u>\$ 3,692,346</u>	<u>\$ 447,413</u>	<u>\$ 1,537,771</u>	<u>\$ 2,601,988</u>

Type	For the year ended December 31, 2019			
	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
Compulsory insurance	\$ 346,990	\$ 157,887	\$ 200,468	\$ 304,409
Non-compulsory insurance	3,450,824	333,047	1,308,163	2,475,708
Total	<u>\$ 3,797,814</u>	<u>\$ 490,934</u>	<u>\$ 1,508,631</u>	<u>\$ 2,780,117</u>

C. Details of assets and liabilities for compulsory automobile liability insurance are as follows:

	December 31, 2020	December 31, 2019
Assets		
Cash and bank deposits	\$ 590,583	\$ 582,647
Notes and premiums receivable	6,876	12,433
Claims recoverable from reinsurers	26,911	24,811
Due from reinsurers and ceding companies	29,189	28,907
Ceded unearned premium reserve	95,130	101,041
Ceded claims reserve	155,642	153,624
Temporary payments	69	1,752
Total	<u>\$ 904,400</u>	<u>\$ 905,215</u>
Liabilities		
Due to reinsurers and ceding companies	\$ 29,746	\$ 21,825
Unearned premium reserve	257,111	266,234
Claims reserve	400,678	392,461
Special reserve	215,985	222,483
Temporary receipts	53	1,333
Other liabilities	827	879
Total	<u>\$ 904,400</u>	<u>\$ 905,215</u>

D. Details of revenues and costs relating to compulsory automobile liability insurance.

	For the years ended December 31,	
	2020	2019
Operating revenues		
Direct written premiums	\$ 294,892	\$ 313,065
Reinsurance premiums	175,417	173,954
Less: Reinsurance premiums ceded	(176,929)	(187,838)
Net change in reserve for unearned premiums	3,212	(2,413)
Net premiums written	296,592	296,768
Interest income	1,835	2,411
Total	<u>\$ 298,427</u>	<u>\$ 299,179</u>

	For the years ended December 31,	
	2020	2019
Operating costs		
Claims incurred	\$ 360,485	\$ 346,990
Reinsurance Claims incurred	153,515	157,887
Less: claims recovered from reinsurers	(215,276)	(200,468)
Net claims	298,724	304,409
Net change in reserve for claims	6,201	5,151
Net change in special reserve	(6,498)	(10,381)
Total	\$ 298,427	\$ 299,179

E. Net premiums

Net premiums of the respective insurances are as follows:

Items	December 31, 2020	December 31, 2019
General fire insurance	\$ 2,000,000	\$ 2,000,000
Fire & allied perils insurance	2,000,000	2,000,000
Marine cargo insurance	420,000	200,000
Marine hull insurance	200,000	200,000
Fishing vessel insurance	50,000	50,000
Aviation insurance	USD10,000 thousands	USD10,000 thousands
Engineering insurance	2,800,000	2,500,000
Money insurance	700,000	700,000
Motor physical damage insurance	15,000	15,000
Motor third party liability insurance	120,000	120,000
Motor passengers liability insurance	120,000	120,000
Compulsory automobile liability insurance for motorcycle	3,000	3,000
Car driver injury insurance	30,000	30,000
Driver injury insurance	3,000	3,000
Liability insurance	500,000	400,000
Fidelity surety bond	50,000	50,000
Engineering surety bond	200,000	200,000
Bankers' surety bond	700,000	700,000
Other property insurance	200,000	200,000
Other credit and surety bond	120,000	120,000
Nuclear energy insurance	400,000	400,000
Group accident insurance	20,000	20,000
Personal accident insurance	25,000	25,000
Travel accident insurance	30,000	30,000

F. Unqualified reinsurance reserve

(A) The summarized content in respect of ineligible reinsurance contract and related explanation for each insurance type are as follows:

The subsidiary entered into outward reinsurance contracts with the following insurance companies and insurance agents. The scope of the reinsurance contracts is the same as the reinsurance contracts of the subsidiary.

Insurance company / insurance agent	Type of outward reinsurance contract
REAAL SCHADEVERZEKERINGEN	Marine hull insurance: Facultative reinsurance
ASIAN RE BANGKOK	Marine hull insurance: Treaty reinsurance
SANTAM LTD	Marine hull insurance: Treaty reinsurance
SCHWARZMEER UND OSTSEE VERSICHERUNGS-AKT	Fire insurance: Facultative reinsurance
MILLI REASURANS T.A.S	Fire insurance: Treaty reinsurance
	Marine hull insurance: Treaty reinsurance
	Cargo insurance: Treaty reinsurance

Insurance company / insurance agent	Type of outward reinsurance contract
TUGU INSURANCE (Hong Kong)	Marine hull insurance: Treaty reinsurance Cargo insurance: Treaty reinsurance
TRUST RE	Fire insurance: Treaty and facultative reinsurance Engineering insurance: Treaty and facultative reinsurance Marine hull insurance: Treaty reinsurance Cargo insurance: Treaty reinsurance
ARAB INS. GROUP	Fire insurance: Facultative reinsurance Marine hull insurance: Treaty reinsurance Cargo insurance: Treaty reinsurance
THE ORIENTAL INSURANCE COMPANY LIMITED ACR (SINGAPORE)	Engineering insurance: Treaty reinsurance Fire insurance: Treaty reinsurance Engineering insurance: Treaty and facultative reinsurance Liability insurance: Treaty and facultative reinsurance Marine hull insurance: Treaty and facultative reinsurance Cargo insurance: Treaty reinsurance Aircraft Insurance: Facultative reinsurance
ACR (HK)	Fire insurance: Facultative reinsurance Marine hull insurance: Treaty reinsurance Cargo insurance: Treaty reinsurance

(B) The unqualified reinsurance expense was \$24,704 and \$60,279 for the years ended December 31, 2020 and 2019, respectively.

(C) As of December 31, 2020 and 2019, details of the unqualified reinsurance reserves are as follows:

	December 31, 2020	December 31, 2019
Unearned premium reserve	\$ 12,352	\$ 30,139
Ceded claim reserve-reported	10,612	53,072
Claims recoverable from reinsurers	24,142	3,104

10. Capital management

(1) Objective of capital management

- The Mega Group's qualifying self-owned capital should meet the regulatory requirements and meet the minimum regulated capital adequacy ratio. This is the basic objective of capital management of the Mega Group. The calculation and provision of qualifying self-owned capital and regulated capital shall follow the regulations of the competent authority.
- In order to have adequate capital to take various risks, the Mega Group shall assesses the required capital with consideration of the risk portfolio it faces and the risk characteristics, and manages risk through capital allocation to realise optimum utilization of capital allocation.

(2) Capital management procedures

- Following the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies" of the Financial Supervisory Commission, the Mega Group calculates capital adequacy ratio on a consolidated basis and reports this information regularly.
- The calculation of capital adequacy ratio of subsidiaries shall follow the regulations of regulatory authorities; if without regulations, capital adequacy ratio is computed as net of qualifying self- own capital divided by regulated capital.

(3) Capital adequacy ratio

A. Capital adequacy ratio of the Company and its subsidiaries

Mega Financial Holding Co., Ltd. and subsidiaries
Capital adequacy ratio

December 31, 2020

	Ownership	Eligible capital	Minimum capital
The Company	100.00%	\$ 326,578,880	\$ 367,966,892
MICB	100.00%	302,458,804	226,191,970
MS	100.00%	14,117,338	5,833,059
MBF	100.00%	38,990,116	23,605,607
CKI	100.00%	7,467,330	2,183,448
MAM	100.00%	2,779,978	7,157,783
Mega Venture Capital	100.00%	829,781	415,739
MITC	100.00%	849,740	463,009
Deduction item		365,766,256	364,965,483
Subtotal	(A)	\$ 328,305,711	(B) \$ 268,852,024
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)		(C)	122.11%

Mega Financial Holding Co., Ltd. and subsidiaries
Capital adequacy ratio

December 31, 2019

	Ownership	Eligible capital	Minimum capital
The Company	100.00%	\$ 324,046,317	\$ 361,672,501
MICB	100.00%	299,282,941	225,757,313
MS	100.00%	13,024,144	4,362,605
MBF	100.00%	36,622,230	21,575,707
CKI	100.00%	7,189,577	1,996,730
MAM	100.00%	2,753,530	5,823,786
Mega Life Insurance Agency	100.00%	466,496	335,961
Mega Venture Capital	100.00%	761,477	380,772
MITC	100.00%	845,920	470,897
Deduction item		360,341,042	358,254,779
Subtotal	(A)	\$ 324,651,590	(B) \$ 264,121,493
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)		(C)	122.92%

B. As of December 31, 2020 and 2019, the financial holding's net eligible capital is as follows:

Mega Financial Holding Co., Ltd. and subsidiaries
Financial Holding's net eligible capital

Item	December 31, 2020	December 31, 2019
Common stocks	\$ 135,998,240	\$ 135,998,240
Capital instruments that comply with the Tier 1 capital requirement	-	-
Other preferred stocks and subordinated debts	-	-
Capital collected in advance	-	-
Capital surplus	68,194,233	68,194,233
Legal reserve	40,962,325	38,066,701
Special reserve	2,538,952	2,545,151
Accumulated earnings	64,706,477	66,899,512
Equity adjustment number	14,188,733	12,357,411
Less: goodwill and other intangible assets	3,451	5,280
deferred assets	6,629	9,651
treasury stocks	-	-
Total net eligible capital	\$ 326,578,880	\$ 324,046,317

11. RELATED PARTY TRANSACTIONS

(1) Names of the related parties and their relationship with the Company

Names of related parties	Short Names of related parties	Relationship with the Company
Chunghwa Post Co., Ltd.	Chunghwa Post	Director of the Company
Bank of Taiwan	BOT	Director of the Company
Yung Shing Industries Co.	Yung Shing Industries	Sub-subsidiary of the Company
Win Card Co., Ltd.	Win Card	Sub-subsidiary of the Company
Taiwan Bills Finance Corporation	TFC	Investments accounted for using the equity method of the company
Next Commercial Bank Co., Ltd.	Next Bank	Investments accounted for using the equity method of the company
Other related parties		The Company's and subsidiary's directors, supervisors, managers, their relatives, associated companies and related parties in substance

(2) Significant transactions and balances with related parties

A. Deposits

Details of the related parties' deposits placed with MICB and Next Bank recorded under "deposits and remittances" are as follows:

	December 31, 2020	December 31, 2019
Others (Note) (individual amounts accounting for less than 10% of the total amount)	\$ 5,374,520	\$ 4,029,301
Next Bank	7,812,142	-
	<u>\$ 13,186,662</u>	<u>\$ 4,029,301</u>

Note: Excluding Next Banks.

B. Loans

Details of the credits extended to the related parties by MICB and recorded under "loans discounted" are as follows:

	December 31, 2020	December 31, 2019
Others (individual amounts accounting for less than 10% of the total amount)	\$ 2,205,746	\$ 264,894

C. Bank deposits

	December 31, 2020	December 31, 2019
Chunghwa Post	\$ 4,184	\$ 1,590
BOT	148,900	142,514
Total	<u>\$ 153,084</u>	<u>\$ 144,104</u>

D. Guarantee deposits held for operation

	Collaterals	December 31, 2020	December 31, 2019
BOT	Financial assets at fair value through other comprehensive income - bonds	\$ 51,067	\$ 50,901

E. Sales of notes and bonds

	For the years ended December 31	
	2020	2019
Chunghwa Post	\$ 190,633,457	\$ 190,394,591
BOT	374,833	-
Total	<u>\$ 191,008,290</u>	<u>\$ 190,394,591</u>

Terms and conditions on the above transactions are not materially different from those with non-related parties.

F. Notes and bonds sold under repurchase agreements

	For the year ended December 31, 2020	
	Total consideration	Ending balance of bonds sold under repurchase agreements
Chunghwa Post	\$ 9,750,995	\$ -
	For the year ended December 31, 2019	
	Total consideration	Ending balance of bonds sold under repurchase agreements
Chunghwa Post	\$ 8,056,937	\$ -



G. Transactions with other financial institutions

(A) Due from banks and call loans to banks

	December 31, 2020	December 31, 2019
BOT	\$ 18,853,149	\$ 19,692,644

(B) Deposits from banks and call loans from banks

	December 31, 2020	December 31, 2019
Chunghwa Post	\$ 1,939,343	\$ 71,410
BOT	4,838,199	8,468,864
Total	\$ 6,777,542	\$ 8,540,274

H. Commercial paper issued

	December 31, 2020	December 31, 2019
Taiwan Bills	\$ 1,045,000	\$ -

I. Collaterals

	Collaterals	December 31, 2020	December 31, 2019
BOT	Financial assets at fair value through other comprehensive income-bonds	\$ 2,815,594	\$ 2,812,600

J. Loans

December 31, 2020

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue accounts		
Consumer loans for employees	9	\$ 5,037	\$ 2,487	V		None	None
Household mortgage loans	94	804,823	677,395	V		Real estate	None
Other loans	6	2,127,021	2,091,760	V		Real estate / Time deposit / Credit guarantee fund	None

December 31, 2019

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue accounts		
Consumer loans for employees	8	\$ 4,612	\$ 3,997	V		None	None
Household mortgage loans	90	792,314	725,435	V		Real estate	None
Other loans	6	1,222,078	488,286	V		Real estate / Time deposit	None

K. Interest income

	For the years ended December 31	
	2020	2019
BOT	\$ 7,605	\$ 4,910

L. Interest expense

	For the years ended December 31	
	2020	2019
BOT	\$ 11,155	\$ 24,093
Chunghwa Post	11,264	13,379
TFC	3,061	-
Total	\$ 25,480	\$ 37,472

M. Gains and losses of financial assets and liabilities at fair value through profit or loss (sales of notes and bonds and derivative transaction)

	For the years ended December 31	
	2020	2019
BOT	(\$ 6,870)	(\$ 757)
Chunghwa Post	36,761	28,519
Total	\$ 29,891	\$ 27,762

N. Information on remunerations to the Group's key management

	For the years ended December 31	
	2020	2019
Salaries and other short-term employee benefits	\$ 374,343	\$ 410,150
Post-employment benefits	5,888	5,429
Termination benefits	902	812
Total	\$ 381,133	\$ 416,391

12. PLEDGED ASSETS

Asset	Purpose of pledge	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss	Collaterals for Central Bank and bank overdrafts	\$ 13,601,162	\$ 13,304,301
Financial assets at fair value through other comprehensive income	Guarantees or money lodged at Courts, Collaterals for bank overdrafts, Operation guarantee deposits of bills firm and securities firm, Electronic bond trading system settlement reserve, Bank overdraft collateral and court collateral for credit cases	19,105,547	18,408,720
Investments in debt instruments at amortised cost	Central Bank deposit	7,112,429	6,875,628
Other financial assets	Collaterals for short-term borrowings, Collaterals for bank overdrafts	426,050	426,050
Property and equipment	Collaterals for short-term borrowings	2,413,948	2,426,270
Investment property	Collaterals for short-term borrowings	110,710	114,347
Assets held for sale	Collaterals for short-term borrowings	-	274,280
Other assets	Guarantee of insurance business, performance guarantee	512,659	519,544
		\$ 43,282,505	\$ 42,349,140

13. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The subsidiaries-MICB

A. The New York State Department of Financial Services (NYDFS) fined the subsidiary, Mega International Commercial Bank (MICB), and MICB New York Branch (MICB NY Branch) for failing to comply with Bank Secrecy Act (BSA) anti-money laundering laws (AML). The 180 million US dollar fine was part of a consent order entered into with the NYDFS on August 19, 2016, pursuant to which MICB and MICB NY Branch shall take immediate steps to correct the non-compliance. According to the consent order, MICB and MICB NY Branch shall engage an independent compliance consultant of NYDFS' selection for six months to immediately consult about, oversee and address deficiencies in MICB NY Branch's compliance function, including compliance with BSA/AML requirements. In addition, MICB and MICB NY Branch shall retain an independent monitor to conduct a comprehensive review of the effectiveness of the Branch's program for compliance with BSA/AML requirements, laws and regulations and prepare a written report of findings, conclusions, and recommendations and conduct a review of MICB NY Branch's U.S. dollar clearing transaction activity from January 1, 2012 through December 31, 2014, to determine whether MICB NY Branch's suspicious transaction activity can be recognised appropriately and be declared in accordance with relevant reporting regulations, and transactions are inconsistent with or in violation of the Office of Foreign Asset Control (OFAC) Regulations.

As of reporting date, MICB and MICB NY Branch have completed various supervision and consultation on the abovementioned issues and have positively strengthened, improved and complied with various suggestions. A retrospective investigation on MICB NY Branch's U.S. dollar clearing transaction activity was conducted by the independent third party, which was completed in the end of February 2020. All the results identified during the review period have been reported to the Board of Directors and related competent authorities. After the review, the competent authority has also notified the close of the case.

Following the examination of MICB NY Branch, MICB Chicago Branch and MICB Silicon Valley Branch (collectively, the "Branches") of June 30, 2016, December 31, 2016, and September 30, 2016, the supervisory authorities disclosed deficiencies relating to the Branches' risk management and compliance with the BSA/AML requirements. Therefore, on January 17, 2018, MICB, the Branches, the Board of



Governors of the Federal Reserve System (FED) and the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Banking entered into a Consent Order to Cease and Desist and Order of Assessment of a Civil Money Penalty (C&D). MICB and the Branches were imposed a fine amounting to US\$29 million and shall jointly submit an individual written plan as well as retain an independent third party to conduct a review of MICB NY Branch's U.S. dollar clearing transaction activity from January 1, 2015 through June 30, 2015.

As of reporting date, except certain items of MICB NY Branch that needed continuous improvements, MICB Chicago Branch and MICB Silicon Valley Branch have completed improvements on the abovementioned issues. Those written action plans were seasonally reported to the Board of Directors and submitted to the Federal Reserve Bank and the Illinois Department of Financial and Professional Regulation. A retrospective investigation on MICB NY Branch's U.S. dollar clearing transaction activity was conducted by the independent third party during the abovementioned period, which was completed in the end of February 2020. All the results identified during the review period have been reported to the Board of Directors and related competent authorities. After the review, the competent authority has also notified the close of the case.

B. As of December 31, 2020 and 2019, MICB and its subsidiaries' commitments and contingent liabilities were as follows:

	December 31, 2020	December 31, 2019
Irrevocable arranged financing limit	\$ 129,021,778	\$ 115,208,577
Securities sold under repurchase agreement	12,281,790	32,128,969
Securities purchased under resell agreement	10,359,690	7,536,981
Credit card line commitments	95,508,685	86,738,760
Guarantees issued	137,972,817	161,294,237
Contra guarantees	-	25,401
Letters of credit	49,880,677	47,258,042
Customers' securities under custody	266,554,468	309,916,421
Properties under custody	2,341,529	2,701,974
Guarantee received	111,217,213	112,655,731
Collections for customers	73,816,145	74,940,360
Agency loans payable	349,396	476,536
Travelers' checks consigned-in	-	871,120
Trustee sales license	846	985
Payables on consignments-in	1,612	1,654
Agent for government bonds	115,577,800	184,033,700
Short-dated securities under custody	113,993,056	86,740,467
Trust liability	595,586,435	569,150,273
Certified notes paid	3,869,744	4,108,949
Total	\$ 1,718,333,681	\$ 1,795,789,137

C. The subsidiary-MICB committed to provide necessary financial support to Next Bank under the specific circumstance in the future in accordance with the related regulations. The subsidiary- MICB will continually hold more than 25% equity interests in Next Bank only if the regulations are changed or any other banks or financial holding companies are willing to acquire Next Bank with a total shareholding ratio over 25% equity interests.

(2) The subsidiaries-MBF

As of December 31, 2020 and 2019, the company's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2020	December 31, 2019
Securities sold under repurchase agreements	\$ 241,164,641	\$ 204,173,461
Guarantees for commercial papers	177,665,200	169,807,100
Buy fixed rate financial paper	14,200,000	17,650,000
Buy index rate financial paper	66,733,750	48,500,950
Sell index rate financial paper	1,000,000	1,000,000
Total	\$ 500,763,591	\$ 441,131,511

(3) The subsidiaries-MS

MS has entered into proxy delivery agreements with several securities firms. If MS is unable to fulfill its obligations to the Taiwan Stock Exchange, the proxies must act upon the said obligations. MS has reciprocated by agreeing to act as the proxy for the securities firms.

(4) The subsidiaries-CKI

As of December 31, 2020, except for the reserve for claims that had been provided for, CKI still had several lawsuits regarding insurance claims. CKI had appointed attorneys to deal with the lawsuits.

14. SIGNIFICANT DISASTER LOSS: None.

15. SIGNIFICANT SUBSEQUENT EVENTS: None.

16. OTHERS

(1) According to Article 46 of Financial Holding Company Act, disclosures of the sum of amounts of endorsements and guarantees provided by all subsidiaries of Financial Holding Company to the same natural person, same related natural person, or same related company for loans or other transactions:

(Please refer to page 177~186 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

(2) Significant impact arising from changes in government laws and regulations: None.

(3) Information with respect to the subsidiary holding shares in parent company: None.

(4) Research and development plans sponsored by others: None.

(5) Information for discontinued operations: None.

(6) Major operating assets or liabilities transferred from (or to) other financial institutions: None.

(7) Information on the apportionment of the revenues, costs, expenses, gains and losses arising from business activities, transactions, joint promotion for businesses development, information sharing, and operating facilities or premises sharing between the Company and its subsidiaries.

A. Transactions between the Company and its subsidiaries

Please refer to Note 17(5) for details of transactions with related parties.

B. Joint promotion of businesses

In order to create economic synergy throughout the various subsidiaries and provide customers financial services in all aspects, the subsidiaries have continuously established specialised counters for other subsidiaries in different businesses (including counters of banking services, securities trading services, and insurance services) in the business locations of its subsidiaries and simultaneously promoted service business in banking, securities and insurance areas.

C. Information sharing or Operating facilities or premises sharing

Under the Financial Holding Company Act, Computer-Process Personal Data Protection Law and the related regulations stipulated by the Ministry of Finance, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the Company and its subsidiaries or exchanged between the subsidiaries for the purpose of cross-selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are bound to use the information for the specified purposes only. In addition, the Company is required to publish its "Measures for Protection of Customers' Information" at its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

D. Apportionment of revenues, costs, expenses, gains and losses

For the year ended December 31, 2020

The promotion bonus paid to other subsidiaries by MITC, MICB, CKI and MS amounted to \$27,260, \$28,100, \$28,920 and \$27,430 respectively. As a result of cross-selling by other subsidiaries, the income increased by \$124,720 for MITC; \$66,730 for MICB; \$560,670 for CKI; \$80,530 for MS.

For the year ended December 31, 2019

The promotion bonus paid to other subsidiaries by MITC, MICB, CKI and MS amounted to \$42,580, \$34,960, \$25,430 and \$10,100 respectively. As a result of cross-selling by other subsidiaries, the income increased by \$156,580 for MITC; \$77,520 for MICB; \$548,860 for CKI; \$30,320 for MS.

(8) Information for private placement securities: None.

(9) Adjustment of key organisation and significant change in regulatory system

To meet Group reorganisation, the Board of Directors of the Company resolved to sell a 100% equity interest of the subsidiary- MLIAC to the subsidiary- MICB on April 23, 2019. The merger was completed on May 12, 2020.



(10) Financial information by business segments

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
Financial Information by Business Segments

For the year ended December 31, 2020	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	\$ 29,765,642	\$ 85,698	\$ 1,111,798	\$ 688,017	(\$ 100,281)	\$ 31,550,874
Revenues other than interest, net	18,941,815	1,687,427	3,512,442	4,110,085	1,007,279	29,259,048
Net revenue	48,707,457	1,773,125	4,624,240	4,798,102	906,998	60,809,922
(Provision for) reversal of bad debts expense, commitment and guarantee liability	(1,917,068)	35,369	(252,093)	-	(17,776)	(2,151,568)
Net change in provisions for insurance liabilities	-	(227,160)	-	-	-	(227,160)
Operating expenses	(23,383,815)	(1,216,069)	(790,139)	(2,946,263)	(764,270)	(29,100,556)
Profit from continuing operations before tax	23,406,574	365,265	3,582,008	1,851,839	124,952	29,330,638
Income tax expense	(3,128,169)	(96,128)	(674,408)	(238,830)	(175,135)	(4,312,670)
Profit from continuing operations	\$ 20,278,405	\$ 269,137	\$ 2,907,600	\$ 1,613,009	\$ 50,183	\$ 25,017,968

For the year ended December 31, 2019	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	\$ 33,942,699	\$ 92,355	\$ 460,144	\$ 664,821	(\$ 93,171)	\$ 35,066,848
Revenues other than interest, net	19,765,200	1,344,291	3,438,767	3,023,971	2,635,785	30,208,014
Net revenue	53,707,899	1,436,646	3,898,911	3,688,792	2,542,614	65,274,862
(Provision for) reversal of bad debts expense, commitment and guarantee liability	(746,859)	(24,328)	69,684	-	14,320	(687,183)
Net change in provisions for insurance liabilities	-	(34,968)	-	-	-	(34,968)
Operating expenses	(25,599,554)	(1,179,636)	(769,088)	(2,451,348)	(898,811)	(30,898,437)
Profit from continuing operations before tax	27,361,486	197,714	3,199,507	1,237,444	1,658,123	33,654,274
Income tax expense	(3,735,704)	(50,346)	(540,628)	(106,140)	(266,656)	(4,699,474)
Profit from continuing operations	\$ 23,625,782	\$ 147,368	\$ 2,658,879	\$ 1,131,304	\$ 1,391,467	\$ 28,954,800

Note: Amount write off after the consolidation.

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



Financial Information

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Revenues		
Interest income	\$ 6,081	\$ 4,166
Gain on financial assets and liabilities at fair value through loss or profit	-	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	25,588,702	29,504,366
Expenses and losses		
Interest expense	(65,042)	(60,928)
Foreign exchange loss	(4)	(9)
Employee benefit expense	(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	(468,965)	(473,373)
Profit from continuing operations before tax	25,119,737	29,030,993
Income tax expense	(101,769)	(74,749)
Profit	25,017,968	28,956,244
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	526,565	2,808,272
Other comprehensive income	629,445	3,982,425
Total comprehensive income	\$ 25,647,413	\$ 32,938,669
Earnings Per Share (in dollars)		
Basic and Diluted Earnings Per Share (in dollars)	\$ 1.84	\$ 2.13



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

	Retained earnings					Other equity interest					Total
	Share capital- common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated 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- other		
For the year ended December 31, 2019											
Equity at beginning of year	\$135,998,240	\$ 68,194,233	\$ 35,255,784	\$ 2,545,151	\$ 64,774,415	\$ 1,600,479	\$ 9,232,789	\$ 102,177	\$ 55,676	\$ 314,242,280	
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 investment in equity instruments measured at fair value through other comprehensive income (loss)	-	-	-	-	(152,934)	-	152,934	-	-	-	
Equity at end of year	\$135,998,240	\$ 68,194,233	\$ 38,066,701	\$ 2,545,151	\$ 66,899,512	\$ 2,413,580	\$ 14,799,177	\$ 1,907	\$ 30,093	\$ 324,061,248	
For the year ended December 31, 2020											
Equity at beginning of year	\$135,998,240	\$ 68,194,233	\$ 38,066,701	\$ 2,545,151	\$ 66,899,512	\$ 2,413,580	\$ 14,799,177	\$ 1,907	\$ 30,093	\$ 324,061,248	
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	-	-	-	-	(685,802)	-	-	-	-	(23,119,701)	
Disposal of investment in equity instruments measured at fair value through other comprehensive income (loss)	-	-	-	-	(152,934)	-	685,802	-	-	-	
Equity at end of year	\$135,998,240	\$ 68,194,233	\$ 40,962,325	\$ 2,545,151	\$ 64,706,477	\$ 4,107,628	\$ 18,349,008	\$ 35,934	\$ 16,713	\$ 326,588,960	



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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Cash Flows from Operating Activities		
Profit before tax	\$ 25,119,737	\$ 29,030,993
Income and expenses having no effect on cash flows		
Income and expenses		
Depreciation expenses	13,670	12,776
Amortization expenses	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)
(Decrease) increase 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
Cash Flows from Investing Activities		
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)
Cash Flows from Financing Activities		
(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



MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2020	December 31, 2019	Item	December 31, 2020	December 31, 2019
ASSETS			LIABILITIES		
Cash and cash equivalents	\$ 114,564,541	\$ 140,554,129	Deposits from the Central Bank and banks	\$ 388,001,739	\$ 408,153,290
Due from the Central Bank and call loans to banks	376,563,615	492,437,324	Due to the Central Bank and banks	20,363,979	21,161,321
Financial assets at fair value through profit or loss	57,167,478	63,903,712	Financial liabilities at fair value through profit or loss	20,351,947	21,372,394
Financial assets at fair value through other comprehensive income	396,955,384	387,478,611	Securities sold under repurchase agreements	12,271,411	32,011,462
Investments in debt instruments at amortised cost	528,350,771	269,203,897	Payables	37,306,869	35,710,704
Securities purchased under resell agreements	10,357,834	7,533,579	Current tax liabilities	8,425,060	7,411,215
Receivables, net	37,874,725	60,875,401	Deposits and remittances	2,602,036,479	2,446,974,894
Current tax asset	62	71,575	Financial bonds payable	13,000,000	12,000,000
Loans discounted, net	1,870,200,468	1,853,405,065	Other financial liabilities	8,134,052	10,266,531
Investments accounted for using equity method, net	10,515,436	8,546,674	Provisions	16,876,167	16,276,140
Other financial assets, net	108,415	2,536,284	Lease liabilities	1,888,498	1,943,483
Property and equipment, net	14,809,966	14,925,493	Deferred income tax liabilities	2,755,194	2,828,278
Right-of-use assets, net	1,842,825	1,918,253	Other liabilities	7,689,312	7,252,915
Investment property, net	583,624	583,973	Total liabilities	3,139,101,707	3,023,362,627
Deferred income tax assets	5,172,819	5,365,072	EQUITY		
Other assets, net	8,617,173	6,170,224	Common stock	85,362,336	85,362,336
			Capital surplus	62,219,540	62,219,540
			Retained earnings	139,995,250	137,069,817
			Other equity interest	7,006,303	7,028,450
			Predecessors' interests under common control	-	466,496
			Total equity	294,583,42	292,146,639
TOTAL ASSETS	\$ 3,433,685,136	\$ 3,315,509,266	TOTAL LIABILITIES AND EQUITY	\$ 3,433,685,136	\$ 3,315,509,266



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

Item	December 31, 2020	December 31, 2019	Item	December 31, 2020	December 31, 2019
<u>ASSETS</u>			<u>LIABILITIES</u>		
Current assets	\$ 69,636,266	\$ 58,739,927	Current liabilities	\$ 57,525,616	\$ 47,421,669
Financial assets at fair value through other comprehensive income-non current	772,528	737,375	Provisions for liabilities - non-current	136,274	135,386
Investments accounted for using equity method	832,983	862,811	Lease liabilities - non-current	71,950	94,063
Property and equipment, net	2,542,645	2,476,643	Deferred income tax liabilities	5,476	9,469
Right-of-use assets, net	135,651	157,846	Other liabilities - non-current	7,216	8,897
Investment property, net	149,805	154,597	Total liabilities	57,746,532	47,669,484
Intangible assets, net	74,940	48,671	<u>EQUITY</u>		
Deferred income tax assets	87,261	87,032	Common stock	11,600,000	11,600,000
Other assets - non-current	881,317	902,865	Capital surplus	971,161	971,161
			Retained earnings	3,087,842	3,087,792
			Other equity interest	927,861	839,330
			Total equity	17,366,864	16,498,283
TOTAL ASSETS	\$ 75,113,396	\$ 64,167,767	TOTAL LIABILITIES AND EQUITY	\$ 75,113,396	\$ 64,167,767



MEGA BILLS FINANCE CO., LTD.
CONDENSED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2020	December 31, 2019	Item	December 31, 2020	December 31, 2019
ASSETS			LIABILITIES		
Cash and cash equivalents	\$ 310,489	\$ 356,298	Interbank overdraft and call loans	\$ 17,012,187	\$ 14,132,031
Financial assets at fair value through profit or loss	159,366,161	127,382,706	Financial liabilities at fair value through profit or loss	-	2,475
Financial assets at fair value through other comprehensive income	139,211,496	126,416,773	Securities sold under repurchase agreements	241,164,641	204,173,461
Investments in debt instruments at amortised cost			Payables	507,353	592,668
Receivables, net	406,437	431,553	Current tax liabilities	544,324	136,891
Other financial assets, net	1,404,106	2,303,800	Provisions	2,823,445	2,589,139
Property and equipment, net	471,412	585,426	Lease liabilities	37,070	73,785
Right-of-use assets, net	356,187	353,131	Deferred income tax liabilities	607,047	324,149
Investment property, net	36,870	73,532	Other liabilities	202,476	299,415
Intangible assets, net	2,485,768	2,496,432	Total liabilities	262,898,543	222,324,014
Deferred income tax assets	6,522	6,195	EQUITY		
Other assets, net	185,044	135,853	Common stock	13,114,411	13,114,411
	64,974	59,540	Capital surplus	320,929	320,929
			Retained earnings	23,393,231	22,499,419
			Other equity interest	4,578,352	2,342,466
			Total equity	41,406,923	38,277,225
TOTAL ASSETS	\$ 304,305,466	\$ 260,601,239	TOTAL LIABILITIES AND EQUITY	\$ 304,305,466	\$ 260,601,239



CHUNG KUO INSURANCE CO., LTD.
CONDENSED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2020	December 31, 2019	Item	December 31, 2020	December 31, 2019
ASSETS			LIABILITIES		
Cash and cash equivalents	\$ 4,066,034	\$ 3,676,881	Payables	\$ 1,576,684	\$ 1,178,983
Receivables	888,814	874,415	Current tax liabilities	65,048	38,930
Assets classified as held for sale	15,813	-	Insurance liabilities	9,969,250	8,812,271
Current tax assets	59,499	114,254	Provisions	160,205	188,475
Financial assets at fair value through profit or loss	1,962,393	1,985,240	Lease liabilities	28,921	15,792
Financial assets at fair value through other comprehensive income	1,958,736	1,702,355	Other liabilities	93,291	112,295
Investments in debt instruments at amortised cost	3,128,710	3,198,108	Total liabilities	11,893,399	10,346,746
Investments accounted for using equity method	36,760	34,742	EQUITY		
Right-of-use assets, net	28,859	15,758	Common stock	3,000,000	3,000,000
Investment property, net	295,972	300,982	Capital surplus	1,084,811	1,084,811
Reinsurance contracts assets	5,170,035	3,984,617	Retained earnings	3,001,900	2,763,168
Property and equipment, net	767,894	798,675	Other equity interest	156,689	218,430
Intangible assets, net	45,987	42,789	Total equity	7,243,400	7,066,409
Deferred income tax assets	38,359	49,577			
Other assets, net	672,934	634,762			
TOTAL ASSETS	\$ 19,136,799	\$ 17,413,155	TOTAL LIABILITIES AND EQUITY	\$ 19,136,799	\$ 17,413,155



MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2020	December 31, 2019	Item	December 31, 2020	December 31, 2019
ASSETS			LIABILITIES		
Current assets	\$ 761,309	\$ 773,686	Current liabilities	\$ 61,653	\$ 79,114
Financial assets at fair value through other comprehensive income	1,130	1,056	Lease liabilities	689	449
Property and equipment, net	132,666	135,240	Liabilities - non-current	13,935	16,311
Right-of-use assets, net	1,379	801	Total liabilities	76,277	95,874
Intangible assets, net	776	1,774	EQUITY		
Deferred income tax assets	2,780	3,260	Common stock	527,000	527,000
Other assets - non-current	25,977	25,977	Capital surplus	3,675	3,675
			Retained earnings	319,435	315,689
			Other equity interest	(370)	(444)
			Total equity	849,740	845,920
TOTAL ASSETS	\$ 926,017	\$ 941,794	TOTAL LIABILITIES AND EQUITY	\$ 926,017	\$ 941,794

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2020	December 31, 2019	Item	December 31, 2020	December 31, 2019
ASSETS			LIABILITIES		
Current assets	\$ 13,962,858	\$ 11,384,913	Current liabilities	\$ 10,601,335	\$ 8,849,572
Property and equipment, net	237	350	Long-term loans	899,746	-
Investment property, net	237,334	144,741	Lease liabilities	958	12,278
Right-of-use assets, net	8,166	14,055	Other liabilities - non-current	33,548	32,191
Intangible assets, net	47	237	Total liabilities	11,535,587	8,894,041
Deferred income tax assets	102,400	98,751	EQUITY		
Other assets - non-current	4,523	4,524	Common stock	2,000,000	2,000,000
			Capital surplus	1,261	1,261
			Retained earnings	778,717	752,269
			Total equity	2,779,978	2,753,530
TOTAL ASSETS	\$ 14,315,565	\$ 11,647,571	TOTAL LIABILITIES AND EQUITY	\$ 14,315,565	\$ 11,647,571



MEGA VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2020	December 31, 2019	Item	December 31, 2020	December 31, 2019
ASSETS			LIABILITIES		
Current assets	\$ 344,333	\$ 339,355	Current liabilities	\$ 1,696	\$ 67
Financial assets at fair value through profit or loss	487,144	422,189	Total liabilities	1,696	67
			EQUITY		
			Common stock	1,000,000	1,000,000
			Accumulated deficit	(170,219)	(238,523)
			Total equity	829,781	761,477
TOTAL ASSETS	\$ 831,477	\$ 761,544	TOTAL LIABILITIES AND EQUITY	\$ 831,477	\$ 761,544

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income	\$ 46,145,992	\$ 67,705,598
Less: Interest expense	(16,821,731)	(34,270,346)
Interest income, net	29,324,261	33,435,252
Revenues other than interest income, net	19,166,617	21,584,271
Net revenue	48,490,878	55,019,523
Bad debts expense, commitment and guarantee liability provision	(1,877,830)	(728,531)
Operating expenses	(23,203,951)	(25,482,447)
Income before income tax from continuing operations	23,409,097	28,808,545
Income tax expense	(3,077,016)	(3,758,156)
Net income	20,332,081	25,050,389
Other comprehensive (loss) income	(959,022)	905,551
Total comprehensive income	\$ 19,373,059	\$ 25,955,940
Earnings per share		
Basic and diluted earnings per share (after taxes)	\$ 2.38	\$ 2.93



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

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Revenues	\$ 4,509,146	\$ 3,708,101
Service fee expenditure	(233,026)	(143,302)
Employee benefit expense	(1,963,214)	(1,589,288)
Other operating expenditures	(131,345)	(227,135)
Operating expenses	(940,927)	(803,266)
Other gains and losses	474,510	196,897
Share of income of associates and joint ventures accounted for under equity method	57,361	43,400
Income before income tax from continuing operations	1,772,505	1,185,407
Income tax expense	(225,905)	(95,747)
Net income	1,546,600	1,089,660
Other comprehensive income (loss)	80,888	243,562
Total comprehensive income	\$ 1,627,488	\$ 1,333,222
Earnings per share		
Basic and diluted earnings per share (after taxes)	\$ 1.33	\$ 0.94

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

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income	\$ 3,245,618	\$ 3,490,129
Less: Interest expense	(1,050,854)	(1,940,494)
Interest income, net	2,194,764	1,549,635
Revenues other than interest income, net	2,489,776	2,351,222
Net revenue	4,684,540	3,900,857
(Provisions) reversal	(252,093)	69,684
Operating expenses	(827,041)	(804,561)
Income before income tax from continuing operations	3,605,406	3,165,980
Income tax expense	(674,409)	(540,628)
Net income	2,930,997	2,625,352
Other comprehensive income	2,026,850	2,147,657
Total comprehensive income	\$ 4,957,847	\$ 4,773,009
Earnings per share		
Basic and diluted earnings per share (after taxes)	\$ 2.23	\$ 2.00

CHUNG KUO INSURANCE CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating revenue	\$ 5,717,564	\$ 5,508,352
Operating cost	(4,146,873)	(4,083,815)
Operating expense	(1,180,594)	(1,195,537)
Operating income	390,097	229,000
Non-operating income and expense	7,862	2,812
Income before income tax from continuing operations	397,959	231,812
Income tax expense	(96,128)	(50,346)
Net income	301,831	181,466
Other comprehensive (loss) income	(124,840)	171,172
Total comprehensive income	<u>\$ 176,991</u>	<u>\$ 352,638</u>
Earnings per share		
Basic and diluted earnings per share (after taxes)	<u>\$ 1.01</u>	<u>\$ 0.60</u>

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating revenue	\$ 389,722	\$ 447,087
Operating expense	(293,094)	(343,810)
Operating income	96,628	103,277
Non-operating income and expense	5,331	6,408
Income before income tax	101,959	109,685
Income tax expense	(19,901)	(22,240)
Net income	82,058	87,445
Other comprehensive income (loss)	1,703	1,380
Total comprehensive income	<u>\$ 83,761</u>	<u>\$ 88,825</u>
Earnings per share		
Basic and diluted earnings per share (after taxes)	<u>\$ 1.56</u>	<u>\$ 1.66</u>



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

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating revenue	\$ 424,589	\$ 412,144
Operating cost	(1,432)	(7,951)
Gross profit	423,157	404,193
Operating expense	(93,908)	(71,115)
Operating income	329,249	333,078
Non-operating income and expense	(68,695)	(61,370)
Income before income tax	260,554	271,708
Income tax expense	(52,114)	(68,289)
Net income	208,440	203,419
Other comprehensive income (loss)	1,063	(25)
Total comprehensive income	\$ 209,503	\$ 203,394
Earnings per share		
Basic and diluted earnings per share (after taxes)	\$ 1.04	\$ 1.02

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

Item	For the year ended December 31, 2020	For the year ended December 31, 2019
Operating revenue	\$ 87,000	\$ 65,511
Operating cost	-	-
Gross profit	87,000	65,511
Operating expense	(17,504)	(17,457)
Operating income	69,496	48,054
Non-operating income and expense	159	222
Income before income tax	69,655	48,276
Income tax expense	(1,351)	-
Net income	\$ 68,304	\$ 48,276
Earnings per share		
Basic and diluted earnings per share (after taxes)	\$ 0.68	\$ 0.48

(12) Profitability of the Company and subsidiaries:

A. Profitability

(a) The Company

UNIT : %

Items		MEGA FINANCIAL HOLDING CO., LTD	
		For the year ended December 31, 2020	For the year ended December 31, 2019
Return on assets	Pre-tax	6.87	8.14
	After-tax	6.84	8.12
Return on equity	Pre-tax	7.72	9.10
	After-tax	7.69	9.07
Net profit margin		97.77	98.14

UNIT : %

Items		MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES	
		For the year ended December 31, 2020	For the year ended December 31, 2019
Return on assets	Pre-tax	0.78	0.93
	After-tax	0.66	0.80
Return on equity	Pre-tax	9.02	10.54
	After-tax	7.69	9.07
Net profit margin		41.14	44.36

(b) The subsidiary

UNIT : %

Items		MICB	
		For the year ended December 31, 2020	For the year ended December 31, 2019
Return on assets	Pre-tax	0.69	0.89
	After-tax	0.60	0.77
Return on equity	Pre-tax	7.98	10.02
	After-tax	6.93	8.71
Net profit margin		41.93	45.53

UNIT : %

Items		MS	
		For the year ended December 31, 2020	For the year ended December 31, 2019
Return on assets	Pre-tax	2.55	2.00
	After-tax	2.22	1.84
Return on equity	Pre-tax	10.47	7.44
	After-tax	9.13	6.84
Net profit margin		34.30	29.39

UNIT : %

Items		MBF	
		For the year ended December 31, 2020	For the year ended December 31, 2019
Return on assets	Pre-tax	1.28	1.21
	After-tax	1.04	1.00
Return on equity	Pre-tax	9.05	8.57
	After-tax	7.36	7.10
Net profit margin		62.57	67.30



UNIT : %

Items		CKI	
		For the year ended December 31, 2020	For the year ended December 31, 2019
Return on assets	Pre-tax	2.18	1.36
	After-tax	1.65	1.06
Return on equity	Pre-tax	5.56	3.36
	After-tax	4.22	2.63
Net profit margin		5.28	3.29

Note 1: Return on assets = Income (loss) before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income (loss) before (after) income tax ÷ Average equity

Note 3: Net profit margin = Net income (loss) after income tax ÷ Net revenues

Note 4: Net income (loss) pre-tax / after-tax refers to the income (loss) for the years ended December, 2020 and 2019.

(13) In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet, trust income statement and schedule of investment for trust business would be shown every semi- year:

(Please refer to p.200-201 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

17. ADDITIONAL DISCLOSURES

The transactions between and among subsidiaries have been write off after the consolidation. The disclosed information below is for reference purposes only.

(1) Significant transaction information:

A. Marketable securities acquired or disposed of, at costs or prices of at least \$300 million or 10% of the issued capital

(Please refer to page 202 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

B. Acquisition of individual real estate, at costs or prices of at least \$300 million or 10% of the issued capital: None.

C. Disposal of individual real estate, at costs or prices of at least \$300 million or 10% of the issued capital.

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
MS	Non-current assets classified as held for sale (Metropolitan International Center)	2020/2/21	1997/12/5 and 2010/12/27	\$274,280	\$608,000	Settled	\$333,720 (Excluding land value increment tax)	King's Town Bank (A trustee of Millerful no.1 reit)	Non-interested parties	Assets activation	Based on the appraisal amount made by CCIS Real Estate joint Appraisers Firm	None

D. Allowance for service fees to related parties amounting to at least \$5 million: None.

E. Receivables from related parties amounting to at least \$300 million or 10% of the issued capital: None.

F. Information on selling non-performing loans of subsidiaries:

(a) Aggregate table of disposal of non-performing loans

For the year ended December 31, 2020, information of disposal of non-performing loans of the subsidiary, MICB, please refer to the followings:

Transaction date	Counterparty	Contents of right of claim	Book value	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Company	Note
2020.11.13	Goldman Sachs Lending Partners LLCI	Corporate lending	\$ 86,149	\$ 86,811	\$ 662	None	None	Note

Note: The carrying amount and the sale price of the debt were US\$2,931 and US\$2,953, respectively. Based on the exchange rate of 29.3955 New Taiwan dollars per USD.

(b) In a single transaction, amount of disposal of non-performing loans exceeds one billion (except selling to related parties): None.

G. Information on categories of securitization of assets of subsidiaries applied for and approved in accordance to both financial asset securitization rule and real estate securitization regulations: None.

H. Other significant transactions which may affect the decisions of users of financial reports: None.

(2) Information on the investees:

A. Supplementary disclosure regarding investee companies:

(Please refer to page 204-206 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

B. Marketable securities acquired or disposed of, at costs or prices of at least \$300 million or 10% of the issued capital: None.

C. Information on financial derivative transactions: Please refer to Note 7 for the information of financial instruments.

D. Acquisition or disposal of individual real estate, at costs or prices of at least \$300 million or 10% of the issued capital: None.

E. Allowance for service fees to related parties amounting to at least \$5 million: None.

F. Receivables from related parties amounting to at least \$300 million or 10% of the issued capital: None.

G. Sale of non-performing loans: None.

H. Information on categories of securitization of assets of subsidiaries applied for and approved in accordance to both financial asset securitization rule and real estate securitization regulations: None.

I. Other significant transactions which may affect the decisions of users of financial reports: None.

J. Funds lent to others: None.

K. Endorsement / guarantee provided: None.

L. Securities held at the end of year

(Please refer to page 207-208 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

(3) Information on investments in Mainland China

(Please refer to page 209-210 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

(4) Major shareholders information

Name of major shareholders	Shares	Number of shares held (in thousands)	Ownership (%)
Ministry of Finance		1,143,043,883	8.40
National Development Fund, Executive Yuan		830,973,202	6.11

A. The major shareholders' information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders with above 5% ownership on the last operating date of each quarter and was calculated by the Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.

B. If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

(5) Significant transactions between parent company and subsidiaries

(Please refer to page 211-214 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

(6) MS and MF engaged in futures business and shall meet the requirements of relevant futures transactions regulations. Financial ratio and enforcement of MS and MF are as follows:

(Please refer to page 214-215 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019.)

(7) The Prospective Risk For Futures Trading

Brokerage department of MF, which is under the consignment of futures' traders, conducts brokerage services pursuant to the laws and regulations. Uncovered positions are daily adjusted by mark-to-market price of Taiwan Futures Exchange. If margin call is lower than certain level, additional margin calls are requested to maintain limits of guarantee deposits. The Company controls credit risk by constantly monitoring the balance of customers' margin based on market price of positions held by each client, regulations of Taiwan Stock Exchange and the Company to minimize the risk.

Futures' trading and futures option trading are with high financial leverage risk. When MS futures department purchase options, the maximum loss arising from fluctuation on futures index is limited to the paid premium; hence, market price risk is insignificant. When MS futures department sell options, market price risk is the fluctuation of TAIEX Index Option contracts. Futures department of MS have established relevant risk control mechanism and set up stop-loss limits, in order to monitor changes on positions held and their prices. When there is significant fluctuation on futures price, MS will conversely purchase options or TAIEX Index Futures to manage the market price risk, and loss incurred would be controlled.

18. DISCLOSURE OF FINANCIAL INFORMATION BY SEGMENTS

(1) General Information

The Mega Group's operation segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM"). The CODM allocates resources to operating segments and evaluates their performance. The Mega Group's CODM refers to the Board of Directors.

Inter-segmental transactions are arm's-length transactions, and gain and loss arising from such transactions are write-off by the parent company upon the presentation of consolidated financial statements. Profit and loss directly attributable to various segments have been considered when segment performance is being evaluated.

The operating segments of the Mega Group comprise banking, securities, bills finance, insurance and other businesses. The operating results are reviewed by the CODM regularly and are referenced when allocating resources and evaluating operating performance.

The Mega Group is based in the global market, comprising four major business segments; there were no changes in the reporting segments for the period.

The operating results have different income items due to different nature of the operating segments, and the CODM evaluates segment performance based on the net profit before tax of various segments. Therefore, performance of all reporting segments is presented by the net amount of operating net profit less various operating expenses. Income from external clients provided for the CODM to review is measured on the same basis with the statement of comprehensive income.

Adjustments of internal pricing and transfer pricing are reflected in segment performance evaluation. Income from external clients has been allocated based on the regulated allocation standard between segments.

The internal management's operating reports are prepared based on net operating profit, including net interest income, net service fee income, recovered bad debts (provision), loan loss impairment, net gain (loss) on financial instruments and other operating gain (loss). Measurement basis does not include non-recurring items, e.g. litigation expenses.

(2) Measurement of segment information

The Mega Group's management mainly focuses on the operating results of the whole group, which is consistent with the statement of comprehensive income of the consolidated financial statements.

(3) Major customer information

The Mega Group's source of income is not concentrated on transactions with a single customer or single trading.

(4) Information on products and service

Major part of operating segments' operating results of the Mega Group mainly comes from interest income from external clients and is measured on a consistent basis compared with the statement of comprehensive income. While the segmental income also consists of internal profit and loss appropriated by the terms agreed amongst segments other than external revenue. Please refer to the information by geography for relevant components of income balances.

Financial Information

(5) Information about segment profit or loss, assets and liabilities

For the year ended December 31, 2020							
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Interest income, net	\$ 29,808,639	\$ 85,654	\$ 1,072,807	\$ 681,556	(\$ 112,727)	\$ 14,945	\$ 31,550,874
Other revenue other than interest income	19,097,413	1,722,782	3,611,733	4,119,170	26,484,475	(25,776,525)	29,259,048
Net revenue	48,906,052	1,808,436	4,684,540	4,800,726	26,371,748	(25,761,580)	60,809,922
Reversal of bad debts expense, commitment and guarantee liability (provision)	(1,917,068)	35,369	(252,093)	-	(17,776)	-	(2,151,568)
Provisions for insurance liabilities	-	(227,160)	-	-	-	-	(227,160)
Operating expenses	(23,528,734)	(1,218,686)	(827,041)	(3,015,296)	(802,069)	291,270	(29,100,556)
Profit (loss) from continuing operations before tax	23,460,250	397,959	3,605,406	1,785,430	25,551,903	(25,470,310)	29,330,638
Income tax expense	(3,128,169)	(96,128)	(674,409)	(238,830)	(175,134)	-	(4,312,670)
Profit (loss)	\$ 20,332,081	\$ 301,831	\$ 2,930,997	\$ 1,546,600	\$ 25,376,769	(\$ 25,470,310)	\$ 25,017,968

For the year ended December 31, 2019							
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Interest income, net	\$ 34,038,234	\$ 92,322	\$ 375,173	\$ 658,930	(\$ 101,602)	\$ 3,791	\$ 35,066,848
Other revenue other than interest income	20,840,816	1,379,880	3,525,684	3,040,710	31,007,719	(29,586,795)	30,208,014
Net revenue	54,879,050	1,472,202	3,900,857	3,699,640	30,906,117	(29,583,004)	65,274,862
Reversal of bad debts expense, commitment and guarantee liability (provision)	(746,859)	(24,328)	69,684	-	14,320	-	(687,183)
Provisions for insurance liabilities	-	(34,968)	-	-	-	-	34,968
Operating expenses	(25,751,611)	(1,181,094)	(804,561)	(2,503,840)	(955,287)	297,956	(30,898,437)
Profit (loss) from continuing operations before tax	28,380,580	231,812	3,165,980	1,195,800	29,965,150	(29,285,048)	33,654,274
Income tax expense	(3,735,704)	(50,346)	(540,628)	(106,140)	(266,656)	-	(4,699,474)
Profit (loss)	\$ 24,644,876	\$ 181,466	\$ 2,625,352	\$ 1,089,660	\$ 29,698,494	(\$ 29,285,048)	\$ 28,954,800

For the year ended December 31, 2020							
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	\$ 3,451,678,220	\$ 19,136,799	\$ 304,305,466	\$ 79,217,420	\$ 384,428,247	(\$ 382,389,620)	\$ 3,856,376,532
Segment liabilities	\$ 3,157,094,791	\$ 11,893,399	\$ 262,898,543	\$ 61,850,556	\$ 53,379,786	(\$ 17,329,503)	\$ 3,529,787,572

For the year ended December 31, 2019							
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	\$ 3,334,340,292	\$ 17,413,155	\$ 260,601,239	\$ 68,568,809	\$ 377,332,771	(\$ 374,708,486)	\$ 3,683,547,780
Segment liabilities	\$ 3,042,193,653	\$ 10,346,746	\$ 222,324,014	\$ 52,070,526	\$ 48,910,595	(\$ 16,359,002)	\$ 3,359,486,532

(6) Geographical information about net revenue and identifiable assets

For the years ended December 31,			
	December 31, 2020	December 31, 2019	
Asia	\$ 56,117,419	\$ 61,560,913	
America	3,014,252	2,705,748	
Other	1,678,251	1,008,201	
Total net revenue	\$ 60,809,922	\$ 65,274,862	

For the years ended December 31,			
	December 31, 2020	December 31, 2019	
Asia	\$ 3,465,051,435	\$ 3,344,599,889	
America	283,076,820	247,009,795	
Other	108,248,277	91,938,096	
Total identifiable assets	\$ 3,856,376,532	\$ 3,683,547,780	

6.5 Financial difficulties of the Company and affiliated companies : None.



Review of Financial Conditions,
Operating Results,
and Risk Management



Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$1,000

Item	Year	2020	2019	Difference	
				Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to banks (Note 1)		494,892,806	633,642,673	(138,749,867)	(21.90)
Financial assets at fair value through profit or loss, net		228,608,073	208,313,130	20,294,943	9.74
Financial assets at fair value through other comprehensive income		560,779,813	536,232,599	24,547,214	4.58
Investments in debt instruments at amortized cost, net (Note 2)		534,327,284	275,214,156	259,113,128	94.15
Securities purchased under resell agreements		950,137	3,584,364	(2,634,227)	(73.49)
Receivables, net		89,970,775	99,308,276	(9,337,501)	(9.40)
Current tax assets		379,014	483,744	(104,730)	(21.65)
Assets classified as held for sale, net		15,813	276,900	(261,087)	(94.29)
Loans discounted, net		1,889,958,222	1,873,677,834	16,280,388	0.87
Reinsurance contract assets, net		5,170,035	3,984,617	1,185,418	29.75
Investments accounted for using equity method, net (Note 3)		5,519,229	3,115,829	2,403,400	77.14
Other financial assets, net (Note 4)		5,134,375	7,418,321	(2,283,946)	(30.79)
Investment property, net		1,111,518	1,025,375	86,143	8.40
Property and equipment, net		21,950,817	22,080,894	(130,077)	(0.59)
Right-of-use assets, net		1,837,841	1,777,500	60,341	3.39
Intangible assets, net		960,918	610,731	350,187	57.34
Deferred income tax assets		5,629,637	5,801,886	(172,249)	(2.97)
Other assets, net (Note 5)		9,180,225	6,998,951	2,181,274	31.17
Total assets		3,856,376,532	3,683,547,780	172,828,752	4.69
Deposits from the Central Bank and banks		405,296,111	420,833,162	(15,537,051)	(3.69)
Due to the Central Bank and banks		20,363,979	21,161,321	(797,342)	(3.77)
Financial liabilities at fair value through profit or loss		20,934,933	22,115,709	(1,180,776)	(5.34)
Securities sold under repurchase agreements		269,355,119	259,192,262	10,162,857	3.92
Commercial paper issued, net		22,392,125	19,963,897	2,428,228	12.16
Payables		89,502,574	75,207,489	14,295,085	19.01
Current income tax liabilities		11,007,264	9,149,946	1,857,318	20.30
Deposits and remittances		2,613,890,191	2,459,457,135	154,433,056	6.28
Bonds payable (Note 6)		18,000,000	12,000,000	6,000,000	50.00
Other borrowings (Note 7)		338,028	3,464,909	(3,126,881)	(90.24)
Provisions		30,059,406	28,110,114	1,949,292	6.93
Other financial liabilities		13,160,602	15,818,346	(2,657,744)	(16.80)
Lease liabilities		1,881,625	1,801,315	80,310	4.46
Deferred income tax liabilities		3,370,193	3,164,054	206,139	6.52
Other liabilities (Note 8)		10,235,422	8,046,873	2,188,549	27.20
Total liabilities		3,529,787,572	3,359,486,532	170,301,040	5.07
Equity attributable to owners of parent		326,588,960	324,061,248	2,527,712	0.78
Common stock		135,998,240	135,998,240	0	0
Capital surplus		68,194,233	68,194,233	0	0
Retained earnings		108,207,754	107,511,364	696,390	0.65
Other equity interest		14,188,733	12,357,411	1,831,322	14.82
Total Equity		326,588,960	324,061,248	2,527,712	0.78



Change analysis:

1. The decrease of cash and cash equivalents, due from the Central Bank and call loans to banks is mainly due to the decrease of due from the Central Bank and call loans to banks.
2. The increase of investments in debt instruments at amortized cost is mainly due to the increase of central bank certificate of deposit and commercial paper.
3. The increase of investments accounted for using equity method, net is mainly due to the fact that Next Bank Co., Ltd. has completed the establishment registration thus the prepaid investments is transferred into this account.
4. The decrease of other financial assets, net is mainly due to the decrease of prepaid investments.
5. The increase of other assets, net is mainly due to the increase of refundable deposits.
6. The increase of bonds payable is due to the issuance of corporate bonds.
7. The decrease of other borrowings is due to the decrease of credit borrowings.
8. The increase of other liabilities is due to the increase of deposits received.

7.2 Analysis of Financial Performance

Unit: NT\$1,000

Item	2020	2019	Difference	%
Interest income (Note 1)	49,724,053	71,681,244	(21,957,191)	(30.63)
Less: interest expense (Note 2)	(18,173,179)	(36,614,396)	18,441,217	(50.37)
Net interest revenue	31,550,874	35,066,848	(3,515,974)	(10.03)
Net revenue other than interest	29,259,048	30,208,014	(948,966)	(3.14)
Net revenue	60,809,922	65,274,862	(4,464,940)	(6.84)
Bad debts expense, commitment and guarantee liability provision (Note 3)	(2,151,568)	(687,183)	(1,464,385)	213.10
Net change in provisions for insurance liabilities	(227,160)	(34,968)	(192,192)	549.62
Operating expenses	(29,100,556)	(30,898,437)	1,797,881	(5.82)
Profit from continuing operations before tax	29,330,638	33,654,274	(4,323,636)	(12.85)
Income tax expense	(4,312,670)	(4,699,474)	386,804	(8.23)
Profit for the year	25,017,968	28,954,800	(3,936,832)	(13.60)
Total other comprehensive income (after income tax) (Note 4)	629,445	3,982,425	(3,352,980)	(84.19)
Total comprehensive income	25,647,413	32,937,225	(7,289,812)	(22.13)
Profit attributable to owners of parent	25,017,968	28,956,244	(3,938,276)	(13.60)
Loss attributable to non-controlling interests	0	(1,444)	1,444	(100.00)
Comprehensive income attributable to owners of parent	25,647,413	32,938,669	(7,291,256)	(22.14)
Comprehensive income attributable to non-controlling interests	0	(1,444)	1,444	(100.00)

Change analysis:

1. The decrease of interest income is due to the decrease of the interest income of loans discounted, deposits and call loans from the other banks, and securities investment.
2. The decrease of interest expense is due to the decrease of interest expense of deposits, interbank overdraft and call loans, and securities sold under repurchase agreement.
3. The increase of bad debts expense, commitment and guarantee liability provision is due to the increase of bad debt reserve.
4. The decrease of total other comprehensive income (after income tax) is due to the decrease of revaluation gains/losses on investments in equity and debt instruments measured at fair value through other comprehensive income and exchange differences on translation.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for 2020

Item \ Year	2020	2019	%
Cash flow ratio	Note 1	11.69%	NA
Cash flow adequacy ratio	218.10%	234.15%	(6.85%)
Cash flow coverage ratio	Note 1	Note 2	NA

Note:

1. The net cash flow from operating activities is negative, and therefore not included in the analysis herein.
2. The net cash flow from investing activities is negative, and therefore not included in the analysis herein.

Change Analysis:

The decrease of cash flow adequacy ratio is due to the decrease of net cashflow from operating activities.

7.3.2 Cash Flow Analysis for the coming year

Unit: NT\$1,000

Cash and cash equivalents at beginning of the year (1)	Estimated net cash flow from operating activities in current period (2)	Estimated cash outflow in current period (3)	Estimated cash surplus (deficit) (1)+(2)-(3)	Remedy cash deficit	
				Investment plans	Financing plans
119,427,578	123,894,502	95,399,839	147,922,241	None	None

7.4 Influences from Major Capital Expenditures in 2020: None.

7.5 Investment Strategies in the Past Year and Investment Plan for the Coming Year

7.5.1 Investment Policies in 2020

- Expand the Group's operation network through merger and acquisition and enlarging the economic scale
 - Banking sector: We target at state-owned or private banks specializing in consumer banking which is complementary to our business.
 - Securities sector: We aim at increasing our market share of securities brokerage over 5% and entering top 5 securities brokers in Taiwan.
 - Life insurance sector: We evaluate domestic life insurance companies as merger/acquisition target to expand the Group's business scope.
- Continuously study domestic and global financial environment, development of merger and acquisition, and directions for the Group's future development. The study findings are used as reference for investment policies.

7.5.2 Review of Investment Performance and Improvement plans

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

The Bank reported a net profit after tax in 2020 of NT\$20,332,081 thousand, a decrease of 18.84% from NT\$25,050,389 thousand in 2019. It is mainly due to a decrease in net interest income of 12.30% and the increase of bad debt expense. In 2020, due to global COVID-19 pandemic, the FED cut interest rates by 150 basis points in March 2020, followed by rate cuts among global central banks; as a result, lowered interest spread and ROA pushed the net interest income of the Bank down significantly. Bad debt expenses, and commitment and guarantee liability reserves increased by approximately 157.76%, due to higher bad debts expense from additional non-performing loan in 2020. In the future, the Bank will strengthen legal compliance as it pays attention to money laundering prevention management and internal audit and internal controls. Going beyond this, in terms of business development, the Bank will also expand various businesses with brand-new thinking and forward-looking approaches to diversify revenue. In addition, the subsequent optimization of organizational transformation will be promoted so that the business synergy of the "business group structure" can be effectively utilized.

Mega Securities Co., Ltd. (MSC)

MSC reported a net profit after tax in 2020 of NT\$1,546,600 thousand, an increase of 41.93% from NT\$1,089,660 thousand in 2019. The main factor is that Taiwan equity market hit a 30-year high in 2020, and the weighted stock price index rose by 22.8% at the end of the year. The average daily transaction volume and average financing balance of MSC increased compared with 2019; as a result, MSC's fee income increased over the prior year. Beyond continuing to expand its brokerage business and business with bank securities counters, in 2021, MSC shall emphasize the quality of its underwriting cases as equally important. The bond business will first focus on risk control, reduction of capital costs, and operational flexibility. The warrant business plans to organize activities to promote warrants to increase visibility and increase product diversification through proprietary trading. We will grasp profit opportunities via short-term proprietary trading and build up high dividend yield equity position on dips to ensure stable operating performance.

Mega Bills Finance Co., Ltd. (MBF)

MBF reported a net profit after tax in 2020 of NT\$ 2,930,997 thousand, an increase of 11.64% from NT\$2,625,352 thousand in 2019. The main factor was the decline in bond interest rates, which led to a rise in coupon spreads and profits from disposals. Separately, in respect to the bills finance business, the effectiveness of substituting institutional investors for cheaper funds from financial institutions improved; at the same time, interest rates for selling bills in the secondary market fell sharply due to the central bank's rate cut. A slight decline in quotes on the primary market caused the overall coupon spread to widen in 2020 compared with 2019. In 2021, we will continue to closely monitor local and foreign political, economic and interest rate developments and proactively adjust TWD and foreign currency bond holding positions. The business

will continue to expand in diversified low-interest and stable Taiwan and foreign currency bond funds and maximize the benefits of REPO spread business. Furthermore, we will conduct in-depth fundamental and technical analysis of our equity holding so we can manure market volatility, undertake appropriate trading position, and earn capital gain.

Chung Kuo Insurance Co., Ltd. (CKI)

CKI reported a net profit after tax in 2020 for NT\$ 301,831 thousand, an increase of 66.33% from NT\$181,466 thousand in 2019, mainly due to the increase of underwriting profits by NT\$134,535 thousand resulted from 1.94% lower retained loss rate compared to last year. Also, because of adequate asset allocation and financial operation, financial revenue increased by NT\$ 31,612 thousand.

Mega Assets Management Co., Ltd. (AMC)

AMC reported a net profit after tax in 2020 of NT\$ 208,440 thousand, an increase of 2.47% from NT\$203,419 thousand in 2019, mainly due to continuous expansion of urban renewal/dangerous building rebuilt business.

Mega International Investment Trust Co., Ltd. (MIIT)

MIIT reported a net profit after tax in 2020 of NT\$ 82,058 thousand, a decrease of 6.16% from NT\$87,445 thousand in 2019, mainly due to the decrease of scale of non-money market fund. MIIT plans to raise two funds in 2021 to increase the fund scale to increase profit after tax.

Mega Venture Capital Co., Ltd. (MVC)

MVC reported a net profit after tax in 2020 of NT\$68,304 thousand, an increase of 41.49% from NT\$48,276 thousand in 2019. The reason is that MVC disposed those invested competitive companies in 2020. Thus the profit of disposition in 2020 is more than 2019.

Taipei Financial Center Corporation (TFCC)

TFCC reported a net profit in 2020 of NT\$1,274,111 thousand, a decrease of NT\$ 928,157 thousand or 42.15%, from NT\$2,202,268 thousand in 2019, mainly due to the decrease of operating revenue of NT\$1,453,161 thousand from the decrease of visitors of observatory by 73.9% (1,760 thousand people), the adjustment of rent condition, and the decrease of department store sale.

Taiwan Depository & Clearing Corporation (TDC)

TDC reported a net profit after tax in 2020 of NT\$ 3,808,664 thousand, an increase of NT\$ 1,294,588 thousand or 51.49% from NT\$2,514,076 thousand in 2019, mainly due to the huge increase of Taiwan stock trade volume. The services revenue regarding security-related services increased NT\$ 1,735,237 thousand. The operating revenue increased NT\$ 1,627,924 thousand.

7.5.3 Investment Plans for 2021

- Continuing to evaluate and explore opportunities for merging with financial institutions that are complementary to our operations and can enhance synergy within the Group.
- Evaluating the feasibility of going into overseas financial markets.

7.6 Risk Management

7.6.1 Risk Management Structure and Policy

A. Risk Management Structure

Mega Financial Holding Co., Ltd.

As the highest authority for the Group's risk management, the Board of Directors of the Company takes ultimate responsibility for the Group's risk management mechanism and its effective operation. The Company's "Risk Management Committee" is presided over by its chairman and is responsible for reviewing on the group's risk management policies, and supervising and providing guidance on the group's risk management mechanism. The Risk Management Department is responsible for compiling, weighing, analyzing, monitoring and reporting the risks throughout the group. The Compliance Department takes charge of planning, managing and executing the compliance practice. The Auditing Office takes charge of evaluating the effectiveness of internal control systems and the efficiency of the Group's operations, and timely provides advice.

Subsidiaries

As the highest authority for the risk management of each company, the Board of Directors of each subsidiary takes ultimate responsibility for establishing its risk management system and ensuring its effective operation.

Mega International Commercial Bank Co., Ltd.

Under the Board of Directors is the Risk Management Committee, which helps the Board supervise the operations of the risk management system. There are several other committees and other managing units that are responsible for reinforcing compliance and effective legal compliance, reviewing and controlling risks associated with loans, investments, transactions, wealth management and asset/liability allocation among other operations. The Risk Management Department, the Compliance Department, the Information Security Department, and Anti-Money Laundering and Financial Crime Compliance Department, reflective of their responsibilities, are in charge of supervising the establishment of the risk control mechanism, monitoring and reporting risks, and reinforcing the effectiveness of internal control.

Mega Bills Finance Co., Ltd.

The Risk Management Committee take the responsibility to review business risk management reports, the allocation of business risk and the deployment of risk assets, business risk management objectives and implementation scenarios, and other risk management issues. The Risk Control Department is responsible for enacting the risk management-related regulations, enforcing the plans under the risk management mechanism pursuant to the New Basel Capital Accord, organizing the risk management objectives and reviewing the enforcement results, controlling the Company's capital adequacy, summarizing risk controls and reporting the risk controls, and reviewing credit papers.

Mega Securities Co., Ltd.

Mega Securities Co., Ltd. set up the Risk Management Committee in charge of risk management policy planning, monitoring performance, asset allocation policy, setting up or adjustment of risk management objectives, and reviewing relevant risk management rules. Risk Management Office is in charge of management related to market risks, credit risks and operational risks. Legal Compliance Office is in charge of matters related to compliance risks.

Other subsidiaries

Chung Kuo Insurance Co., Ltd. set up the Risk Management Committee in charge of the overall risk management, and its Risk Management Office is in charge of implementation of risk management. Mega Assets Management Co., Ltd. has a Risk Management Committee in charge of various risk management, while Mega International Investment Trust Co., Ltd. set up the Risk Management Department in charge of risk management. Mega Venture Capital Co., Ltd. have designated a dedicated unit to monitor and management various risk.

B. Risk Management Policy

The risk management policies of the Company and its subsidiaries are established reflective of their business and are sufficient to identify, supervise and control risks. The policies emphasize systematic prevention, reduction and response to foreseeable operational risks, and enrich the capital in order to address unforeseeable risks and to ensure that operating risks are controlled within a tolerable range. At the mean time to insure Capital Adequacy Ratio and reach the goal of reasonable risk and return.

7.6.2 Methods of Risk Assessment and Quantification of Risk Exposure

A. Strategies and procedures

Mega Financial Holding Co., Ltd.

The Company and its subsidiaries, through a defined risk management organization and management framework, complete risk management regulations and internal operating control procedures, effectively enforce the group's risk management policies. Respective dedicated units of the Company take responsibilities



for supervising the integrity of the risk management framework and the implementation of risk management policies. Respective business units are responsible for identifying, evaluating and controlling possible risks according to their operating procedures and the internal control process, which form the first line of defense in risk management. Risk management and legal compliance units, on the other hand, are responsible for establishing applicable risk management specifications, periodically reviewing and monitoring overall risk, conducting stress tests, responding to incidents and reporting to the management, which are the second line of defense. The audit unit ensures that the risk management mechanism is solid and consolidated and hence is the third line of defense.

The Company has established regulations for monitoring respective risks throughout the group in accordance with the "Risk Management Policy and Operating Guidelines" approved by the Board of Directors. Respective subsidiaries have also established the risk management objectives, monitoring indicators, risk limits and applicable rules reflective of their business features so that they can detect business, asset & liability risk and periodically report the management status to the Company's Risk Management Committee and the Board of Directors. The Company, on the other hand, reports the group's risk management status to the Board of Directors periodically, so that the Board of Directors understands the various risks undertaken inside the institution and how they are controlled.

According to the "Risk Management Policy and Guidelines," the Company has established respective regulations governing credit risk, market risk, operational risk, liquidity risk, capital adequacy, asset quality and others to be jointly complied with throughout the group. Risks are categorized according to their nature, source and grade. The risk profiles of the group and respective subsidiaries are evaluated in all respects by means of diversified tools. Appropriate measures are adopted to keep the risk indicators within the approved limits. Pre-warning indicator, alert and incident reporting mechanisms are established and the improvement status are followed up.

(1) Credit risk

The Company uniformly defines operations, target exposures and statistical methods with respect to credit risk management, which applies to all subsidiaries within the group; the subsidiaries will then periodically upload operational data to the Company. The Risk Management Department periodically monitors the extent of concentration of respective credit exposures throughout the group for out-of-limit levels, if any, and reports to the Company's Risk Management Committee and Board of Directors the group's credit risk profile.

(2) Market risk

The Company has established a market risk management system by means of self-development along with outsourcing. With transaction data of financial instruments uploaded on a daily basis from respective subsidiaries, Value at risk (VAR, (1D, 99%)) for the next day is to be estimated with the historical simulation method. In addition, market price evaluation of respective subsidiaries' financial product transactions are monitored on a daily basis to see if they are within the range of estimated losses and issuance of warning can be processed appropriately. In order to reinforce management over interest rate risk, the DV01 model is adopted to evaluate the gains and losses in the ratings of interest rate commodities

as a result of variation in the yield to maturity. For non-trading book's interest rate sensitive assets and liabilities, the possible effects of the interest rate sensitivity gap to the net interest income and expenditure are evaluated.

(3) Operational risk

The Company has established on its own an internal operational risk loss database for the whole group. Following the eight major types of business and seven major types of loss events as advised in the Basel Accord, detailed operations within the group are defined and jointly categorized. Respective subsidiaries are to upload loss events with respect to the operational risk and punishments by the competent authority in a custom format periodically into the database to facilitate the analysis of loss event patterns and the concentration of and correlation among respective types of business. In addition, to reinforce the awareness of risk among subsidiaries and to facilitate improvement of the operating procedure, operational risk self-assessments are specified and organized centrally by the Company.

(4) Liquidity risk

The Company and its subsidiaries have exclusive departments to take charge of managing the daily capital liquidity. According to respective gap limits approved by the Board of Directors, they monitor liquidity risk indicators, perform capital allocation transactions, report capital liquidity status from time to time, and periodically review the limits. Subsidiaries periodically upload capital in-flow and out-flow profiles to the Company so that the management can keep track of the capital gap status of each subsidiary.

In response to the expansion of overseas business in the future, the development of new business and to be in line with the international practice, the group makes “enhancing global operations and risk management skills and systems” one of its mid-to-long-term development strategies, and it will continue to improve its risk management features and scope of coverage for quantified information.

Mega International Commercial Bank Co., Ltd.

(1) Credit risk

In response to the implementation of New Basel Capital Accord, the internal rating system linked to the probability of default (PD) is introduced to predict customer's PD and loss given default etc. with quantitative analysis tools so as to enhance the management efficacy of credit risk. In addition, a defined different authorization limits is in place to streamline the processes and enhance operational efficiency. Before granting credits and making investment, the bank does perform credit investigation and case reviews, among others. Follow-up review and tracing will be carried out periodically after undertaking. Irregular and emergent incidents are required to report to the management within a given timeframe according to the reporting mechanism.

(2) Market risk

Market risk positions and tolerable losses throughout the bank are being monitored according to the risk management goals and risk limits approved by the Board of Directors. In order to ensure profits

and to minimize operating risk, each transaction is required to follow the limits and stop-loss rules. If a transaction reaches the stop-loss limit, stop-loss shall be enforced immediately. If not, it has to be reported to the senior management for approval and reported to the Risk Management Committee and the Board of Directors. The positions of various financial instruments are summarized and analyzed on a daily basis, with evaluation gains/loss and sensitive risk factors. Outstanding balances, losses and gains, and market value evaluations of securities investments and derivatives transactions are compiled periodically and reported to the (Managing) Board of Directors.

(3) Operational risk

Training on the laws, regulations and business is reinforced. An effective control framework and internal control procedures for each level are established. Measures such as self-inspections, internal and external audit and supervision are taken to help minimize operational risk-associated losses. There is an operational risk events reporting system in place. By reporting in real time and discussing the cause, improvement measures may be stipulated to prevent loss events from happening again. In addition, an operational risk self-assessment system is in place to help identify and evaluate the extent of operational risk exposure, to reinforce risk management awareness and to improve the current control mechanism. With key indicators for operational risk, the bank monitors potential risks and adequately adopts appropriate management measures. Risk identification and assessment, legitimacy analysis and planning of the information operating system are conducted prior to launch of new products or business and official opening of new overseas operating sites. New products or new businesses need to be submitted to the related meetings for review.

(4) Liquidity risk

The liquidity risk is being monitored according to the risk management targets and limits approved by the Board of Directors. Stress test is carried out periodically, and the results are reported to the Asset & Liability Management Committee and the Board of Directors to ensure that the bank's liquid funds are sufficient to address the increase in assets or to fulfill obligations upon maturity. The intra-day liquidity positions and risks of domestic units' NTD and foreign currencies are controlled on a daily basis, and the liquidity reserve is maintained as required to ensure adequate liquidity. Overseas branches shall follow the regulations of this parent country and the local competent authority to maintain sufficient liquidity.

(5) Securitization risk

Securitization needs to be approved by the Loan Committee, Investment Committee and/or (Managing) Board of Directors. After the application submitted by the trustee is approved by the competent authority, the related securitization contracts are entered into and beneficiary securities are issued followed by post risk management.

Mega Bills Finance Co., Ltd.

(1) Credit risk

In addition to defining the credit limit ratio by industry sector and specific guarantee conditions, and credit risk limit, the company defines the risk concentration ratio based on customers, industry, and country. An alert standard and control mechanism are in place to preventing excessive risk concentration.

(2) Market risk

The “Market Risk Management Guidelines” are stipulated to control adverse movement resulted from market price. Based on domestic and foreign economic data, measure economic status, predicts interest rate, and draft up operating strategies. The measures include daily monitor risk management objectives including the relevant position limit, loss limit, and sensitivity limit of bills, bonds, equities, and derivatives; daily conduct bills, and bonds position sensitivity analysis; and monthly validation of derivatives and equities transaction valuation.

(3) Operational risk

For the establishment of a sound operational risk management framework, internal control and management measures of operational risk and objectively are formulated. It stipulates operational risk identification, assessment, measurement, communication, and monitoring the management processes of implementing countermeasures; establish risk management information framework for systematic control of individual loss event frequency, severity, and related information; establish emergency response and business continuity plans; ensure the resumption of operations promptly during an emergency or disaster; and maintain business operations normally.

(4) Liquidity risk

Monitor daily the Company’s cash flow deficit limits of each term and appropriately avoid capital liquidity risk; establish a capital emergency response management mechanism, activate an emergency response mechanism promptly upon the occurrence of a liquidity crunch, soaring interest rates or unexpected financial events causing serious impacts on liquidity risk.

Mega Securities Co., Ltd.

(1) Credit risk

For securities positions, credit status of transaction counterparties are regularly reviewed according to the “Rules of Implementation Governing Credit Supervision and Management”. Measures of various credits enhancement (including collateral) are also periodically evaluated and monitored.

(2) Market risk

Annual loss limit of security plus financial derivatives transactions, and value at risk of equity securities acquired through proprietary trading and underwriting plus fix income securities (VaR 99%, 1 day) are allocated according to risk limit of each department or product line and other quantitative indicators, which shall not exceed a certain percentage of net worth of the company and be decided by the meeting of relevant business units chaired by the President. The result shall be reported the Risk Management Committee for approval.

(3) Operational risk

Database of operational risk loss events are built and developed to analyze loss events and enact improvement measures. By business unit and loss type, data shall be kept for the reference of internal control procedure of business units.

(4) Liquidity risk

To meet funding requirement and ensure payment capability, enforcement rules is enacted to manage cash flow gap, to maintain appropriate liquidity, and to control the ratio within the specified range.

(5) Other risk

The Rule and Regulation Compiling System is maintained periodically and from time to time to update in line with the amendment to the laws and regulations of the competent authority and the impact thereof on the Company and businesses is followed up. The channel for legal consultation, coordination, and communication is enhanced and compliance training shall be organized.

Chung Kuo Insurance Co., Ltd.

(1) Credit risk

Before conducting a transaction, the company shall check the credit rating of counterparty, issuers, guarantee institutions and reinsurers, which shall reach a certain level. The legitimacy of the transaction, credit level quota management, and credit monitoring after transaction is assured. Credit exposure limits are set up for single transaction, a same person, same affiliates, a same business group and those in the US and China to avoid excessive concentration.

(2) Market risk

In terms of risk factors such as change of market interest rate, foreign exchange rate, and equity price, investment assets with market risk are evaluated. According to risk of financial product, operational models including investment principle, positions limit, concentration limit, and stop loss mechanism are set up. Value at risk (VaR) is adopted to measure possible maximum loss in a specific period and confidence levels.

(3) Operational risk

Various operational procedures and business rules such as internal control system, legal compliance system, legal compliance manual, internal operation manual, separate authorization are set up to avoid occurrence of operational risk or reduce loss. Information of direct and indirect loss caused by mal-operation of internal operation process, personnel and system or external event are collected, recorded and analyzed. The database for loss from operational risk is constructed and regular self-evaluation of operational risk is conducted to identify potential operational risk and proper management procedures for operational risk are developed.

(4) Insurance risk

According to the risk features, loss experience and policy objectives of the company, underwriting and claim principles are set up to effectively maintain business quality and reduce potential risk. A reinsurance risk management plan is developed, and a maximum retained line for each risk unit is set up based on the factors such as company's risk tolerance, predictable probable maximum loss of each kind of insurance, and possible accumulated risk quota. Catastrophe Reinsurance is properly arranged to control risk of self-retained insurance.

Mega International Investment Trust Co., Ltd.

(1) Credit risk

Following the authority's relevant regulation on this industry and the company's internal risk management rules, to evaluate the counterparty's credit level before the transaction is done and confirm the legitimacy. When the credit status changes, prompt measures will be taken to lower the risk.

(2) Market risk

Setting up tolerable transaction range and investment limits and authority according to different targets. Reviewing the investment target's loss/profit and setting up stop loss point. For those targets that reach the goals, an weekly review in weekly fund manager meeting is conducted.

(3) Operational risk

Filling up operational risk loss events periodically and setting up risk database and operational risk self-evaluation system. Each department follow the internal control system and conduct self-review periodically. Internal and external auditor will audit randomly. Setting up important random event risk management mechanism to make sure a quick recover if important random event or disaster happens.

(4) Liquidity risk

Considering the concentration of investment portion and market transaction volume, to conduct stock market liquidity risk management. Evaluating and monitoring each currency's short term need and setting up fund liquidity management mechanism and fund emergency coping plan to lower liquidity risk from fund scheduling needs.

Mega Assets Management Co., Ltd.

(1) Credit risk

Setting up fund using rules and asset investment management rules and periodically summarizing credit risk exposures and asset evaluation categories to monitor overall credit risk portion, concentration, control status of each limits, and the change of asset quality. Periodical reports to the financial holding parent and board of directors are conducted.

(2) Market risk

Making interest rate sensitivity reports to evaluate interest rate risk. To cope with borrowing interest rate change, the internal return has been added in borrowing cost. Setting up "asset evaluation loss reserve and disposition principles" and "Notices for asset fair value evaluation" as the asset fair value evaluation and categorization base for those assets purchased but not yet disposed.

(3) Operational risk

For each risk, business management rules, and important random event crisis management, relevant principles and operation procedures has been set to follow and control.



(4) Liquidity risk

Weekly cash liquidity gap report has been provided. Also the report need to be uploaded to financial holding parent via cash liquidity information management system on/before 10th of each month. Liquidity management rules and liquidity gap limit management have been set.

Mega Venture Capital Co., Ltd.

The company has formulated investment operation and evaluation procedures according to relevant laws and regulations, and entrust the management with Mega Management & Consulting Co., Ltd..

B. Organization of risk management

Mega International Commercial Bank Co., Ltd.

(1) Credit risk

The Risk Management Committee is responsible for deliberating the risk management policies and rules among others. The Loan Committee and the Investment Committee, respectively, take charge of reviewing credit and investment cases, related policies, and the implementation status this regard. The Problem Loan and Bad Debt Collection Committee manages the problem loans and debt collection, and reviews related policies of non-performing loans. Each unit in charge of credit risk at the Head Office and performs risk management procedures such as identification, measurement, monitoring and reporting reflective of their duties. It also formulates business management regulations and continuously improves the risk management. The Risk Management Department coordinates and supervises the various units in creating the credit risk management mechanism, develops tool such as internal rating system and periodically submits the Risk Management Report to the Board of Directors and the Company.

(2) Market risk

The Risk Management Committee is responsible for supervising the market risk. The Risk Management Department is responsible for creating a market risk management mechanism and stipulating the related internal regulations. It summarizes and analyzes data such as positions, evaluation gains and losses, sensitive risk factors analysis and stress tests of various financial products regularly and reports to the top management, the Board of Directors and the Company.

(3) Operational risk

Related units at the Head Office formulate respective business management regulations and operational specifications, as well as create a control mechanism. The Risk Management Department is responsible for stipulating the operational risk management policies and targets designing and introducing the operational risk assessment and management mechanisms, summarizing and reporting the operational risk loss regularly. The Auditing Department of the Board of Directors is responsible for inspecting the effectiveness of the operational risk management mechanisms at the respective units.

(4) Liquidity risk

The Board of Directors is the highest liquidity risk supervisory unit that approves the risk strategies and limits. The Treasury Department manages the daily liquidity risks. The Risk Management Department

periodically reports the monitoring status of liquidity risk to the Capital Review Committee, the Assets & Liabilities Management Committee, and the (Managing) Board of Directors.

(5) Securitization risk

The target assets, securitization structure and risk positions of securitization are approved by the (Managing) Board of Directors, while the type, line of credit, investment of the asset pool, and target creditor's rights created by the founding institution are reviewed by the Investment Committee and Loan Committee. The Risk Management Department and the Credit Control Department are responsible for asset securitization handled in accordance with the applicable requirements for loan operations and risk control.

Mega Bills Finance Co., Ltd.

(1) Credit risk

With respect to the credit risk in the Company's granting of loans and various financial instruments, the Loan Review team and Risk Management Committee are responsible for supervising and reviewing various management regulations, granting of loans and business risk management objectives. Meanwhile, the Bills Department, Bond Department and all branches are the main operational units for credit risk control.

(2) Market risk

The Risk Management Committee reviews the risk management objectives of all financial instruments. The Bills Department, Bond Department, and all branches are the main operational units for market risk control.

(3) Operational risk

The company enacted various operational manuals and fulfills the self-assessment periodically according to relevant regulations. The affairs with regard to operational risk are periodically reported to the Risk Management Committee and board of Directors. The auditing unit shall review the effective implementation of risk management mechanisms independently and objectively according to the internal auditing procedures and report to the Board of Directors regularly.

(4) Liquidity risk

Liquidity risks are supervised by the Risk Management Department while the Bills Department and the Bonds Department are responsible for day-to-day trading. TWD and foreign currency liquidity gaps are managed. The Treasury Department is responsible for reporting the supervisory status of liquidity risks.

Mega Securities Co., Ltd.

(1) Credit risk

Appropriate credit risk management system is set to include the authorization level, reporting procedures and content, credit evaluation before transaction is done, credit level management, post-transaction credit monitoring, and over-limit relevant procedures. Risk Management Office monitors the risk management mechanism and execution of each department according to "Risk Management Principles" and "Credit Monitoring Management Execution Principles."

(2) Market risk

Appropriate market risk management system is set to include the authorization level, reporting procedures and content, transaction scope, market risk measurement measures, market risk limit, authorization level, and over-limit relevant procedures. Risk Management Office monitors the risk management mechanism and execution of each department according to “Risk Management Principles.”

(3) Operational risk

According to feature of product risk of operation procedures, each department and product line enacted “standard operational procedure” covering internal control specification and control point. Each department and product line additionally set up “Self-inspection Item for Management of Business” for necessary supervision, management and anomaly tracking and improvement.

(4) Liquidity risk

The supervision unit in charge of capital utilization risk is Risk Management Committee and Treasury Department is the executive unit. According to the “Rules of Risk Management,” Risk Management Office is in charge of measurement and supervision of liquidity positions.

(5) Other risk

The legal risk management is the duties of Legal Compliance Office. In order to improve abilities to respond to occurrence of significant accidental event, Public Relationship Department set up “Rules Governing Handling Operation of Significant Accidental Event” to develop notice management system. In order to enhance information security management and protect the company’s assets, relevant information security measures are the duties of Information Department.

Chung Kuo Insurance Co., Ltd.

The risk management objectives for market risk, credit risk, operational risk and insurance risk are deliberated by the Risk Management Committee and executed by each business unit. The Risk Management Office compiles the risk information, provided by each department, and reports to the top management, followed by reporting to the Risk Management Committee and Board of Directors.

Mega International Investment Trust Co., Ltd.

Internal control system relating to funds and business management is served as the operation guidance. Before transaction, each department and Risk Management Department takes charge of risk management. After transaction, the Auditing Office is in charge of auditing and periodically reports to the Board of Directors and Supervisors.

Mega Assets Management Co., Ltd.

The company set up the Risk Management Committee in charge of various risk management mechanism and formulation of risk management objectives.

Mega Venture Capital Co., Ltd.

An internal risk management principle has been set up to regulate periodical review of quantitative and qualitative risk management goals based on “Risk Management Policies and Guide Lines” of Mega Financial Holdings.

C. Scope and characteristics of risk reporting and measuring system

Mega International Commercial Bank Co., Ltd.

(1) Credit risk

In order to control risks associated with the related (group) enterprises, sectors and countries, and to prevent the over-concentration of risks, credit and investment limits for affiliated (group) enterprises and the primary industries are set, and the control status is periodically reported to the senior management and the Board of Directors. Credit follow-up review and tracing is conducted and the review status is reviewed on a yearly basis. Invested companies are visited to check on their operations. Operation analysis of investee companies is also submitted to the Managing Board of Directors. Long-term equity investments are valued at fair value by the unit other than the investment unit regularly under adequate method. Updates on various control status are reported to the senior management. If borrowers or invested businesses are showing irregular operations and experiencing financial difficulties with insufficient cash flows or other material incidents that are sufficient to impact the company operations, it shall be reported in real time to the senior management and this Company in order to keep track of the related information, and to adopt the necessary measures adequately. Business supervisory unit periodically evaluates losses that might arise from the respective assets and recognizes provisions for bad debts or accumulated impairments.

(2) Market risk

Domestic trading units report the various financial products' positions and gains and losses to the management on a daily basis. The Risk Management Department performs stress test on a monthly basis and reports to the Risk Management Committee periodically. Derivatives trading position held is evaluated with the market value on a daily basis, while positions for hedge trades is evaluated twice a month. As soon as evaluation losses reach the stop-loss limits, stop-loss will be executed immediately. If stop-loss is not executed, reasons for non-stop-loss and responsive solutions have to be specified and reported to the top management for approval. When the losses exceed a certain level, the position shall be submitted to the Risk Management Committee and reported to the Board of Directors.

(3) Operational risk

Reports on the result of self-assessment of operational risk, occurrences of operational risk loss incidents, the implementation of legal compliance system, and audits and self-inspections status are to be submitted to the Board of Directors periodically. Discussions and improvements are to be taken on as soon as deficiencies are found with the respective units. The competent unit at the Head Office is to follow up on and trace the improvements as well. The domestic and overseas operational units and the administration units at the Head Office are to organize self-assessment of the operational risk each year to measure the operational risk exposure and discuss how to improve the existing control mechanisms based on the suggestions provided by the respective units.

(4) Liquidity risk

The liquidity risk report estimates the impacts that future cash flows have on allocation of funds and aims to keep the cash flow gap or ratio within a tolerable range. As soon as liquidity indicators reach the alert level, the Risk Management Department should report it to the Fund Management Committee. If they reach the criteria for activating the response plan, the interim fund management meeting is called and the President is to approve the liquidity response plan, so that the Treasury Department may enforce it accordingly. In addition, the stress test is performed periodically. The fund structure is adjusted or other response measures are taken, depending on the stress test results in order to bring down the risk.

(5) Securitization risk

Securitization investment positions are documented in the bank book. According to the internal management guidelines, they are to be evaluated and the risk management report is to be produced periodically, with contents including detailed information such as the types of beneficiary securities or asset-backed securities invested, the amount, credit rating and valuation as well as the performance of target assets involved in securitization.

Mega Bills Finance Co., Ltd.

The business management units report implementation of risk management to Risk Management Committee and Board of Directors on a quarterly basis by functions:

(1) Capital adequacy ratio

Analysis on changes in eligible capital and various risk assets is performed to control the capital adequacy ratio.

(2) Credit risk

The reports include the summary of total credit risk exposures by customer, industry and country, NPL ratio, maximum limit of credit extension by industry, maximum limit of guarantee, and maximum limit of credit extension to a single enterprise, same affiliate and same related party.

(3) Market risk

The reports include bills, bonds, equities, and derivatives positions, profit and loss, duration and stress tests, and sensitivity analysis.

(4) Operational risk

The business management units report the important operational risk loss events and relevant corrective actions, annual operational risk map, and analysis of the operational risk event loss data to follow the frequency, seriousness and other information of each individual loss event.

(5) Liquidity risk

The liquidity risk report covers management status of the major liabilities, limit on cash flow shortages in each maturity interval.

Mega Securities Co., Ltd.

(1) Credit risk

Weekly Reports of Risk Management shall be regularly reported to the President and Chairman for approval with contents including securities held and transaction counterparties listing on negative list and its follow-ups as well as concentration ratio of brokerage clients and individual stock held as collateral from customer's security margin trading and follow-ups on customer's material default. Regular reports on companies recently added on the marginal credit risk list, securities holding of the said companies, and transaction counterparty on the list of margin credit risk list are submitted to Risk Management Committee, Board of Directors, and Mega Financial Holding's Risk Management Committee and follow-ups are made.

(2) Market risk

Risk management system is utilized for daily monitoring to check profit/loss, over the limit of each product, product line, and department. Implementation of recent overall market risk management is regularly reported to Risk Management Committee, Board of Directors and Mega Financial Holding's Risk Management Committee. Transaction evaluation information of financial derivatives is compiled quarterly to report to Board of Directors.

(3) Operational risk

The summary and implementation of operational loss event are reported to the Risk Management Committee and Board of Directors regularly and sent to Mega Financial Holding by the Risk Management Office.

(4) Liquidity risk

Periodical reports are submitted to Risk Management Committee, Board of Directors and Mega Financial Holding.

(5) Other risks

Legal risk management is handled by the Legal Affairs and Compliance Office.

Chung Kuo Insurance Co., Ltd.

(1) Credit risk

In terms of fund utilization business, the periodic credit risk management reports include the summary of banking deposits, securities holding and long-term equity investment by transaction counterparty, issuer, and guarantee institution to control the credit risk concentration. The credit rating of the outward reinsurers and reinsurers are periodically inspected. Impact from unqualified ceded reinsurance is also assessed to manage credit risk of reinsurance business.

(2) Market risk

For risk factors including market interest rate, foreign exchange rate, price change, each investment asset is evaluated on a monthly basis based on market price or net asset value. VaR of each financial product is regularly calculated and stress test is simulated to assess possible impact of market special changes on total market value of investment asset.



(3) Operational risk

Information of loss event, impact, and follow-up initiatives are documented and operational risk reports are regularly compiled and reported to Risk Management Committee, Board of Directors and Mega Financial Holding's Risk Management Committee.

(4) Insurance risk

Reports of total insured amount, net retention, retained earned premium, net claims and operational reserves are compiled by risk management unit and reported to the management.

Mega International Investment Trust Co., Ltd.**(1) Credit risk**

A transaction portion limit is set based on the investment target and counterparty's credit. Periodically and Randomly reviewing of investment targets and counterparty's credit level are conducted.

(2) Market risk

Market risk management reports of investment targets using the company's owned fund is made periodically and reported to "investments using owned fund review meeting." A daily profit/loss is disclosed.

(3) Operational risk

Weekly risk control meeting is held and reported to the Board of Directors quarterly by risk management department. Monthly operational risk event loss data report is reported to Mega Financial Holding. Each department conduct compliance self-inspection each half year and the result is reported to the Broad by legal and compliance department. Each half year the auditing office will report to the Board of Directors regarding internal control system assessment result.

(4) Liquidity risk

Regarding stock liquidity, a daily report of overall amount of shares can be purchased by overall fund managed by the company according to the stock market volume is made. A list of limited investment targets is reported in weekly risk management meeting. Regarding fund liquidity, an in-time adjustment of investment portfolios based on daily fund liquidity estimation reports is made to cope with fund need. Also, weekly report of money market fund asset allocation is reported to risk control meeting. Interest rate team meeting is held monthly to discuss fund asset allocation.

Mega Venture Capital Co., Ltd.

For one single case the maximum investment limit should not be over 20% of actual capital and total shares the whole group held should not be over 15% of the single case's total shares. The concentration in single industry should not be over 40% of the company's actual capital. The total investment amount should not be over 150% of the net worth to control overall risk.

D. Hedging or risk mitigation policy, strategies, and procedures

Mega International Commercial Bank Co., Ltd.

(1) Credit risk

The prudent credit review process and follow-up review mechanism help us sufficiently understand a client's and the guarantor's financial and operational standings, and taken into account the probability of default and the expected losses before deciding whether or not to extend the credits, or to take other measures for transferring or mitigating the risk. For collaterals such as securities that involve greater volatilities in prices, efforts will be made to periodically monitor and maintain the loan-to-value ratios within the safety range.

(2) Market risk

The bank's hedging strategy is to make use of spot or derivatives to mitigate market price risk. The positions, and gains and losses, of hedging and hedged targets are consolidated to control the stop-loss limits and evaluate whether the risk is within the tolerable range and the effectiveness of hedging.

(3) Operational risk

Possible operational risk losses from employees, treasury and equipment are transferred through the banking comprehensive insurance purchased, and an outsourced service provider is carefully selected for signing the contract in order to transfer the possible incurred operational risks. The Auditing Department is responsible for conducting inspections to ensure legal compliance by the contractors.

(4) Liquidity risk

In response to the liquidity risk, the liquidity emergency response plan is in place to reduce the liquidity risk.

(5) Securitization risk

Securitization is embarked on taking into consideration the industrial concentration, economic performance cycle risk and effective utilization of capital for risk-weighted assets. Cost-effectiveness is discussed from time to time thereafter in order to effectively evaluate the appropriate timing for securitization.

Mega Bills Finance Co., Ltd.

(1) Credit risk

When granting loans, the company evaluates requiring of collaterals and guarantor in accordance with a defined investigation and credit extension procedure. Meanwhile, the post-credit extension management is enhanced. The financial instruments held are managed by credit ratings of issuers and trading counterparty. The change of credit rating is reviewed and evaluated periodically.

(2) Market risk

The Company uses derivatives hedging strategy to avoid price risk and periodically value the profit and loss.



(3) Operational risk

The company assesses the probability of risk losses and the size of potential losses, and adopts response strategies including avoidance, control, transfer or offset. Business monitoring reports are established to check whether the risk exposures exceed the limit so as not to exceed the limits set by laws or the company.

(4) Liquidity risk

Due to the characteristics of the sector, the Company's liquidity assets include government bonds, treasury bills, Central Bank Certificate of Deposits, and short-term commercial paper, with low credit risk and high liquidity.

Mega Securities Co., Ltd.

(1) Credit risk

Before making investment, in addition to compliance with rules governing credit risk, the company requires that credit rating of investment target and transaction counterparty should reach a certain level, or otherwise, requires credit enhancement. Credit risk is periodically followed up after investment. In terms of brokerage risk management, besides management for those on the negative list, those listed on research reports or alert list proposed by market supervisory institutions are controlled. Credit status of transaction counterparty is regularly reviewed and through collateral and guarantees, credit strength is improved to effectively lower the credit risk of brokerage businesses.

(2) Market risk

To lower market risk, authorized limit for each kind of product, annual loss limit, and VaR limit are enacted and allocated to each business unit and product line. For any product line that requires hedging, hedging position is evaluated. To ensure operation is made with authorization, daily inspection is conducted. Additionally, to respond to unexpected events, interest rate and equity derivatives are used to hedge and reduce loss resulting from market abnormal movement.

(3) Operational risk

According to internal control system, standard operation procedure and "Self-inspection Item of Business Management" enacted by each unit based on its professional management requirement, necessary supervision, management and tracking improvement are conducted. Auditing Office from time to time tracks implementation of each unit.

(4) Liquidity risk

If there is continuous liquidity contraction, interest rate hike, or incidental financial event that seriously affects liquidity, the company's responsive measures include early termination of commercial paper under repurchase agreement, immediate sale of asset with better liquidity or short-term investment, and borrowing from financial institutions by taking advantage of resources of this Group or issuing commercial papers. If it is a significant liquidity risk event, the emergency handling mechanism will be activated according to relevant operation procedures.

Chung Kuo Insurance Co., Ltd.

For credit risk, credit rating of investment, bond issuers, trade counterparties, custody institution, and reinsurance companies are monitored to cope with the certain credit rating benchmark set by competent authority. For market risk, based on economic and market situation, investment portfolio is flexibly adjusted to mitigate market risk arising from interest rate, exchange rate, and price change. Loss and profit is evaluated periodically. In terms of operational risk, self-inspection on internal control and self-evaluation on legal compliance are conducted periodically. The auditing office also regularly examined implementation of operational risk management system. For insurance risk, insurance underwriting principle and retention limit of each risk unit are enacted. Exposure in excess of the retention limit should to be arranged properly for reinsurance before issuing any policy to divert business risk.

Mega Venture Capital Co., Ltd.

A regular report to the Board of Directors regarding cash, change of equity of targets invested, interest rate, exchange rate, stock market impact analysis, investment policies (including risk limits) and market risk, and the credit and operation status of counterparties and targets invested is done.

E. Method of risk management & quantification of risk exposure

Mega International Commercial Bank Co., Ltd.

(1) Credit risk

The Capital Requirement and Exposures for Credit Risk under Standardized Approach

December 31, 2020; Unit: NT\$ thousand

Exposure types	Exposures after credit mitigation	Capital requirement (Note 1)
Sovereigns	668,575,380	1,080,697
Non-central government public sector entities	1,080,760	17,292
Banks (including multilateral development banks)	426,702,493	11,363,251
Enterprises (including securities firms and insurance companies)	1,658,958,872	114,218,848
Regulatory retail portfolios	249,239,166	15,560,132
Residential property (Note 2)	343,683,498	13,201,048
Equity investment (Note 2)	33,138,513	2,722,720
Other assets	37,707,003	2,465,896
Total	3,419,085,685	160,629,884

Note 1: Capital requirement is the risk exposure after risk offset multiplies by risk weights and minimum capital adequacy ratio.

Note 2: The FSC has announced "The calculation methods and forms of Banks' self-owned capital and risk asset on January 12, 2021 and effective on December 31, 2020. Residential property item has been amended to "Real estate exposure." Also in equity investments, the risk exposure of venture capital and fund after offset is NT\$ 3,116,678 thousand and capital reserved should be NT\$ 320,973 thousand.

(2) Market risk

The Capital Requirement for Market Risk

December 31, 2020; Unit: NT\$ thousand

Risk type	Capital requirement
Interest rate risk	1,354,336
Equity risk	780,656
Foreign exchange risk	535,622
Commodities risk	0
Total	2,670,614



(3) Operational risk

The Capital Charge for Operational Risk

December 31, 2020; Unit: NT\$ thousand

Year	Gross profits	Capital requirement
2020	45,064,811	
2019	52,245,108	
2018	50,966,501	
Total	148,276,420	7,513,821

(4) Liquidity Risk

Analysis of the Maturity Structure-NT Dollar

December 31, 2020; Unit: NT\$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity					
		0~10 days	11~30 days	31~90 days	91~180 days	181days~1 year	Over 1 Year
Major Inflows of Matured Funds	\$2,308,429,403	\$ 294,658,563	\$ 281,497,169	\$ 232,299,595	\$ 242,988,126	\$ 256,322,086	\$1,000,663,864
Major Outflows of Matured Funds	2,957,087,728	134,211,344	263,033,791	414,495,988	328,055,568	520,191,450	1,297,099,587
Period Gap	(\$ 648,658,325)	\$ 160,447,219	\$ 18,463,378	(\$ 182,196,393)	(\$ 85,067,442)	(\$ 263,869,364)	(\$ 296,435,723)

Note: The above table reports the N.T. dollars position held by the Bank.

Analysis of the Maturity Structure-US Dollar

December 31, 2020; Unit: US\$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity				
		0~30 days	31~90 days	91~180 days	181days~1 year	over 1 year
Major Inflows of Matured Funds	\$ 58,740,880	\$ 25,993,208	\$ 7,329,903	\$ 5,747,349	\$ 5,573,377	\$ 14,097,043
Major Outflows of Matured Funds	67,082,625	27,759,140	9,476,152	6,449,578	7,695,810	15,701,945
Period Gap	(\$ 8,341,745)	(\$ 1,765,932)	(\$ 2,146,249)	(\$ 702,229)	(\$ 2,122,433)	(\$ 1,604,902)

Note: The above table reports the U.S. dollars position held by the Bank.

Analysis of the Maturity Structure-US Dollar of Overseas Branches

December 31, 2020; Unit: US\$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity				
		0~30 days	31~90 days	91~180 days	181days~1 year	over 1 year
Major Inflows of Matured Funds	\$ 18,272,277	\$ 8,437,601	\$ 1,886,839	\$ 691,696	\$ 1,203,907	\$ 6,052,234
Major Outflows of Matured Funds	19,850,415	11,485,495	1,724,870	1,180,507	1,089,376	4,370,167
Period Gap	(\$ 1,578,138)	(\$ 3,047,894)	\$ 161,969	(\$ 488,811)	\$ 114,531	\$ 1,682,067

(5) Securitization risk

The Exposure and Capital Charge for Securitization Framework

December 31, 2020; Unit: NT\$ thousand

Bank category \ Risk exposure category \ Book type		Asset category	Traditional					Synthetic		Total		
			Exposure				Capital Charge (2)	Exposure	Capital charge (4)	Exposure (5)=(1)+(3)	Capital Charge (6)=(2)+(4)	Capital charge before securitization
			Hold or purchased	Provide the liquidity facilities	Provide the credit enhancement	Subtotal (1)		Hold or purchase (3)				
Non-originating bank	Banking book	Mortgage-backed Securities	2,199,840			2,199,840	35,197			2,199,840	35,197	
		Collateralized Mortgage Obligations	62,269,451			62,269,451	996,311			62,269,451	996,311	
	Trading book											
		Sub-total		64,469,291	-	-	64,469,291	1,031,508	-	-	64,469,291	1,031,508
Originating bank	Banking book											
	Trading book											
		Sub-total		-	-	-	-	-	-	-	-	-
Total			64,469,291	-	-	64,469,291	1,031,508	-	-	64,469,291	1,031,508	

Note 1: "Asset Category" is classified by the asset type of securitization or the type of securities invested

Note 2: The exposure of banking book should be the exposure after risk offset

Note 3: "Provide the liquidity facilities" should include all drawn or undrawn exposure

Mega Bills Finance Co., Ltd.

(1) Credit risk

The Capital Charge for Credit Risk under Standardized Approach

December 31, 2020; Unit: NT\$ thousand

Exposure types	Capital charge	Risk assets
Sovereigns	0	0
Non-central government public sector entities	3,720	46,503
Banks (including multilateral development banks)	174,694	2,183,669
Corporations (including securities firms and insurance companies)	14,519,905	181,498,818
Regulatory retail portfolios	98,696	1,233,706
Equity investment	112,080	1,401,002
Other assets	251,002	3,137,526
Total	15,160,098	189,501,224



(2) Market risk

The Capital Charge for Market Risk under Standardized Approach

December 31, 2020; Unit: NT\$ thousand

Exposure type	Capital charge	Risk assets (Note)
Interest rate risk	7,296,182	91,202,275
Equity risk	270,068	3,375,858
Foreign exchange risk	299,987	3,749,837
Commodities risk	0	0
Option adopted by simplified approach	0	0
Total	7,866,237	98,327,969

Note: Capital charge times 12.5

(3) Operational risk

The Capital Charge for Operational Risk under Basic Indicators Method

December 31, 2020; Unit: NT\$ thousand

Year	Gross profits	Capital charge	Risk assets
2020	4,694,495		
2019	3,865,516		
2018	3,750,340		
Total	12,310,351	615,518	7,693,970

(4) Liquidity risk

Analysis of the Maturity Structure of Assets and Liabilities

December 31, 2020; Unit: NT\$ million

	Total	Amount Outstanding by Remaining Time to Maturity				
		0~30 days	31~90 days	91~180 days	181 days~1 year	over 1 year
Assets	299,123	81,366	72,976	6,748	6,180	131,853
Liabilities	259,638	212,378	44,156	2,631	447	26
Gap	39,485	(131,012)	28,820	4,117	5,733	131,827
Cumulative gap		(131,012)	(102,192)	(98,075)	(92,342)	39,485

Mega Securities Co., Ltd.

(1) Credit risk

Credit risk analysis of Mega Securities and its subsidiaries

December 31, 2020; Unit: NT\$ thousand

Exposure type	Mega Securities Co., Ltd.	Mega Futures Co., Ltd.	Mega International Investment Services Co., Ltd.	Total
Deposits	1,585,008	496,282	12,960	2,094,250
Marketable Securities	30,020,128	0	11,974	30,032,102
Financial Derivatives	362,145	0	0	362,145
Long-term Investments	711,792	9,280	0	721,072
Total	32,679,073	505,562	24,934	33,209,569

Country credit risk analysis

December 31, 2020; Unit: NT\$ thousand

Country Exposure	Deposits	Securities	Derivatives	Total	As a percentage of shareholder's equity
USA	-	582,495	-	582,495	3.53%
Korea	-	575,433	-	575,433	3.49%
New Zealand	-	421,656	-	421,656	2.56%
Australia	-	314,967	-	314,967	1.91%
China	-	265,937	-	265,937	1.61%
Singapore	-	95,232	-	95,232	0.58%
Japan	-	56,288	-	56,288	0.34%
Cayman Island	-	47,580	-	47,580	0.29%
France	-	31,048	-	31,048	0.19%
Ireland	-	28,088	-	28,088	0.17%
Hong Kong	-	28,084	-	28,084	0.17%
Belgium	14,202	-	-	14,202	0.09%

(2) Market risk

The company has set up quantitative model to measure risk, which covers risk factor analysis and VaR calculation and management, aside from traditional position or nominal principal limits and gain/loss information. The transaction limit, loss limit, risk limit and other quantitative indicators of respective business unit are calculated based on the capital adequacy ratio. The business units are required to operate according to the company's Implementation Guidelines of Market Risk Management.

(3) Liquidity Risk

The company performs cumulative interval structure analysis regularly to follow up implementation status of risk control objectives, and reports to the Risk Management Committee.

December 31, 2020; Unit: NT\$ million

	1~10 days	1~30 days	1~90 days	1~181 days	1day~1 year	1day~Over 1 year	Total
Major cash inflows	33,114	47,920	51,650	54,100	61,131	68,216	68,216
Major cash outflows	31,193	46,939	50,761	52,928	55,092	56,513	56,513
Cumulative gap	1,921	982	889	1,172	6,039	11,703	-

Chung Kuo Insurance Co., Ltd.

The company calculates the risk-based capital and capital adequacy ratio according to the "Regulations Governing Capital Adequacy of Insurance companies" of the authorities to monitor the change trend of the capital adequacy ratio. If the capital adequacy ratio falls below the alert standard, the company will review the business risk status and risk-weighted assets portfolio and make necessary adjustment.



December 31, 2020; Unit: NT\$ thousand

Exposure	Risk-based capital	As a percentage of the risk capital before adjustment
R0: Asset risk—Related party risk	154,009,271	3.50%
R1: Asset risk—Unrelated party risk	744,082,108	16.88%
R2: Credit risk	258,771,592	5.87%
R3a: Underwriting risk—Reserve risk	845,324,366	19.18%
R3b: Underwriting risk—Premium risk	1,386,406,116	31.46%
R3c: Underwriting risk—Long-term insurance risk	89	0.00%
R3d: Natural disaster risk	936,415,042	21.25%
R4 : Asset & liability allocation risk	1,712,808	0.04%
R5 : Other risk	79,643,409	1.81%
Risk-based capital before adjustment	4,406,364,801	100.00%
Risk-based capital	1,091,723,687	
Adjusted net capital	7,467,330,163	
Capital Adequacy Ratio	683.99%	

7.6.3 Impact on the Company's financial and business standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures

A. Impact of changes in domestic or foreign policies and laws

- (1) In December 2020, the Central Bank adjusted prudential measures for real estate loans, tightening regulations on loan ratios and grace periods. It did so in order to promote financial stability and improve banking business, prevent excessive flow of bank credit resources to real estate loans, and respond to deepening concerns over financial risk and unfavorability toward substantial investment in manufacturing businesses.
- (2) The Central Bank amended its Regulations Governing Foreign Exchange Business of Banking Enterprises. This was done in response to financial digitization and foreign exchange business operating trends and to simplify the application procedures and conditions for designated foreign exchange banks. At the same time, this was also done to promote the diversified development of domestic financial products, allowing authorized banks to issue foreign currency bank debentures linked to derivatives or structured notes.
- (3) In response to the global spread of the pandemic, the Central Bank has extended the application period for SME loan cases from the end of 2020 to the end of 2021 in order to continue to assist small and medium-sized enterprises in strengthening their business performances. The period of preferential interest rates applicable to newly contracted project loans by banks has also been extended. The Central Bank will continue to review the relevant content of project loans according to changes in the pandemic situation and the capital needs of enterprises.
- (4) The Financial Supervisory Commission was set to release its “Regulations Governing Banks Conducting Financial Products and Services for High-asset Customers”. Through a loosening of regulations, banks would be allowed to provide diversified financial products and advisory services to high-asset clients, helping enhance the competitiveness of wealth management among the country's banks.

- (5) In order to promote the development of financial technology, the FSC will establish a secure and reliable data exchange mechanism to facilitate the cross-domain exchange of data. It will also promote the application of bankers in the field of personalized financial services for digital services. It will assist banks in providing fast and convenient financial services to the public.
- (6) On April 21, 2020, the FSC issued a proviso to Article 45, Item 1 of the Securities and Exchange Act, stipulating that approved securities firms may be entrusted to manage private equity funds (not involved in the operation of securities investment trust business). Securities firms thus may accept the appointment of private equity fund-related institutions. The private equity funds entrusted in the preceding paragraph introduce professional investment institutions that comply with Article 4 of the Financial Consumer Protection Act to participate in investment and provide related services.
- (7) On July 16, 2020, the Financial Supervisory Commission amended Article 4 of the "Offshore Banking Act". It released a new interpretation for Article 22-4, which allows bill financing companies to trade foreign currency bonds and repurchase agreements with OBU and OSU, and engage OBU in interbank borrowing of foreign currency capital. These changes provide bill financing companies with broader sources of foreign currency capital and source funding at greater efficiency.

B. Countermeasures

To cope with the development of Fintech, the Company will continuously optimize user's experience, consider different habits of user groups and increase customer loyalty to boost the competitiveness of its digital financial services. Also the Company will conform the laws and regulations of the competent authority, seize opportunities to expand business, and to modify internal rules. In addition, it will enhance anti-money laundering and countering financing of terrorism system to comply with internal and external rules and optimize the compliance and risk management mechanism.

7.6.4 Impact on the Company's financial standing due to technological or industrial changes, and corresponding countermeasures

A. Impact of technological or industrial changes

To cope with technology development and digitalization, the Company accelerate the R&D and deepened Fintech services, search for cross-industry cooperation opportunities, expand service scope, and develop new clients. In order to get closer to customers' thoughts on digital services, the Company has also increased the use of data analysis and other technological methods to grasp customer preferences and insights so as to optimize product designs and processes to better meet customers' potential needs. At the same time, in response to the rapid changes in emerging technologies, we actively seek to understand and participate in the development of laws and regulations and effectively combine technology with new market trends. In addition to meeting the differentiated needs of customers, this can also gradually achieve the goal of improving digital supervision:

- **Mobile service demand:** Mobile device service development and advertising/marketing continue to be expanded for respective sectors. The government will also continue to promote the mobile pay policy. Customers are already accustomed to using their mobile device to access a variety of services. Under such an optimal mobile financial service environment, various related mobile technologies will be utilized, such as biological characteristics and positioning, etc. in order to provide suitable mobile services.

- AI data analysis: Financial institution use AI data analysis technology, based mainly on internal data secondly on outside data, to develop new products and reinforce risk management, or optimize service process from using data information; also use the digital trails collected from various sources to develop personalized services recommended to control marketing cost, promote product sell efficiency, and increase client satisfactory.
- Digitalization of branch: Under the development of digital services, financial institutions should increase the ratio of auto-operation process and increase Online-Merge-Offline (OMO), and through the mutual client reference to reinforce the service effectiveness from actual and virtual channels and client experience.
- Continuous optimization of information system: Facing the increasing number of digital transactions and the clients, the Company shall continue to invest and upgrade information system software and hardware, actively obtain the knowledge of new information technology, structure, and protection mechanism, to assure the stability, safety and expand possibility of the digital services to cope with the high demand for digitalization.

B. Countermeasures

- As far as mobile services are concerned, updates will be done on major digital channels, such as the official website, online banking, mobile banking, online order placement, and online settlements to support mobile device browsing, the addition of facial and fingerprint recognitions, LINE social media personalized account notification, among other features, addition of the official site smart customer service interactive response service, and online account opening in order to satisfy the needs of customers and shape a young digital brand image.
- The Company aggressively develops consumer finance market and has launched "MegaBee Home Loan" to provide individuals with quick online inquiries about housing prices, life functions, loan line interest rates, and other information. This one-stop service meets the needs of the public, from house inspections and house purchases to mortgage processing. Furthermore, combined with AI Big Data analysis, it introduces financial technology such as robotic process automation and a geographic map information system to create a smart valuation operation procedure. This in turn effectively improves core loan efficiency and shortens consumer waiting times. Among these initiatives, the smart valuation model and process have also obtained six patents from the Taiwan Intellectual Property Office of the Ministry of Economic Affairs. They additionally won the Best Consumer Finance prize bestowed by the 10th Taiwan Banking and Finance Best Practice Awards. In the future, more loan products will be integrated online to provide a more intact consumer finance services.
- Mega Bank promotes the "Taiwan Pay" QR Code Financial Card Mobile Payment Service, such as account transfer, shopping, payment, tax payment, e-invoice. Besides, the business collection system can promote the interaction between the sellers and consumers. By cooperating with JKOS, O'Pay, GAMA Pay, and EASYCARD Corporation, Mega Bank provides shopping payments from saving accounts and value store services to increase the applications of mobile payment and increase the Bank's fee income.
- In terms of digital marketing, Mega Bank works with LINE in business marketing through official account services. At present, membership verification mechanism has been activated to provide real-time

personalized message notification functions including transaction notice, credit card consumption, loan notice, and financing and investment notice. This helps boost customer adhesion and reinforce the digital brand image of Mega Bank.

- Regarding branch digitalization, the Smart Teller Machine (STM) is introduced in service counters at Mega Bank's branches. Through the standardized and digitalized opening account process, the average account opening time is 17 minutes. This reduces the workloads of clerks. Also, the cloud counter is set up on official website to provide OMO services such as online number take, inquire queue progress, schedule account opening, online credit card application and save form filling and account opening to increase client satisfactory.
- Smart customer services are made available by providing online real-time Q&A services. When a client inputs a question, the system can immediately identify the question and provide relevant replies, improving service quality and efficiency. At present, the system is deployed in channels including the official website of the Bank, online banking, mobile banking, and LINE official account.
- With resources throughout the Group integrated, Mega Bank and Mega Securities collaborated to set settlement account verification service for online account opening and Mega Bank and Chung Kuo Insurance collaborated to link online foreign currency settlement to the travel insurance purchase service while continuing to create a convenient digital living sphere.
- Continuously implement Fintech employee training to help employees to obtain the right timing to sell the Fintech products to right clients, and to optimize employee's computer knowledge and skill, and to prepare the employees have basic concepts of Fintech, to set up the base of Fintech culture.
- Through recruiting digital financial technology talent, by organizing creative competitions in Fintech, and by cultivating cooperative projects between companies and universities, we can go beyond creating industry-academia exchanges to further gain insights into the needs of the youth market and provide a practical field for those students possessing creativity in fintech. This would allow such creativity an outlet for expression and enable the corresponding cultivation of financial technology professionals as a result. Such activities would enhance our brand image and attract professionals in the field to join our pool of scientific and technological talent, thereby enhancing our future competitiveness.
- Focusing on the five technical dimensions for cloud-computing, information security, mobile applications, big data, and the Internet of Things, the Company will proactively invest in related applications, innovations and R&D and make best use of data value to create a brand new financial service platform that helps explore various potential customers and business opportunities.
- The Company have built a Data Application Platform offering integrated data collection and graphical visualization to help our business units master operational information of clients, including information overviews of corporate clients and components of their business hierarchies, upstream and downstream industry supply chains, relationship networks, and so on.
- To cope with FSC promote "Open Banking," the phase one public information inquiry API already set up. Also the third party service providers (TSP) such as Moneybook are connected to provide answers for deposit rate and exchange rate inquiries.



- The Company introduces RPA (Robotic Process Automation) projects and expand application range to establish “RPA and management platform” to save workforce and lift up working efficiency.

C. Impacts of changes in the industry and responsive measures

a. Impacts of changes in the industry on banks’ finance and business

- Impacted by COVID-19 in 2020, governments around the world have successfully implemented guidelines connected to social distancing. The lives and social patterns of individuals have thus been drastically altered, and market demand has increased with the advent of the stay-at-home economy as well as remote video, IoT applications, cloud services, and so on. Thus, there have been increased business opportunities related to software and hardware, including 5G infrastructure, Big Data centers, and artificial intelligence. Propelled by the Digital Nation & Innovative Economic Development Program policy, banks also play an important role in guiding funds to enter physical industries and strengthening the function of financial support for their development. Aside from driving industrial transformation and capacity expansion, this also conforms to such trends as cloud technology, artificial intelligence (AI), and digital ecosystems. It will enhance the role of the financial services industry and bring a win-win effect for industries and banks.
- In recent years, under the widespread of cellphone use, the fintech development has changed to mobile payment, online banking, and mobile banking. Along with the development of Bank 4.0, consumer behavior analysis, in-time financial advices and suggestions, financial services adhesion has been the business focus for banks.

b. Responsive measures

In order to strengthen industrial analysis and to keep track of industrial dynamics, we not only subscribe to professional industrial economy databases for our people to access and read in real time online but also hold the Business Workshop and invite experts or professionals to hold seminars periodically in order to reduce credit and investment risk. In addition, for reinforced credit risk management, our credit policy has set credit risk undertaking limits for major industries and business group, respectively, in order to decentralize the impacts that changes to the industry have on the operation of the bank subsidiary. Also to cope with digitalization, digital communication platform has been aggressively induced to realize digital transformation and optimize services.

7.6.5 The impacts and correspondent measures of the crisis management for the corporate image change of the Company and its subsidiaries

- The Company emphasizes ethical management, legal compliance, AML/CFT, and risk control. Through the profession, diversity, and independence of the directors of the Board, a safe and sound operation environment and transparent corporate management system has been built. A sustainability committee was established under the Board of Directors with the president of the Company as chairman, executive vice president as the director general, and executive vice presidents, directors, and president level positions of the subsidiaries as the committee members. There are 5 working groups set under the sustainability committee, which are corporate management, consumer promises, environmental protection, employee care, and social welfare. Through the sustainability committee to integrate the resources of the Company

and subsidiaries to effectively respond to the topics cared by stakeholder. The Company has received many recognition and honors. For many years, it has been selected for inclusion as a constituent stock in the TWSE Corporate Governance 100 Index of the Taiwan Stock Exchange, as well as the TWSE RA Taiwan Employment Creation 99 Index, the Taiwan High Compensation 100 Index, and the FTSE4Good TIP Taiwan ESG Index. Meanwhile, Mega International Commercial Bank has been honored by the Environmental Protection Administration with accolades including "Outstanding Unit for Green Procurement and Green Consumption Promotions" and by Environmental Protection Agency with its "Green Procurement Performance Award for Private Enterprises and Organizations." This demonstrates the Company's determination to implement ESG.

- To cooperate with the "Work Study Program of Economically Independent Youth" promoted by the Youth Development Administration, the Ministry of Education, the Company between 2012 and 2020 provided 370 work study posts for the youth to assist them to develop work skills and competitiveness for future careers. The Company successfully cooperates with this Program and has received a "Letter of Appreciation" from the Ministry of Education for seven years in a row. In 2020, Chung Kuo Insurance is the one received the "Letter of Appreciation."
- The Company has long been taking care of the disadvantaged to fulfill the corporate social responsibility and advocating a peaceful society. It performs social charity activities through social public welfare activities of Mega Charity Foundation and Mega Bank C&E Foundation under the Group, in an effort to promote its corporate brand image.

7.6.6 Expected benefit(s), possible risk(s) and response action(s) of merger and acquisitions

1. When engaged in mergers and acquisition (M&A) activities, the Company will consider the 3S (scale, scope, and skills) benefits. By "scale", it refers to the economic scale; that is, how will the economic scale brought about by merging or acquiring a company or a group for the Company be, such as marketing channels? The second one is "scope", that is, the "economic scope", such as product line, among others. The third one, "Skills", is the management skill, such as management technique and technological level, among others. In addition, with M&A, the assessment will also be focused on how much the additional synergistic effect will be with addition of the said company or group for the Company or what will be the outcome for both parties following acquisition.
2. Possible risks associated with M&A include: (a) The M&A strategies and goals are inadequate; (b) The industry where the Company to be merged and acquired is not promising and the Company's profitability cannot be effectively improved; (c) The target company's real value is overestimated; (d) The target company's liabilities from legal lawsuits exceed expectations; (e) Major members of the management have left the company one after another in large numbers before and after the consolidation.
3. In order to avoid or reduce risks brought about by M&A, the Company will review and adjust M&A strategies regularly and from time to time to reflect on the actual needs by strictly screening M&A targets, performing due diligence and engaging a professional institution to perform assessments while at the same time arranging in advance matters following consolidation to maximize consolidation synergy.



7.6.7 Risks generated by business concentration

In order to avoid over concentration risks, the Company has the Group Credit Risk Management Guidelines in place that set limits for the same person, the same corporation or business group, the same industry, the same region/country to facilitate control; respective subsidiaries ought to follow the Guidelines.

Mega Bank sets credit limits to the same person, the same related party, the same affiliated business and related parties of the bank as required by the Banking Act; in addition, it classifies corporations and groups based on their credit rating and set the overall credit limits and limits for unsecured credits accordingly. Factors such as changes to the overall economic performance and industrial prospects are considered as part of the operating strategy and separate limits are set for the respective major industries according to their risk appetite for loan and credit. Reflective of the different levels of stability with the political regime, economic development potential, credit rating and solvency in each country, risk limits are established for respective countries and their risk level. In addition, exposures of each country are calculated on a monthly basis in order to prevent the over-concentration of risks in a certain country.

Due to its unique business nature, the bills subsidiary of the Company holds relatively high positions in interest rate sensitive assets and is faced with relatively high interest rate volatility risks. As such, control over risk positions and risk durations are particularly reinforced. As far as the loan guarantee business is concerned, control over the credit risks of business group is strengthened. The operations, financial standing, and liabilities of groups and corporations are analyzed according to their credit status, corporate or group profile and highlights of the main business, among others. The outstanding credits of each group are controlled according to its credit rating to enhance our asset quality.

The insurance subsidiary of the Company has balanced developments of respective insurance operations and hence the risk of overconcentration is relatively low. Aside from the property insurance business from large corporations, the subsidiary is pro-actively expanding small-to-medium-sized companies' properties insurance and personal insurance in an effort to diversify sources of business.

7.6.8 Impact or risk associated with large transfers or changes in shareholdings by directors or major shareholders holding over 1%

The shareholdings of directors and major shareholders did not change significantly in 2020, so there was no impact on the share price and management of the Company.

7.6.9 The influence of the change of ownership exerting on the company and its risk

As of the end of 2020, pan-state-owned enterprises totally hold around 27.23% stakes of the Company. There has been no risk of ownership/management change as yet.

7.6.10 Litigious and non-litigious matters

Facts of the dispute	Amount at stake	Date of litigation commencement	Main parties	Status of the dispute
Ex-Chairman Mr. Tsai and Ex-President Mr. Wu of Mega International Commercial Bank failed to proactively handle and respond to deficiencies to be improved as indicated in the report of examination by New York State Department of Financial Services (NYDFS), leading to a fine of US\$180 million (equivalent to NT\$5,751,953,509) as per the consent order entered into by and between Mega International Commercial Bank and NYDFS on August 19, 2016. Also because of this, Mega International Commercial Bank was determined by the Financial Supervisory Commission to have violated Article 45-1 Paragraph 1 of the Banking Act and was fined NT\$10 million. The Board of Directors of Mega International Commercial Bank resolved to make claims against Mr. Tsai and Mr. Wu on September 23, 2016. Taipei District Court has ruled the Bank lost the lawsuit. The Bank's Board of Directors has resolved to appeal partly on January 11, 2021.	NT\$200,000 thousand	September 30, 2016	Mr. Tsai and Mr. Wu	The Bank has appealed partly on January 13, 2021. The second instance is in process.

Note: The original amount claimed is NT\$5,761,953 thousand. Taipei District Court has ruled the Bank lost the lawsuit. The Bank's Board of Directors has resolved to appeal partly on January 11, 2021. Thus the amount at stake is changed to NT\$ 200,000 thousand.

7.6.11 Other important risks and response measures

Besides monitoring efforts and managing business and financial risks, the Company and each of the subsidiaries are gradually adjusting their risk management strategies by establishing related operational mechanisms to deal with risks that are gaining importance each day and have to do with compliance, information system incident, personal data protection, regional politics and climate change, among others, and to improve the overall business competitive advantages and ability to safeguard against risks.

To respond to changes in trends of the information security risks increasingly threatening businesses, the Company describes relevant operations of information security below:

a. Information security policy, information security risk management structure

To realize and continuously strengthen risk management of information security, the Company has an information security policy in place as the basis of various information security measures of the Company and its subsidiaries to follow. The policy give guidance on employee's role related to information security planning, implementation, and improvement. This policy is at least evaluated once a year or when there is a significant change to laws and regulations, technologies, organizations and operations.

The Company set up Information and Digital Business Committees to review the information security, new technology, digital development, and security event of each subsidiary. Also there is a coordination unit responsible for executing or coordinating relevant resolutions decided by the coordinating committee; important issues or resolutions are reported to higher levels of risk management organization (the Board of Directors, Risk Management Committee).

b. Evaluation and management initiatives of information security and cyber risk

The Company already has the information safety management system in place that consists of information safety governance, compliance, risk control, and audit review and along with the utilization

of technologies; the information safety protection capabilities are comprehensively enhanced. Besides perfecting related information safety regulations and reinforcing system protection at respective subsidiaries, the financial information safety co-defense is added to enhance the information safety response and protection capabilities of the organization. Mega Bank, Chung Kuo Insurance, and Mega Securities are also ISO27001 certified. Mega Bank and Chung Kuo Insurance have purchased insurance for information safety in order to cope of threats on the Internet and the information risk brought about by technological applications.

For the threats on the Internet and changes in risks brought about by technological developments, the Company continues to examine and ensure adequacy of applicable regulations and measures in order to create a complete network and computer safety protection system. For important segments, protection and monitoring are applied. System weakness scanning and repairing take place periodically. Penetration tests are performed. There are also the social engineering rehearsals and information and communication safety educational training to ensure the adequacy and effectiveness of information safety and risk control on the Internet.

Also, to ensure the information asset of the Company is soundly protected, for the maintenance and development work need to be done by third-party service providers (Firms or consulting companies), the Company has communicated with the third-party service providers regarding the safety requirement and rules, make clear responsibility scope with the outsiders, confirm the outside employees fully understand and willing to obey. Also, all the contract and non-disclosure agreement ask the party need to honor the non-disclosure obligation and web safety rule.

Although every internet safety management or computer security protection system has been established and operated, it is not guaranteed that the Company will not be affected by the ever changing cyber security threats or completely refrain from any cyber-attacks by the third party that cause breakdown at the system. It is not guaranteed every employee or third party service provider will obey the non-disclosure obligation. If the website is seriously attacked or hacked, or any leak of information happens, the Company may face interrupted services, loss of important or confidential information (for example client information, information of stakeholders, information of employee, financial information) or relevant legal case or investigated due to violation of its confidentiality obligation or disclosure of the third party information. The Company's operation, financials, outlook, and reputation may be hugely impacted.

7.6.12 Intelligence property management plan and implementation situation

1. Intelligence property management plan

To strengthen the management and supervision to the subsidiaries, the Company aggressively research on innovative management skill to match the operating goals and also through the integration of information system to increase the efficiency and effectiveness of management.

(1) Patent management

Every business-related unit conducts the research and appoints external patent firm for patent application. So far most patent are used for risk management of the subsidiaries to control in-time the financial product exposure of the Group.

(2) Business secret management

Per article 7 of Patent Law, the right of the patent completed by employee within employment period under employment contract belongs to the Company. Also the Company requires every employee to sign confidentiality agreement to agree to follow the information confidentiality obligation during the employment period and after resignation, for all the confidential information acquired via business operation during employment. The one disobeys is willing to take all criminal, civil, and administrative liabilities.

(3) Trademark management

Periodical check on the extension deadline of the trademark registration in every country and appointment on the trademark firm for extension are conducted. Also continuous optimization on CIS trademark, coping with subsidiaries' business marketing and advertisement, is conducted to promote corporate image.

2. Implementation situation

The Company has reported to the 22nd Board meeting of 7th term on March 24, 2020 on the related issues of patents acquired. The Company has established the trademark management plan since 2002, established intelligence property management system in 2018, and to optimize the intelligence property protection conscious and acknowledgement, coping with the amendment of intelligence property law in 2021. The patents acquired are as follows:

(1) Market risk assessment system

(2) Financial products of high risk country system

(3) Warning system of corporate financials

7.7 Crisis Management and Response Mechanism

The Company has a material incident management team and incident reporting system in place. In case of a material incident occurred, accountable department would notify the spokesperson to report to the Chairman and President according to the "Guidelines for Operation of Material Incident". The material incident management team will then take charge to coordinate all departments concerned to respond and manage the incident. From the onset of an emergency event to the conclusion of the event, related units should continue to collect and follow up on related news coverage and public response to facilitate determination and judgment by the decision-making supervisor. The spokesperson or the public relations department shall also timely issue an external statement or get in contact with the media for clarification in case of an emergency event.

7.8 Other Significant Events: None.



Special Disclosure



8.1 Affiliated Companies Information

8.1.1 Affiliated Companies Chart

Please refer to page 21 of this annual report.

8.1.2 Summary of Affiliated Companies

December 31, 2020, Expressed in thousands of NT dollar

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Mega International Commercial Bank Co., Ltd.	12.17.1971	No. 100 Jilin Road, Taipei, Taiwan	NTD 85,362,336	Commercial banking, consumer banking, wealth management, investment banking and insurance agency business, and other business approved by competent authority
Mega Securities Co., Ltd.	10.19.1989	3F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 11,600,000	Brokerage, dealing, proprietary, and underwriting of securities
Mega Bills Finance Co., Ltd.	05.03.1976	205F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 13,114,411	Brokerage, dealing, underwriting, , proprietary, and guarantee of short-term debt bills Underwriting, brokerage, and proprietary of financial bonds Proprietary of government or corporate bonds. Other business approved by competent authority
Chung Kuo Insurance Co., Ltd.	11.01.1931	58 Sec. 1, Wuchang Street, Taipei, Taiwan	NTD 3,000,000	Property insurance. Injury and health insurance approved by competent authority
Mega Asset Management Co., Ltd.	12.05.2003	6F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 2,000,000	Financial institution's creditor's right(money) business, real estate business, and other business approved by competent authority
Mega Venture Capital Co., Ltd.	12.13.2005	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,000,000	Venture capital investment
Mega International Investment Trust Co., Ltd.	08.09.1983	17F , No 167, Fu-Sin N. Road, Taipei, Taiwan	NTD 527,000	Securities investment trust business, discretionary investment management, and other business approved by competent authority
Mega Management Consulting Co., Ltd.	01.16.2002	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 10,000	Venture capital management consulting, investment consulting and business administration consulting
Mega Futures Co., Ltd.	07.29.1999	2F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 400,000	Futures brokerage Futures advisory services
Mega International Investment Services Co., Ltd.	11.20.1997	10F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 20,000	Securities investment research and advisory
China Products Trading Corp., Ltd.	12.29.1956	7F, No. 100 Jilin Road, Taipei, Taiwan	NTD 5,000	Investment in property, warehousing and other businesses
Yung-Shing Industries Co., Ltd.	12.09.1950	7F, No. 100 Jilin Road, Taipei, Taiwan	NTD 30,000	Printing and packaging business; human resource business
Win Card Co., Ltd.	10.23.2000	4~6F, No. 99, Sec. 3, Chongyang Rd., Sanchong Dist., New Taipei City, Taiwan	NTD 20,000	Business administration consulting, data processing services, advertising, management of past due receivable, human resource business, credit card agents
ICBC Assets Management & Consulting Co., Ltd.	01.30.2003	8F, No. 100, Jilin Road, Taipei, Taiwan	NTD20,000	Investment consulting, business administration consulting, venture capital management consulting
Mega International Commercial Bank Public Co., Ltd.	08.08.2005	36/12 P.S. Tower, Asoke, Sukhumvit 21 Road, Klongtoey-nua, Wattana, Bangkok 10110, Thailand	THB 4,000,000	Commercial banking including deposits, loans, foreign exchange, L/C
Cathay Investment & Warehousing Ltd.	11.01.1982	Calle 16 Local No.4 Zona Libre De Colon Edificio No. 49, Republic of Panama	USD 1,000	Real estate investment and lease
Ramlett Finance Holdings Inc.	12.30.1981	Avenida Balboa,Torre Davivienda,Piso9,Oficina No.9A-B,Panama	USD 20	Real estate investment and lease

Note: Mega International Commercial Bank Co., Ltd. has opened life insurance agency business since May 12, 2020, and at the same date merged Mega Life Insurance Agency Co., Ltd. and took all rights and obligations of the company.



8.1.3 Companies Presumed to Have a Relationship of Control and Subordination under Article 369-3 of the Company Act: None.

8.1.4 Business Scope of the Affiliated Companies

Please see the main business column of 8.1.2 above as the business scope. Each affiliated company operates independently.

8.1.5 Business Relationship between Affiliated Companies

Both Mega Securities and Mega Futures are engaged in futures brokerage business. Mega Securities mainly focuses on future exchange supporting services. About 70% of the two company's futures brokerage business is conducted by Mega Securities. On the other hand, starting from 2000, Mega Futures Company has involved in securities exchange supporting services. However given the company has only one operating unit, in 2020, nearly 100% of the securities brokerage business is conducted by Mega Securities. Both Mega Bills and Mega International Commercial Bank have underwriting and guarantee business of commercial papers while bill business is a specialized business for Mega Bills and is just one of many business for Mega International Commercial Bank. In 2020, 10.33% of the commercial papers guaranteed by the Bank is underwritten by itself and 62.79% is underwritten by Mega Bills.

8.1.6 Directors, Supervisors and Presidents of Affiliated Companies

December 31, 2020

Company	Title	Name	Shareholding	
			No. of Shares	%
Mega International Commercial Bank (Note 1)	Chairman	Chao-Shun Chang (Representative of Mega Financial Holding Co., Ltd.)	8,536,233,631	100
	Managing Director	Kuang-Hua Hu (Representative of Mega Financial Holding Co., Ltd.)		
	Managing Director & President	Yong -Yi Tsai (Representative of Mega Financial Holding Co., Ltd.)		
	Managing Director	Chien -Liang Chiu (Representative of Mega Financial Holding Co., Ltd.)		
	Managing Independent Director	Fu-Long Chen (Representative of Mega Financial Holding Co., Ltd.)		
	Independent Director	Ying Wu (Representative of Mega Financial Holding Co., Ltd.)		
	Independent Director	Chih-Jen Hsu (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Ching-Wen Lin (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Shao-Pin Lin (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Chao-Hung Kuo (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Sui-Chang Liang (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Chih-Yang Cheng (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Wen-Ling Hung (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Cheng-Chiang Hsu (Representative of Mega Financial Holding Co., Ltd.)		
Mega Securities Co., Ltd.	Managing Supervisor	Sheng-Chang Liu (Representative of Mega Financial Holding Co., Ltd.)	1,160,000,000	100
	Supervisor	Yu-ling Hung (Representative of Mega Financial Holding Co., Ltd.)		
	Supervisor	Jiin-Feng Chen (Representative of Mega Financial Holding Co., Ltd.)		
	Chairman	Pei-Chun Chen (Representative of Mega Financial Holding Co., Ltd.)		
	President (Note 2)	Chin-Chuan Chen		
	Independent Director	Yih-Ray Hwang (Representative of Mega Financial Holding Co., Ltd.)		
	Independent Director	Chin-Ling Hsu (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Kuo-Pao Chen (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Chia-Lin Chang (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Han-Yin Ting (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Tzu-Yuan Yang (Representative of Mega Financial Holding Co., Ltd.)		
	Supervisor	Ching-Yi Li (Representative of Mega Financial Holding Co., Ltd.)		
	Supervisor	Yu-Chun Liu (Representative of Mega Financial Holding Co., Ltd.)		
	Supervisor	Lan-Jong An (Representative of Mega Financial Holding Co., Ltd.)		
	Supervisor			

Company	Title	Name	Shareholding	
			No. of Shares	%
Mega Bills Finance Co., Ltd.	Chairman Director & President Independent Director Independent Director Director Director Director Director Supervisor Supervisor Supervisor	Mei-Chu Liao (Representative of Mega Financial Holding Co., Ltd.) Yao-Kuang Tsai (Representative of Mega Financial Holding Co., Ltd.) Chian-Yue Chen (Representative of Mega Financial Holding Co., Ltd.) Yih-Ray Hwang (Representative of Mega Financial Holding Co., Ltd.) Jui-Yun Lin (Representative of Mega Financial Holding Co., Ltd.) Ruey-Yuan Fu (Representative of Mega Financial Holding Co., Ltd.) Ya-Ting Chang (Representative of Mega Financial Holding Co., Ltd.) Yu-Mei Hsiao (Representative of Mega Financial Holding Co., Ltd.) Yung-Chen Huang (Representative of Mega Financial Holding Co., Ltd.) Shao-Pin Lin (Representative of Mega Financial Holding Co., Ltd.) Chi-Ho Chen (Representative of Mega Financial Holding Co., Ltd.)	1,311,441,084	100
Chung Kuo Insurance Co., Ltd.	Chairman Director & President Independent Director Independent Director Director Director Director Director Director Supervisor Supervisor Supervisor	Cheng-Te Liang (Representative of Mega Financial Holding Co., Ltd.) Chien-Fong Yu (Representative of Mega Financial Holding Co., Ltd.) To-Fa Wang (Representative of Mega Financial Holding Co., Ltd.) Shih-Hsin Huang (Representative of Mega Financial Holding Co., Ltd.) Shiow Lin (Representative of Mega Financial Holding Co., Ltd.) Ta-Sheng Chen (Representative of Mega Financial Holding Co., Ltd.) Lih-Hwang Chiou (Representative of Mega Financial Holding Co., Ltd.) Wang-Chung Ko (Representative of Mega Financial Holding Co., Ltd.) Tao-Yuan Lin (Representative of Mega Financial Holding Co., Ltd.) Jui-Yun Lin (Representative of Mega Financial Holding Co., Ltd.) Chia-Min Hong (Representative of Mega Financial Holding Co., Ltd.) Tsui Ting Ko (Representative of Mega Financial Holding Co., Ltd.)	300,000,000	100
Mega Asset Management Co., Ltd.	Chairman Director & President Director Director Director Supervisor	Yun-Chien, Lin (Representative of Mega Financial Holding Co., Ltd.) Pei-Chun Chen (Representative of Mega Financial Holding Co., Ltd.) Yu-Mei Hsiao (Representative of Mega Financial Holding Co., Ltd.) Yu-Chuan Lu (Representative of Mega Financial Holding Co., Ltd.) Ming-Chih Lu (Representative of Mega Financial Holding Co., Ltd.) Jui-Ying Tsai (Representative of Mega Financial Holding Co., Ltd.)	200,000,000	100
Mega Venture Capital Co., Ltd.	Chairman & President Director Director Supervisor	Jui-Yun Lin (Representative of Mega Financial Holding Co., Ltd.) Lan-Jong An (Representative of Mega Financial Holding Co., Ltd.) Mu-Ping Chiang (Representative of Mega Financial Holding Co., Ltd.) Ching-Yi Li (Representative of Mega Financial Holding Co., Ltd.)	100,000,000	100
Mega International Investment Trust Co., Ltd.	Chairman Director & President Director Director Director Director Director (Note 3) Supervisor Supervisor	Tsung-Jen Cheng (Representative of Mega Financial Holding Co., Ltd.) Chun-Hsien Chen (Representative of Mega Financial Holding Co., Ltd.) Kuang-Hua Hu (Representative of Mega Financial Holding Co., Ltd.) Chien-Pin Lee (Representative of Mega Financial Holding Co., Ltd.) Hui-Ling Yu (Representative of Mega Financial Holding Co., Ltd.) Ming-Chih Lu (Representative of Mega Financial Holding Co., Ltd.) Jui-Yuan Wu (Representative of Mega Financial Holding Co., Ltd.) Shiow Lin (Representative of Mega Financial Holding Co., Ltd.) Ta-Sheng Chen (Representative of Mega Financial Holding Co., Ltd.)	52,700,000	100
Mega Management Consulting Co., Ltd.	Chairman Director Director Supervisor	Pi-Tien Chen (Representative of Mega International Commercial Bank) Yu Hui Huang (Representative of Mega International Commercial Bank) Te-Jen Hsu (Representative of Mega International Commercial Bank) Jin-Chieh Lee (Representative of Mega International Commercial Bank)	1,000,000	100
Mega Futures Co., Ltd.	Chairman Director & President Director (Note 2) Director Director Supervisor	Pei-Chun Chen (Representative of Mega Securities Co., Ltd.) Mei-Fang Lee (Representative of Mega Securities Co., Ltd.) Chin-Chuan Chen (Representative of Mega Securities Co., Ltd.) Pei-Chen Yang (Representative of Mega Securities Co., Ltd.) His Jui Chao (Representative of Mega Securities Co., Ltd.) Ching-Hsien Kung (Representative of Mega Securities Co., Ltd.)	40,000,000	100
Mega International Investment Services Co., Ltd.	Chairman & President Director Director Supervisor	Hsiu-Li Lee (Representative of Mega Securities Co., Ltd.) Ching-Yi Ku (Representative of Mega Securities Co., Ltd.) Cheng-Hsiung Chang (Representative of Mega Securities Co., Ltd.) Yu-Yen Huang (Representative of Mega Securities Co., Ltd.)	2,000,000	100



Company	Title	Name	Shareholding	
			No. of Shares	%
China Products Trading Corp., Ltd.	Chairman Director Director Director (Note 4) Director	Chen-Shan Lee (Representative of Mega International Commercial Bank) Ta-Sheng Chen (Representative of Mega International Commercial Bank) Shaw Hwa Su (Representative of Mega International Commercial Bank) Chang-Weng Kuo (Representative of Mega International Commercial Bank) Shyh-Tzer Horng (Representative of Mega International Commercial Bank)	68,274	68.27
	Supervisor	Li-Li Lee	0	0
Yung-Shing Industries Co., Ltd.	Chairman Director Director Director Director	Hui-Ling Chou (Representative of Mega International Commercial Bank) Yue-Gean Kuo (Representative of Mega International Commercial Bank) Yu Hui Huang (Representative of Mega International Commercial Bank) Yen-San Chang (Representative of Mega International Commercial Bank) Ya Ping Liu (Representative of Mega International Commercial Bank)	298,668	99.56
	Supervisor	Hung Tseng	0	0
Win Card Co., Ltd.	Chairman Director & President Director Director Director Supervisor	Chao-Jung Chen (Representative of Yung-Shing Industries Co., Ltd.) Chung-Hsiang Lin (Representative of Yung-Shing Industries Co., Ltd.) Jen-Fu Chang (Representative of Yung-Shing Industries Co., Ltd.) Pin Shao (Representative of Yung-Shing Industries Co., Ltd.) Chun Yi Hou (Representative of Yung-Shing Industries Co., Ltd.) (Note 5) Ching-Yi Li (Representative of Yung-Shing Industries Co., Ltd.)	200,000	99.56
ICBC Assets Management & Consulting Co., Ltd.	Chairman Director & President Director Director Supervisor	Tung-Lung Wu (Representative of Yung-Shing Industries Co., Ltd.) Tzu-Chien Wang (Representative of Yung-Shing Industries Co., Ltd.) Te-Jen Hsu (Representative of Yung-Shing Industries Co., Ltd.) Te-Shao Chen (Representative of Yung-Shing Industries Co., Ltd.) Hui-Ling Yu (Representative of Yung-Shing Industries Co., Ltd.)	2,000,000	99.56
Mega International Commercial Bank Public Co., Ltd.	Chairman Director & President Director Director Director Director	Yu-Mei Hsiao (Representative of Mega International Commercial Bank) Juei-Heng Chia (Representative of Mega International Commercial Bank) Kuo-Pao Chen (Representative of Mega International Commercial Bank) Wan-Ling Jwang (Representative of Mega International Commercial Bank) Kuo Li Lai (Representative of Mega International Commercial Bank) Chin -Chen (Representative of Mega International Commercial Bank)	400,000,000	100
	Independent Director Independent Director Independent Director	Wittaya Supatanakul Apichart Jarikasem Niramon Asavamanee	0	0
Cathay Investment & Warehousing Ltd.	Chairman Director Director	Shiow Ling Wu (Representative of Mega International Commercial Bank) Shih-Kuan Chuang (Representative of Mega International Commercial Bank) Huai-Te Liu (Representative of Mega International Commercial Bank)	1,000	100
Ramlett Finance Holdings Inc.	Chairman Director & President Director	Shiow Ling Wu (Representative of Mega International Commercial Bank) Shih-Kuan Chuang (Representative of Mega International Commercial Bank) Huai-Te Liu (Representative of Mega International Commercial Bank)	1,500	100

Note 1: Ms. Miao-Hsiang Chen became the supervisor of Mega International Commercial Bank since February 24th, 2021.

Note 2: The president of Mega Securities Co., Ltd. and director of Mega Futures Co., Ltd. Mr. Chin-Chuan Chen resigned on March 12, 2021.

Note 3: The director of Mega International Investment Trust Co., Ltd. Mr. Jui-Yuan Wu resigned on March 19, 2021.

Note 4: The director of China Products Trading Corp., Ltd. Mr. Chang-Weng Kuo retired in January 2021. Ms. Su-Chen Chao succeeded the position but also retired in April 2021. Ms. Li-Fen Hung currently succeeds the position.

8.1.7 Operational Highlights of Affiliated Companies in 2020

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

Company	Paid-in Capital	Total Assets	Total Liabilities	Stockholders' Equity	Revenues (Net Revenue*)	Operating Profit (Net Income before Income Tax*)	Net Income (After Tax)	Earnings per share (After Tax)
Mega International Commercial Bank	85,362,336	3,433,685,136	3,139,101,707	294,583,429	48,490,878*	23,409,097*	20,332,081	2.38
Mega Securities Co., Ltd.	11,600,000	75,113,396	57,746,532	17,366,864	4,509,146	1,240,634	1,546,600	1.33
Mega Bills Finance Co., Ltd.	13,114,411	304,305,466	262,898,543	41,406,923	4,684,540*	3,605,406*	2,930,997	2.23
Chung Kuo Insurance Co., Ltd.	3,000,000	19,136,799	11,893,399	7,243,400	5,717,564	390,097	301,831	1.01
Mega Asset Management Co., Ltd.	2,000,000	14,315,565	11,535,587	2,779,978	424,589	329,249	208,440	1.04
Mega Venture Capital Co., Ltd.	1,000,000	831,477	1,696	829,781	87,001	69,496	68,304	0.68
Mega International Investment Trust Co., Ltd.	527,000	926,017	76,277	849,740	389,722	96,628	82,058	1.56
Mega Management & Consulting Corporation	10,000	89,349	15,517	73,832	56,529	38,359	34,337	34.34
Mega Futures Co., Ltd.	400,000	5,260,033	4,527,672	732,361	349,265	35,697	55,308	1.38
Mega International Investment Services Co., Ltd.	20,000	37,264	12,350	24,914	33,300	82	169	0.08
China Products Trading Corp., Ltd.	5,000	48,417	29,008	19,409	0	(658)	1,321	13.21
Yung-Shing Industries Co., Ltd.	30,000	1,041,335	256,536	784,799	215,371	7,354	51,780	172.60
Win Card Co., Ltd.	20,000	59,202	18,571	40,631	164,523	8,529	7,254	36.27
ICBC Assets Management & Consulting Co., Ltd.	20,000	23,272	420	22,913	2,249	2,100	1,680	0.84
Mega International Commercial Bank Public Co., Ltd.	3,754,800	23,704,761	18,598,276	5,106,485	740,859*	297,804*	207,426	0.52
Cathay Investment & Warehousing Ltd.	28,095	31,489	127	31,362	109	(4,982)	(4,982)	(4,982.22)
Ramlett Finance Holdings Inc.	562	43,075	48,831	(5,756)	2,654	(6,542)	(6,542)	(4,361.41)

- Note: 1. Mega International Commercial Bank Co., Ltd. has opened life insurance agency business since May 12, 2020, and at the same date merged Mega Life Insurance Agency Co., Ltd. and took all rights and obligations of the company.
2. The par value of the share of China Products Trading Corp., Ltd. and Yung-Shing Industries Co., Ltd. are NT\$ 50 and NT\$ 100, respectively
3. The original currency of Cathay Investment & Warehousing Ltd. and Ramlett Finance Holdings Inc is USD. The exchange rate used for balance sheet item is NTD to USD: 28.0950:1; for income statement item is NTD to USD: 29.3955:1. The original currency of Mega International Commercial Bank Public Co., Ltd. is Thai Baht. The exchange rate used for balance sheet item is NTD to THB: 0.9387:1; for income statement item is NTD to THB: 0.9381:1.
4. The accounting item "net income before income tax" and "Net revenue" applies to Mega International Commercial Bank, Mega Bills Finance Co., Ltd., and Mega International Commercial Bank Public Co., Ltd., while the accounting item "operating profits" and "Revenues" applies to the remaining companies.

8.1.8 Consolidated financial statements of affiliated enterprises

The list of companies required to be included in the consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" is identical to the list of companies already included in the consolidated financial statements, prepared in accordance with IFRS 10. Since all information required above has already been disclosed in the consolidated financial statements, the Company would not prepare separate consolidated financial statements for affiliated enterprises.

8.2 Private placement of securities in the most recent year and current year up till the publication date of this annual report: None.

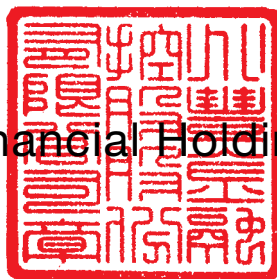
8.3 Disposal or hold of the Company's shares by subsidiaries in the most recent year and current year up till the publication date of this annual report: None.

8.4 Other supplementary notes, where applicable: None.

8.5 Occurrences that are significant to shareholders' equity or securities prices, as defined in Subparagraph 2, Paragraph 3 of Article 36 of the Securities and Exchange Act: None.



Mega Financial Holding Co., Ltd.



Chairman

A handwritten signature in black ink, appearing to read 'Esebang'.



Mega Financial Holding Co., Ltd.

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