



Mega Financial Holding Co., Ltd.

Annual Report 2022

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Name of the overseas exchange for listing and trading of
the negotiable securities, and the means to inquire the
information regarding such securities: None

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Letter to Shareholders



Global economic growth fell in 2022 following impact from multiple factors including China–US tensions, the resurgence of COVID-19, the Russia–Ukraine war, and inflation which prompted central banks around the world to raise interest rate. Although global economy in 2023 continued to face numerous downside risks, some international organizations (e.g., IMF and OECD) indicated that easing supply chain bottlenecks and high base-period effects in the previous year could help cool global inflation. China and emerging markets as well as developing economies benefited from the lifting of pandemic restrictions and order transfers, potentially becoming engines of global economic growth. Major international forecasting organizations predicted that global growth will range between 1.7% and 2.9% in 2023.

With easing pandemic restrictions in Taiwan and the pandemic's impact subsiding, private spending recovered considerably. Thanks to the need for business digital transformation and continuous expansion of new technology applications, Taiwan's exports performed exceptionally well in the first half of the year. However, owing to an increase in global inflationary pressure in the second half of the year, monetary policies tightened, and coupled with China's dynamic zero-COVID approach, the expansion of the global economy slowed, market demand weakened, and inventory adjustment intensified, suppressing export and investment momentum. According to the Directorate-General of Budget, Accounting and Statistics of Executive Yuan, Taiwan's economic growth for the year was 2.45%. Looking ahead to 2023, the impact of inflation and interest rate hikes is expected to slow global economic and trade growth. In addition, continuous adjustment of inventory in industry chains could affect the growth momentum of exports and private investment. However, there are favorable circumstances such as total relaxation of pandemic control and an increase in basic wages will return domestic spending to normal and domestic demand could continue to be the major engine of economic growth. Major international organizations forecast that Taiwan's economic growth will range between 1.5% and 2.8%.

Mega Financial Holding Co., Ltd. (the Company) and its subsidiaries will continuously provide all-inclusive financial services and undergo business development in response to future ESG trends and digital transformation. In continuing to surpass ourselves, the Company delivered its best performance in 2022 compared to previous years. Specifically, the Company was selected for the first time as a constituent stock of both the World Index and the Emerging Market Index on the Dow Jones Sustainability Index (DJSI), becoming the second state-owned financial institution in Taiwan to be included in the DJSI, and was again rated as the top 50 large enterprises in the 2022 Commonwealth Magazine's Excellence



Chao-Shun Chang, Chairman of the Board



Kuang-Hua Hu, President

in Corporate Social Responsibility Awards. We also received A- score leadership recognition in climate change by CDP, an ESG rating of AA by MSCI, 2022 National Sustainable Development Awards from the Sustainable Development Committee of Executive Yuan, and Sustainability Report Platinum Award in Taiwan Corporate Sustainability Awards (TCSA). In the same year, Mega Holdings successfully obtained ISO27001: 2013 Information Security Management System (ISMS) certification, which demonstrates the company's commitment to and emphasis on information security, service quality, and the continuity of its information business and our official integration with the international information security management system.

As a long-time operator of businesses in the syndicated loan market and New Southbound countries, Mega Bank has, for two years in a row, been rated as Taiwan's Best Syndicated Loan Bank for the Year and won a number of special awards, such as: the Award of Excellence for the New Southbound Policy Targeted Country Lending Plan and Special Award for the New Southbound Policy Targeted Country Lending Plan for SMEs, which were organized by the Financial Supervisory Commission (FSC); Ministry of Economic Affairs' Award for Financial Institutions and Manager Outstanding in Implementing Guaranteed Financing for SMEs-Credit Guarantee Golden Quality Award; the Digital Banker's Best Private Bank in Taiwan Award and Outstanding Private Bank for Growth Strategy; Business Today Magazine's Best Innovative Marketing, Best Customer Satisfaction, and Best Risk Management Awards; the Overseas Credit Guarantee Fund's Special Award for Total Credit Guaranteed, Special Award for Financing for New Southbound Nations, and Special Award for Total Credit Guaranteed for COVID-19 Programs. Mega Securities continued to exert a positive impact, as shown by its repeated inclusion in the TWSE's list of companies with better institutional investor stewardship disclosure for 2022. Subsidiary Mega Bills Finance focused its business operations on achieving environmental sustainability, promoting mutual prosperity in society, and implementing responsibility governance. Its efforts were highly recognized especially by Taiwan Academy of Banking and Finance, which awarded the subsidiary a Special Award for Best Bills Finance at the 11th Taiwan Banking and Finance Best Practice Awards.

Although subsidiary Chung Kuo Insurance was affected by pandemic insurance claims and recognition of reserves, the concerted efforts of all employees enabled the Company to report a consolidated profit after tax of NT\$18,335 million for the year and earnings per share of NT\$1.32. The business performance of the Company for the previous year 2022 is as follows:



1.1 Review of Business Operations in 2022

1.1.1 Changes in Financial Environment and Organization Structure

A. Change in Global and Domestic Financial Environment

To curb inflation, except for China and Japan where the pandemic caused an economic downturn, central banks in major countries such as the United States, Europe, Australia, and New Zealand have all adopted tightened monetary policies in 2022. The trend of interest hikes ensued, prompting central banks in Taiwan, South Korea, Southeast Asian countries, and South Asian countries to raise interest rates in response to factors such as inflation, prevention of capital outflow, and pressure from currency depreciation. Due to monetary tightening in many countries, the yields of major national bonds rose, impacting the global bond market. The Bloomberg Barclays Global Aggregate Index fell by 16.2% for the year. Global stock markets also slumped sharply due to the monetary policy direction of the US Federal Reserve and the pessimistic outlook for the global economy. The MSCI ACWI index dropped significantly by 19.8% for the year.

With respect to the financial environment in Taiwan, central banks in major countries have raised interest rates considerably to avoid capital outflows, which in turn leads to imported inflation resulting from financial market fluctuations and currency depreciation. In response, the central bank in Taiwan began increasing interest rates in March; throughout the year, interest rate has been raised four times by 0.625%, bringing reduced discount rate to 1.75%. The foreign exchange market was impacted by sharp U.S. interest hikes, which drove USD indexes upward, resulting in a trend of non-USD currency depreciation. In addition, trade surplus shrank as exports weakened, exporters' demand for foreign exchange decreased, the Taiwan dollar plunged NT\$3.018 or 9.83% against the U.S. dollar, the steepest decline in 25 years, closing at NT\$30.708. During the same period, Taiwan entered a bullish market thanks to business profits in the first quarter, and the weighted index hit a historical high of 18,619 points. Thereafter, US stock market plunged, funds flowed out of emerging markets, US bond yields climbed, and technology stocks and other stocks with high price-to-earnings ratios were evaluated and adjusted, generating substantial negative impact that caused foreign institutional investors to sell their stock holdings. Weighted index fell from its year's high; however, in the fourth quarter, the passivation of unfavorable benefits, upcoming elections in the United States and China, and year-end corporate accounting staged a strong rebound, returning the index to 14,137.69 points at the end of the year, down 22.4%, the second largest single-year drop over the years. Looking forward to the coming year, global economic growth is forecast to continue weakening in the second half of 2022, while economic outlook continues to face many downside risks. Geopolitical risks will persist, major central banks will hike interest rates in sync to tame global recession, and climate change will exacerbate uncertainties in the supply of commodities, all of which could make it more difficult to ascertain the timing of global economic recovery and indirectly restrain the growth of Taiwan's exports.

B. Change in Organization Structure

As of the end of 2022, 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.. There is no change compared to the end of year 2021.

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	2022	2021	Change (%)
Deposits (including due to Chunghwa Post Co., Ltd.)		2,924,052	2,775,818	5.34
Loans, Import/export bills negotiated		2,087,539	1,979,646	5.45
Corporate financing		1,531,941	1,442,298	6.22
Consumers financing (excluding credit card revolving loans)		555,598	537,348	3.40
Foreign exchange business		906,391	842,683	7.56
Securities purchased		955,622	934,101	2.30
Long-term equity investments		21,157	21,012	0.69
Credit card revolving loans		1,733	1,618	7.11

Note :1.All figures above are in average yearly basis, except foreign exchange business as in aggregation basis.

2.The non-performing loans outstanding at the end of 2022 amounted to NT\$3,377 million, representing a non-performing loan ratio of 0.16%, while the bad debt coverage ratio reached 930.54%.

Mega Securities Co., Ltd.

Item	Year	2022	2021	Change (%)
Securities brokerage	Market share of brokerage	2.82%(Rank 10 th)	3.20%(Rank 10 th)	(0.38)
	Market share of margin loan	5.47%(Rank 4 th)	5.38%(Rank 7 th)	0.09
Equity underwriting	Number of IPO lead managed	4(Rank 4 th)	1(Rank 7 st)	300.00
Bond underwriting	Number of corporate bond issues lead managed	7(Rank 4 th)	3(Rank 12 th)	133.33
	Amount of corporate bond issues lead managed (NT\$ billion)	12.1(Rank 8 th)	14.9(Rank 10 th)	(18.79)
New financial products	Number of warrants issued	1,147(Rank 13 th)	1,457(Rank 11 th)	(21.28)
	Amount of warrants issued (NT\$ billion)	6.6(Rank 13 th)	7.4(Rank 13 th)	(10.81)

Note :1.It is the ranking among local securities peers in 2022.

2.Companies in need of funds have rushed to issue corporate bonds in 2021 when market interest rates were low. Because interest rate hikes caused capital cost increase in 2022, total funds raised in 2022 for corporate bonds decreased compared with 2021, resulting in simultaneous decrease in the company's underwriting amount.

3.As of 2021, the company adjusted business model to focus on strategic transactions in order to reduce the proportion of warrant business and minimize the risk of losses on warrant issuance due to unexpected market volatility.

Mega Bills Finance Co., Ltd.

Units: NT\$ million

Item	Year	2022	2021	Change (%)
Underwriting and purchasing of bills		3,565,920	2,983,432	19.52
Underwriting amount of commercial paper issued for funding purpose (CP2)		3,413,513	2,778,195	22.87
Trading volume of bills		10,776,794	8,842,570	21.87
Trading volume of bonds		3,242,713	3,308,624	(1.99)
Average outstanding balance of guaranteed issues of commercial paper		175,776	179,311	(1.97)

Note: 1.The decrease of trading volume of bonds in 2022 compared to 2021 is due to the decrease of position held. The decrease of average outstanding balance of guaranteed issues of commercial paper is due to supervisory authorities' guideline and the efficient allocation of risk asset.

2.The overdue credit amount in 2022 is NT\$ 12 million. The percentage of overdue credits is 0.01%.



Chung Kuo Insurance Co., Ltd.

Unit: NT\$ million

Item \ Year	2022	2021	Change (%)
Direct written premiums	9,050	8,079	12.02
Reinsurance premiums	999	894	11.74
Total	10,049	8,973	11.99

Mega International Investment Trust Co., Ltd.

Unit: NT\$ million

Item \ Year	2022	2021	Change (%)
Public funds under management	79,731	83,711	(4.75)
Private placement funds under management	6,420	15,254	(57.91)
Discretionary account	465	788	(40.99)
Total	86,616	99,753	(13.17)

Note : The decrease of public funds under management in 2022 compared to 2021 is mainly due to the decrease of the scale of the overall market. The decrease of private placement funds under management and discretionary account is due to the redemption from customers.

Mega Asset Management Co., Ltd.

Unit: NT\$ million

Item \ Year	2022	2021	Change (%)
Service Income	454	410	10.73
Gain from recovery of NPL purchased and the disposal of related collateral (Note 1)	23	16	43.75
Rental income (Note 2)	4	5	(20.00)
Interest income (Note 3)	1	2	(50.00)
Net gain from disposal of investment property (Note 4)	-	5	(100.00)
Total	482	438	10.05

Note : 1.The increase of gain from recovery of NPL purchased and the disposal of related collateral in 2022 is because the joint guarantors of NPLs initiated the negotiation of payment.

2.The decrease of rental income in 2022 is because the expiration of lease contract in March 2022.

3.The decrease of interest income in 2022 is due to partial repayment of loans.

4.The disposal gain is recognized from disposal of north Hsinchu property in 2021.

Mega Venture Capital Co., Ltd.

Unit: NT\$ million

Item \ Year	2022	2021	Change (%)
Drawdown of long term equity investment	163	224	(27.23)
Balance of long term equity investment	832	820	1.46

Note : The decline in appropriation of long-term investment in 2022 was mainly due to our adoption of prudent investment strategies in response to the impact of global downturn and financial market turbulence.

1.1.3 Budget Implementation Status

A. The Company's 2022 budget is implemented as follows:

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

Item	Final accounting figure, 2022	Budget figure, 2022	Achievement Rate (%)
Revenues	18,680,114	28,402,828	65.77
Expenses and losses	508,398	547,864	92.80
Profit from continuing operations before tax	18,171,716	27,854,964	65.24
Profit	18,334,958	27,798,052	65.96
Earnings per share	1.32	2.00	66.00

Note : The figures are in unconsolidated basis.

B. The subsidiaries' 2022 budgets are implemented as follows:

Unit: NT\$ thousand

Name of subsidiary	Profit from continuing operations before tax-actual	Profit from continuing operations before tax-budget	Achievement Rate (%)
Mega International Commercial Bank Co., Ltd.	26,734,372	25,293,650	105.70
Mega Securities Co., Ltd.	842,154	2,775,870	30.34
Mega Bills Finance Co., Ltd.	3,701,502	3,713,738	99.67
Chung Kuo Insurance Co., Ltd.	(10,164,243)	676,000	-
Mega Asset Management Co., Ltd.	277,909	275,039	101.04
Mega Venture Capital Co., Ltd.	8,069	92,432	8.73
Mega International Investment Trust Co., Ltd.	93,237	101,813	91.58

Note : 1.The figures are in unconsolidated basis.

2.The 30.34% budget achieving rate of Mega Securities was mainly due to decrease in daily trading volume, stocks/bonds, decrease of net income from brokerage fees, and decrease of income from operations on stocks, bonds, and warrants, resulting in profit before tax not reaching the budget target.

3.Chung Kuo Insurance suffered a considerable loss in 2022, mainly due to the recognition of self-retained indemnities and debt reserves for the pandemic insurance policies, resulting in profit before tax not reaching the budget target.

4.The 8.73% budget achieving rate of Mega Venture Capital was mainly due to the fall of Taiwan shares and recognition of losses on the evaluation of individual shares, resulting in profit before tax not reaching the budget target.

5.The 91.58% budget achieving rate of Mega International Investment Trust was mainly due to a gloomy global market, reduced fund size, reduced income from manager fees, and loss on evaluation of own-fund investment position, resulting in profit before tax not reaching the budget target.

1.1.4 Financial Results

The Company and its subsidiaries' consolidated profit before tax in 2022 amounts to NT\$21,144,301 thousand, a decrease of NT\$7,512,112 thousand or 26.21% compared to 2021. The decrease is mainly due to the below: net interest revenue increased NT\$5,214,749 thousand; revenue other than interest decreased NT\$9,395,942 thousand, which is caused by the decrease of gain on financial asset and liabilities at fair value through profit or loss, the decrease of service fee revenue and commissions, the decrease of net revenue from insurance business, offset by the increase of realized gain on financial assets at fair value through other comprehensive income and the increase of foreign exchange gain; bad debts expense and provisions increased by NT\$3,265,448 thousand; operating expense increased by NT\$65,471 thousand. The Company and its subsidiaries' consolidated profit is NT\$18,334,958 thousand, a decrease of NT\$7,396,112 thousand



or 28.74%, compared to year 2021. The Company's consolidated ROA is 0.45%, and consolidated ROE reached 5.84%. A breakdown of the financial results of the Company and its subsidiaries in 2022 are shown in the table below:

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

Company	Profit from Continuing Operations Before Tax	Profit	Earnings Per Share (NT\$)	Return on Assets (%)	Return on Equity (%)
Mega FHC & Its Subsidiaries (Consolidated)	21,144,301	18,334,958	1.32	0.45	5.84
Mega FHC (Unconsolidated)	18,171,716	18,334,958	1.32	5.05	5.84
Mega International Commercial Bank Co., Ltd.	26,734,372	24,181,435	2.83	0.65	8.21
Mega Securities Co., Ltd.	842,154	603,229	0.52	0.85	3.34
Mega Bills Finance Co., Ltd.	3,701,502	3,040,283	2.32	1.22	7.98
Chung Kuo Insurance Co., Ltd.	(10,164,243)	(9,523,769)	(63.87)	(40.75)	(242)
Mega Asset Management Co., Ltd.	277,909	222,527	1.11	1.41	7.82
Mega Venture Capital Co., Ltd.	8,069	3,821	0.04	0.35	0.35
Mega International Investment Trust Co., Ltd.	93,237	74,006	1.40	7.90	8.59

Note: 1. Return on assets = Profit / Average assets; Return on equity = Profit / 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 2022 are summarized as follows:

- (1) The Group continues to introduce ESG and sustainability systems by launching SBTi projects and adopting the PCAF methodology for accounting and reporting GHG emissions linked to investments/ financing and for setting SBTs. We also continue to measure and manage the climate change risks of emission-intensive industries, of customers in high climate risk areas, and of real estate as collaterals in different scenarios. Additionally, the Group continues to reinforce its information system, network architecture, and cybersecurity capability, and has passed ISO 27001 certification to align with international information security management system.
- (2) To actively develop new financial products, keep up with the trends in the technological and digital transformation of banking services, and meet customers' expectations and needs with respect to digital services, the following new financial products and digital banking applications were introduced and optimized in 2022: Optimize branch-based STM (Smart Teller Machine) functions and introduce a teller-based trust wealth management account opening service for customers to effectively improve operational efficiency; Strengthen mobile banking customer authentication function to ensure transaction security; Introduce Easy Micro Loan, an online loan application platform for SMEs, to streamline SME loan application procedures and enhance business growth momentum; Adopt blockchain technology and work with reputable companies to build a supply chain financing platform that facilitates cash flow among SMEs and strengthens supply chain resilience; Practice ESG and

sustainability in green finance, launch a Green and Sustainable Term Deposit plan for large corporate customers, and issue credit cards that are made of eco-friendly materials, thereby integrating ESG concept into financial products. As of the end of December 2022, a total of 477 new patents and 101 invention patents had been approved by the Ministry of Economic Affairs; in addition, there were 35 new model patents and 81 invention patents pending.

- (3) In 2022, subsidiary Mega Securities introduced Taiwan Shares T+0, USD systematic investment plan, and other interest-oriented trust services, providing investors with a variety of investment options. On November 17, the subsidiary received approval from Taiwan Stock Exchange Corporation to provide ledger services, which will be launched in 2023. In early 2022, the subsidiary launched an online account opening platform “E-Open”, which integrates OCR technology and combines the bank subsidiary’s online verification and printing service to shorten account opening time and streamline complicated procedures. In September 2022, Mega e-Stock service was launched, enabling customers to target odd-lot intraday trading and set up stock saving plans by means of systematic investment plan, regular subscription, and conditional orders. This service also offers regular subscription of US shares. To promote digital transformation, Mega Securities commissioned a professional consultant in 2022 to diagnose the company's digital capability and optimize account opening procedures. The consultant examined eight dimensions of transformation (products/services, customer experience, sales management, business process, data analysis, technological application, organizational talent, and digital ecosystem), giving priority to customer experience and mobile-first strategies. Subsequently, various action plans for digital transformation were established, and RPA-based account opening procedures were developed and tested.
- (4) Mega Bills Finance subsidiary was engaged in the following activities: Revised departmental performance evaluation systems; optimized its “financial self-reporting system;” continued promoting the adoption of paperless conferencing systems and paperless core financial report management systems; developed an ESG risk assessment mechanism for investment/financing business; set up a sub-market trading and transaction order electronic system for bills merchants and general investors and U.S. National bonds/futures trading system; strengthened the implementation of AML/CFT operations and transaction monitoring; continued improving existing operational risk self-assessment systems; and strengthened risk management mechanisms for all business activities.
- (5) To keep pace with diverse market operations and FinTech development and to satisfy the needs of firms and consumers, subsidiary Chung Kuo Insurance actively collected market information and built databases, combining FinTech applications and digital processes to simplify procedures and improve efficiency, and using data to analyze the market and consumer behavior to develop insurance products that are marketable, competitive, and profitable. There were a total of 163 insurance products submitted in 2022. Among them, there were 7 items on prior approval basis, 111 items on file for recordation basis, and 45 items on simple file for recordation basis.



1.2 Business Plan for 2023

1.2.1 Operational Guidelines

- Secure existing business and diversify source of profits
- Strengthen overseas presence and cultivate customer service
- Monitor political, economic, and industrial changes and implement risk management mechanism
- Implement regulations and complete information security and strengthen resilience and safe transformation.
- Improve protection against information security risks and optimize the innovation of management services
- Implement legal compliance, unify AML/CFT standard, and forge a culture of legal compliance
- Integrate ESG strategies to maximize the value of sustainability
- Fortify relations with institutional investors and increase information transparency

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 2023 are as follows:

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

Business	Item	Budget for 2023
Banking	Deposits	2,968,120
	Loans	2,085,912
	Foreign exchange	952,566
Bill Finance	Underwriting and purchasing of bills	3,182,182
	Trading volume of bills and bonds	12,845,865
	Average outstanding balance of guaranteed issues of CP2	166,000
Securities	Market share of brokerage	3.4%
P&C Insurance	Premium income	9,687

1.2.3 Major Management Goal

The Company strives to be an asia regional financial group.

1.3 Future Development Strategies

- Scale up capital assets to boost the market status of Mega Financial Holdings group
- Strengthen overseas businesses and identify opportunities to relocated Taiwanese businesses
- Consolidate competitive advantages in corporate banking and foreign exchange and deepen the cross-selling of the Group

- Develop consumer banking and wealth management services to enrich the Group's active customer base
- Increase corporate governance standards and pursue the Group's sustainable development
- Improve the Group's management efficiency to optimize business operations and increase return
- Reinforce the risk control of the Group and implement internal and external legal compliance
- Protect the Group's intellectual properties and increase investment of digitalization and IT
- Motivate and enhance employee value and foster more digital talents
- Develop the Group's digital culture and encourages all types of R&D and innovations

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

- (1) In response to the popularization of FinTech and digital access services, partial replacement of physical branch functions due to change of people's habits, and the impact of COVID-19, three internet-only banks have been opened in Taiwan, further accelerating the popularization of digital banking. In 2022, there were 3,384 bank branches in Taiwan, down 20, reaching a historical low in nearly 11 years.
- (2) Global inflationary pressure remains high, exacerbating concerns about the outlook. The Russia-Ukraine war in early 2022 drove up prices of food, energy and raw materials, furthering intensifying global inflationary pressure, which prompted central banks in many countries to tighten monetary policies in sync. The financial market fluctuated dramatically, casting greater concerns about the economic outlook in 2023, which could increase the risk of economic recession.
- (3) In aligning with global development trends and the government's net zero transition plan, Taiwan's central bank announced that it would begin incorporating climate change risks into its modeling and forecasts for inflation and economic growth to strengthen the resilience of the country's economic and financial systems to climate change risks and to facilitate the economy's smooth transition.
- (4) The Financial Supervisory Commission released the Green Finance Action Plan 3.0, which encompasses five main points: promote GHG inventory and climate risk management of financial institutions, develop Taiwan sustainable economic activities guideline, promote integration of ESG and climate-related information, enhance sustainable finance training, and establish of cooperation mechanisms. Plan 3.0 aims to deepen the sustainable development of Taiwan and facilitate net zero transition in the business sector.
- (5) Domestic and foreign economies are facing many uncertainties, including rising credit risk and limited coupon spread.
- (6) Natural disasters and major incidents around the world have occurred frequently in recent years, and catastrophic risk losses continue to affect policy underwriting, resulting in relative increase in cost of reinsurance and risk retention.



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	Oct. 13, 2022
	Moody's	A2	-	Stable	Sep. 27, 2022
Mega International Commercial Bank Co., Ltd.	Taiwan Ratings Corp.	twAAA	twA-1+	Stable	Oct. 26, 2022
	Moody's	A1	P-1	Stable	Mar. 31, 2023
	S & P	A+	A-1	Stable	Oct. 26, 2022
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA+	twA-1+	Stable	Sep. 28, 2022
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Oct. 27, 2022
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA	-	Stable	Oct. 26, 2022
	Moody's	A3	-	Negative	Oct. 06, 2022
	S & P	A-	-	Stable	Oct. 24, 2022

1.6 Rewards and Recognition

- (1) January 2022—Mega Securities was awarded the Best Momentum Award at the 12th TWKC and rated by the Asset as the second Best Corporate Bonds Dealer in Taiwan in the Asset Benchmark Research Awards.
- (2) March 2022—CKI received the Insurance Talent Awards for 11 years in a row.
- (3) March 2022—Mega Bank, for two consecutive years, was selected as the Bank with the Best Syndicated Loan in Taiwan during the Asia Pacific Syndicated Loan Market Competition, which was organized by the Asia Pacific Loan Market Association (APLMA).
- (4) June 2022—Mega Securities was recognized as the issuer of the Top Popular Warrant, a special broker award awarded by the Economic Daily News during the 12th Warrant Millionaire competition.
- (5) July 2022—Mega Bank received the Best Private Bank in Taiwan Award and Outstanding Private Bank for Growth Strategy during the 2022 Global Private Banking Innovation Awards, which were jointly organized by the Digital Banker and Global Private Banker.
- (6) August 2022—Mega Bank won four honors at the 2022 Wealth Management Banking Awards hosted by Business Today magazine, namely first place in Best Innovative Marketing, second place in Customer Satisfaction, third place in Best Commodity, and third place in Best Risk Management; and received the Best Social Responsibility Award at the 2022 24th Faith, Hope & Love Awards of Insurance.
- (7) October 2022—Mega Financial Holding passed ISO 27001: 2013 Information Security Management System (ISMS) certification.
- (8) October 2022—Mega Bank won three awards which were organized by the Overseas Credit Guarantee Fund: Excellence Award for Total Credit Guaranteed; Special Award for Financing for New Southbound Nations; and Special Award for Total Credit Guaranteed for COVID-19 Programs.



- (9) October 2022—Mega Securities received an award in the Outstanding Enterprise Category at the 19th National Brand Yushan Award hosted by Republic of China National Enterprise Competitiveness Development Association.
- (10) November 2022—Mega Bank was honored by the Environmental Protection Administration of Executive Yuan with the 4th National Enterprise Environmental Protection Bronze Award, and received the Best Corporate Financing, Best Overseas Development, and Best Risk Management Awards at the 11th Outstanding Financial Business Elite Awards, which were organized by Taiwan Academy of Banking and Finance.
- (11) November 2022—Mega Bills received Special Award for Best Bills Finance at the 11th Outstanding Financial Business Elite Awards, which were organized by Taiwan Academy of Banking and Finance.
- (12) December 2022—Mega Financial Holdings was selected as a constituent stock of Emerging Markets Indices and World Indices on DJSI in 2022, becoming the second state-owned financial institution in Taiwan to be included in the DJSI.
- (13) December 2022—Mega Bank received Award of Excellence in Green Procurement for Private Enterprises and Organizations, which was hosted by Environmental Protection Administration, Executive Yuan; a certificate of appreciation from the Department of Environmental Project, Taipei City Government for Excellent Performance in Green Procurement Plans for Private Enterprises and Organizations.
- (14) December 2022—Mega Securities was again included in TWSE's list of companies with better institutional investor stewardship disclosure for 2022.
- (15) January 2023—Mega Bank was rated by international organization Mastercard as a Featured Bank with the Best Digital Products in 2022.
- (16) January 2023—Mega Securities received Financial Holding Company - Best Service Quality Award in the Excellence Magazine's 2022 Excellence Securities Rating.
- (17) February 2023—Mega Securities was awarded the Best Performance Award at the 13th TWKC.
- (18) March 2023—Mega Bank won two major accolades at Wealth Magazine's 2023 Wealth Management Awards, scooping the Best Wealth Management Team and Best Video Marketing Awards; and Ministry of Economic Affairs' Award for Financial Institutions and Manager Outstanding in Implementing Guaranteed Financing for SMEs - Credit Guarantee Golden Quality Award.

In early 2022, global economy made a turn from recovery, as the COVID-19 pandemic resurged and war between Russia and Ukraine exacerbated inflationary pressures. Looking ahead to the coming year, the operating environment is still filled with variables, as global economies will still be confronted by geopolitical risks affecting supply chain disruption, major central banks will hike interest rates in sync to tame global recession, and extreme climate risks and energy transitions could increase inflation-induced downside risks. Furthermore, the unexpected



closure of SVB and takeover of Credit Suisse in early 2023 have severely damaged market confidence. Although supervisory agencies such as the US Treasury, Federal Reserve, Federal Deposit Insurance Corporation, and Swiss National Bank have quickly taken effective measures to prevent the spread of these effects, the market remains deeply concerned about pressure on the banking industry. Despite changes in the business environment, the Group will still act prudently along six main directions: adjust structure, widen spread, increase fee income, ramp up marketing efforts, monitor quality, and strengthen digital capability. Six major strategies will be adopted to prepare for economic changes at home and abroad: Actively promote corporate banking to drive small/medium from big; commit to increasing return on risk-weighted assets (RORWA); continue to expand high-yield consumer loans; refine wealth management 2.0 operations; keep abreast of the spread of TW-US yield; implement risk-oriented internal audit system; apply for the adoption of Internal Ratings-Based Approach; organize financial disclosure of climate-related risks; and incorporate ESG-based sustainable finance policy into corporate governance, risk management system, and business goals. Through these, we strive to continuously strengthen the cooperation between domestic and oversea branches, keep abreast of supply chain situations and other business intelligence, connect global resources, services and cash flow via a cross-border platform, provide one-stop services for overseas Taiwanese businessmen and their factories, and integrate group resources to co-create benefits that will keep propelling toward the goal of becoming a regional financial group in Asia.

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.
September 22, 2021	Mega Securities Co, Ltd. made NT\$ 30 million capital injection in its subsidiary Mega International Investment Services Co., Ltd.
November 12, 2021	Mega International Commercial Bank approved the investment in Taiwan Capital Buffalo Fund VI Tech Ventures LP.
September 27, 2022	The Board of Directors approved the full subscription of 142.05 million shares in the private placement of subsidiary Chung Kuo Insurance for capital increase to strengthen its capital structure and enhance its risk tolerance.
December 27, 2022	The Board of Directors approved the full subscription of 333.35 million shares in the private placement of subsidiary Chung Kuo Insurance for capital increase to strengthen its capital structure and enhance its risk tolerance.



Corporate Governance Report

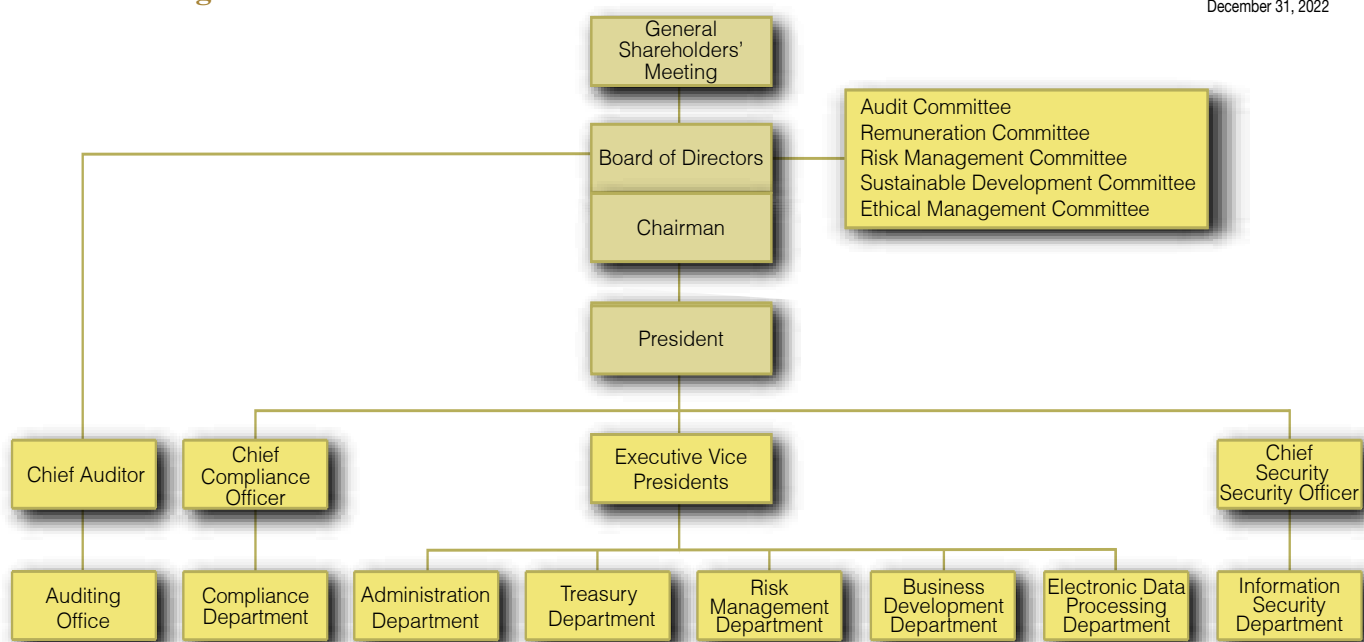


Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart

December 31, 2022



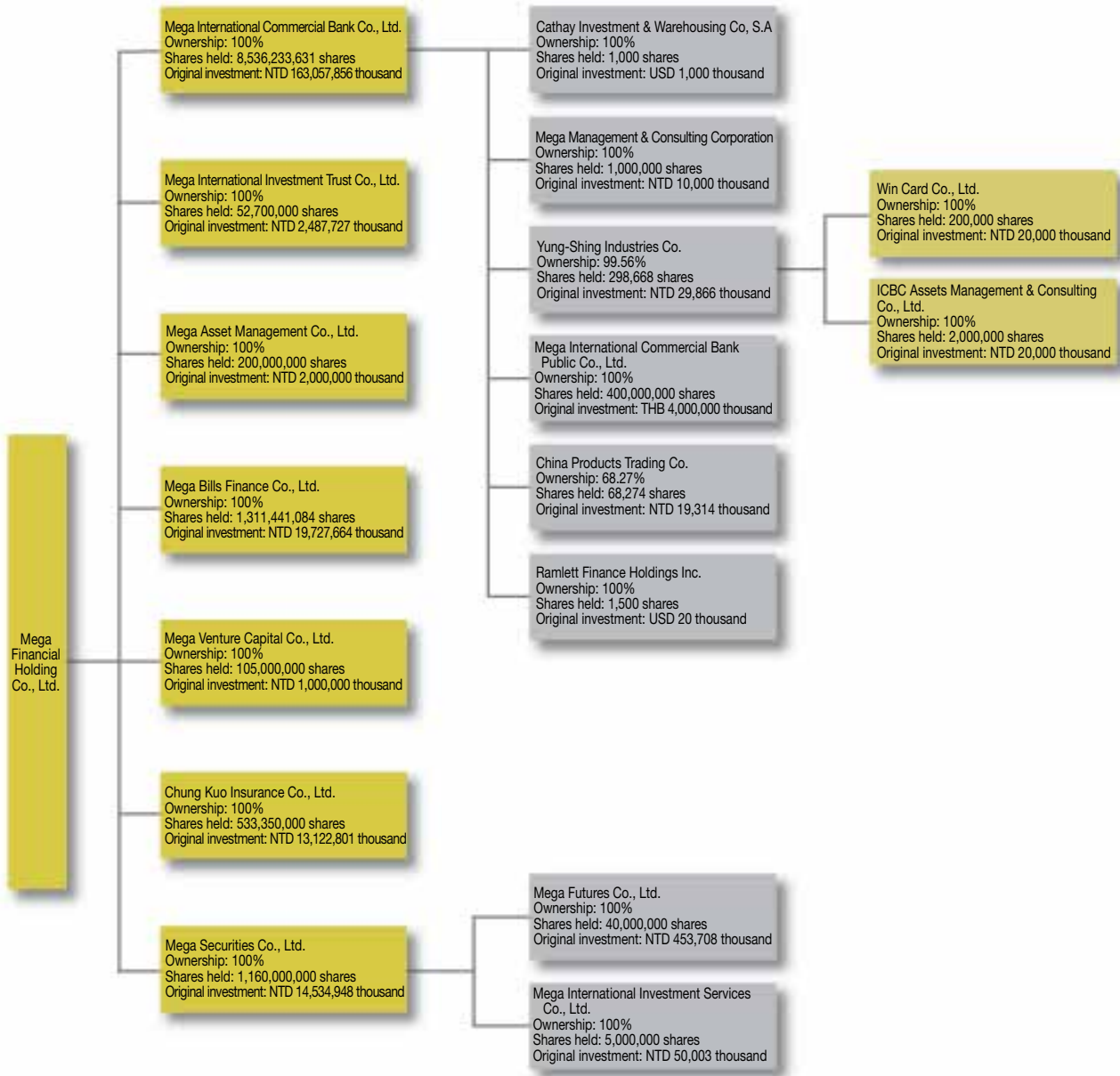
Major Corporate Functions

- **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
- **Information Security Department:** The formulation and management of the information security policy of the Group; Planning and promotion of information security management system; Planning and supervising information-security-related emergency plan; Coordination, communication, and promotion of information security affairs
- **Administration Department:** Planning and implementation of comprehensive administrative management system: legal affairs, stock affairs, general affairs, public relations, human resources management, and the planning and administrative matters of the Group's sustainable development



3.1.2 Affiliated Companies Chart

January 31, 2023



3.2 Directors, President, Executive Vice President, Senior Vice President, and Vice President of each department

3.2.1 Directors

Title	Nationality or place of incorporation	Name	Gender Age (years old)	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 71-75	07/20/2021	3	09/02/2016	1,143,043,883	8.40	1,171,619,980	8.40	294,905	0.00212	0	0
President & Director	R.O.C.	Kuang-Hua Hu (Representative of the Ministry of Finance, R.O.C.)	Male 61-65	07/20/2021	3	02/07/2018	1,143,043,883	8.40	1,171,619,980	8.40	0	0	0	0
Director	R.O.C.	Chia-Chung Chen (Representative of the Ministry of Finance, R.O.C.)	Male 61-65	07/20/2021	3	07/20/2021	1,143,043,883	8.40	1,171,619,980	8.40	1,000	0.00000	0	0
Director	R.O.C.	Pei-Chun Chen (Representative of the Ministry of Finance, R.O.C.)	Female 56-60	07/20/2021	3	07/01/2018	1,143,043,883	8.40	1,171,619,980	8.40	235,484 61	0.00169 0.00000	0	0
Director	R.O.C.	Yih Jiuan Wu (Representative of the Ministry of Finance, R.O.C.)	Female 61-65	07/20/2021	3	01/16/2021	1,143,043,883	8.40	1,171,619,980	8.40	0	0	0	0
Director	R.O.C.	Chia-Chi Hsiao (Representative of the Ministry of Finance, R.O.C.)	Male 61-65	01/11/2022	3	01/11/2022 (Note 1)	1,143,043,883	8.40	1,171,619,980	8.40	3,714 3,075	0.00003 0.00002	0	0
Director	R.O.C.	I-Kan Chiu (Representative of the Ministry of Finance, R.O.C.)	Male 56-60	07/20/2021	3	07/20/2021	1,143,043,883	8.40	1,171,619,980	8.40	1,025	0.00000	0	0
Director	R.O.C.	Keh-Her Shih (Representative of National Development Fund, Executive Yuan, R.O.C.)	Male 51-55	07/20/2021	3	12/21/2020	830,973,202	6.11	851,747,532	6.11	0	0	0	0



March 31, 2023

Experience (education)	Other position	Executives, directors or supervisors who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
Vice Chairman of Polaris Financial Group; Chairman of Bank of Overseas Chinese 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 Corporation, Director of Taiwan Capital Management Corporation, Chairman of Bankers Association of Taipei, Managing Director of Bankers Association of the Republic of China	None	None	None	None
Secretary of president office of Hua Nan Commercial Bank; Chief Secretary of the Board of Bank of Taiwan; Chief Secretary of the Board / 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	President of Mega Financial Holding Co., Ltd., President and Managing Director of Mega International Commercial Bank, Director of Mega International Investment Trust Co., Ltd., Director of Mega Bank Cultural and Educational Foundation, Vice Chairman of Mega Charity Foundation, Director of Financial Information Service Co., Ltd., Director of Taipei Financial Center Corp.	None	None	None	None
Executive Vice President / CEO of E.SUN Commercial Bank, Ltd.; CEO of E.SUN Bank (China) Co., Ltd.; General Manager / Chairman of E.SUN Securities Co., Ltd.; Director of E.SUN Bank (China) Co., Ltd.; Director of E.SUN Securities Co., Ltd.; Director of E.SUN Financial Holding Co., Ltd.; M.A. in Agricultural Economics, National Taiwan University	Independent Director of Dimerco Data System, Corp., Director of Chen, Ching Puo Cultural and Educational Foundation, Director of Tai Chi Men Cultural and Educational Foundation, Director of Mega International Commercial Bank Co., Ltd., Independent Director of Chunghwa Telecom Co., Ltd., Member of Remuneration Committee of MOSPEC Semiconductor Corporation	None	None	None	None
Recommended Specialist of Securities and Futures Management Committee; 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 of Mega Securities Co., Ltd. M.A. in Law, Boston University	Chairman of Mega Securities Co., Ltd., Chairman of Mega Futures Co., Ltd., Director of Mega Charity Foundation; Director of Taiwan Future Exchange; Chairman of Chinese National Futures Association; Managing Director of Taiwan Securities Association; Managing Supervisor of Trust Association of ROC.	None	None	None	None
Assistant Director General / Deputy Director General / Director General of Department of Economic Research, Central Bank of the R.O.C.; Director of Taiwan Financial Holding Co., Ltd.; Director / Supervisor of Taiwan Academy of Banking and Finance PhD. in Economics, Iowa State University, U.S.	Supervisor of Taiwan Academy of Banking and Finance, Director General of Department of Economic Research, Central Bank of the R.O.C., Committee member of National Income Statistics Committee of Directorate General of Budget, Accounting and Statistics, Executive Yuan.	None	None	None	None
Chief Accountant, Ministry of Finance Director, Department of Fiscal, Statistical and Financial Affairs, Executive Yuan Director-General/Deputy Director-general, National Treasury Administration, Ministry of Finance Director, Mega Financial Holding Co., Ltd. Supervisor, Mega Int'l Commercial Bank Co., Ltd. Director, Chang Hwa Commercial Bank, Ltd. M.A. in Management Science, National Chiao Tung University	Director-General, National Treasury Administration, Ministry of Finance, R.O.C., Director of Mega International Commercial Bank	None	None	None	None
Deputy Manager / Manager / Assistant Vice President of Mega Int'l Commercial Bank Co., Ltd.; President of Mega Int'l Commercial Bank Labor Union; Member of Labor Funds Supervisory Committee; Executive V.P. Taipei Confederation of Trade Unions; Appraiser of labor condition of Labor Inspection Office of Department of Labor, Taipei City Government College degree in Finance and Taxation, Tamsui Oxford College	Assistant Vice President of General Affairs and Occupational Safety & Health Dept., Mega Int'l Commercial Bank Co., Ltd.	None	None	None	None
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 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 Minister, National Development Council, Executive Yuan, R.O.C., Director of Yang Ming Marine Transport Corporation	None	None	None	None

Corporate Governance Report

Title	Nationality or place of incorporation	Name	Gender Age (years old)	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.	Hong-Mo Wu (Representative of Chungwa Post Co., Ltd.)	Male 66-70	07/20/2021	3	09/09/2019	490,778,910	3.60	503,048,382	3.60	0	0	0	0
Director	R.O.C.	Hui-Chuan Chen (Representative of Bank of Taiwan)	Female 61-65	01/07/2022 (Note 1)	3	01/07/2022	334,951,379	2.46	343,325,163	2.46	0	0	0	0
Independent Director	R.O.C.	Ying Wu	Female 66-70	07/20/2021	3	07/20/2021	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Chang-Ching Lin	Male 51-55	07/20/2021	3	07/01/2018	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Hung-Ju Chen	Female 46-50	07/20/2021	3	07/20/2021	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Tsai-Jyh Chen	Female 61-65	07/20/2021	3	07/20/2021	0	0	0	0	0	0	0	0
Independent Director	R.O.C.	Chi-Chang Yu	Male 71-75	07/20/2021	3	07/20/2021	0	0	0	0	0	0	0	0

Note 1: The director Mr. Chia-Chi Hsiao succeeded the position on November 1, 2022. Former director Ms. Chun-Lan Yen resigned on September 30, 2022.



March 31, 2023

Experience (education)	Other position	Executives, directors or supervisors who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
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 Ph.D. in Marine Environment and Engineering, National Sun Yat-sen University	Chairman of Chunghwa Post Co., Ltd.	None	None	None	None
Accounting Director of Council of Agriculture Executive Yuan; Deputy Director-General of Accounting Dept, Ministry of the Justice; Director-General of Accounting Dept, Ministry of the Education; Director-General of Budget Accounting and Statistics Office, Taoyuan City (County) Government; Supervisor of Taoyuan Aerotropolis Co., Ltd.; Director-General of Accounting Dept, Judicial Yuan M.A. in Accounting, National Chengchi University	Deputy Minister of DGBAS, Executive Yuan, Supervisor of China Aviation Development Foundation	None	None	None	None
Chief Auditor / Senior Executive Vice President of First Commercial Bank; Chief Auditor / President of First Financial Holding Co., Ltd.; Supervisor of International Bills Finance Corp; Director, Vice Chairman of IBF Financial Holdings Chairman of First Insurance Agency Co., Ltd. and First P&C Insurance Agency Co., Ltd. Graduated from Department of Finance and Taxation, National Chengchi University	Independent Director, Mega Int'l Commercial Bank Co., Ltd.	None	None	None	None
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 Assistant Professor of Department of Economics, National Cheng Kung University Ph.D. in Economics, University of Michigan - Ann Arbor	Professor, Department of Economics, National Cheng Kung University, Independent Director of Air Asia Company Limited, Assistant Research Fellow, Institute of Economics, Academia Sinica	None	None	None	None
Assistant Professor, Professor, Distinguished Professor, Dept. of Economics of National Taiwan University; Director of First Financial Holding Co., Ltd.; Managing Director of First Commercial Bank Co., Ltd. Committee Member of International Trade Commission, Ministry of Economic Affairs Ph.D., Economics, University of California, Los Angeles, U. S. A.	Distinguished Professor, Dept. of Economics, National Taiwan University	None	None	None	None
Associate professor, Professor, Dean, Dept. of Risk Management and Insurance of National Chengchi University; Independent Director of Mega Bills Finance Co., Ltd. Ph.D. of Insurance, Wharton School, University of Pennsylvania, U. S. A.	Professor, Dept. of Risk Management and Insurance, National Chengchi University	None	None	None	None
Judge, Taiwan Haulien, Yilan, New Taipei District court; Partner, Lee and Li Attorneys-at-Law; Independent Managing Director of Agriculture Bank of Taiwan; Independent Director of Chang Hwa Bank; Adjunct Associate Professor, Dept. of Accounting of National Taiwan University Adjunct Associate Professor, School of Law of Soochow University; Adjunct Professor, Department of Industrial and Business Management of Chang Gung University; Member of Administrative Appeals Review Committee, Ministry of Finance Member of Disciplinary Committee and the Disciplinary Re-examination Committee for Bookkeeper and Tax Return Filing Agents Doctor of the Science of Law, School of Law, Stanford University, U. S. A.	Independent Director, Mytrex Health Technologies Inc., Supervisor of Taiwan Institute of Economic Research	None	None	None	None



Chart 1 : Major shareholders of the institutional shareholders who are represented by directors

Dec. 31, 2022

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%)

Chart 2 : Major shareholders of the above major shareholders that are juridical persons

Dec. 31, 2022

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

1. Professional Qualifications and Status of Independency of Directors

Jan. 31, 2023

Name	Criteria	Professional qualification and experience	Status of Independency	Number of current positions as independent director of other public companies
Chao-Shun Chang (Chairman)		<p>Chairman Professionally qualified director of bank subsidiary Chairperson of Risk Management Committee</p> <p>He used to be the chairman of many financial institutions such as First Financial Holdings, First Bank, Taiwan Business Bank, and Bank of Overseas Chinese. Since September 2016, he has served as the Chairman of the Company and Mega Bank for more than 6 years. He has accumulated a few dozen years in the banking/financial holding industry, and thus qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 1 and Paragraph 9 (Bank) of "Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company." At the same time, he is qualified as an CPA, and has served as a lecturer in accounting in colleges and universities.</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, finance and accounting, public finance and taxation, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director.</p> <p>Not an employee of the Company or its affiliates.</p>	0

<p>Kuang-Hua Hu (Director and President)</p>	<p>President (executive director) Professionally qualified director of bank subsidiary Member of Risk Management Committee Chairperson of Sustainable Development Committee Chairperson of Group Management Meetings Chairperson of Group AML/CFT Meetings Chairperson of Group Fund Management Meetings Chairperson of Group Information and Digital Business Meetings Chairperson of Group Cross-Selling Meetings</p> <p>He used to be the executive managers of Hua Nan Bank, Bank of Taiwan, Taiwan Cooperative Bank and Taiwan Cooperative Financial Holdings. He has served as the President of the Company and the managing director of Mega Bank for 5 years. He has accumulated nearly 30 years of working experience in the banking/financial holding industry, and thus qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 1 and Paragraph 9 (Bank) of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, finance and accounting, digital finance, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director.</p>	<p>0</p>
<p>Chia-Chung Chen (Director)</p>	<p>Professionally qualified director of bank subsidiary</p> <p>He used to be the executive managers of E-Sun Bank and E-Sun Securities. He has accumulated nearly 20 years of working experience in the banking industry, and thus qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 1 and Paragraph 9 (Bank) of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, digital finance, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director.</p> <p>Not an employee of the Company or its affiliates.</p>	<p>2</p>
<p>Pei-Chun Chen (Director)</p>	<p>Professionally qualified director of securities subsidiary Member of Risk Management Committee</p> <p>She used to be the recommended specialist of Securities and Futures Management Committee and executive managers of Grand Cathay Securities Corporation, Yuanta Core Pacific Securities Co., Ltd., PineBridge Investments Management Taiwan Ltd., and Mega Securities Co., Ltd. She has been the Chairman of Mega Securities and Mega Futures for more than 4 years, and accumulated 27 years of working experience in securities industry, thus qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 1 and Paragraph 9 (Securities) of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, law, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director.</p> <p>Not an employee of the Company or its affiliates.</p>	<p>0</p>

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<p>Yih-Jiuan Wu (Director)</p>	<p>Professionally qualified director of bank subsidiary She used to be the director of Taiwan Financial Holdings and the director and supervisor of Taiwan Academy of Banking and Finance. She is now the Director General of Department of Economic Research, Central Bank of the R.O.C.. She has accumulated more than 20 years of banking finance study and administration experience, and thus qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 1 and Paragraph 9 (Bank) of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company."</p> <p>Professional ability: Financial knowledge, international industry and economics, finance and accounting</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director. Not an employee of the Company or its affiliates.</p>	<p>0</p>
<p>Chia-Chi Hsiao (Director)</p>	<p>He is the Director-General of National Treasury Administration, Ministry of Finance, R.O.C. He has accumulated more than 30 years of public administration and management experience and is capable of managing financial holding companies.</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, finance and accounting, public finance and taxation, digital finance, ESG sustainability, and internal control and audit.</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director. Not an employee of the Company or its affiliates.</p>	<p>0</p>
<p>I-Kan Chiu (Director)</p>	<p>He currently holds an position in occupational safety & health dept. of Mega Bank. He used to be the President of Mega Bank Labor Union. He has accumulated more than 30 years of banking experience, involved in labor-union matters for more than 20 years, and is capable of managing financial holding companies.</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, finance and accounting, labor-related regulations.</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director.</p>	<p>0</p>
<p>Keh-Her Shih (Director)</p>	<p>He has been the deputy executives of important government units such as Yunlin County Government, Executive Yuan, Ministry of Labor, and Office of the President. He is now the Deputy Minister, National Development Council, Executive Yuan, R.O.C.. He has accumulated more than 10 years of public administration and management experience and is capable of managing financial holding companies.</p> <p>Professional ability: Business management, leadership and decision-making, international industry and economics, law, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director. Not an employee of the Company or its affiliates.</p>	<p>0</p>
<p>Hong-Mo Wu (Director)</p>	<p>He used to be the executives of important government units such as Deputy Mayor of Kaohsiung City Government, Minister without Portfolio, Executive Yuan & concurrently Minister, Public Construction Commission, Executive Yuan, Chairman of Taiwan International Ports Corporation, and Minister of Ministry of Transportation and Communications. He is now the Chairman of Chunghwa Post Co., Ltd. He has accumulated more than 20 years of public administration and management experience and is capable of managing financial holding companies.</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, digital finance, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director. Not an employee of the Company or its affiliates.</p>	<p>0</p>



Hui-Chuan Chen (Director)	<p>She used to be the accounting executives of important government units such as Council of Agriculture, Executive Yuan, Ministry of the Justice, Ministry of the Education, Taoyuan City (County) Government, and Judicial Yuan. She is now the Deputy Minister of DGBAS, Executive Yuan. She has accumulated more than 30 years of public administration and accounting experience and is capable of managing financial holding companies.</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, finance and accounting, public finance and taxation.</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>None of the director's spouse, or relatives within the second degree of kinship are also the director.</p> <p>Not an employee of the Company or its affiliates.</p>	0
Ying Wu (Independent Director)	<p>Professionally Qualified Natural-Person Director Chairperson of Audit Committee Remuneration Committee Member Ethical Management Committee Member</p> <p>She used to be the high-level executives, chief auditor, and chairman of First Bank, First Financial Holdings, and First Insurance Agency. Now she is the independent director of Mega Bank. She has more than 40 years of working experience in the banking industry and has expertise in finance and accounting, and is qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 1 of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company ."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, finance and accounting, public finance and taxation, digital finance, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Directors or their spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates: ■None.</p> <p>Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): ■None.</p> <p>Currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): ■None.</p> <p>Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years: ■None.</p> <p>Compliance with the independency requirement of Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>Has not served as an independent director of the Company for more than three terms.</p>	1
Chang- Ching Lin (Independent Director)	<p>Professionally Qualified Natural-Person Director Audit Committee Member Chairperson of Remuneration Committee</p> <p>He is the professor of the department of economics, National Cheng Kung University. He used to teach at the Institute of Economics, Academia Sinica, the department of economics of National Central University, and the department of economics of National Taiwan University. He is capable of managing a financial holding company and being able to manage the business of a financial holding company soundly and effectively, and is qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 3 of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company ."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, public finance and taxation, law, digital finance, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Directors or their spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates: ■None.</p> <p>Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): ■None.</p> <p>Currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): ■None.</p> <p>Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years: ■None.</p> <p>Compliance with the independency requirement of Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>Has not served as an independent director of the Company for more than three terms.</p>	1

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<p>Hung-Ju Chen (Independent Director)</p>	<p>Professionally Qualified Natural-Person Director Audit Committee Member Remuneration Committee Member</p> <p>She is the distinguished professor of department of economics, National Taiwan University. She used to be the director of First Financial Holdings and managing director of First Bank. She is capable of managing a financial holding company and being able to operate the business of a financial holding company soundly and effectively, and is qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 3 of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company ."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Directors or their spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates: ■None. Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): ■None. Currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): ■None. Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years: ■None.</p> <p>Compliance with the independency requirement of Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>Has not served as an independent director of the Company for more than three terms.</p>	<p>0</p>
<p>Tsai-Jyh Chen (Independent Director)</p>	<p>Insurance Professionally Qualified Natural-Person Director Audit Committee Member Ethical Management Committee Member</p> <p>She is the professor, dept. of risk management and insurance of National Chengchi University. She used to be the independent director of Mega Bills Finance. She is capable of managing a financial holding company and being able to operate the business of a financial holding company soundly and effectively, and is qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 3 of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company ."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, finance and accounting, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Directors or their spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates: ■None. Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): ■None. Currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): ■None. Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years: ■None.</p> <p>Compliance with the independency requirement of Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>Has not served as an independent director of the Company for more than three terms.</p>	<p>0</p>
<p>Chi-Chang Yu (Independent Director)</p>	<p>Professionally Qualified Natural-Person Director Audit Committee Member Chairperson of Ethical Management Committee</p> <p>He is the adjunct associate professor /professor of accounting department, college of law, and business administration department of three universities including National Taiwan University. He used to be the judge of district courts and partner of Lee and Li, Attorneys-at-Law. He used to be the independent director of Agriculture Bank of Taiwan and Chang Hwa Bank. He is capable of managing a financial holding company and operating the business of a financial holding company soundly and effectively, and is qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 3 of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company."</p> <p>Professional ability: Business management, financial knowledge, international industry and economics, finance and accounting, public finance and taxation, law, digital finance, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Directors or their spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates: ■None. Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): ■None. Currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): ■None. Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years: ■None.</p> <p>Compliance with the independency requirement of Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>Has not served as an independent director of the Company for more than three terms.</p>	<p>1</p>

Note: Please refer to page 22 for the directors' experience and other current positions.



2. Diversification and Independency of the Board

(1)Diversification of the Board: The Company has made Board diversification policy in Corporate Governance Practice Guideline. The diversification of the Board is considered by corporate operation, operation types and development need. The standards of diversification includes (A) basic conditions (includes gender, age, nationalities and race) and (B) professional knowledge and skills (includes professional backgrounds, professional skills and industry experience). The Company's 8th term of the Board of Directors constitutes 10 seats of directors and 5 seats of independent directors. Members come from the financial industry, government agencies and academia, with professional backgrounds and experiences covering law, accounting, industry, finance, economics, etc. Professional skills include risk management, legal compliance, money laundering prevention, finance, economic analysis, business management, internal control, and industry knowledge. Also, board members generally possess the knowledge, skills and qualities necessary to perform their duties.

The directors who also are the Group's employees are: president Kuang-Hua Hu and director I-Kan Chiu, account for 13% of the Board; There are six female directors, accounting for 40% of the Board, which is better than the original target of 30%. There are one director between the ages of 40 and 49, four between 50 and 59, eight between 60 and 69, and two between 70 to 79 years old. The average age is 61.8 years old, and the average term of office is 2.53 years.

(2)Independency of the Board:

The Company values the independency of directors. The Chairman and President are not the same individual or have relations such as spouses or relatives within the first degree of kinship. Directors also do not have relations as spouses or within the second degree of kinship (in compliance with Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act). Independent directors retain independence qualifications required by the competent authority and they do not serve as directors or independent directors in more than two other companies. All directors serve as directors in not more than two other listed companies.

The Company has set a target of achieving board independency^{Note} by having 80% of board seats filled by directors who meet the independency criteria. In 2022, 93.33% of our directors satisfied the independency criteria. The Chairman Chao-Shun Chang did not concurrently serve as the Company's managerial officers since he took office in September 2016 to the end of 2022 for 6 years and 4 months, meeting the independency criteria. Director Kuang-Hua Hu concurrently serves as the President of the Company and therefore external director independency does not apply.

In compliance with the FSC's Corporate Governance 3.0- Sustainable Development Roadmap and relevant regulations, the Company has a third of its seat or five seats filled by independent directors. The independent directors have not served for more than three terms, and they have served for less than 2.1 years on average.

Note: The independent status of external directors adopts the following criteria. It must satisfy at least 4 items in the following 9 items, and at least 2 items in the first 3 items:

- (1) The director must not have been employed by the company in an executive capacity within the last five year.
- (2) The director and his or her family members must not accept more than US\$60,000 from the company or any of its subsidiary this year and in the past three years. This does not apply to those set forth in SEC Rule 4200.
- (3) The director's family members must not be an executive officer of the company or any of its subsidiary this year and in the past three years.
- (4) The director must not be (and must not have interests with) an adviser or consultant to the company or to the company's senior management.
- (5) The director must not have interests with a significant customer or supplier of the company.
- (6) The director must not have a service agreement with other companies or management of these companies.
- (7) The director must not have interests with a non-profit entity that receives significant contributions from the company.
- (8) The director must not have been a partner or employee of the company's external audit institution during the past three years.
- (9) The director must not have any other conflict of interest to the independent operation of the Board.

3.2.2 President, Executive Vice President, Senior Vice President, and Vice President of each department

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, and Chief Information Security Officer (Note 1)	R.O.C.	Jui-Yun Lin	Female	09/08/2006	213,981	0.00	0	0.00	0	0.00
Executive Vice President	R.O.C.	Yu-Mei Hsiao	Female	02/21/2017	205,000	0.00	0	0.00	0	0.00
Chief Auditor	R.O.C.	Ling-Chiun Lin (Note 2)	Female	03/20/2023	97,778	0.00	0	0.00	0	0.00
Chief Compliance Officer	R.O.C.	Yi-Ming Ko (Note 3)	Female	09/01/2019	223,431	0.00	0	0.00	0	0.00
Chief Secretary of the Board	R.O.C.	Han-Yin Ting	Female	05/23/2017	61,500	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Ming-Chih Lu	Male	03/01/2020	6,625	0.00	0	0.00	0	0.00

March 31, 2023

Experience (education)	Other position	Managers who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
		Secretary of president office of Hua Nan Commercial Bank, Chief Secretary of the Board of Bank of Taiwan, Chief Secretary of the Board / 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	President / Managing Director of Mega International Commercial Bank Co., Ltd. Director of Mega International Investment Trust Co., Ltd. Director of Mega Bank Cultural and Educational Foundation Vice chairman of Mega Charity Foundation, Director of Taipei Financial Center Corp., Director of Financial Information Service Co., Ltd.	None	
MBA, College of Business, Iowa State University					
Tax Officer of National Taxation Bureau of Taipei, Auditor of National Treasury Administration, Ministry of Finance, Section Chief of Taxation Administration, Ministry of Finance, General Manager of Accounting Department, Chiao Tung Bank, Senior Vice President of Treasury Department, Mega Financial Holding Co., Ltd. Supervisor of Taiwan Business Bank Chairman of Chung Kuo Insurance Co., Ltd.	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 Mega Charity Foundation, Director of Mega Management Consulting Co., Ltd.,	None	None	None	None
M.A. in Public Finance, National Chengchi University					
General Manager of Gong-guan/ Brisbane Branch, First Commercial Bank, Chief Secretary of Mega International Commercial Bank Co., Ltd. & Mega Financial Holding Co., Ltd.	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
M.A. in Finance, University of Illinois at Urbana-Champaign, U.S.A.	Director of China Real Estate Management Co., Ltd.				
Vice President of Legal Affairs and General Manager of Compliance Department of Mega International Commercial Bank.		None	None	None	None
B.A. in Law, National Taiwan University					
Executive Vice President of Loan Department of Canada Kuan Hua International Commercial Bank, a subsidiary of Mega International Commercial Bank. Vice President/ Senior Vice President of Chicago Branch/ Los Angeles Branch, Mega International Commercial Bank. Senior Vice President and General Manager of Anti-Money Laundering & Financial Crime Compliance Department.	Chief Compliance Officer of Mega International Commercial Bank Co., Ltd.	None	None	None	None
Master in Law, Southern Methodist University					
Assistant Vice President of Mega International Commercial Bank Co., Ltd. Acting Chief Secretary of Mega International Commercial Bank Co., Ltd.	Chief Secretary of the Board of Mega International Commercial Bank Co., Ltd. Director of Mega Securities Co., Ltd. Director of Overseas Investment & Development Corp. Director of Next Commercial Bank Co., Ltd.	None	None	None	None
B.A. in Finance, National Taiwan University					
Manager/Deputy Vice President of Mega Financial Holding Co., Ltd.	Director of Mega Asset Management Co., Ltd. Director of Mega International Investment Trust Co., Ltd.	None	None	None	None
M.A. in Economics, National Taiwan University					



Corporate Governance Report

Title	Nationality	Name	Gender	Date effective	Shareholding		Spouse & minor children shareholding		Shareholding by nominee arrangement	
					Shares	%	Shares	%	Shares	%
Vice President	R.O.C.	Lan-Jong An	Male	10/01/2020	0	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Chia-Lin Chang	Female	08/01/2020	10,250	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Ing-Jun Kuo (Note 4)	Male	01/01/2022	0	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Hung Tseng (Note 5)	Male	02/01/2022	0	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Chien-An Chen (Note 6)	Male	03/01/2022	35	0.00	0	0.00	0	0.00
Acting Vice President	R.O.C.	Mei-Li Chao (Note 7)	Female	10/31/2022	166	0.00	0	0.00	0	0.00

Note: 1. Mr. Kuo-Pao Chen retired on March 1, 2022.

2. Chief Auditor Ms. Jui-Ying Tsai retired on March 20, 2023. At the same date, Ms. Ling-Chiun Lin succeeded the position as Chief Auditor.

3. Chief Compliance Officer Hui-Lin Wu retired on September 1, 2022. At the same date, Ms. Yi-Ming Ko succeeded the position as Chief Compliance Officer.

4. Mr. Ing Jun Kuo became the Vice President of Information Security Department since January 1, 2022.

5. Mr. Hung Tseng became the Vice President of Compliance Department since February 1, 2022.

6. Mr. Chien-An Chen became the Vice President of Electronic Data Processing Department since March 1, 2022.

7. Senior Vice President Ms. Ching-Yi Li was relieved from the position on October 31, 2022. At the same date, Ms. Mei-Li Chao held the position as Acting Vice President of Treasury Department.

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



March 31, 2023

Experience (education)	Other position	Managers who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
Planning Specialist of Pacific Electricity Wire and Cable Co., LTD. Planning Specialist of TAIFEX, 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. Director of Chung Kuo Insurance Co., Ltd.	None	None	None	None
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. Director of Mega Asset Management Co., Ltd.	None	None	None	None
Assistant Vice President/ Deputy General Manager of Data Processing & Information Department; General Manager of Information Security Department and Chief Information Security Officer, Mega International Commercial Bank Co., Ltd. M.S. in Computer Science, New York Institute of Technology	General Manager of Information Security Department, Mega International Commercial Bank Co., Ltd. Director of Mega Securities Co., Ltd. Director of Mega International Commercial Bank Public Co., Ltd. Director of Financial eSolution Co. Ltd.	None	None	None	None
Deputy General Manager of Compliance Department, Mega International Commercial Bank Co., Ltd. B.A. in International Business/ B.A. in Law, National Taiwan University	General Manager of Compliance Department, Mega International Commercial Bank Co., Ltd. Director of Taiwan Aerospace Corp.	None	None	None	None
Assistant Vice President/ Deputy General Manager of Data Processing & Information Department, Mega International Commercial Bank Co., Ltd. B.S. in Information and Computer Engineering, Chung Yuan Christian University	General Manager of Data Processing & Information Department, Mega International Commercial Bank Co., Ltd. Director of Financial eSolution Co. Ltd. Director of Next Commercial Bank Co., Ltd.	None	None	None	None
Manager of Accounting Department/Da-An Branch of Chiao Tung Bank. Assistant Vice President / Deputy Manager/ Deputy Vice President of Treasury Department. B.A. in Business, National Open University	Supervisor of Mega Asset Management Co., Ltd.	None	None	None	None



3.3 Remuneration for Directors, President, Executive Vice Presidents, and the employee remuneration distributed in 2022

3.3.1 Remuneration of Directors and Independent Directors

Title	Name	Remuneration								Ratio of total compensation (a+b+c+d) to net income (%)	
		Base Remuneration (a)		Severance pay (b)		Compensation 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										
	Chao-Shun Chang										
Director (Representative of Ministry of Finance, R.O.C.)	Kuang-Hua Hu										
	Chia-Chung Chen										
	Yih-Jiuan Wu										
	Chia-Chi Hsiao										
	Chun-Lan Yen										
	Pei-Chun Chen	0	12,781	0	880	91,385	91,385	2,375	4,906	0.51	0.60
	I-Kan Chiu										
Director	National Development Fund										
	Keh-Her Shih										
Director	Chunghwa Post Co., Ltd.										
	Hong-Mo Wu										
Director	Bank of Taiwan										
	Hui-Chuan Chen										
Independent Director	Chang-Ching Lin										
	Ying Wu										
	Hung-Ju Chen	3,600	3,960	0	0	0	0	828	828	0.02	0.03
	Tsai-Jyh Chen										
	Chi-Chang Yu										

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 company article, the compensation for independent directors is decided by Board of Directors base on the involvement of corporate operation, contribution value, and 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 compensation 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 representatives of Ministry of Finance Ms. Chun-Lan Yen was relieved from the position on September 30, 2022. Mr. Chia-Chi Hsiao succeeded the position on November 1, 2022. Ms. Hui-Chuan Chen took the position as the representative of Bank of Taiwan on January 7, 2022.

2. Compensation paid to company drivers for NT\$1,471 thousand is not included in Allowances (d). "Salary, bonuses, and allowances (e)" does not include compensation paid to company drivers for NT\$1,674 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 (%)	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		
				Cash	Stock	Cash	Stock			
7,778	10,137	108	237	0	0	393	0	0.55	0.66	760
0	0	0	0	0	0	0	0	0.02	0.03	0

Directors' remuneration brackets

Bracket	Name of Directors		
	Total of (a+b+c+d)	Name of Directors in the financial report	Total of (a+b+c+d+e+f+g)
	The Company	All companies in the financial report	The Company and all investee companies
Under NT\$ 1,000,000	Chao-Shun Chang, Kuang-Hua Hu, Chia-Chung Chen, Yih-Jiuan Wu, Chia-Chi Hsiao, Chun-Lan Yen, Pei-Chun Chen, I-Kan Chiu, Keh-Her Shih, Hong-Mo Wu, Hui-Chuan Chen, Chang-Ching Lin, Ying Wu, Hung-Ju Chen, Tsai-Jyh Chen, Chi-Chang Yu	Kuang-Hua Hu, Chia-Chung Chen, Yih-Jiuan Wu, Chia-Chi Hsiao, Chun-Lan Yen, I-Kan Chiu, Keh-Her Shih, Hong-Mo Wu, Hui-Chuan Chen, Chang-Ching Lin, Hung-Ju Chen, Tsai-Jyh Chen, Chi-Chang Yu	Chao-Shun Chang, Chia-Chung Chen, Yih-Jiuan Wu, Chia-Chi Hsiao, Chun-Lan Yen, Pei-Chun Chen, I-Kan Chiu, Keh-Her Shih, Hong-Mo Wu, Hui-Chuan Chen, Chang-Ching Lin, Hung-Ju Chen, Tsai-Jyh Chen, Chi-Chang Yu
NT\$1,000,000 ~ NT\$2,000,000		Ying Wu	Ying Wu
NT\$2,000,000 ~ NT\$3,500,000			I-Kan Chiu
NT\$3,500,000 ~ NT\$5,000,000			
NT\$5,000,000 ~ NT\$10,000,000	National Development Fund, Chunghwa Post Co., Ltd., Bank of Taiwan	Chao-Shun Chang, Pei-Chun Chen, National Development Fund, Chunghwa Post Co., Ltd., Bank of Taiwan	Kuang-Hua Hu, Pei-Chun Chen, National Development Fund, Chunghwa Post Co., Ltd., Bank of Taiwan
NT\$10,000,000 ~ NT\$15,000,000			Chao-Shun Chang
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
Total	20	20	20



3.3.2 Compensation of President and Executive Vice President

December 31, 2022; 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 (%)		CC Compensation paid from an invested company other than the company's subsidiary or the parent company	
		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		
								Cash	Stock					Cash
President	Kuang-Hua Hu													
Executive Vice President	Jui-Yun Lin													
	Yu-Mei Hsiao													
	Kuo-Pao Chen													
Chief Auditor	Jui-Ying Tsai													
Chief Compliance Officer	Yi-Ming Ko													
	Hui-Lin Wu													
	Total	12,177	17,008	700	808	9,216	13,706	1,409	0	2,608	0	0.13	0.19	613

Note: 1. Mr. Kuo-Pao Chen retired on March 1, 2022. Chief Compliance Officer Hui-Lin Wu retired on September 1, 2022. Ms. Yi-Ming Ko succeeded the position as Chief Compliance Officer on September 1, 2022. Chief Auditor Ms. Jui-Ying Tsai retired on March 20, 2023. Compensation paid to company drivers totaled NT\$5,721 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 compensated the highest don't need to be disclosed.



Compensation Brackets

Bracket	Name of President and Executive Vice Presidents	
	The Company	Parent company and all invested companies
Under NT\$ 1,000,000	Yu-Mei Hsiao, Kuo-Pao Chen, Yi-Ming Ko	
NT\$ 1,000,000 ~ NT\$ 2,000,000		Kuo-Pao Chen
NT\$ 2,000,000 ~ NT\$ 3,500,000		Yi-Ming Ko
NT\$ 3,500,000 ~ NT\$ 5,000,000	Hui-Lin Wu	Hui-Lin Wu
NT\$ 5,000,000 ~ NT\$ 10,000,000	Kuang-Hua Hu, Jui-Yun Lin, Jui-Ying Tsai	
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	7	7

3.3.3 Employee Remuneration to Managerial Officers

Dec. 31, 2022 Unit: NT\$ thousands

Title	Name	Employee remuneration - in stock	Employee remuneration - in cash	Total	Ratio of total amount to Profit(%)
Executive Vice President	Jui-Yun Lin				
Chief Auditor	Jui-Ying Tsai				
Chief Compliance Officer	Hui-Lin Wu				
Vice President	Ming-Chih Lu				
Vice President	Lan-Jong An				
Vice President	Chia-Lin Chang				
Acting Vice President	Mei-Li Chao				
Total		0	2,944	2,944	0.02

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 Compliance Officer Yi-Ming Ko, Chief Sectary Han-Yin Ting, Vice President Ing-Jun Kuo, Vice President Hung Tseng, and Vice President Chien-An Chen are holding concurrent position thus can't be paid with the Company's employee remuneration.

3.3.4 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 Profit

	2021	2022	Analysis
By the Company	0.61%	0.66%	Total remuneration paid in 2022 by the Company and by all companies in the consolidated financial statements as a percentage of profit increased slightly compared to 2021. Total amounts paid in year 2021 and 2022 are similar with no big difference. However because of the slight decrease of profit in 2022, the percentage slightly increased.
By all companies in the consolidated financial statements	0.77%	0.83%	



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 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 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. Relevant compensations are reviewed and approved by the Remuneration Committee and Board of Directors. The managerial officers' compensations will be disbursed after evaluating the following factors:

- a. The promotion of the Group's ESG plan (including climate change): The Company was selected as a constituent stock of the World Index and the Emerging Market Index on the Dow Jones Sustainability Index (DJSI), becoming the second state-owned financial institution in Taiwan to be included in the DJSI. Also the Company was awarded the Sustainability Report Platinum Award in Taiwan Corporate Sustainability Awards (TCSA), National Sustainable Development Awards from the Sustainable Development Committee of Executive Yuan, and Commonwealth Magazine's Excellence in Corporate Social Responsibility Awards. The Company has aggressively introduce the ISO management system and sustainability related standards, followed international standards and initiatives, and establish sustainable eco system to expand sustainable influences by all dimensions.
- b. Total shareholder return: In 2022, the TSR is -10.18% because of the underperforming financial environment and continuous pandemic, compared to 24.18% in 2021. For shareholders, the annual capital return is relatively worse.

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

The Company's unconsolidated profit for the year 2022 decreased by 28.74% compared to 2021. In consideration of operating performance and future risk exposure, the remuneration paid to directors, president and executive vice presidents of the Company and of all companies in the consolidated financial statement decreased by 23.00% and decreased by 23.49%, respectively, compared to 2021. The Company will depend on the actual operation result and relevant laws to review compensation guide line to operate in sustainable manner.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 14 (A) meetings of the board of directors were held in 2022. The attendance rate is 100% (including attendance by proxy.) Attendance of directors is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Chao-Shun Chang (Representative of Ministry of Finance)	14	0	100.00	
Director & President	Kuang-Hua Hu (Representative of Ministry of Finance)	14	0	100.00	
Director	Pei-Chun Chen (Representative of Ministry of Finance)	12	2	85.71	
Director	Yih-Juan Wu (Representative of Ministry of Finance)	12	2	85.71	
Director	Chun-Lan Yen (Representative of Ministry of Finance)	10	0	100.00	Relieved on September 30, 2022. Attendance required: 10.
Director	Chia-Chi Hsiao (Representative of Ministry of Finance)	3	0	100.00	Succeeded on November 1, 2022. Attendance required: 3.
Director	Chia-Chung Chen (Representative of Ministry of Finance)	13	1	92.86	
Director	I-Kan Chiu (Representative of Ministry of Finance)	14	0	100.00	
Director	Keh-Her Shih (Representative of National Development Fund, Executive Yuan)	10	4	71.43	
Director	Hong-Mo Wu (Representative of Chunghwa Post Co., Ltd.)	14	0	100.00	
Director	Hui-Chuan Chen (Representative of Bank of Taiwan)	14	0	100.00	
Independent director	Ying Wu	14	0	100.00	
Independent director	Chang-Ching Lin	14	0	100.00	
Independent director	Hung-Ju Chen	14	0	100.00	
Independent director	Tsai-Jyh Chen	14	0	100.00	
Independent director	Chi-Chang Yu	14	0	100.00	

Other items:

- 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:
 - 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.
 - 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 2022:

Name of Directors	Proposals	Reason for recusals	Involvement in voting
Chairman Chao-Shun Chang, President and Director Kuang-Hua Hu, and Director Pei-Chun Chen	Amendment on the Rules for Annual Assessment of Subsidiaries	The directors listed at left were the stakeholders.	Recusals from discussion and voting
Chairman Chao-Shun Chang and Director I-Kan Chiu	Amendment on employee remuneration standard of the subsidiary Mega Bank	The director listed at left was the stakeholder.	Recusals from discussion and voting
President and Director Kuang-Hua Hu	Amendment on employee remuneration standard of the Company	The director listed at left was the stakeholder.	Recusals from discussion and voting
President and Director Kuang-Hua Hu	Relieving the restriction of non- competition for the directors	The director listed at left was the stakeholder.	Recusals from discussion and voting
Director Pei-Chun Chen	Establishment of rule of employee remuneration and title of the subsidiary Mega Securities	The directors listed at left were the stakeholders.	Recusals from discussion and voting
President and Director Kuang-Hua Hu	The appraisal and increase of remuneration for managerial officers	The director listed at left was the stakeholder.	Recusals from discussion and voting
Chairman Chao-Shun Chang, President and Director Kuang-Hua Hu, Director Chia-Chung Chen, Director Chun-Lan Yen, Director Pei-Chun Chen, and Independent Director Ying Wu	Disposal of investment in Riselink Venture Capital Corp. of the subsidiaries and its subsidiaries.	The directors listed at left were the stakeholders.	Recusals from discussion and voting
President and Director Kuang-Hua Hu	The performance bonus and employee remuneration for managerial officers and the operating incentive bonus	The director listed at left was the stakeholder.	Recusals from discussion and voting
President and Director Kuang-Hua Hu	Amendment on employee remuneration standard and managerial officers' remuneration of the Company	The director listed at left was the stakeholder.	Recusals from discussion and voting
Chairman Chao-Shun Chang and President and Director Kuang-Hua Hu	Amendment on employee remuneration standard by adding operation allowance of the Company	The director listed at left was the stakeholder.	Recusals from discussion and voting
President and Director Kuang-Hua Hu	Amendment on employee bonus and remuneration distribution rule of the Company	The director listed at left was the stakeholder.	Recusals from discussion and voting
Chairman Chao-Shun Chang, President and Director Kuang-Hua Hu, Director Chia-Chung Chen, , and Independent Director Ying Wu	The subscription of all new shares issued from Mega International Commercial Bank Public Co., Ltd. by the subsidiary Mega International Commercial Bank Co., Ltd.	The directors listed at left were the stakeholders.	Recusals from discussion and voting
President and Director Kuang-Hua Hu	Relieving the restriction of non- competition for the directors	The directors listed at left were the stakeholders.	Recusals from discussion and voting
Director Chia-Chi Hsiao	Appointment of the Director of Mega Bank	The director listed at left was the stakeholder.	Recusals from discussion and voting
President and Director Kuang-Hua Hu, Director Pei-Chun Chen, and Director I-Kan Chiu	Audit plan of 2023	The director listed at left was the stakeholder.	Recusals from 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. The previous external performance evaluation was conducted in 2021. Thus in 2022 the evaluation was conducted internally.

(1) In year 2022:

Brief on the result and evaluation of the Board in year 2022:

- Evaluation period: November 1, 2021 to October 31, 2022 (Continuation from the previous year .)
- Scopes of evaluation: The Board overall, member of the Board, and functional committees.
 - a. The Board overall: Total 5 aspects including 45 evaluation indicators.
 - b. Member of the Board: Total 6 aspects including 23 evaluation indicators.
 - c. Functional committees: Total 5 aspects including 24 evaluation indicators on Audit Committee, Remuneration Committee, and Ethical Management Committee respectively.
- Measures of Evaluation: Self-evaluation questionnaires completed by the Board members and functional committee members. The quantitative part was completed by the unit responsible for Board meeting matters.
- Evaluation Results: All indicators of the three main evaluation dimensions were 100% reached. Evaluation result was "advanced." ^{Note}
- Use of evaluation results: The evaluation results will be used as a reference for nominating director candidates during the next director election.

The evaluation result has been reported to the 22nd meeting of the 8th term of Board of Directors on January 31, 2023.

Note: The internal performance evaluation results were summarized by following the evaluation criteria set forth in Article 9 of the Board Performance Evaluation Rules as follows:

- a. The Board and the functional committees: The evaluation result is "above standard" when 90% or above indicators are reached, "standards-compliant" when 80% or above and under 90% are reached, "to be strengthened" when under 80% are reached.
- b. Member of the Board: The evaluation result is "above standard" when 90% or above indicators are circled as 3, 4 or 5, "standards-compliant" in the scenario of 80% or above and under 90%, "to be strengthened" in the scenario of under 80%.

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(2) In year 2021:

In 2021, EY Business Advisory Services Inc. was appointed to conduct external performance evaluation. The EY team include the Chair- man Andrew Fuh (CPA), General Manager Tony Chang (CPA), Executive Vice President Roger Tseng (CPA), and partner lawyer Kuang- Wei Chueh. The institution as a whole has professional talents and experience in improving corporate governance and the effectiveness of the board of directors. In recent years, it has continued to provide trainings related to the performance evaluation of the board of directors. The institution has served multiple industries, of which no specific corporation that has business with the Company, thus qualified with the standards of professionalism and independency of external evaluation institution.

a. Evaluation measures, the result, and the use of result:

- Evaluation period: November 1, 2020 to October 31, 2021.
- Aspects of evaluation: Structure, People, Process and Information.
- Contents of Evaluation: Board structure and procedures, member composition, institutional and organizational structures, roles and esponsibilities, behavior and culture, director training and development, risk control and supervision, and reporting/disclosure and performance supervision.
- Measures of Evaluation: Document review, self-evaluation questionnaires (all directors), and individual interviews (4 directors).
- Evaluation Criteria: Basic (having met the basic legal requirements of the competent authority), Advanced (having met the basic legal requirements of the competent authority and adopted effective practices or taken initiatives to improve performance in this aspect), or Benchmark (having met the basic legal requirements of the competent authority and exhibited role-model practice).
- Evaluation Results: The Company was evaluated as having "advanced" performance in three main dimensions.

The internal performance evaluation results were summarized by following the evaluation criteria set forth in Article 9 of the Board Performance Evaluation Rules and using the qualitative metrics provided by EY Business Advisory Services Inc. for the self-evaluation questionnaire for all directors, as well as the quantitative metrics calculated by the agenda working group. The scope of evaluation included the board as a whole, individual directors, and functional committees. The evaluation results indicated "above average" performance.

- Use of evaluation results: The evaluation results will be used as a reference for nominating director candidates during the next director election.

b. Recommendations and improvement plans:

Recommendations from external experts:	Improvement plans	Execution Status
(1) Expand the scope of diversification policy further to include the development focuses of business strategies to keep pace with corporate governance trends.	The Company will amend articles about board diversification and professional competency in its Corporate Governance Best Practice Principles.	Amended Article 31 of Rule of Corporate Governance Practice regarding the diversity and scope of professional skills on March 15, 2022.
(2) Hire or invite external experts to host training courses for directors.	Training courses will be organized as needed, depending on the continuing education status of directors, to develop different communication platforms where board members will have more opportunity to engage in strategic exchange of opinions, interact with each other in greater depth, and forge deeper trust with one another.	In 2022, the Company conducted group training courses for directors as follows: 1. September 27, 2022: The challenges of financial disclosure related to climate change (TCFD) of financial industry; 2. September 29, 2022: "Prevention of insider trading, integrity management and internal material information" educational training; 3. October 6, 2022: Information security lecture for Group directors and supervisors.
(3) Continue to evaluate the impact of ESG activities on business and financial performance.	The Company has forwarded this recommendation to its Sustainable Development Committee, requesting the committee to continue to improve the Group's ESG and sustainable development practice and to regularly report it to the Board of Directors.	The Group continues to deepen ESG practice, hoping to drive suppliers and customers to pay more attention to ESG, and then better grasp the potential ESG risks of investment or credit positions, and at the same time enhance the trust of investors, which will help the company's business and financial performance. Relevant improvements are summarized as follows: 1. The Company incorporates the ESG performance indicators of subsidiaries into the "Subsidiary Annual Assessment Rules" and executed after approval by the Board of Directors, and regularly reviews performance. 2. The Sustainable Finance Working Group submits the "Green Finance Action Plan 2.0" to the Sustainable Development Committee for following management on a quarterly basis.

The evaluation result has been reported to Board of Directors on February 22, 2022.



4. Goals to strengthen the function of the Board (ex. setting up Audit Committee, increase information transparency, etc.) 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 11 times in 2022.
- (2) In order to further enhance the transparency of information, the Company's website has a "Corporate Governance" section, "Investor Relations" section and "Sustainability" section to provide information in Chinese and English on financials, business and corporate governance of the Company. In order to strengthen the communication channel with stakeholders, the company website has a "Stakeholders" section to provide stakeholders with a transparent and effective communication channel to the Company, in order to pursue sustainable business operations.
- (3) 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, crisis handling, 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 of 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 of the subsidiaries to allow them familiar with 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, ESG, 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.

3.4.2 Audit Committee Meeting

The forth Audit Committee was constituted by five independent directors. Their focus includes reviewing financial reports, evaluating internal control system effectiveness (including legal compliance and the improvement situation for internal and external audit opinions), and the mandate and the fee paid to the CPA of the Company.

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The Company's Audit Committee held 11 (A) meetings in 2022, with the following attendance:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Ying Wu	11	0	100%	
Independent Director	Chang-Ching Lin	11	0	100%	
Independent Director	Hung-Ju Chen	11	0	100%	
Independent Director	Tsai-Jyh Chen	11	0	100%	
Independent Director	Chi-Chang Yu	11	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' objection/qualified opinion or material suggestion, resolution of the Audit committee, 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 of the Audit Committee	Agenda	Items related to Independent directors' objection/qualified opinion or material suggestion	Resolution	Response to Audit Committee's opinions
January 4, 2022	The 4 th meeting of the 4 th term	Reviews of the appointment of the external auditor of the 2022 financial statements	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
January 4, 2022	The 4 th meeting of the 4 th term	Reviews of the amendment of internal control implementation guideline of the Company	N.A.	Agenda was passed as proposed with the amendment of the below three items: 1. Deletion of "and subsidiaries" of Article 6. 2. Amendment of wording regarding the Company of Article 7, Section 1. The amendment of "the Company" to "Company" in two section of the same Article. 3. Amendment of Article 25 in amendment comparison chart explaining the reference of Securities and Exchange Act.	The proposal has been submitted to and approved by the Board of Directors.
March 8, 2022	The 5 th meeting of the 4 th term	Review of the Company's 2021 financial statements	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
March 8, 2022	The 5 th meeting of the 4 th term	Review of the 2021 Internal Control Statement	N.A.	Agenda was passed as proposed with the deletion of "improvement measures" on page 76.	The proposal has been submitted to and approved by the Board of Directors.
April 12, 2022	The 6 th meeting of the 4 th term	Review the proposal of issuing new shares by capital increase out of earnings in 2021	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors
April 12, 2022	The 6 th meeting of the 4 th term	Review the proposal of relieving the non-competition restrictions for the directors	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors
April 12, 2022	The 6 th meeting of the 4 th term	Review the amendment on Procedures of Procurement or Disposal of Asset	N.A.	Agenda was passed as proposed with the amendments on the below 6 items: 1. Deletion of the word "start" in proposal explanation 1. 2. The FSC Order No. 1110380465 on page 57 is moved to page 1 of Annex 1; 3. Paragraph 2 of Article 6 is renumbered as Article 6-1; 4. In the proviso of Item 5 of Article 13, "but the company and its subsidiaries" is changed to "but the company and its subsidiaries"; 5. In Article 25, item 1, adding "the upper limit of loss from engaging in derivatives transactions of total or individual contract losses" in accordance with foreign regulations; 6. Article 32 is amended as "The processing procedure is approved by the Audit Committee, submitted to the Board of Directors for approval, and submitted to the Shareholders' Meeting for approval before implementation. The same is applied for amendments."	The proposal has been submitted to and approved by the Board of Directors.



Date of Audit committee	Term/No. of the Meeting of the Audit Committee	Agenda	Items related to Independent directors' objection/qualified opinion or material suggestion	Resolution	Response to Audit Committee's opinions
August 16, 2022	The 9 th meeting of the 4 th term	Review of the Company's 2022 Q2 financial statements	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
September 17, 2022	The 10 th meeting of the 4 th term	Review of the subscription of shares issued by Chung Kuo Insurance Co., Ltd.	N.A.	Agenda was passed as proposed with the amendment of the below 4 items: 1. The industry-related data on pages 8-9 of the agenda have been changed, and it is recommended to delete them; 2. Supplementary explanation on page 10 of the agenda regarding the pricing date is based on the resolution of the Board of Chung Kuo Insurance; 3. On pages 11 and 24 of the agenda, it is suggested that the estimated amount of RBC in the future should be revised to more than 200%; 4. On page 22 of the agenda, strengthening product development and risk control mechanisms are added.	The proposal has been submitted to and approved by the Board of Directors.
October 4, 2022	The 11 th meeting of the 4 th term	Review of the change of treasury manager and accounting manager.	N.A.	Agenda was passed as proposed with some amendments.	The proposal has been submitted to and approved by the Board of Directors.
November 15 2022	The 12 th meeting of the 4 th term	Review of the 2023 internal audit plan	N.A.	Agenda was passed as proposed with amendment of the wording in the audit plan and the below: 1. Common audit item 3: Add "Implementation status of digital finance;" 2. Page 120(3)Last paragraph of the agenda: Delete "only one addition is allowed"	The proposal has been submitted to and approved by the Board of Directors.
December 15, 2022	The 13 th meeting of the 4 th term	Review of the issuance of new shares for capital increase of the Company	N.A.	Agenda was passed as proposed with amendment of the three items below: 1. Add the relevant description of the company's amount of capital; 2. Supplementary to item 3 on page 20 about Chung Kuo Insurance and the Company's capital increase schedule; 3. Supplement the BIS ratio data of Mega Bills to the end of 2025.	The proposal has been submitted to and the Board of Directors and changed as report case. It will be another discussion after obtaining consent from Ministry of Finance.
December 15, 2022	The 13 th meeting of the 4 th term	Review of the change of Chief Auditor of the Company	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
December 19, 2022	The 14 th meeting of the 4 th term	Review of the subscription of new shares issued by Chung Kuo Insurance	N.A.	Agenda was passed as proposed with below supplement: 1. Add the calculation description of the adjusted book value per share of NTD 18.27; 2. Add the statement that the reasonableness of the price has been issued by the CPA.	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 except stated above.

2. Recusals of independent directors due to conflicts of interests: None.

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 Auditing Office of the Board of Directors (the 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 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 submits its internal audit report after their internal audit to the independent directors and the Audit Committee.
- The Auditing Office compiles deficiencies of the Group's internal control system and the status of corrections periodically each year and asks independent directors to hold the internal control deficiency symposium to review the deficiencies.

Corporate Governance Report

Date	Term/No. of the Meeting	Communication subjects	Communication result and responsive action
January 4, 2022	Symposium to review the Group's 2021 internal control system deficiencies	Review of the Group's internal control system deficiencies: Instructions from the Independent Directors 1. Regarding the case of Chung Kuo Insurance being fined for the lack of management e-commerce system, the competent authority has recently paid special attention to information security issues, hence the general manager of Chung Kuo Insurance is requested to pay more attention to this matter. 2. Regarding the deficiency of information operation of Mega Securities, the Audit Office is requested to strengthen auditing.	The meeting minute is reported to the Board of Director. A formal notice has been sent to subsidiaries to act accordingly.
January 4, 2022	The 4 th meeting of the 4 th term Audit Committee	Report on the deficiencies discovered during special examinations by FSC to subsidiaries and the status of corrections.	It is agreed and noted.
		Regular report on the deficiencies discovered during special examinations to subsidiaries and the status of corrections. Instructions from the Independent Directors: Regarding the deficiency of auto insurance operations of Chung Kuo Insurance, please ask the senior management to require colleagues to operate in accordance with regulations, strengthen education and training, and implement internal control and internal audit.	It is agreed and noted. A formal notice has been sent to the subsidiary to operate correctly .
March 8, 2022	The 5 th meeting of the 4 th term Audit Committee	Report on Auditing Office's operations in the second half of 2021	It is agreed and noted with amendment as the committee members suggested regarding some deficiencies.
		Review of 2021 Internal Control Statement	It is passed as proposed with deletion of some wordings.
April 12, 2022	The 6 th meeting of the 4 th term Audit Committee	Regular report on the deficiencies discovered during special audits for the Company and subsidiaries and the status of corrections.	It is agreed and noted with amendment as the committee member suggested regarding improvement status of some deficiencies.
July 5, 2022	The 8 th meeting of the 4 th term Audit Committee	Regular report on the deficiencies discovered during special audits for the subsidiaries and the status of corrections.	It is agreed and noted with amendment as the committee member suggested regarding improvement status of some deficiencies. Act accordingly.
August 16, 2022	The 9 th meeting of the 4 th term Audit Committee	Improvement status of the inspection opinion from FSC's full-scope examination report.	It is agreed and noted.
		Report on Auditing Office's operations in the first half of 2022.	It is agreed and noted with amendment on wordings as per the committee members suggested. The amendment was done accordingly.
October 4, 2022	The 11 th meeting of the 4 th term Audit Committee	Regular report on the deficiencies discovered during special audit for the Company and subsidiaries and the status of corrections.	It is agreed and noted with amendment on wordings of improvement status as the committee members suggested. Act accordingly.
November 15, 2022	The 12 th meeting of the 4 th term Audit Committee	Proposal of the holding way of annual symposium and setting agendas to hold year 2022 Symposium to review the Group's internal control system deficiencies.	It is agreed and noted.
		Report on evaluation results of subsidiaries audit units' performance in 2022.	It is agreed and noted.
		Proposal of the Company's audit plan of 2023. Resolution: Add audit item and amend wordings of the audit plan.	Amended and approved. The amended proposal has been reported to the Broad of Directors.

(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 8, 2022	<ol style="list-style-type: none"> 1. Report of auditing result of the 2021 consolidated financial statements and internal control. 2. Audit explanation for 2021 compliance and contingency item of Mega Bank's overseas branches and subsidiaries. 3. Key audit matters and the audit plan and procedures for 2022 consolidated financial statements. 4. Audit plan for 2022 financial statements. 5. Impacts from material laws, regulation and interpretive of the authority in connection with financial reports. 	<ol style="list-style-type: none"> 1. The 2021 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 directors is done.
May 17, 2022	<ol style="list-style-type: none"> 1. Report of reviewing result of the first quarter of 2022 consolidated financial statement. 2. Explanation of subsequent event of Chung Kuo Insurance for the first quarter of 2022. 3. Impacts from material laws, regulation and interpretive of the authority in connection with financial reports. 	<ol style="list-style-type: none"> 1. The first quarter of 2022 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 directors is done.
August 16, 2022	<ol style="list-style-type: none"> 1. Report of auditing result of the first half of 2022 consolidated financial statement and internal control. 2. Communication of key audit items and other financial report matters of first half of 2022 consolidated financial statement. 3. Explanation of subsequent item of the first half of 2022 regarding subsidiary Mega Bank. 4. Explanation of the COVID-19 insurance indemnity reserve Chung Kuo Insurance of the first half of 2022. 5. Impacts from material laws, regulation and interpretive of the authority in connection with financial reports. 	<ol style="list-style-type: none"> 1. The first half of 2022 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 directors is done.
November 15, 2022	<ol style="list-style-type: none"> 1. Report of reviewing result of the third quarter of 2022 consolidated financial statement. 2. Explanation of the COVID-19 insurance indemnity reserve Chung Kuo Insurance of the third quarter of 2022. 3. Explanation of subsequent event of Mega Bank and Chung Kuo Insurance for the third quarter of 2022. 4. Impacts from material laws, regulation and interpretive of the authority in connection with financial reports. 	<ol style="list-style-type: none"> 1. The first quarter of 2022 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 directors is done.
March 7, 2023	<ol style="list-style-type: none"> 1. Report of auditing result of the 2022 consolidated financial statements and internal control. 2. Explanation of the COVID-19 insurance indemnity reserve Chung Kuo Insurance of year 2022. 3. Explanation of subsequent event of Chung Kuo Insurance for the year 2022. 4. Audit strategy, timeline and plan for 2023 financial statements 5. Update on indecency policy: explanation on the impact of amendment on articles of IESBA Code regarding non-certifying service. 6. Impacts from material laws, regulation and interpretive of the authority in connection with financial reports. 	<ol style="list-style-type: none"> 1. The 2022 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 directors is done.

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

The Corporate Governance Best Practice Principles and relevant regulations has been disclosed on the Company's website. Please see <https://www.megaholdings.com.tw/tc/regulation.aspx?pn=1>.

3.4.4 Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for Financial Holding Companies"

Corporate Governance Report

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 for replying to shareholders. Suggestions and questions raised by shareholders shall be handled in accordance with these Procedures. 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 internal personnel 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) Does the board have a diversity policy, specific management objectives and implementation?	V		Article 31 of the Company's "Corporate Governance Best Practice Principles" specifies the standards for the diversity and professionalism of the Board of Directors. Since 2016, information related to the diversity of the Board of Directors has been disclosed in the annual report, the Company's website and the ESG report.	None
(2) Other than the Remuneration Committee and Audit Committee which are required by law, does the company voluntarily set up other functional committees?	V		Other than the Remuneration Committee and Audit Committee, the Company has set up a Risk Management Committee, Sustainable Development Committee, and Ethical Management Committee, which monitors the promotion and implementation of the Group's risk management, ESG goals, and ethical management respectively.	None
(3) If listed financial holding companies set up the evaluation guideline and method for the performance of the Board and conduct the evaluation annually? Also if the listed financial holding companies 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 passed "Board of Directors Performance Evaluation Rules" on November 24, 2015, which has been revised four times since then. On July 26, 2022, some articles of the said Rules was amended at the 4th time. The Article 4 of the Rules set up the evaluation scope and method. Article 7 and 8 of the Rules set up the evaluation procedures and benchmarks. The Company conducts performance review each year since 2016. The evaluation results were all reported to the Board and formally sent to the institutional shareholder Ministry of Finance and Remuneration Committee for the reference for re-appointment and compensation of each director.	None
(4) Does the company regularly evaluate its external auditor's independency?	V		The Audit Committee assesses the independence of its external auditor regularly (at least once a year.) The assessment items include: No direct/indirect financial benefits between the 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; and the independence declaration from the external auditor is obtained to verify if he/she is not the related party under Article 45 of Financial Holding Company Act and Article 206 of the Company Act. The assessment result will be reported to the Board of Directors. Also, while mandating the CPA for 2023 audit, relevant AQI information was obtained from PricewaterhouseCoopers to provide to Audit Committee as the reference of CPA mandate evaluation. The content was fully communicated with PricewaterhouseCoopers and submitted to Board of Directors.	None



<p>3. Does the company assign corporate governance manager and allocate adequate number of qualified personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for directors and supervisors, assisting the directors and supervisors to follow relevant laws, handling matters relating to Board meetings and shareholders' meetings by laws, formulating minutes of board meetings and shareholders meetings, etc.)</p>	V	<p>Ms. Jui-Yun Lin, Executive Vice President of the Company has been designated as the Chief Corporate Governance Officer in the 10th meeting of the 7th term of Board of Directors held on March 26, 2019. Ms. Lin has served as the Vice President of treasury department for over 3 years, and thus is qualified for the Chief Corporate Governance Officer 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, providing information required for performance of duties by the directors, and assisting the directors' compliance of law. The Chief Corporate Governance Officer's 2022 training is listed as follows:</p> <table border="1" data-bbox="608 667 1230 1460"> <thead> <tr> <th>Date</th> <th>Training Agency</th> <th>Course</th> <th>Training Hours</th> <th>Total Hours</th> </tr> </thead> <tbody> <tr> <td>March 9, 2022</td> <td>Taiwan Independent Director Association</td> <td>ESG climate risk management - application and development trend of hedging financial commodities</td> <td>3.0</td> <td rowspan="14">39.5</td> </tr> <tr> <td>May 12, 2022</td> <td>Taiwan Stock Exchange/ Alliance Advisors/Taiwan Corporate Governance Association</td> <td>International Double Summit Online Forum New Vision of Digital Transformation</td> <td>2.0</td> </tr> <tr> <td>June 24, 2022</td> <td>Taiwan Corporate Governance Association</td> <td>Audit Committee Advanced Practice Sharing - Towards 3.0 (Best Practices for Audit Committee Convenors)</td> <td>3.0</td> </tr> <tr> <td>July 7, 2022</td> <td>Taiwan Corporate Governance Association</td> <td>Net-zero carbon reduction path for listed companies</td> <td>1.0</td> </tr> <tr> <td>August 31, 2022</td> <td>Taiwan Corporate Governance Association</td> <td>New Vision of Digital Transformation</td> <td>1.0</td> </tr> <tr> <td>September 29, 2022</td> <td>Mega Financial Holding Corp. 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<p>4. Has the company established a V 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?</p>	V	<p>Under the sustainability section 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 employees/ labor union: phone calls, emails, and employee-related meetings/committees including employee benefit committee, occupation safety committee, labor-management meetings, and retirement fund provision supervision committee. 2. With customers: Customer service and hotlines for filing complaints, and investment seminars, customer satisfaction survey, e-news and investment research reports. 3. With shareholders/investors: Annual report, business report, Market Observation Post System, Company's website, shareholders' meeting, and institutional investors meeting. 4. With the government and competent authority: Visits, official letters, phone calls, and online registration, among others. 5. With suppliers: phone calls, emails, project communication meetings, sustainability self-evaluation survey, supplier general meeting, among others. 6. With the media: press conferences, issuance of news letters or material information, participation in relevant evaluation. 7. With the community/schools/nonprofit organizations: meetings, volunteer service, charity events, among others. 	None																																																														

Corporate Governance Report

5. Information disclosure																						
(1) Has the company established V 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 financial holding V company use other information disclosure channels (e.g. maintaining an English- language website, designating staff to collect and disclose the financial holding company's information, 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 disclosed information, the Company designates dedicated personnel to collect and disclose the Company's information, and appoints spokesperson to solely make external statements. In 2022, aside from holding 2 online investor conferences and attending 6 investor roadshows hosted by foreign securities firms, the Company held 256 one-on-one investor meetings, video conference, and conference calls with local and overseas institutional investors, and. 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	The quarterly consolidated financial reports of the Company are disclosed and registered before the deadline. The announcement and reporting deadlines and dates for the 2022 consolidated financial statements are as follows:	None																			
		<table border="1"> <thead> <tr> <th data-bbox="681 934 762 1043">Quarter</th> <th data-bbox="762 934 919 1043">Disclose and register deadline</th> <th data-bbox="919 934 1000 1043">Date of disclose and register</th> <th data-bbox="1000 934 1300 1043">Note</th> </tr> </thead> <tbody> <tr> <td data-bbox="681 1043 762 1153">First quarter of 2022</td> <td data-bbox="762 1043 919 1153">Within 60 days after end of the quarter (first quarter: Before May 29; Second quarter: Before November 29)</td> <td data-bbox="919 1043 1000 1153">May 26, 2022</td> <td data-bbox="1000 1043 1300 1153" 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 after quarter end.</td> </tr> <tr> <td data-bbox="681 1153 762 1263">Third quarter of 2022</td> <td data-bbox="762 1153 919 1263"></td> <td data-bbox="919 1153 1000 1263">November 23, 2022</td> </tr> <tr> <td data-bbox="681 1263 762 1328">Second quarter of 2022</td> <td data-bbox="762 1263 919 1328">Within 2 months after second quarter (Before August 31)</td> <td data-bbox="919 1263 1000 1328">August 29, 2022</td> <td data-bbox="1000 1263 1300 1328"></td> </tr> <tr> <td data-bbox="681 1328 762 1570">Year 2022</td> <td data-bbox="762 1328 919 1570">Within 75 days after accounting year end (Before March 16)</td> <td data-bbox="919 1328 1000 1570">March 14, 2023</td> <td data-bbox="1000 1328 1300 1570">According to Article 3 of Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies, starting from the 2022 fiscal year, listed companies with a paid-in capital of NT\$10 billion or more, their Announcement and filing of the annual financial report shall not be later than 75 days after the end of the fiscal year.</td> </tr> </tbody> </table>	Quarter	Disclose and register deadline	Date of disclose and register	Note	First quarter of 2022	Within 60 days after end of the quarter (first quarter: Before May 29; Second quarter: Before November 29)	May 26, 2022	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 after quarter end.	Third quarter of 2022		November 23, 2022	Second quarter of 2022	Within 2 months after second quarter (Before August 31)	August 29, 2022		Year 2022	Within 75 days after accounting year end (Before March 16)	March 14, 2023	According to Article 3 of Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies, starting from the 2022 fiscal year, listed companies with a paid-in capital of NT\$10 billion or more, their Announcement and filing of the annual financial report shall not be later than 75 days after the end of the fiscal year.	
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		The Company upload relevant information on the operation of the previous month to the MOPS, including revenue, guarantee amount, loan amount, derivative transactions before the 10th of each month.																				
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)?																						
(1) Employee rights, employee V wellness, investor relations, rights of stakeholders	V	(1)Employee rights, employee wellness: Please refer to "Implementation of Sustainable Development" on page 58 and "Labor Relation" on page 149. (2)Investor relations: The Company has established an "Investor Relations 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. (3)Rights of Stakeholders: Please refer to the Company's 2022 Sustainability Report and page 58 of this annual report.	None																			
(2) Directors' training records	V	Please refer to page 54 of this annual report.	None																			



(3) Implementation of risk management policies and risk measurement criteria	V	Per the competent authority's requirement, the Company has set up "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, other emerging risks, 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. Regarding emerging risks, the Company has enacted "Mega Financial Holding Climate Risk Management Guidelines" to enhance the financial disclosure information of the Company and its subsidiaries under the scope of climate risk, strengthen the climate risk management mechanism, and reduce the impact of climate change risks.	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 2022 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 and its subsidiaries does not make donations to political parties. The donation to Mega Charity Foundation, by Mega International Commercial Bank, Mega Securities, Mega Bills Finance, Chung Kuo Insurance, Mega International Investment Trust, and Mega Assets Management amounted to NT\$10 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\$9,653 thousand in 2022.	None
7. The improvement status and unimproved items with prioritized reinforcement for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange	V	<p>With regard to the 9th (2022) corporate governance evaluation results, those already improved and those pending improvements are as follows:</p> <p>(1) Improved items:</p> <p>a. Indicator 2.27 "Is it imported from Taiwan Intellectual Property Management System (TIPS), ISO 56005 or similar intellectual property management system standards, and has it been verified or checked by a third party?": In 2022, Mega Bank introduced the Taiwan Intellectual Property Management System (TIPS) A-level certification.</p> <p>(2) Unimproved items with prioritized reinforcement:</p> <p>a. Indicator 2.29 "Has the company had a major violation of the internal control system, resulting in major losses or serious punishment by the competent authority?": Strengthen legal compliance and audit measures to reduce the occurrence of negative penalties.</p>	None

Corporate Governance Report

Directors' training records in 2022

Title	Name	Date	Training Agency	Course	Training Hours
Chairman	Chao-Shun Chang	January 14, 2022	Mega International Commercial Bank	Circular Economy and Sustainable Classification Standards under ESG	3.0
		March 24, 2022	Mega International Commercial Bank	Sharing of Banks' Fair Customer Treatment and Ethical Culture"	3.0
		September 6, 2022	Mega International Commercial Bank	AML/CFT education and training	2.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		September 29, 2022	Mega Financial Holding Corp. Ltd.	Prevention of Insider Trading, Ethical Management And Internal Material Information Education and Training	2.5
		September 30, 2022	Taiwan Academy of Finance	2022 International FinTech Forum - Risk Management for Digital Transformation	3.5
		October 6, 2022	Mega Financial Holding Corp. Ltd.	Information Security Lecture for Group Directors and Supervisors	3.0
		October 21, 2022	Securities & Futures Institute	2022 Annual Insider Trading Prevention Promotion Conference	3.0
Director & President	Kuang-Hua Hu	January 5, 2022	Mega International Commercial Bank	Net Zero Transformation Mega Join Alone ESG Lecture	3.0
		March 24, 2022	Mega International Commercial Bank	Sharing of Banks' Fair Customer Treatment and Ethical Culture"	3.0
		June 30, 2022	Mega Financial Holding Corp. Ltd.	2022 Information Security Awareness Education Training	1.0
		July 7, 2022	Taiwan Academy of Finance	2022 International Fintech Forum - Business Opportunities and Challenges of Cross-border Financial Services	3.5
		July 8, 2022	Mega International Commercial Bank	AML/CFT education and training	2.0
		August 19, 2022	Taiwan Academy of Finance	2022 Green Finance Leaders Roundtable Forum - Using finance to support industrial transformation to reduce carbon and achieve net zero	3.0
		September 6, 2022	Mega International Commercial Bank	AML/CFT education and training	2.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		September 29, 2022	Mega Financial Holding Corp. Ltd.	Prevention of Insider Trading, Ethical Management And Internal Material Information Education and Training	2.5
		September 29, 2022	Mega International Commercial Bank	Net Zero Transformation Mega Join Alone ESG Lecture	2.5
		September 30, 2022	Taiwan Academy of Finance	2022 International FinTech Forum - Risk Management for Digital Transformation	3.5
		October 6, 2022	Mega Financial Holding Corp. Ltd.	Information Security Lecture for Group Directors and Supervisors	3.0
		November 8, 2022	Training Institute, Minister of Finance	2022 Corporate Governance Lecture of Ministry of Finance.	3.0
Director	Chia-hung Chen	January 14, 2022	Mega International Commercial Bank	Circular Economy and Sustainable Classification Standards under ESG	3.0
		February 16, 2022	Securities & Futures Institute	Risks and Opportunities of Climate Change and Net-Zero Policies to Business Operations	3.0
		February 17, 2022	Securities & Futures Institute	Key Technologies And Business Opportunities of Quantum Technology	3.0
		March 24, 2022	Mega International Commercial Bank	Sharing of Banks' Fair Customer Treatment and Ethical Culture"	3.0
		July 8, 2022	Mega International Commercial Bank	AML/CFT education and training	2.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		September 29, 2022	Mega Financial Holding Corp. Ltd.	Prevention of Insider Trading, Ethical Management And Internal Material Information Education and Training	2.5
		October 6, 2022	Mega Financial Holding Corp. Ltd.	Information Security Lecture for Group Directors and Supervisors	3.0
Director	Pei-Chun Chen	September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		October 17, 2022	Greater China Financial and Economic Development Association	Financial Statements And Implication Value of ESG Strategic Investment	3.0
		October 19, 2022	Greater China Financial and Economic Development Association	Improving The Functions of Directors And Implementing The Company's Sustainable Governance	3.0
Director	Yih-Juan Wu	July 6, 2022	Securities & Futures Institute	Circular Economy Benefits and Its Business Model	3.0
		July 14, 2022	Securities & Futures Institute	Global Risk Perception - Opportunities and Challenges in the Next 10 Years	3.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		September 29, 2022	Mega Financial Holding Corp. Ltd.	Prevention of Insider Trading, Ethical Management And Internal Material Information Education and Training	2.5
		October 6, 2022	Mega Financial Holding Corp. Ltd.	Information Security Lecture for Group Directors and Supervisors	3.0



Director	Chia-Chi Hsiao	September 16, 2022	Taiwan Insurance Institute	Analysis of Fair Customer Treatment	3.0
		November 8, 2022	Training institute, Minister of Finance	2022 Corporate Governance Lecture of Ministry of Finance.	3.0
Director	I-Kan Chiu	August 15&16, 2022	Ministry of Labor	2022 Annual labor director professional knowledge training	8.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		October 6, 2022	Mega Financial Holding Corp. Ltd.	Information Security Lecture for Group Directors and Supervisors	3.0
Director	Keh-Her Shih	May 10, 2022	Securities & Futures Institute	Ethical Management Principle	3.0
		June 7, 2022	Chinese National Association of Industry and Commerce	Analysis on Dispute Cases of Corporate Ownership	3.0
Director	Hong-Mo Wu	April 29, 2022	Taiwan Academy of Banking and Finance	Corporate Governance Forum-Strategic Thinking and Practice of Information Security	3.0
		June 24, 2022	Taiwan Insurance Institute	Analysis of Fair Customer Treatment	3.0
Director	Hui-Chuan Chen	March 10, 2022	Taiwan Stock Exchange	Discussion regarding independent director and 2022 shareholder meeting by international view	1.0
		March 22, 2022	Taiwan Corporate Governance Association	Practice of Handling Information Security Incidents in the post Covid era	2.0
		March 24, 2022	Accounting Research and Development Association	The ESG Sustainability Trend and Management Strategy for global corporates	3.0
		June 2, 2022	Securities and Futures Institute	The Development of Technology and Business Opportunities of Electric Car and AI Car	3.0
		June 13, 2022	Securities and Futures Institute	Challenges And Opportunities of Sustainable Development And the Introduction of Green House Gas Inventory Check	3.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		September 29, 2022	Mega Financial Holding Corp. Ltd.	Prevention of Insider Trading, Ethical Management And Internal Material Information Education and Training	2.5
Independent Director	Ying Wu	January 14, 2022	Mega International Commercial Bank	Circular Economy and Sustainable Classification Standards under ESG	3.0
		March 24, 2022	Mega International Commercial Bank	Sharing of Banks' Fair Customer Treatment and Ethical Culture"	3.0
		July 15, 2022	Mega International Commercial Bank	AML/CFT education and training	2.0
		August 30, 2022	Corporate Operation and Sustainable Development Association	Corporate Governance and Practice of Independent Director Matter	3.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		October 5, 2022	Corporate Operation and Sustainable Development Association	The Way To Sustainable Management-External Innovation	3.0
		October 6, 2022	Mega Financial Holding Corp. Ltd.	Information Security Lecture for Group Directors and Supervisors	3.0
		November 8, 2022	Training institute, Minister of Finance	2022 Corporate Governance Lecture of Ministry of Finance.	3.0
Independent Director	Chang-Ching Lin	July 20, 2022	Accounting Research and Development Foundation	Analysis of The Latest Corporate Governance Policies And Corporate Governance Evaluation Practices	3.0
		July 22, 2022	Accounting Research and Development Foundation	ESG Information Disclosure Trends and Relevant Regulations	3.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
Independent Director	Hung-Ju Chen	January 14, 2022	Taiwan Corporate Governance Association	Competitiveness vs Viability, ESG Trends and Strategies	3.0
		April 15, 2022	Taiwan Corporate Governance Association	Technology Risk And Development Trend of The Cloud Generation	3.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
Independent Director	Tsai-Jyh Chen	March 25, 2022	Securities & Futures Institute	The Latest Development Trend And Countermeasures of International Carbon Tariffs	3.0
		July 22, 2022	Securities & Futures Institute	Emerging Financial Technology Crimes and Money Laundering Prevention from a Company Perspective	3.0
		September 27, 2022	Mega Financial Holding Corp. Ltd.	Challenges The Financial Industry Facing regarding TCFD	1.0
		September 29, 2022	Mega Financial Holding Corp. Ltd.	Prevention of Insider Trading, Ethical Management And Internal Material Information Education and Training	2.5
		October 6, 2022	Mega Financial Holding Corp. Ltd.	Information Security Lecture for Group Directors and Supervisors	3.0
Independent Director	Chi-Chang Yu	August 11, 2022	Taiwan Academy of Banking and Finance	Information Security Governance Lecture - Security Situation under Digital Resilience	3.0
		August 12, 2022	Taiwan Corporate Governance Association	Dialysis on The Regulation And Development Trend of Third-Party Payment	3.0

3.4.5 Operation Status of the Remuneration Committee

A. Members of the Remuneration Committee

December 31, 2022

Identity (note 1)	Criteria		Status of Independency (Note 3)	Number of other public companies where the independent director serves as the remuneration committee member
	Name	Professional qualifications and experience (Note 2)		
Independent Director (Chairperson)	Chang-Ching Lin	<p>Professionally Qualified Natural-Person Director Audit Committee Member Chairperson of Remuneration Committee</p> <p>Professor of the Department of Economics, National Cheng Kung University; Teaching experience at the Institute of Economics, Academia Sinica, the Department of Economics of National Central University, and the Department of Economics of National Taiwan University; Possessing the ability to operate a financial holding company and being able to operate the business of a financial holding company soundly and effectively; Being qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 3 of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company ."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, public finance and taxation, law, digital finance, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Directors or their spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates: ■None.</p> <p>Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): ■None.</p> <p>Currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): ■None.</p> <p>Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years: ■None.</p>	1
Independent Director	Ying Wu	<p>Professionally Qualified Natural-Person Director Chairperson of Audit Committee Remuneration Committee Member Ethical Management Committee Member</p> <p>Experience as high-level executives, Chief Auditor, and Chairman of First Bank, First Financial Holdings, and First Insurance Agency; Current independent director of Mega Bank; More than 40 years of working experience in the banking industry; Expertise in finance and accounting; Being qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 1 of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company ."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, finance and accounting, public finance and taxation, digital finance, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Directors or their spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates: ■None.</p> <p>Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): ■None.</p> <p>Currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): ■None.</p> <p>Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years: ■None.</p>	1



Independent Director	Hung-Ju Chen	<p>Professionally Qualified Natural-Person Director Audit Committee Member Remuneration Committee Member</p> <p>Distinguished Professor of Department of Economics, National Taiwan University; Experience as the Director of First Financial Holdings and Managing Director of First Bank. Possessing the ability to operate a financial holding company and being able to operate the business of a financial holding company soundly and effectively; Being qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 3 of " Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company ."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Directors or their spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates: ■None.</p> <p>Number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person): ■None.</p> <p>Currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): ■None.</p> <p>Compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years: ■None.</p>	0
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Note1: Please list the title as independent director or others. Please note if he/she is the chairperson.

Note2: Professional qualification and experience: Please state the individual independent director's professional qualification and experience.

Note3: Status of independency:

The independence criteria for members of the Remuneration Committee include but not limited to the following: The director or his/her spouse, or relatives within the second degree of kinship are employed as a director, supervisor, or employee of the Company or its affiliates; number of shares and shareholding ratio held by directors, their spouse, or relatives within the second degree of kinship (or held under the name of a third person); currently holding a position as a director, supervisor, or employee of companies with specific relationships with the Company (see Subparagraphs 5–8, Paragraph 1 of Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and compensation received for providing commercial, legal, financial, accounting or related services to the Company or its affiliates in recent two years.

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 20, 2021 to July 19, 2024. In 2021, the Committee held 7 (A)meetings with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairperson	Chang-Ching Lin	7	0	100%	
Member	Ying Wu	7	0	100%	
Member	Hung-Ju Chen	7	0	100%	

Other items:

a. The recommendation of the Remuneration Committee which was not adopted or was modified by the Board of Directors : 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) The Agenda, Resolution, and Response to the Committee's opinions of the Remuneration Committees.

Date and term of Meeting of Remuneration Committee	Agenda	Resolution	Response to Remuneration Committee's opinions
The 3 rd meeting of the 5 th term on February 21, 2022	Review of the proposal to raise 4% of employee salary and following amendment of the standard chart of remuneration	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 4 th meeting of the 5 th term on March 1, 2022	Review of the 2021 directors' compensation and its distribution principles	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 5 th meeting of the 5 th term on April 12, 2022	Review "Employee Salary Principle" of Mega Securities	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 6 th meeting of the 5 th term on May 11, 2022	Review of managerial officer's performance bonus, employee remuneration, and the management bonus	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 7 th meeting of the 5 th term on June 14, 2022	Review the amendment of "the remuneration standard" of the Company	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 8 th meeting of the 5 th term on July 5, 2022	Review the amendment of some articles of the "Evaluation Measures of the Board "	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 9 th meeting of the 5 th term on September 5, 2022	Review the amendment of "Principle of Bonus and Remuneration Distribution "	Agenda was passed as proposed.	The proposal has been submitted to and 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 standards below shall be followed when the Remuneration Committee perform their duties:

- (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 considering 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.

3.4.6 The discrepancies between the Company's implementation of sustainable development and "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies."



Assessment	Implementation status			The discrepancies and its reasons
	Yes	No	Explanation	
1. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (or part-time) unit to promote sustainable development? if board of directors authorize senior managers to handle relevant matters? And the supervision status by the board of directors.	V		1. Governance structure to promote sustainable development: The Company has formulated the "Sustainable Development Best Practice Guidance" and "Sustainable Development Policy" approved by the Board of Directors, and set up a Sustainable Development Committee to promote ESG business. The Committee is chaired by the President of the Company; the Executive Vice President serves as the Executive Director; the Executive Vice Presidents, and two Directors of the Company, and the Presidents of each subsidiary all serve as committee members, for a total of 10 members, to strengthen the supervision function of the committee, and participate in the sustainable management decision-making of the Group.	None
			2. Implementation of each organization (1) The name, setting time and authorization of the Board of Directors for the promotion of sustainable development: The company has set up the "Corporate Social Responsibility Committee" under the Board of Directors since 2013; in January 2021, in response to the international ESG trend, it was officially renamed as "Sustainability Committee"; In January 2022, in response to the revised "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", the company's "Sustainability Committee" was renamed as "Sustainable Development Committee". (2) The formulation, operation, and implementation status of promotion unit: The Sustainable Development Committee has five working groups: environmental sustainability, sustainable finance, employee care, social prosperity and corporate governance. The Company and the four public subsidiaries (Mega Bank, Mega Securities, Mega Bill Finance, and Chung Kuo Insurance) are responsible for its management. Please refer to the Company's 2022 Sustainability Report for detailed operation and annual implementation. (3) The frequency to report to the Board of Directors or the date of reporting to the Board of Directors in the year: The Committee meets once every two months, and at the monthly Board of Directors meeting, reports material ESG matters of previous Sustainable Development Committee meeting.	None
			3. The supervision status by the Board of Directors: The implementation status of the Group's ESG plans and goals in 2022 has been submitted to the Board of Directors in February 2023 to regularly supervise the implementation of the Group's sustainable development. The formulation of the Group's ESG plans and goals in 2023 was approved by the Board of Directors in December 2022, and will be tracked and managed by the Sustainable Development Committee on a quarterly basis. In addition, in February 2022, the Board of Directors approved the Group's sustainable development strategy roadmap, including the sustainable vision, mission, values, goals and strategic axes. For details, please refer to the 2022 Sustainability Report of the Company.	None
2. 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		1. Boundary of Risk Assessment (Scope of Subsidiaries Covered): The risk assessment boundary covers the Company and its seven subsidiaries (Mega Bank, Mega Securities, Mega Bill Finance, Chung Kuo Insurance, Mega Int'l Investment Trust, Mega Asset Management, and Mega Venture Capital.) There is no significant change compared to the previous year. In case of inconsistency in the scope, the detailed category and calculation method will be indicated in the relevant sections.	None

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		<p>2.Criteria and process for identifying and assessing risks associated with material ESG-related issues, results, and risk management policies or strategies:</p> <p>The Company has established "Sustainable Development Best Practice Guidance", "Sustainable Development Policy", and "Operating Procedures for Sustainability Report Preparation and Verification", stipulating that the company shall produce a sustainability report based on the principles of materiality and identify risks associated with ESG-related sustainability issues. In the 2022 Sustainability Report, the Company adopted an analysis of the Materiality Matrix, with axes representing "Impact on the Economy, Environment, People And Human Rights" and "Impact on the Corporate Value". Using the matrix, we identified 14 material topics: "Information Security", "Combate Crime", "Corporate Governance", "Business Ethics", "Economic Performance", "Regulatory Compliance", "Sustainable Finance", "Risk Management", "Customer Relationship", "Digital Innovation", "Climate Action", "Financial Inclusion", "Happy Workplace" and "Social Commitment". The response measures and implementation results are disclosed in the report.</p>	
<p>3. Environment issues</p> <p>(1) Does the company establish proper V environment management systems based on the characteristics of its industry?</p>	<p>V</p>	<p>1.How to enforce an effective environmental management system and the laws on which it is based:</p> <p>As financial service providers, the Group's operation is unlikely to have a significant impact on the environment. The Company nevertheless remains committed to supporting Taiwan's goal of achieving net-zero emissions by 2050. Through the Environmental Sustainability Working Group under the Sustainable Development Committee, the Company develop annual working plans and goals for the Group (including energy and greenhouse gas management, green procurement, supply chain evaluation and management, etc.), complying with the "Sustainable Development Policy", "Sustainable Development Best Practice Principles", and "Procedures for Environmental Sustainability Management". The progress of our goal achievements is reviewed quarterly by the Sustainable Development Committee and Board of Directors to implement the Group's environmental sustainability management.</p> <p>2.The international verification the Company has passed and its scope.</p> <ul style="list-style-type: none"> ●ISO 14001:2015 Environmental Management System: Mega Bank (Chi-Lin Building) has introduced ISO 14001 Environmental Management System in 2017 and obtained the independent third-party verification. From 2022 to 2024, ISO 14001 will be introduced to all operation units. ●ISO 50001:2018 Energy Management System: Mega Bank (Chi-Lin Building) has introduced ISO 50001 in 2021 and obtained the independent third-party verification. In 2022, the Company and the subsidiary Mega Bill Finance, Mega Securities, and Chung Kuo Insurance (Mega Financial, Mega Heng-Yang, Mega Securities, and Mega Insurance Buildings) introduced ISO 50001 in September and obtained the independent third-party verification. ●ISO 14064-1 :2018 GHG Inventories: It has been introduced since 2016. In 2020, new ISO 14064 has been introduced to all domestic operation units, and 100% of them have passed the third-party verification. In 2021 oversea operation units join the trial inventory check and the scope 3 inventory check has expanded. In 2022 all domestic operation units join the inventory check with 100% coverage rate. It is expected to pass the third-party verification in the third quarter of 2023. 	<p>None</p>
<p>(2) Does the company endeavor to utilize V all resources more efficiently and use renewable materials which have a low impact on the environment?</p>	<p>V</p>	<p>The Group has purchased renewable energy certificates since 2019. Till now there are more than a thousand certificates been purchased. In 2022, 298 certificates were purchased from National Penghu University of Science and Technology.</p>	<p>None</p>



(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 None supported the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020 and added emerging risk (including risk of climate change) into the Company's "Risk Management Policy and Guidelines". The Company also reviews and check the risk and opportunity of climate change by TCFD guidelines and develop low carbon products and services.

In terms of governance of climate change, the Company oversees related issues through Sustainable Development Committee and Board of Directors meetings. The Sustainable Development Committee launched 7 meetings in 2022 to discuss strategies and plans for responding to climate change issues, including setting up carbon reduction targets and introducing ISO 14001 Environmental Management Systems and etc., and reported the meeting minutes to the Board of Directors periodically.

The risk and opportunities of climate change to the Company are as follows:

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 changes to policy and regulation (e.g. carbon tax or carbon transaction policies) 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 green financial products and improve digital financial services. In 2022, the Group invested a total of NT\$22.17 billion in green/sustainable bonds to support the development of low-carbon industries.

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 in the future. Further, 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

1.The statistics intensity, and data coverage in recent years:

(1)Greenhouse gas emissions

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

Unit: tons of CO₂e

Item	2021	2022
Direct GHG emission(scope 1)	3,011.15	2,333.18
Energy indirect GHG emission(scope 2)	17,178.03	17,851.20
Total amount of scope 1 and 2	20,189.18	20,184.38
Intensity of Scope 1 and 2 emission (scope 1+2 emission amount/net revenue in millions)	0.34	0.36
Other indirect GHG emission(scope 3)	415,840.08	992,698.69
Operation unit verified by the third party (exclude oversea units)	192	192
Coverage ratio of operation unit verified by the third party (exclude oversea units)	100%	100%

Note: Scope includes all domestic operation units of the Group. The greenhouse gas inventory data of the bank's overseas units is being verified, and it is expected to pass third-party verification in the third quarter of 2023.

(2)Water consumption

Water consumption in last two years

Unit: million liters

Item	2021	2022
Water consumption	187.920	183.047
Water consumption per person	0.02212	0.02084

Note: Scope includes all domestic operation units of the Group.

None



(3)Waste amount

Waste amount in last two years

Unit: KG

Item	2021	2022
Paper containers, waste paper	48,634	175,533
Iron and aluminum cans	861	2,946
PET bottles, plastics	2,157	12,527
Recycle Batteries	180	222
Glass	-	1,822
Light bulbs	481	546
Total	52,313	193,596
Food wastes	18,751	49,713
General waste (non-recycle)	125,756	314,532

Note: In 2021, the scope covers the waste of the five self-owned buildings (Mega Financial, Mega Chi-Lin, Mega Securities, Mega Insurance, and Heng-Yang) of the Group. In 2022, the scope expands to all domestic operation units.

2. Greenhouse Gas Emissions, water consumption reduction, and other waste management policies such as reduction targets, promotion measures, and achievement status:

(1) Greenhouse gas emissions

Short-term goal: To reduce scope 1 and 2 GHG emissions by 7.5% by 2023 with 2020 as the base year (the company has reduced emissions by 2.8% in 2022 compared to 2020).

Mid-term goal: To reduce scope 1 and 2 GHG emissions by 25% by 2030 with 2020 as the base year.

Long-term goal: To achieve net-zero Scopes 1 and 2 GHG emissions by 2050.

(2) Water Consumption

Short-term goal: To reduce water consumption by 1.5% by 2023 with 2020 as the base year (the company has achieved its goal, reducing water consumption by 2.6% in 2022 compared to 2020).

Mid-term goal: To reduce water consumption by 2.5% by 2025 with 2020 as the base year.

Long-term goal: To reduce water consumption by 5% by 2030 with 2020 as the base year.

(3) Waste Amount

Short-term goal: To reduce amount of waste by 2% by 2023 with 2022 as the base year.

Mid-term goal: To reduce amount of waste by 5% by 2025 with 2022 as the base year.

Long-term goal: To reduce amount of waste by 10% by 2030 with 2022 as the base year.

3. The verification status and the coverage scope:

The Group's adoption of ISO 14064 in 2021 was verified by SGS Taiwan in April 2022, and its adoption of ISO 14064 in 2022 is expected to be verified by SGS Taiwan in the third quarter of 2023. The scope of verification included all operation units in Taiwan and oversea in 2022.

In addition, the Group's water consumption and waste amount in 2022 have passed the ISAE 3000 third party assurance by Deloitte & Touche.

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 Rights Policy" in September 2018. In order to strengthen human rights risk management and international trends, this policy was revised to expand the scope of application to suppliers and add content such as human rights due diligence, which was approved by Board of Directors in December 2021.

The human rights management measures in 2022 include Group employees due diligence on human rights, which is reported to the Sustainable Development Committee in November 2022; a total of 81,904 hours of employee education and training were provided (the average training hours per employee exceeded 8 hours).

None



(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?

V

1. Remuneration policy:

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 2022 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.

2. Welfare measures:

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.

3. Retirement system:

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.

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.

None

(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?

V

1.To provide safe and healthy work environments for its employees, the Company implements and provides regular health check, regular maintenance on fire extinguisher, environment inspection (CO₂ concentration), daily office environment cleaning, and regular environment sanitization for public area. At the same time, in order to promote the physical and mental health of employees, professional teams are appointed to provide employee care hotline services, and (on-site) doctors and nurses are employed according to the number of employees of each subsidiary. Implementation of relevant education and training in 2022:

Items	Number of people	Total hours
Training for OHS managers	49	1,191
Fire manager training	242	2,862
First responder training	264	1,166

2.Mega Bank and Mega Securities passed ISO 45001 Occupational Health and Safety Management System before the third quarter of 2022 and first quarter of 2023, respectively, and receive the third-party verification. The estimated coverage rate reached 87%.

None

(4) Does the company set up an effective career development training plan for employees?

V

3. For employees who are injured due to accidents in the performance of their duties or commuting from their residence to and from the Company, the Company will actively investigate the cause of the accident and provide health care, and, depending on the circumstances of the injury, assist in applying for occupational injury clinic and insurance payment of hospitalization, injury, and disability, and will grant sick leave. After the incident, the nurse is instructed to track the employee's health status.

The occurrence of occupational injuries in 2022

Item	Occurrence in 2022
Number of occupational injuries	67
Number of people injured	67
Percentage as total number of employee	0.7%

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. In 2022, the total training hours of the Group is 493 thousand hours (52.3 hours per employee.)

Also, Mega Bank has set up the managerial officer training program, the elite training program and the overseas talent training program. The implementation is described as follows:

Program	Participants	Items	Year 2022
Managerial officer training program	Excellent employees in each operation unit, or middle and senior managerial officers	Number of person trained	37
		Training hours per employee	34
		Amount input (in NTD)	149,410
Elite training program	Excellent middle-level officers under age 45	Number of person trained	100
		Training hours per employee	28
		Amount input (in NTD)	184,725
Overseas talent training program	Potential expatriate who pass through the expatriate selection	Number of person trained	61
		Training hours per employee	33
		Amount input (in NTD)	52,100

None

(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

The Group follows "Financial Holding Company Act", "Banking Act", "Financial Consumer Protection Act" and relevant laws and regulations from competent authorities. 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 and honesty principles and the spirit of financial consumer protection, a fair transaction market is maintained to create customer value.

Mega Bank has established the "Treat Clients Fairly Policy" and "Treat Clients Fairly Strategy and Customer Protection Principle" and implemented regular education training. In 2019, to enhance service mechanism, 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.

None

<p>(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?</p>	V	<p>1.To implement supplier management, the Company revised the "Supplier Sustainability Management Guidelines" in May 2022, requesting subsidiaries to develop guidelines or comply with relevant regulations. The revisions also specify the regulatory requirements that existing suppliers must follow with regards to labor rights, human rights, occupational health and safety, environmental sustainability, and business ethics and integrity, etc. In addition, suppliers must sign the "Supplier Sustainability Statement" when entering into a contract with the Company. If a supplier violates the terms of the Guidelines or the Statement, the Company may terminate or rescind the contract at any time and blacklist the supplier. In 2022, the Group reported no incidents involving violation of laws or the Guidelines/Statement.</p> <p>2.To strengthen supply chain management and promote supplier engagement, in 2022, the Company launched a Supplier Sustainability Self-Assessment Questionnaire survey for key suppliers. The objective of the survey is to determine the supplier's performance in labor rights, human rights, environmental sustainability, occupational health and safety, and ethical management.</p> <p>3.In 2023, the Company will organize a series of training programs, communication meetings, and supplier conferences to further improve the knowledge and skills of our key suppliers.</p>	None
<p>5. If the Company take reference of international report guideline to make non-financial information report like Sustainability report? If third verification party issues confirmation opinion on the above report</p>	V	<p>1.The international report guideline adopted to make non-financial information report: The Company's 2022 Sustainability Report is based on GRI Standards of Global Reporting Initiative:2021 (GRI Standards:2021), Sustainable Development Goals (SDGs), and partially refer the metrics published for Commercial Bank by Sustainability Accounting Standards Board (SASB).</p> <p>2.The name of third verification party, verification items, scope, and the standards followed: The 2022 Sustainability Report has passed the ISAE 3000 CPA Assurance by Deloitte & Touche.</p>	None
<p>6. If the company has established sustainable development principles based on "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and the implementation: The Company's "Sustainable Development Best Practice Guidance", formulated based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", is fully implemented with no material discrepancy.</p>			
<p>7. Other important information to facilitate better understanding of the Company's sustainable development practices: Please refer to the 2022 ESG Implementation Results shown as below.</p>			

2022 ESG Implementation Results

Item	2022 Action Plans	2022 Implementation Results
Environmental Sustainability	<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 and promote to other domestic operation units. 4. Introduce ISO 50001 Energy Management System. 5. Enhance the supplier management mechanism and make sure the suppliers sign "the Supplier Sustainability Statement". 6. Purchase environmental friendly products and implement responsible procurement management. 	<ol style="list-style-type: none"> 1. In April 2022, the Group has passed the verification of GHG inventory by SGS Taiwan, an independent third party. 2. In 2022, the Group has purchased 298 renewable energy certificates (T-RECs) from National Penghu University of Science and Technology. 3. Self-owned Mega Financial, Mega Chi-Lin, Mega Securities, Mega Insurance and Mega Heng-Yang Buildings have passed the renewal of verification of ISO 14001 Environmental Management System in September 2022. 4. Self-owned Mega Financial, Mega Chi-Lin, Mega Securities, Mega Insurance and Mega Heng-Yang Buildings have obtained the ISO 50001 energy management system verification in in September 2022. 5. The contract amount of the suppliers who signed the "Sustainability Statement" accounts for 88.39% of total contracts. 6. The total green procurement amounted to a total of NT\$ 323 million or 9.3% of total procurement in 2022.
Sustainable Finance	<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 sustainable (green) loans business. 4. Invest and underwrite green bonds. 5. Apply for zero-carbon credit card and obtain the "Carbon Footprint" and "Water Footprint" certification for credit cards. 	<ol style="list-style-type: none"> 1. Mega Holdings has passed ISO 27001 verification in October 2022. Mega Bank, Mega Securities, and Chung Kuo Insurance have passed the renewal of ISO 27001. 2. In 2022, Mega Bank set an annual business target of 4,770 merchants to introduce Taiwan Pay collection business for all operation units of the bank, and a total of 4,959 merchants were introduced, with a target achievement rate of 104%. 3. The balance of the loans business for top 11 sustainable industries at the end of 2022 is NT\$ 497.2 billion, accounting for 17.4% of the total balance of domestic corporate loans at the end of the year. 4. In 2022, the Group invests in domestic green/sustainable bonds with a total of NT\$22.17 billion and underwrites domestic sustainable-related bonds with a total of NT\$2.55 billion. 5. Mega Bank credit card obtained "ISO 14067 Carbon Footprint Certification", "ISO 14046 Water Footprint Certification" and carbon label issued by the Environmental Protection Agency, and completed the carbon neutralization project, becoming the first zero-carbon credit card issuer among public banks in Taiwan. The Bank issued 190,000 new cards throughout the year.
Employee Care	<ol style="list-style-type: none"> 1. Continue to distribute marriage and childbirth subsidy. 2. Encourage employees for further studies and continue to provide employee education and training. 3. Continue to subsidize 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 2022, the total marriage subsidy distributed by the Group is over NT\$4 million and childbirth subsidy is over NT\$ 18 million. 2. In 2022, the total training hours per employee is 52.3 hours. 3. In 2022, the Group has subsidized the professional license of 911 individuals, paying over NT\$1.4 million in subsidies. 4. In 2022, a total of 51 employees used the psychological consultation of the Group. Most of them consulted on issues involving interpersonal relations and stress in the workplace. 5. In 2022, the average score of the employee engagement of the Company, Mega Bank, Mega Securities, Mega Bills Finance, Chung Kuo Insurance, and Mega Int'l Investment Trust is 3.62.
Social Prosperity	<ol style="list-style-type: none"> 1. Donate to domestic major accidents and assist subsequent medical care and life/social rebuilding. 2. Sponsor related activities to promote art and culture and support local cultural and creative industries. 3. Cultivate domestic gaming teams and support participation in international events. 4. Organize and participate in beach cleaning activities. 5. Plan for volunteering services. 	<ol style="list-style-type: none"> 1. The Group donated a total of NT\$4 million to Ukraine through the "Disaster Relief Foundation" of Ministry of Health and Welfare in 2022. 2. Mega Bank sponsored NT\$ 3 million for "Lord Jiaqing and The Journey to Taiwan" TV shows to promote Taiwan traditional performing art. 3. Mega Bank sponsored the League of Legends professional team BEYOND GAMING to participate in the 2022 Spring Games, with total sponsorship amount of NT\$2 million. 4. In July 2022, employees of the Group went to Shimen Coast in New Taipei City to carry out the "Environmental Beach Cleaning Activity", and collected over 70kg of wastes. 5. In 2022, the total number of volunteer hours of group employees exceeded 1,300 hours.



Corporate Governance	<ol style="list-style-type: none"> 1. Appoint Chief Corporate Governance Officer 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 95%. 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. 6. Strengthen climate risk management and information disclosure. 	<ol style="list-style-type: none"> 1. The Company and the subsidiaries (excluding venture capital) have appointed Chief Corporate Governance Officer since 2019 to provide more assistance to the directors. 2. In 2022, all directors of the company had a total of 196 training hours in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies", which met the requirements of at least 12 hours for new directors and 6 hours for reappointed directors. 3. In 2022, the total principle-of-conduct related training hours of the Group is 55,731 hours, with a completion rate over 95%. 4. In 2022, the Group implement complete legal compliance education training for employees, directors, and supervisors with completion rate of 100%. 5. In 2022, Mega Bank, Mega Securities, Chung Kuo Insurance and Mega Int'l Investment Trust attended 100% the shareholders meeting of the listed invested companies. 6. The Company issued TCFD report for the first time and obtained BSI "Level 5: Excellence" highest level verification.
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3.4.7 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 formulate the ethical management policies approved by the board of directors, clearly specify ethical corporate management policies, guidelines and the commitments of the board of directors and management team to implement the policies actively in relevant guide lines and external documents?	V		The Company's "Principles for Ethical Management" 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 unethical conduct 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 Management Operating Procedures and Behavior Guidelines" 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 Guideline. 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

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Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
(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, 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 "Principles for Ethical Management" 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.Implementation of ethical corporate management: (1) Does the company assess ethical records of business counterparties? Does the Company include ethical-conduct-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
(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 (at least once a year)?	V		To strengthen the function of ethical management duty unit, the 22nd meeting of the 7th term of Board of Directors approved to establish Ethical Management Committee on March 24, 2020 and the three independent directors are the committee members. Independent Director Chi-Chang Yu is the chair of the 2nd term of the Committee. The major function of the committee is to supervise the planning and implementation of the CSR and ethical corporate management. Principles for Ethical Management and the unethical conduct prevention acts and the implementation 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 and its subsidiaries have 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



Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
(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 September 29,2022, an ethical management and insider trading prevention training was held with Lee-and-Li lawyer and the assistant professor of Chung Yuan Christian University as main speakers. Attendees include directors, managerial officers, employee, mandates, beneficial owners and relevant parties doing business with the Company. The completion rate of the employee is 100%, the same with 2021. In 2022, a total of 8,671 employees participating in relevant internal and external training, completion rate of 99.7%, equivalent to 99.9% in 2021. The training courses include ethical management, United Nations Convention against Corruption and whistle blower protection, corporate ethical management and employee's obligation to protect information, ethical management- case study of bank employee misappropriate client fund.	None
3.The channels for reporting and the operation.				
(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 14F, 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

Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
(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 2022, there are total 4 cases (2 in 2021) filed in the Company. After investigation, there is 1 case (0 in 2021) established: Mega Securities placed an order on behalf of a client without a letter of authorization from the client, and has been punished in accordance with internal disciplinary regulations. In 2022, there are total 30 cases (12 in 2021) filed in the Group. After investigation, there are 2 cases established (3 in 2021): the employee of Mega Bank leaked clients' data. Punishments were done per internal disciplinary regulations.	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 Principles for Ethical Management on the Company's website. The implementation results in 2022 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 and its subsidiaries at all times monitor 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.				

3.4.8 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>

3.4.9 Other Important Information: None.



3.4.10 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, 2022 to December 31, 2022, 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: Yi-Ming Ko

March 14, 2023

Schedule: Internal Control Weaknesses and Improvement Plans

As of December 31, 2022

Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
<p>Mega International Commercial Bank</p> <p>1. The Phnom Penh branch conducted customer due diligence, but failed to collect customer information based on risk levels and to thoroughly review the account opening purposes and occupations of foreign customers. There were also deficiencies in the collection and reporting of suspicious transactions. As a result, on March 1, 2022, it was fined 100 million Cambodian riel (approximately NT\$690,000) by the National Bank of Cambodia.</p>	<ol style="list-style-type: none"> 1. Request individual and legal person clients to provide complete information for file creation and data updates, in order to assess their risk level correctly and conduct a comprehensive review of KYC files. 2. Revision of AML/CFT policies and procedures, differentiation of important politically exposed persons types and risk assessment methods, and re-evaluation of risk assessments. 3. Add the identification method for the final beneficiaries of personal and joint accounts, and collect relevant documents to update the information on the final beneficiary for each account. 4. Strengthen personnel education and training, as well as review procedures for reporting information. 5. Enhance branch compliance officers' control over suspicious transaction reports from branches. 6. Add suspicious transaction patterns to the branch system, shorten the review period for alert transactions, and implement monitoring of suspicious transactions. 	<p>Except for Item 1 regarding the comprehensive re-inspection of KYC files, which is expected to be completed by the end of February 2023, the rest have been improved according to improvement measures.</p>
<p>2. Deficiency regarding ex-employee of Zhongshan Branch embezzled cash from ATM cash box and deposit from the clients: Failure to carry out ATM cash replenishment, troubleshooting, and inventory procedures and to implement control over the contracted security company's cash-in-transit operations. The above violate relevant regulations and was fined NT\$ 4 million by FSC on June 2, 2022.</p>	<ol style="list-style-type: none"> 1. Ensure that ATM cash replenishment and deposit collection are done entirely in the presence of both a managerial officer and person in charge of ATMs, and prohibit replenishment of cash by way of topping up cash based on difference. 2. When troubleshooting or refilling an ATM machine with cash, the managerial officer must first check the system status of an ATM machine before opening up the ATM cash box, and print a search record and keep it for future reference. 3. Reinforce the supervision measure in the second line of defense, introduce a new procedure for taking inventories of cash in branch ATMs at random, and perform unscheduled spot checks of surveillance records of ATM cash replenishment and troubleshooting operations. 4. Set up a mechanism that transmits video images of a branch to the head office, where the sales management department can, from time to time, use the surveillance camera to digitally monitor in-branch ATM cash replenishment operations in real time. 5. Ensure that cash collected by contracted security company is delivered, unsealed, counted, and accepted under surveillance all in the presence of both a bank managerial officer and person in charge, and that the managerial officer verifies the accounting of all cash received from the contracted security company. The above procedure is included in self-inspection items. 6. Increase the weights of appraisals of self-inspection implementation status, and introduce punishment mechanisms that have not been implemented, while urging business units to carry out self-inspection accordingly. 	<p>Improved by the improvement measures.</p>
<p>3. Foreign currency cash exchange was not handled according to the internal standard operating procedures.</p>	<ol style="list-style-type: none"> 1. Reiterate that the collection and exchange of foreign banknotes must be processed in accordance with the standard operating procedures outlined in the manual, and ensure compliance with the placement of "banknote counter/ counterfeit detector should be placed in a location where customers can personally inspect the banknote counting/ verification process and the amount display screen." 	<p>Except for the following items, the rest have been improved according to improvement measures:</p>



Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
	<ol style="list-style-type: none"> 2. Re-record the practical training videos for handling over-the-counter collection/payment (exchange)/foreign currency banknote, promote staff education, and place the training materials on the bank's digital learning website for frontline staff to practice repeatedly to familiarize themselves with standard operating procedures. 3. Strengthen the focus on foreign currency collection/payment (exchange) operations in the "New Employee Orientation" and "Basic Deposit and Exchange Business Training" courses held each year. 4. Remind employees to comply with laws and regulations during the training course on "Recent Financial Regulations Amendments (including Penalty Cases and Ethical Conduct)" for all bank employees. 5. Strengthen the control over weak points due to environmental space limitations at collection/payment counters. <ul style="list-style-type: none"> ● Install monitoring equipment with recording capabilities to enhance the monitoring of collection/payment of banknotes by recording the entire process. ● Strengthen daily operation monitoring and random checks of collection/payment surveillance videos. ● Strengthen self-audit items to check the implementation of the standard cash collection and payment process for simple exchange business and the end-of-day cash return process. 	<ol style="list-style-type: none"> 1. Practical Training on NTD Receipt and Payment (Exchange) Practices. The videos were recorded and uploaded to the digital learning website on January 10, 2023, and the practical teaching videos on foreign currency payment and exchange are expected to be completed by June 1, 2023. 2. "New Employee Orientation", "Basic Deposit and Exchange Business Training," and "Recent Financial Regulations Amendments(Including Penalty Cases and Ethical Conduct)" courses are expected to be completed by September 30, 2023. 3. It is planned that surveillance cameras with recording functions will be installed in some branches by the end of February 2023. 4. The strengthening of self-audit items will be applicable starting from February 1, 2023.
<p>Chung Kuo Insurance Co., Ltd.</p> <p>1. The following deficiencies were found in the operation of auto insurance underwriting, claims handling, and stakeholder transaction filing.</p> <p>(1) In the handling of the auto insurance extended warranty cost, the underwriting control and management policy was not implemented, and the insurance premium was not calculated according to the submitted fee rate for the insurance product.</p> <p>(2) In the claims handling process for auto insurance, it was found that some policies did not refund the unused insurance premiums according to the policy terms after the total loss claims have been paid.</p> <p>(3) In the stakeholder transaction filing process, there were instances where some transactions were not properly recorded.</p> <p>On March 15, 2022, the competent authority imposed a fine of NT\$1.2 million and one correction for violating the relevant provisions of the Insurance Act.</p>	<p>For deficiency (1):</p> <ol style="list-style-type: none"> a. Completed the revision of the internal operation rules and regulations to specify the control of auditing in response to the high loss rate and requests that each unit must follow the rules. b. The premiums have been calculated based on the product submission rates and the accounting assessment records have been kept. <p>For deficiency (2):</p> <ol style="list-style-type: none"> a. Processed refunds in accordance with the regulations. b. Tracked the control of refunds for total loss claims on a monthly basis with reports. c. Included these measures in the internal operational procedures for all units to follow. <p>For deficiency (3):</p> <ol style="list-style-type: none"> a. Requested the board of directors, supervisors, and managers to review and verify these procedures in writing every six months, b. Provided monthly electronic mail with attached file of the data for file building and verification. c. The internal operational procedures have been revised to facilitate compliance. d. Every six months, regularly check the registration information on the "Company registration and business registration open data API" platform on the website of the Department of Commerce, Ministry of Economic Affairs. 	<p>Improved by relevant measures.</p>

Corporate Governance Report

Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
<p>2. There were inadequacies in the operations of the sale of pandemic prevention insurance products, in both the pre- and post-sale, and in the risk management practices.</p>	<p>(1)Strengthened the confirmation of the appropriateness of the reinsurance arrangements and the adequacy of the insurance premium rates at the product review committee meeting, and fully disclosed the discussion results.</p> <p>(2)Strengthened the confirmation of the progress of the reinsurance arrangement operation at the product management committee meeting. The product cannot be sold before the reinsurance operation is properly arranged.</p> <p>(3)The “High-risk Insurance Product Risk Management Guidelines” and “Guidelines for Suspension of Acceptance of Insurance Applications for Insurance Products” have been established to control the risks of the operation.</p> <p>(4)The product responsibility department currently controls risks through the system and produces monthly risk control reports for each insurance product to control whether high-risk insurance products have reached the warning value. In case of emergencies, the high-risk insurance products for health and injury insurance can now produce relevant reports daily through the system to control risks in real-time.</p> <p>(5)Planning is in place to expand to other insurance types in the future to control high-risk insurance products daily through the system, with warnings when the sales quota exceeds the warning value, as to achieve the purpose of risk monitoring.</p> <p>(6)Increase the frequency of meetings of the post-sales management committee.</p> <p>(7)Require insurance agents to strengthen the management of their sales personnel.</p>	<p>Except for (5) controlling through the system that will be completed by the end of September 2023, others have been improved by relevant measures.</p>
<p>Mega Securities Co., Ltd.</p> <p>1. Ahe following deficiencies were identified in IT operations.</p> <p>(1)The abnormal login records of core systems (such as brokerage, proprietary, online order placing systems) are not monitored and analyzed daily.</p> <p>(2)The password policy security parameters set for the proprietary business system server (MNS3) did not have a specified maximum password usage period, and the password complexity parameter settings are inadequate.</p> <p>(3)There were incomplete scanning ranges in vulnerability scanning operations.</p> <p>(4)Employees were allowed to use social media without evaluating related risks.</p> <p>(5)In application management, when unable to obtain the source code of outsourced vendor programs, security requirements for applications were not requested in outsourced contracts or related documents.</p> <p>(6)The company did not establish information security incident and threat detection management platforms.</p>	<p>(1)Starting from October 26, 2021, the login failure records generated daily for brokerage, proprietary, and online order systems are reviewed by relevant system administrators to determine if there are any abnormal logins. Since February 6, 2018, a mechanism has been set up that does not allow continuous login failures with the same IP (including customers and non-customers) for more than 20 times. It was added on February 23, 2021 that when the above situation occurs, an email and SMS notification will be sent to the management personnel for inspection. On December 20, 2021, the number of login failures was modified to not allow login after 10 times to strengthen protection against hacker attacks. Starting from December 1, 2021, strengthened the daily inspection and record keeping for abnormal locking of customer account passwords.</p> <p>(2)On August 31, 2021, the password security-related parameters for the proprietary business system host (MNS3) were set up, such as the maximum password usage period, mandatory password history record, and password complexity, and so on.</p> <p>(3)In the first half of 2022, the preliminary work for vulnerability scanning was carried out on March 7, 2022, to detect (PING) the IP of the relevant system host, and compare the records of the IP that were abnormal (fail) with the vulnerability scanning segment, all of which were confirmed to be included. The above-mentioned preliminary work was completed on March 15, 2022, ensuring the completeness of the vulnerability scanning range.</p> <p>(4)Starting from September 15, 2021, personnel are not allowed to use social media such as Facebook, LinkedIn, Twitter, and blogs on the company's internal network.</p>	<p>Improved by relevant measures.</p>



Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
<p>On June 29, 2022, the FSC issued an official notification and ruling on this case, in which correction was requested for the deficiencies in items (1) to (5) listed above and fined NT\$240,000 by the FSC. The Group was also ordered to increase the provision of operating risk equivalent amount by 0.5 times based on its own capital adequacy ratio.</p>	<p>(5)Starting from July 8, 2021, when signing a new contract with an outsourced vendor, relevant security issues were added to the section on compliance with laws and regulations in the contract. The outsourced vendor is required to provide a statement that should include the following content: information security vulnerabilities such as malware should be avoided, integrity verification mechanism should be used, corresponding updated versions of referencing libraries should be prepared when they are updated, and security checks should be conducted on user input strings and relevant injection attack protection mechanisms should be provided.</p> <p>(6)An information vendor had been commissioned to provide a security event threat detection management platform (SOC) service, which was officially launched for monitoring on July 1, 2022. In addition, the "Management Procedures for Information Security Threat Detection Services" were revised on December 29, 2022, which stipulate that for medium- and low-risk levels, the cause of the event should be evaluated, and confirmation of the virus being deleted or isolated is required before the risk level can be lowered.</p>	
<p>2. In order to acquire over 10% of the total issued shares of Hiyes International Co Ltd. (hereinafter referred to as Hiyes International), when the reduction of the number of shares of Hiyes International reached 1% of the total issued shares, and the shareholding ratio decreased by 1%, the underwriting service failed to report to the competent authority and make public announcement within two days from the occurrence of the fact, which is in violation of the relevant provisions of the Securities and Exchange Act. As a result, a fine of NT\$240,000 was imposed by the FSC on August 10, 2022.</p>	<p>(1)The department supervisor of the underwriting service received the following disciplinary action: two warnings were issued.</p> <p>(2)The underwriting staff received strengthened legal education: the listed event-related regulations and operational processes were disseminated at departmental meetings and self-organized training sessions.</p> <p>(3)Internal management measures were strengthened:</p> <p>a.The listed event-related regulations and operational processes were added to the standard operating procedures of the underwriting service to ensure compliance.</p> <p>b.The listed event patterns were added to the underwriting service's self-management checklist, and self-checks are conducted monthly.</p> <p>c.A reminder mechanism was established through the information system: when shareholding changes are completed, the information system notifies the staff and supervisors to check whether the shareholding changes should be reported to the competent authority.</p>	Improved by relevant measures.

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

3.4.11 Punishment of Major Unlawful Practice and Major Deficiencies and Remedial Measures Adopted of the Company and its Subsidiaries in the Recent 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 deficiencies of the mortgage business that the due diligence on the borrower was not implemented, or loosening review standard while reporting the loan and assisting the third party who is not a borrower to deposit into relevant credit account to pay the loan. On June 11, 2021, the FSC fined NT\$10 million by Article 129-7 of the Banking Act regarding the violation of Article 45-1-1 of the Act.

The deficiency is improved with the improvement measures as below:

- a. Strengthen pre-loan collection and review operations
 - (a) Establish a pattern of dummy accounts that can be quantified by system verification. Strengthen the education training for consumer finance credit review and due diligence.
 - (b) For housing loan cases with the same sources, establish a control mechanism for alternate distribution processing.
 - (c) Establish a land administration agent blacklist inquiry and comparison mechanism, and handle the referrals from high-risk agents with care and prudence.
- b. Strengthen controls of collateral appraisal and assessment operations
 - (a) 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.
 - (b) The appraisal personnel and the credit signing personnel controlled by the system shall not be the same person.
- c. Strengthen post-loan management and tracking operations
 - (a) Strengthen checking and management functions for the "Domestic Consumer Spending Warning List."
 - (b) Update control measures for "Real Estate Real-Price Registration Back-Check Mechanism."
 - (c) Add post-loan tracking item that "the transcript of the collateral needs to be read within 6 months after the mortgage loan is disbursed."
 - (d) Establish a risk-based consumer finance review system.
 - (e) Actively review how well or how often a bank branch performs self-inspection.
- d. Other control measures:
 - (a) Introduce regulations for follow-up investigation and reporting of suspected fraud or violation of laws and regulations relating to irregular use of funds by bank clerks.
 - (b) Strengthen follow-up management of cases that are suspected to be dummy account and unreasonable.

2. There is a violation against Insurance Act while conducting insurance agency business regarding taking sales commission without real insurance business. On December 30, 2021, the FSC ordered 1-month correction period and fined NT\$ 1.5million under Item 2, Article 167 of the Insurance Act for violation of Item 4, Article 163.

The deficiency is improved with the improvement measures as below:

- a. Cases of similar circumstances have been investigated, and remarketing cooperation plan for insurance clients with the insurance company has been terminated.
 - b. Collect and review on a monthly basis the competent authorities' sanction cases against peers and changes in laws and regulations, and confirm that the relevant internal control measures are in compliance with the regulations, so as to prevent similar deficiencies from happening again.
3. Deficiency regarding ex-employee of Zhongshan Branch embezzled cash from ATM cash box and deposit from the clients: Failure to carry out ATM cash replenishment, troubleshooting, and inventory procedures and to implement control over the contracted security company's cash-in-transit operations. The above violate relevant regulations and was fined NT\$ 4 million by FSC on June 2, 2022.



The deficiency is improved with the improvement measures as below:

- a. Ensure that ATM cash replenishment and deposit collection are done entirely in the presence of both a managerial officer and person in charge of ATMs, and prohibit replenishment of cash by way of topping up cash based on difference.
- b. When troubleshooting or refilling an ATM machine with cash, the managerial officer must first check the system status of an ATM machine before opening up the ATM cash box, and print a search record and keep it for future reference.
- c. Reinforce the supervision measure in the second line of defense, introduce a new procedure for taking inventories of cash in branch ATMs at random, and perform unscheduled spot checks of surveillance records of ATM cash replenishment and troubleshooting operations.
- d. Set up a mechanism that transmits video images of a branch to the head office, where the sales management department can, from time to time, use the surveillance camera to digitally monitor in-branch ATM cash replenishment operations in real time.
- e. Ensure that cash collected by contracted security company is delivered, unsealed, counted, and accepted under surveillance all in the presence of both a bank managerial officer and person in charge, and that the managerial officer verifies the accounting of all cash received from the contracted security company.
- f. Increase the weights of appraisals of self-inspection implementation status, and introduce punishment mechanisms that have not been implemented, while urging business units to carry out self-inspection accordingly.

II. Mega Securities Co., Ltd.

1. On June 24, 2020 and July 17, 2020, Taiwan Stock Exchange Co., Ltd. audited Zhongxiao Branch of Mega Securities and found that ○○ Li, the entrusted trading officer, had tricked many customers into remitting the investment funds to his/her personal accounts, sold stocks in customer's account without being entrusted, and deceived customers with forged screenshots of stock inventories. The internal control system was not effectively implemented, violating Article 2, item 2 of Regulations Governing Securities Firms. On May 12, 2021, the FSC imposed a fine of NT\$240 thousand in accordance with Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act.

The deficiency is improved with the improvement measures as below:

- a. In June 2020, the company has dismissed trading officer ○○Li, issued three warnings to the counter supervisor, and one warning to the branch manager.
- b. The following supporting measures are put in place:
 - (a) Supervisors/managers will perform wandering-around management, pay more attention to the well-being of employees, and fulfill their duties as supervisor or manager.
 - (b) Branch managers must work in the vicinity of service counters during business hours to watch out for abnormal behaviors by sales staff members and to implement patrol-style management.
 - (c) Customer care interviews will be carried out in business locations so that supervisors can determine whether there are abnormal transactions taking place between a trading officer and customer.



(d) Upon the discovery of abnormal transactions between a trading officer and customer, the company will submit a request through the Company to have Mega Bank provide financial information or other information to assist in deterring improper conducts by trading officers and to better understand the financial transactions that a sales agent has completed, thereby implementing more effective control over the activities of sales agents measures.

2. On June 25, 2021 to July 12, 2021, the FSC conducted a specific inspection on the information operation and found the following violation of relevant laws regarding information security management of securities companies. It was violated the Regulations Governing Securities Firms. On June 29, 2022, the Financial Supervisory Commission (FSC) issued an official notification and ruling on this case, in which correction was requested for the deficiencies above by Article 65 of Securities Exchange Act and fined NT\$240,000 by Item 1, Paragraph 1, Article 178 of the Act. The Company was also ordered to increase the provision of operating risk equivalent amount by 0.5 times based on its own capital adequacy ratio by Paragraph 5, Article 66 of the Act.

- a. The abnormal login records of core systems (such as brokerage, proprietary, online order placing systems) are not monitored and analyzed daily.
- b. The password policy security parameters set for the proprietary business system server (MNS3) did not have a specified maximum password usage period, and the password complexity parameter settings are inadequate.
- c. There were incomplete scanning ranges in vulnerability scanning operations.
- d. Employees were allowed to use social media without evaluating related risks.
- e. In application management, when unable to obtain the source code of outsourced vendor programs, security requirements for applications were not requested in outsourced contracts or related documents.

The deficiency is improved with the improvement measures as below:

The deficiencies above have been improved, and reported to TWSE for review and obtained approval on July 29, 2021, and the original operation risk accrual ratio will be restored from the next month.

3. Mega Securities was the shareholder who holds over 10% of the total issued shares of Hiyes International Co Ltd. (hereinafter referred to as Hiyes International). On June 20, 2022, when the change of the number of shares and the percentage of Hiyes International held reached over 1% of the total issued shares, the company failed to report to the competent authority and make public announcement within two days from the occurrence of the fact, which is in violation of the relevant provisions of Item 1, Article 43-1 of the Securities and Exchange Act. The report to the FSC and the public announcement was done on June 27, 2022 and June 24, 2022 respectively. As a result, a fine of NT\$240,000 was imposed by the FSC on August 10, 2022.

The deficiency is improved with the improvement measures as below:

- a. The department supervisor of the underwriting service received the following disciplinary action: two warnings were issued.
- b. The underwriting staff received strengthened legal education: the listed event-related regulations and operational processes were disseminated at departmental meetings and self-organized training sessions.
- c. Internal management measures were strengthened: monthly self-check and a reminder mechanism was established.



4. The FSC conducted a general business inspection on Mega Securities and found that the business personnel surnamed Liu XX (hereinafter referred to as Liu) had a blank power of attorney signed by the client, accepted customer orders through social media software (Line) in violation of regulations, and had borrowing and lending transactions with customers. The above deficiencies indicate that the violating party had not implemented the internal control system and had violated Article 2, Paragraph 2 of the Regulations Governing Securities Firms. According to Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act, if a securities firm fails to implement the internal control system effectively, a fine of NT\$480,000 shall be imposed. Furthermore, the above behavior also violates Article 18, Paragraph 2, Subparagraph 9, and Paragraph 3 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms, and Mega Securities was therefore ordered to suspend the execution of business by Liu for one year, from March 1, 2023 to February 29, 2024, in accordance with Article 56 of the Securities and Exchange Act. Within 10 days from the day following the receipt of this penalty notice, Mega Securities must report the execution status to the FSC for record-keeping.

The relevant deficiencies have been improved and the improvement situations are as follows:

- a. Mega Securities announced on August 10, 2022 that the employee Liu had been issued two major warnings. In addition, starting from February 20, 2023, Liu was suspended from handling client orders, and in accordance with the disciplinary decision, Liu will cease to perform his duties from March 1, 2023 to February 29, 2024.
- b. The managerial officer and the counter supervisor at the time failed to fulfill their professional duty of care, and a personnel review meeting was held to impose disciplinary actions against them. The result of the meeting was reported to the FSC.
- c. The branches of Mega Securities conducted weekly checks on its business counters, delivery counters, managerial officer's office, and lockers to implement internal control system regulations regarding the prohibition of storing documents on the behalf of customers.
- d. To prevent similar incidents from happening, Mega Securities had also devised measures to strengthen face-to-face entrustment verification, including the checking of all accounts of face-to-face entrustment transactions by the sales supervisor of the branch concerned on each business day, the random checking of voice records of the employees handling the above face-to-face entrustment transactions, and the case-by-case checking of the cases handled by the employee Liu. This measure was implemented continuously for three months starting from September 1, 2022.
- e. Strengthened the verification of whether internal personnel's account 98 information match the same communication address, E-mail address, or IP address as their clients, and check for abnormal transactions to prevent trading by clerks using information gained through their duties and using their clients' accounts.
- f. Established an internal personnel trading conflict of interest prevention mechanism and operational review regulations to prevent clerks from using information gained through their duties and disclosing it to their clients for stock trading.

III. Chung Kuo Insurance Co., Ltd.

1. The FSC conducted an electronic services system project inspection of Chung Kuo Insurance and found that it had deficiencies in the establishment or completeness of electronic services system-related security management regulations or standard operating procedures, which was deemed to violate Article 171-1, Paragraph 4 of the Insurance Act. On May 12, 2021, a fine of NT\$1.2 million was imposed, and two corrective measures were requested in accordance with Article 149, Paragraph 1 of the same Act. (The corrective measures and improvements for the deficiencies are separately described in “3. Deficiencies Corrected by the FSC”.)

a. The company was fined NT\$600,000 for not complying with the Insurance Act. Specifically, the unit in charge of information security was supposed to allocate resources and equipment appropriately and be in charge of planning, monitoring, and implementing information security management operations. However, the current review showed that system vulnerabilities were not properly fixed and controlled, thus engendering a number of problems, such as failure to detect and fix serious risks in time, failure to implement the review of firewall settings (which resulted in loose settings), and failure to create log monitoring and warning mechanisms, among other information security protection measures. These failures show that the unit in charge of information security failed to properly perform its duties and effectively carry out its supervisory functions.

The relevant deficiencies have been improved and the improvement situations are as follows:

- (a) Continued to recruit and hire new IT technicians to strengthen its information security control.
 - (b) The company continued to purchase systems and adopt new technologies to assist with and reinforce the maintenance and management of IT systems.
 - (c) The company continued to strengthen the review of compliance of internal and external departments, and has created an Application System Development and Maintenance Management Checklist for all units to use.
 - (d) The company has commissioned an information security monitoring center to provide 24/7 information security monitoring services.
- b. The company failed to state a rule in its Terms and Conditions for the Development, Maintenance, and Management of Application Systems, that new systems shall be subject to technical and security feasibility assessments. Consequently, several problems that are detrimental to information security had surfaced when the company commissioned an external company to integrate core insurance systems (for all types of insurance such as group, fire, and automobile insurance and for accident insurance) into a B2B platform. For example, the container technology company that the company employed was incapable of enforcing adequate control over its in-house technologies; it did not conduct risk assessment and develop supporting/compensation measures for systems that are unable to access program source code; and it failed to establish anti-swap or anti-tampering mechanisms for web programs and files. The company was fined NT\$600,000 for not implementing its internal control system properly. Specifically, the user login password settings for application systems that are provided



for insurance brokers/agents to use were not in line with the company's Terms and Conditions for the Development, Maintenance, and Management of Application Systems, and user accounts were not thoroughly investigated.

The relevant deficiencies have been improved and the improvement situations are as follows:

- (a) The company has completed container management platform transfer operations and has strengthened its technological control capabilities.
 - (b) The company has developed relevant specifications stating that systems without program source code should undergo risk assessment and shall have a supporting compensation measure.
 - (c) The company has revised the relevant system password principles in accordance with the Terms and Conditions for the Development, Maintenance, and Management of Application Systems.
 - (d) The company has checked all relevant system accounts and introduced a new inspection mechanism.
2. On March 15, 2022, the FSC issued a penalty decision against Chung Kuo Insurance for violating relevant provisions of the Insurance Act in conducting insurance business, in accordance with Article 171-1, Paragraph 5 of the Insurance Act. A fine of NT\$1.2 million was imposed, and one corrective measure was requested in accordance with Article 149, Paragraph 1 of the same Act. (The corrective measures and improvements for the deficiencies are separately described in “3. Deficiencies Corrected by the FSC”.)
- a. In conducting the underwriting services of automobile extended warranty cost insurance, the policy for underwriting control was not implemented, and there were incidents of failing to calculate the insurance premiums according to the submitted fee rates for insurance products. A fine of NT\$600,000 was imposed.

The relevant deficiencies have been improved and the improvement situations are as follows:

- (a) The internal operating procedures have been revised and stipulate that underwriting control measures should be implemented in response to high loss ratios, and each unit is required to follow them.
 - (b) The insurance premiums have been calculated according to the submitted fee rates for insurance products, and the calculation evaluation records have been retained.
- b. In the handling of automobile insurance claims, it was found that some policies did not refund the unused insurance premiums according to the policy terms after the total loss was compensated. A fine of NT\$600,000 was imposed.

The relevant deficiencies have been improved and the improvement situations are as follows:

- (a) Refunds were handled in accordance with regulations.
 - (b) Monthly reports are produced to track the control of refunds for unused insurance premiums in total loss claims.
 - (c) It has been included in the internal operating procedures to facilitate compliance by each unit.
3. The FSC has imposed a fine of NT\$1.8 million in accordance with Article 171, Paragraph 1 of the Insurance Act for the deficiencies listed in the ad hoc inspection of the implementation status of the Regulatory Compliance System by Chung Kuo Insurance.

The relevant deficiencies have been improved and the improvement situations are as follows:

- a. Chung Kuo Insurance has established risk management procedures and ceased the acceptance of insurance applications for high-risk insurance products, and added control measures for high-risk insurance products. By strengthening the control of sales quotas, the company's solvency can be ensured, and the cessation of acceptance of insurance applications for insurance products can be strengthened:
 - (a) Establish the total sales quota, warning value, sales channels, and quotas for such products.
 - (b) Produce relevant control reports monthly to facilitate the actual implementation of the control.
 - (c) When the sales of a product reach the warning value, an immediate notification should be issued to evaluate whether the sales should continue.
 - (d) When the sales quota for a product reaches the established sales quota, it should be immediately suspended from sale.
- b. The Insurance Product Review Working Group meetings and the Insurance Product Management Working Group meetings have been held to discuss and record the matters to be followed. The "Insurance Product Pre-Sales Procedures" was revised to increase the frequency of the Post-Sales Management Working Group meetings from every six months to every quarter. The content and results of the meetings were recorded and submitted to the President for review and presented to the latest Board of Directors meeting for reference.
- c. The Insurance Product Management Working Group meetings followed the provisions of the pre-sales check items for insurance products and fully disclosed the progress and tracking results of reinsurance arrangements in the meeting record. The sale of products is not allowed before reinsurance arrangements are properly arranged.

C. Deficiencies corrected by FSC:

I. Mega International Commercial Bank

1. 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.

The deficiency is improved with the improvement measures as below:

- a. 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.
- b. Summarize various credit letter specifications and statutory regulations to formulate "Supplementary Notes for Handling Credit Business" of Mega Bank so as to provide credit business personnel to follow accordingly.
- c. Advocating the watch items for similar syndication deal for syndication team to lower down future risk. In addition, in the credit review and self-inspection projects, the inspection of the implementation of the commitment conditions has been strengthened.
- d. Producing reports to reinforce the control of amendments on terms and conditions of syndicated loans as well as establishing "Post Loan Tracking Platform" to reinforce post loan management system.



- e. With regard to industries with concentrated credit granting, special industries or industries with large economic fluctuations, prudently evaluate the scenarios and parameter settings and conduct stress tests in order to take response measures in a timely manner.
2. The Minsheng Branch of Mega Bank had deficiencies in its operations due to abnormal power supply, which could have an adverse impact on the soundness of its management. On January 3, 2023, FSC ordered corrections in accordance with Article 61, Paragraph 1, Item 1 of the Banking Act of The Republic of China.

The related deficiencies have been addressed with the following improvement measures:

- a. Enhanced education and training for domestic business units on power maintenance and abnormal situations handling.
 - b. Signed a maintenance contract with an electrical engineering consultant company for domestic business units to inspect power equipment at least once every six months and report the relevant inspection results to Mega Bank's "Public Facility Safety Inspection" system, which will be strengthened by the General Affairs Department.
 - c. Mechanical and electrical personnel from the General Affairs Department will select one to two branches in northern Taiwan to conduct power outage drills every six months, covering faulty power source identification, loop switch isolation, mobile generator startup support, and temporary circuit construction. The drill records are reviewed and approved to evaluate the effectiveness of power outage drills in the branches.
3. Mega Bank had related deficiencies in its anti-money laundering operations, which could have an adverse impact on the soundness of its management. On January 17, 2023, FSC ordered corrections in accordance with Article 61, Paragraph 1, Item 1 of the Banking Act of The Republic of China.

The related deficiencies have been addressed with the following improvement measures:

- a. Added control measures for deleting and modifying reported transactions in the "Maintenance of Media Report Files for Currency Transactions over a Certain Amount" in the operation system.
- b. Created the "Management Report on Deletion of Currency Transaction Reports over a Certain Amount" to be reviewed by anti-money laundering personnel to monitor the deletion of reported transaction data. If a deletion is found to be an error by a business unit, it will be traced until the report is completed.
- c. Enforced self-checks by personnel responsible for checking and to promote the policy throughout the bank to avoid similar deficiencies.

II. Chung Kuo Insurance Co., Ltd.

1. The FSC conducted an electronic services system project inspection of Chung Kuo Insurance and found that it had deficiencies in the establishment or completeness of electronic services system-related security management regulations or standard operating procedures, which was deemed to violate Article 171-1, Paragraph 4 of the Insurance Act, and two corrections were made in accordance with Article 149, Item 1 of the same Act.
 - a. In terms of information security, lack of overall information security protection and emergency response management in the dedicated unit's proposal to Board of Directors; failure to formulate certificate (key) management specifications and ask suppliers to check whether they comply with requirements prescribed in internal control documents; failure to establish security management specifications for container-based server clusters and relevant operating procedures; failure to develop regulations for

the monitoring and management of main network hosts as well as standard operating procedures for the repair of operating systems (database) and security updates; failure to establish management specifications for special accounts and to check and manage them; failure to formulate management specifications for web application firewall systems; failure to actively fix and perform follow-up management on vulnerabilities identified during vulnerability scan; and lack of follow-up patching operations for vulnerabilities detected during in penetration tests. Problems found impeded sound business management. FSC corrected the above in accordance with the Insurance Act.

The deficiency is improved with the improvement measures as below:

- (a) The overall implementation status has been included in relevant items in accordance with regulations, and presented to the Board of Directors of Chung Kuo Insurance.
 - (b) The company has revised its certificate management specifications and checked the accuracy of computer system information security assessment reports with the consultants and relevant testing teams formulated by the suppliers.
 - (c) The company has established management specifications and relevant operating procedures for container-based application programs.
 - (d) The company has developed regulations for the monitoring and management of main network hosts as well as standard operating procedures for the repair of operating systems (database) and security updates.
 - (e) The company has established management specifications for special accounts and checked and managed them.
 - (f) The company has developed Web Application Firewall management regulations.
 - (g) The company continued to perform vulnerability scanning, vulnerability patching, and follow-up management.
 - (h) The company has completed penetration tests and fixed any vulnerabilities.
- b. In terms of outsourcing management, the company has established an "Emergency Response Plan Guide" for general cases, but it was unable to provide a link to the guide in its individual outsourcing contracts so as to ask companies to implement relevant emergency response plans. As a result, risks of service interruptions cannot be effectively reduced. Regarding systems that cannot access program source codes, although our contract specifies the compensation measures to take when a risk event occurs, the company failed to actively enforce risk control during the outsourcing period, which was detrimental to information security. Problems found impeded sound business management. FSC corrected the above in accordance with the Insurance Act.

The deficiency is improved with the improvement measures as below:

- (a) The relevant system emergency response plan has been formulated.
 - (b) The company has revised regulations: The revision states that information systems without program source code must undergo risk assessment and have a supporting compensation measure in place.
2. On March 15, 2022, the FSC issued a ruling on the insurance business of Chung Kuo Insurance for violating the relevant provisions of the Insurance Act by omitting to file a record of interested parties in the transactions of Chung Kuo Insurance, which posed a threat to sound business management. Correction was requested in accordance with Article 149, Paragraph 1 of the same Act.

The relevant deficiencies have been improved and the improvement situations are as follows:

- a. Board of Directors, supervisors, and managers are requested to conduct regular checks every six months in writing.
- b. Regularly review and verify the information on file by email every month.
- c. Revised the internal operating procedures to facilitate compliance.
- d. Regularly check and cross-reference the “Get information about companies or businesses in Taiwan” platform on the website of the Department of Commerce, Ministry of Economic Affairs, every six months.

III. Mega International Investment Trust Co., Ltd.

The company has been special-audited by the Financial Supervisory Commission for the internal control system of the trading room. The reason is the company’s fund entrusted a company to act as the investment consultant and place orders, who emailed the information such as the transaction and delivery confirmation of the bond trading to its global strategy partner in Taiwan. Mega Int’l Investment Trust did not immediately inform the entrusted company the above violated regulations and did not ask it to correct it, which was inappropriate. The FSC reviewed and corrected the above on March 23, 2021.

The deficiency is improved with the improvement measures as below:

1. During the inspection period, the oversea consultant had been notified to delete non-related contacts in the email group, and the members of the contact group were required to be limited to those related to the transactions of Mega Int’l Investment Trust and the oversea consultant.
2. In addition, the entrusted investment advisor's emails had been thoroughly checked and there are no violation stated above.

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.

3.4.12 Major Resolutions of Shareholders’ Meeting and Board Meetings in 2022

A. Important resolution of 2022 shareholders’ meeting:

- a. Approved the 2021 Business Report and Financial Statements

Implementation status: The 2021 Business Report and Financial Statements have been filed with FSC on July 1, 2022.

- b. Approved the 2021 earning distribution proposal

Implementation status: The meeting resolved to pay cash dividend of \$1.4 per share totaled NT\$19,039,753,576 and stock dividend of \$0.25 per share with an aggregate amount of NT\$3,399,955,990. The dividend record date, which was approved by the Board of Directors, was set on August 19, 2022, and the dividend was paid on September 16, 2022.

c. Approved the amendment to "Articles of Incorporation" of the Company.

Implementation status: The revised Articles of Incorporation was acknowledged by the Financial Supervisory Administration on June 29, 2022 by the letter No. 1110216652 for reference, and was approved by the Ministry of Economic Affairs the modification registration on July 13, 2022 by the letter No. 11101121650. Relevant announcement was made on the Company's website.

d. Approved the amendment to the "Rules of Procedure for Shareholders' Meetings" of the Company.

Implementation status: The revised "Rules of Procedure for Shareholders' Meeting" was uploaded to the MOPS on June 20, 2022, and announced on the Company's website.

e. Approved the amendment to "Articles of Procedures for Acquisition or Disposal of Assets" of the Company.

Implementation status: The revised "Articles of Procedures for Acquisition or Disposal of Assets" was uploaded to the MOPS on July 5, 2022, and announced on the Company's website.

f. Relieved the restriction on directors' non-competition of the 8th term of Board of Directors

Implementation status: Important information has been published on June 17, 2022.

B. Important resolution of the Board meetings held in 2022

Meeting date	No. of meeting and terms	Agenda and resolution
January 8, 2022	The 8 th meeting of the 8 th term	Approved the engagement of the external auditor for 2022 financial statements.
February 22, 2022	The 9 th meeting of the 8 th term	Approved the appointment of the Company's chief information security officer and the reassignment of the directors of the subsidiary Mega Venture Capital.
March 15, 2022	The 10 th meeting of the 8 th term	Approved the 2021 consolidated financial statements, 2021 internal control statement, agenda of convening of the 2022 general shareholders' meeting, and allocation of 2021 employee and directors' compensation.
April 26, 2022	The 11 th meeting of the 8 th term	Approved 2021 Business Report, annual surplus distribution and the transfer of surplus to capital increase and the issuance of new shares, and the reassignment of the supervisor of the subsidiary Mega Investment Trust.
May 24, 2022	The 12 th meeting of the 8 th term	Approved the consolidated financial report for the first quarter of 2022.
July 26, 2022	The 14 th meeting of the 8 th term	Approved the record date for the 2021 earning distribution.
August 23, 2022	The 15 th meeting of the 8 th term	Approved 2022 Q2 consolidated financial statements and the successor of the Compliance Officer of the Company.
September 7, 2022	The 16 th meeting of the 8 th term	Approved the reassignment of 24th term of directors and supervisors of the subsidiary Chung Kuo Insurance Co., Ltd.
September 27, 2022	The 17 th meeting of the 8 th term	Approved the participation in the cash capital increase of the subsidiary Chung Kuo Insurance Co., Ltd., and the reassignment of 7th term of director and supervisor of the subsidiary Mega Asset Management Co., Ltd.
October 25, 2022	The 18 th meeting of the 8 th term	Approved the successor of the Company's financial and accounting manager.
November 22, 2022	The 19 th meeting of the 8 th term	Approved 2022 Q3 consolidated financial statements, the 2023 audit plan, and re-designation of directors of subsidiary Mega Bank.
December 27, 2022	The 21 th meeting of the 8 th term	Approved the participation in the cash capital increase of the subsidiary Chung Kuo Insurance Co., Ltd., and the budget target of 2023 and the successor of Chief Auditor of the Company.

3.4.13 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Approved by the Board of Directors in 2022: None.



3.4.14 Resignation or Dismissal of Personnel Related to Financial Reports (Including Chairman, President, Financial Managerial Officer, Accounting Managerial Officer, Chief Auditor, and Corporate Governance Officer) in 2021 and till the annual report date:

Title	Name	Assuming office date	Resigning date	Reasons of resignation or dismissal
Financial/Accounting Manager	Ching Yi Li	June 1, 2019	October 31, 2022	Assuming the role as Chief Auditor of Mega Bank thus dismissed the concurrent position of the Company
Chief Auditor	Jui Ying Tsai	June 1, 2019	March 20, 2023	Retirement

3.5 Information on External Auditor Fee

Unit: NT\$ thousand

Accounting Firm	Name of CPAs	Audit Period	Audit Fee	Non-Audit Fee	Total	Remarks
PricewaterhouseCoopers, Taiwan (PWC)	Puo-Ju Kuo Chung-Hsi Lai	January 1, 2022~ December 31, 2022	2,125	956	3,081	<ol style="list-style-type: none"> 1. Issuance of new shares by capital increase out of earnings: NT\$94 thousand. 2. Tax audit NT\$642 thousand. 3. English financial report translation fee of NT\$200 thousand. 4. The fee of NT\$20 thousand for reviewing the salary information declaration of full-time employees who are not in supervisory positions.

A. 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.

B. If there is a more than 10% decrease of audit fee compared to previous year, the amount, percentage and reason shall be disclosed: None.

3.6 Change of External Auditors

3.6.1 Information relating to the former CPA: None.

3.6.2 Information relating to the succeeding CPA: None.

3.6.3 Formal response from former CPA regarding Article 10, Paragraph 6, Subparagraph 1, and Subparagraph 2, Item 3 of the Guidelines: None.

3.7 The Chairman, President, and Managerial Officers in Charge of Finance or Accounting Affairs Who Held Any Position at the Auditing Firm or its Affiliated Companies: None.

3.8 Disclosures of Changes in The Shareholding (Stock Transfers and Pledges) of Directors, Managerial Officers and Those as Required by Law in 2022

Corporate Governance Report

3.8.1 Changes in Shareholding

Unit: Share

Title	Name	In 2022		In 2023 till March 31	
		Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Pledged	Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Pledged
Director (Major Shareholder)	Ministry of Finance, R.O.C. Representative: Chao-Shun Chang	28,576,097 7,192	0 0	0 0	0 0
	Ministry of Finance, R.O.C. Representative: Kuang-Hua Hu	28,576,097 0	0 0	0 0	0 0
	Ministry of Finance, R.O.C. Representative: Chia-Chung Chen	28,576,097 0	0 0	0 0	0 0
	Ministry of Finance, R.O.C. Representative: Pei-Chun Chen	28,576,097 62,841	0 0	0 58,990	0 0
	Ministry of Finance, R.O.C. Representative: Yih-Jiuan Wu	28,576,097 0	0 0	0 0	0 0
	Ministry of Finance, R.O.C. Representative: Chia-Chi Hsiao (Note 1)	28,576,097 0	0 0	0 0	0 0
	Ministry of Finance, R.O.C. Representative: I-Kan Chiu	28,576,097 25	0 0	0 0	0 0
	The National Development Fund, Executive Yuan, R.O.C. Representative: Keh-Her Shih	20,774,330 0	0 0	0 0	0 0
	Chunghwa Post Co., Ltd. Representative: Hong-Mo Wu	12,269,472 0	0 0	0 0	0 0
	Bank of Taiwan Co., Ltd. Representative: Hui-Chuan Chen	8,373,784 0	0 0	0 0	0 0
Chairman	Chao-Shun Chang	7,192	0	0	0
President	Kuang-Hua Hu	0	0	0	0
Independent Director	Ying Wu	0	0	0	0
	Chang-Ching Lin	0	0	0	0
	Hung-Ju Chen	0	0	0	0
	Tsai-Jyh Chen	0	0	0	0
	Chi-Chang Yu	0	0	0	0
Executive Vice President, Chief Corporate Governance Officer, and Chief Information Security Officer (Note 2)	Jui-Yun Lin	5,219	0	0	0
Executive Vice President	Yu-Mei Hsiao	5,000	0	0	0
Chief Auditor	Ling-Chiun Lin (Note 3)	0	0	0	0
Chief Compliance Officer	Yi-Ming Ko (Note 4)	0	0	0	0
Chief Secretary of the Board	Han-Yin Ting	1,500	0	0	0
Vice President	Ming-Chih Lu	161	0	0	0
Vice President	Lan-Jong An	0	0	0	0
Vice President	Chia-Lin Chang	250	0	0	0
Vice President	Ing-Jun Kuo (Note 5)	0	0	0	0
Vice President	Hung Tseng (Note 6)	0	0	0	0
Vice President	Chien-An Chen (Note 7)	0	0	0	0
Acting Vice President	Mei-Li Chao (Note 8)	0	0	0	0



Note:

1. Director Mr. Chia-Chi Hsiao succeeded the position on November 1, 2022. Former Director Ms. Chun-Lan Yen resigned on September 30, 2022.
2. Executive Vice President Kuo-Pao Chen retired on March 1, 2022.
3. Former Chief Auditor Ms. Jui-Ying Tsai retired on March 20, 2023. At the same date, Ms. Ling-Chiun Lin succeeded the position as Chief Auditor.
4. Chief Compliance Officer Ms. Hui-Lin Wu retired on September 1, 2022. At the same date, Ms. Yi-Ming Ko succeeded the position as Chief Compliance Officer.
5. Mr. Ing Jun Kuo became the Vice President of Information Security Department since January 1, 2022.
6. Mr. Hung Tseng became the Vice President of Compliance Department since February 1, 2022.
7. Mr. Chien-An Chen became the Vice President of Electronic Data Processing Department since March 1, 2022.
8. Senior Vice President of Treasury Department Ms. Ching-Yi Li was relieved from the position on October 31, 2022. At the same date, Ms. Mei-Li Chao succeeded the position as Acting Vice President.

3.8.2 Shares Trading with Related Parties: None.

3.8.3 Shares Pledge with Related Parties: None.

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

As of April 18, 2023

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: Tsui-Yun Chuang)	1,171,619,980	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)	851,747,532	6.11	0	0	0	0	None	None	None
Chunghwa Post Co., Ltd. (Representative: Hong-Mo Wu)	503,048,382	3.61	0	0	0	0	None	None	None
Cathay Life Insurance Co., Ltd (Representative: Tiao-Kuei Huang)	362,320,395	2.60	0	0	0	0	None	None	None
Bank of Taiwan Co., Ltd. (Representative: Jye-Cherng Lyu)	343,325,163	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: Tai-Ke Cheng)	315,251,415	2.26	0	0	0	0	None	None	None
New Labor Pension Fund (Representative: Yu-Ching Su)	302,667,927	2.17	0	0	0	0	None	None	None
Citibank Taiwan in custody for the government of Singapore	246,952,442	1.77	0	0	0	0	None	None	None
Pou Chen Corporation (Representative: Lu-Min Chan)	196,523,748	1.41	0	0	0	0	None	None	None
Old Labor Pension Fund (Representative: Yu-Ching Su)	193,563,231	1.39	0	0	0	0	None	None	None

3.10 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, 2022; 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.	442,050,000	100.00	0	0	442,050,000	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.	105,000,000	100.00	0	0	105,000,000	100.00
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	5,000,000	100.00	5,000,000	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	21,165,000	20.08	21,165,000	20.08
An Fang Co., Ltd.	0	0	900,000	29.98	900,000	29.98
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	10,789,200	16.65	10,789,200	16.65
Universal Venture Capital Investment Corporation	0	0	51,000,000	42.36	51,000,000	42.36

Capital Overview



Capital Overview

4.1 Capital and Shares

4.1.1 Issued Shares

As of Dec. 31, 2022

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
Aug. 2022	10	22,000,000,000	220,000,000,000	13,939,819,582	139,398,195,820	Increase of NT\$3,399,955,990 capital through earnings capitalization	Note 4

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.
 4. The capital increase was approved by the Financial Supervisory Commission on July 20, 2022.

As of Dec. 31, 2022

Type of stock	Authorized capital			Remark
	Issued shares (Note)	Unissued shares	Total	
Common stock	13,939,819,582	8,060,180,418	22,000,000,000	Note

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

4.1.2 Shareholder Structure

As of April 18, 2023

Type of shareholders	Government agencies	Financial institutions	Other juridical persons	Natural persons	Foreign institutions & natural persons	Total
Number of shareholders	11	27	1,183	510,437	1,082	512,740
Shareholding (shares)	2,805,918,730	1,989,625,947	1,761,427,726	2,949,415,317	4,433,431,862	13,939,819,582
Percentage (%)	20.13	14.27	12.64	21.16	31.80	100

4.1.3 Distribution Profile of Share Ownership

Par value per share: NT\$10 As of April 18, 2023

Shareholder ownership (Unit: Share)	Number of shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	135,588	38,249,493	0.27
1,000 ~ 5,000	254,162	521,071,325	3.74
5,001 ~ 10,000	58,662	395,413,474	2.84
10,001 ~ 15,000	26,811	310,738,695	2.23
15,001 ~ 20,000	9,865	169,399,536	1.22
20,001 ~ 30,000	10,991	260,351,377	1.87
30,001 ~ 40,000	5,104	173,144,978	1.24
40,001 ~ 50,000	2,755	122,260,856	0.88
50,001 ~ 100,000	5,104	343,780,774	2.47
100,001 ~ 200,000	2,117	276,778,775	1.99
200,001 ~ 400,000	792	209,539,379	1.50
400,001 ~ 600,000	171	83,553,551	0.60
600,001 ~ 800,000	97	66,666,057	0.48
800,001 ~ 1,000,000	53	47,733,274	0.34
1,000,001 or above	468	10,921,138,038	78.33
Total	512,740	13,939,819,582	100.00



4.1.4 Major Shareholders

As of April 18, 2023

Name of shareholder	Number of common shares	Percentage of shareholding (%)	Percentage of voting rights (%)
Ministry of Finance, R.O.C.	1,171,619,980	8.40	9.37
National Development Fund, Executive Yuan, R.O.C.	851,747,532	6.11	6.81
Chunghwa Post Co., Ltd.	503,048,382	3.61	4.02
Cathay Life Insurance Co., Ltd	362,320,395	2.60	2.90
Bank of Taiwan Co., Ltd.	343,325,163	2.46	2.75
Taiwan Life Insurance Co., Ltd.	315,251,415	2.26	2.52
New Labor Pension Fund	302,667,927	2.17	2.42
Citibank Taiwan in custody for the government of Singapore	246,952,442	1.77	1.98
Pou Chen Corporation	196,523,748	1.41	1.57
Old Labor Pension Fund	193,563,231	1.39	1.55
Taiwan Tobacco & Liquor Corporation	185,787,977	1.33	1.49
Taishin Bank in custody for Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	172,649,025	1.24	1.38
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	154,142,915	1.11	1.23
Citibank Taiwan in custody for Investment account of Norges Bank	150,045,463	1.08	1.20
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds	147,612,741	1.06	1.18
Labor Insurance Fund	143,517,182	1.03	1.15

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

Unit: NT\$

Item	Year	2022	2021	As of March 31, 2023 (Note 8)	
		Market price per share (Note 1)	High	45.40	36.00
	Low	28.40	28.15	30.05	
	Average	35.88	31.94	32.54	
Net worth per share (Note 2)	Before distribution	21.51	24.15	22.61	
	After distribution	Note 9	22.20	–	
Earnings per share	The weighted average of outstanding shares (in thousands of shares)	13,939,820	13,599,824	13,939,820	
	Earnings per share (Note 3)	Before adjustment	1.32	1.89	–
		After adjustment	Note 9	1.85	–
Dividends per share	Cash dividends	Note 9	1.40	–	
	Stock dividends	EPS	Note 9	0.25	–
		Capital surplus	Note 9	–	–
	Cumulative undistributed dividends (Note 4)	N.A.	N.A.	–	
Investment return analysis	PE ratio (Note 5)	26.94	17.08	–	
	Price-dividend ratio (Note 6)	Note 9	23.06	–	
	Cash dividend yield (%) (Note 7)	Note 9	4.34	–	

* If the capital surplus transferred to common stock and shares allotted, the market price and cash dividend information retrospectively adjusted according to the number of issued shares shall be disclosed.

Note: 1. List the highest and lowest market prices of ordinary shares in each year, and calculate the average market price based on the transaction value and transaction volume of each year.

2. Please refer to the number of issued shares at the end of the year and list based on the resolution of distribution of the Board of Directors or the shareholders meeting in the following year

3. If retrospective adjustment is required due to share allotment, the earnings per share before and after adjustment shall be listed.

4. If the conditions for the issuance of equity securities stipulate that the unpaid dividends in the current year shall be accumulated to the year when there is a surplus, the accumulated and unpaid dividends up to the current year shall be disclosed.

5. PE ratio = average closing price / earnings per share

6. Price-dividend ratio = average closing price / cash dividends per share 7. Cash dividend yield = cash dividends per share / average closing price 8. Information on the date of this annual report should be filled in.

7. The proposal for distribution of 2022 profits will be submitted to the annual shareholders' meeting in 2023.

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' resolution 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 2022 Profits

It is proposed to submit to the Company's annual shareholders' meeting in 2023 for its approval of distribution of NT\$ 17,285,376,282 cash dividends, which is NT\$ 1.24 per share, and distribution of NT\$ 1,115,185,560 stock dividends, which is NT\$ 0.08 per share.

C. Material change of dividend policy

The amendment of the dividend policy stipulated in the Company's articles of association in the shareholders' meeting is as follows:

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 and may distribute dividends for preferred shares. 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' resolution 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.

4.1.7 Impact to Business Performance and EPS of Stock Dividend Distribution to Be Approved by Annual Shareholders' Meeting in 2023

According to "Regulations Governing the Publication of Financial Forecasts of Public Companies" and "Standards for Determining Whether a TWSE Listed Company Shall Publish Complete Financial Forecasts," the item is not applicable because there are no publication of 2022 financial forecasts.

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 2022

The remuneration of employees and directors of the Company in 2022 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 considering 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 as 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 14, 2023, the Company's Board of Directors approved a cash distribution of NTD 13,406,184 for employees' remuneration and NTD 91,385,027 for directors' remuneration for 2022. The sum of the two amounts is NTD 498,377 less than the estimated amount on the account. This was due to the estimation difference and will be adjusted and recorded in 2023. There is no distribution of employee remuneration by company shares.

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

The remuneration of employees and directors of the Company in 2021 allotted NT\$ 18,612,503 and NT\$ 126,874,594 in accordance with the resolutions of the Board of Directors, which was NT\$ 1,040,286 less than the estimated amount in the account, and was due to estimation difference. It has been adjusted and recorded in 2022. The above-mentioned remuneration of employees and directors was paid in cash, and there was no distribution of employee remuneration by company shares.

4.1.9 Share Buyback: None

The Company did not buy back any company shares in 2022 and up to publication date of this annual report in 2023.

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



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 follows.

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	2022		2021	
		Amount	%	Amount	%
Investment income from equity investments accounted for by the equity method		18,602,819	99.58	25,601,093	99.71
Other operating revenue		77,295	0.42	74,337	0.29
Total		18,680,114	100.00	25,675,431	100.00

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

Mega International Commercial Bank

A. Major business

- a. Corporate Finance Services: including various corporate lending, project margin trading, policy loans, syndicated loans, SME loans, sustainable finance loans, overdraft/discount, domestic letter of credit development, guarantee services, accounts receivable financing, underwriting services, and financial advisory
- b. Consumer Finance Services: including home purchase or renovation loans, personal finance loans, other consumer loans, wealth management and private banking services, specific money trust investments in domestic and foreign securities (funds/bonds), various trusts, custody services, and credit card services
- c. Deposit, Foreign Exchange, and Agency Services: Including various types of deposits, import and export businesses, buying and selling foreign currency notes, domestic and foreign currency exchange businesses, safe deposit box services, agency payment services, agency treasury services, agency securities issuance services, and agency dividend distribution services
- d. Finance and investment business: handling NT\$/foreign currency fund allocation business, foreign exchange business, securities trading business, direct equity investment business, financial commodity marketing and derivative financial commodity business, securities underwriting business, etc.
- e. Digital financial services: Handle digital financial services such as general online banking, global financial network, mobile banking APP, telephone banking, online ATM, national bill payment, bank official website, OPEN API, big data, and blockchain confirmation
- f. Life insurance agency business
- g. Other business approved by the competent authority

B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2022		2021	
		Amount	%	Amount	%
Net interest revenue		36,238,906	67.81	29,785,188	66.21
Net revenue other than interest		17,201,792	32.19	15,199,213	33.79
Net service fee revenue and commission		6,777,530	12.68	6,692,331	14.88
Gains on financial assets and liabilities at fair value through profit or loss		4,809,158	9.00	4,903,853	10.90
Realized gain on financial assets at fair value through other comprehensive income		2,344,156	4.39	1,507,922	3.35
Loss arising from derecognition of financial assets measured at amortised cost		(38,867)	(0.07)	(39,147)	(0.09)
Foreign exchange gains		2,563,818	4.80	1,368,097	3.04
Impairment losses on assets		127,770	0.24	(30,095)	(0.07)
Share of profit of associates and joint ventures accounted for using equity method		136,279	0.25	439,819	0.98
Net other revenue other than interest income		481,948	0.90	356,433	0.79
Net revenue		53,440,698	100.00	44,984,401	100.00

C. New products and services planned for the future

We have successfully set up the “SME Online Loan Application Platform” for Small and Micro Easy Loans to speed up the access to working capital for enterprises, and continue to digitize the features, such as: online OCR recognition to convert images into text, one-click access to key information, simplified credit application process, and creating a setting for real-time interaction in financing business. The Mega Loan Credit Assessment Platform has been established to optimize the operation process and speed up the review process. Given the trends in the technological and digital transformation of banking services, the Company will continue to optimize its STM and mobile banking functions to create better consumer experiences. We will use smart financial AI technology to build various data models for credit cards to assist in business decisions. In the future, we will integrate our Green Finance vision with integrated marketing to guide customers to focus on sustainable development issues and implement an environmentally friendly, energy-saving and carbon-reducing lifestyle in order to fulfill ESG principles.

Mega Securities Company

A. Major business

1. Business activities

- a. Securities brokerage, underwriting and proprietary trading
- b. Agency for stock affairs
- c. Margin trading and short-selling services
- d. Derivatives business
- e. Brokerage trading of foreign securities
- f. Introducing brokerage of securities-related futures
- g. Futures proprietary trading of securities-related futures
- h. Agency for lending and borrowing in connection with securities
- i. International securities business
- j. Other services approved by the competent authority



B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2022		2021	
		Amount	%	Amount	%
Brokerage business		3,679,193	88.09	5,649,966	75.6
Underwriting business		282,688	6.77	540,555	7.23
Proprietary trading business		(58,122)	(1.39)	999,370	13.37
Others		272,993	6.53	283,216	3.79
Total revenue		4,176,752	100.00	7,473,107	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. In addition, in 2023, the company will continue to promote digital transformation projects, such as optimizing the account opening system and building customized APPs, with the aim of providing customers with a full range of one-stop financial services, with customer needs and mobile priorities as the main focus.

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	2022		2021	
		Amount	%	Amount	%
Bill business		3,161,098	52.38	2,899,265	51.43
Bond business		2,080,648	34.48	2,456,226	43.58
Equity Investments		116,082	1.92	136,296	2.42
Others		676,606	11.22	145,053	2.57
Total revenue		6,034,434	100.00	5,636,840	100.00

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

Chung Kuo Insurance Company

A. Major business

Operational Overview

- a. 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.
- b. Reinsurance assumed

B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2022		2021	
		Amount	%	Amount	%
Fire insurance premium		2,150,359	23.76	1,978,621	24.49
Marine cargo insurance premium		314,568	3.48	266,700	3.30
Marine hull insurance premium		633,638	7.00	557,516	6.90
Automobile insurance premium		3,593,800	39.71	3,487,751	43.17
Aviation insurance premium		100,391	1.11	80,367	0.99
Engineering insurance premium		355,349	3.93	306,938	3.80
Accident insurance premium		589,638	6.52	417,110	5.16
Health insurance premium		505,789	5.59	266,645	3.30
Other insurance premium		806,651	8.91	717,840	8.88
Total direct written premium income		9,050,182	100.00	8,079,488	100.00
Inward reinsurance premium income		998,954	-	894,380	-
Total		10,049,136	-	8,973,868	-

C. New products and services planned for the future

- a. Typhoon wind and rain index peach insurance
- b. The additional clause for the repatriation hospitalization insurance
- c. New overseas sudden illness and injury medical expense insurance for individuals
- d. Additional clause for limited accidental premium after return from overseas travel
- e. E-Hospitalization medical expense insurance (pay-as-you-go type).
- f. Criminal defense lawyer fee compensation insurance for female victims of sexual harassment
- g. Women's security personal accident insurance
- h. Cancer death insurance
- i. Electric vehicle comprehensive insurance
- j. Mandatory motor vehicle liability insurance driver injury additional clause - limited to the owner of the vehicle (single traffic accident for micro electric two-wheeled vehicles)
- k. Third-party liability insurance for motor vehicles (applicable to micro electric two-wheeled vehicles)
- l. Additional clause for increased coverage for automobile parts and accessories
- m. Additional clause for temporary storage

Mega International Investment Trust Company

A. Major business

- a. Securities investment trust business
- b. Discretionary investment business
- c. Other relevant operations approved by the Financial Supervisory Commission



B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2022		2021	
		Amount	%	Amount	%
Public issued funds		349,838	97.29	376,031	93.89
Private equity funds		8,157	2.27	16,669	4.16
Discretionary account		1,585	0.44	7,822	1.95
Total		359,580	100.00	400,521	100.00

C. New products and services planned for the future

New public issued funds to be issued in 2023 are as follows:

- Multi-Asset Fund: A fund that targets industries with exchange rate or recovery trends in the post-pandemic environment, covering various asset classes such as stocks, bonds, and REITs
- Thematic Fund: A fund with ESG or green finance themes as the main focus
- Index Equity Fund: A fund developed in collaboration with index companies that features trend-driven and innovative products

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	2022		2021	
		Amount	%	Amount	%
Service income		453,612	94.13	410,440	93.75
Net proceeds from disposal of purchased NPL and Gain on sale of collaterals		22,659	4.70	15,610	3.57
Rental income		4,228	0.88	5,361	1.22
Interest income		1,383	0.29	1,750	0.40
Net profits from disposal of investment properties		-	-	4,643	1.06
Total		481,882	100.00	437,804	100.00

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

Mega Venture Capital Company

A. Major business

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



B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2022		2021	
		Amount	%	Amount	%
Revenue from disposal of long-term securities investment		52,633	192	107,554	34
Dividend income		24,994	91	21,417	7
Director's or supervisor's remuneration income		0	0	217	0
Financial assets and liabilities at fair value through profit or loss		(50,152)	(183)	187,373	59
Total		27,475	100	316,561	100

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. In addition, MVC will provide angel funds to support the startup industry in accordance with government policies, provide working capital for startup development and provide related counseling.

5.1.2 Operating Policies in 2023

The Company

1. Secure existing business and diversify source of profits

- (1) Strengthen existing base of corporate finance to maximize shareholders’ interest
- (2) Expand customer finance and wealth management business and dedicate on innovation to optimize revenue growth model
- (3) Allocate the investment portfolio efficiently and conduct agile finance management
- (4) Strengthen business of securities segment to establish second profit generating engine
- (5) Enhance business of non-bank subsidiaries to establish well-diversified profit structure
- (6) Consolidate all resource to leverage cross-sell initiatives; strengthen state bank collaboration
- (7) Develop Fintech and provide premium online services to optimize client experience
- (8) Prevent the risk of global economic downturn to reduce the impact of business development

2. Strengthen overseas presence and cultivate customer service

- (1) Maintain existing client relations, develop new customer base, and continue to improve the quality of products and services
- (2) Enhance resource integration and increase client penetration of the Group’s products
- (3) Strengthen overseas loan business and focus on the region of Europe, the US, and ASEAN, and explore new business opportunities from Taiwan-US supply chain restructuring
- (4) Connect APAC branches to provide total solution and explore business opportunities on local industries
- (5) In response to the global trend of sustainability, seize financial opportunities and open up new blue ocean of sustainable financial profits



3. Monitor political, economic, and industrial changes and reinforce awareness on risk management

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

4. Implement laws and regulations to improve information security and strengthen resilient safety transformation

- (1) Implement laws and regulations to improve information security management
- (2) Promote information security governance to reduce risk impact
- (3) Enhance the resilience of information security and strengthen the response capability
- (4) Collaborative digital transformation to ensure concurrent cybersecurity

5. Improve protection against information security risks and optimize the innovation of management services

- (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 simplify process and increase efficiency

6. Implement and unify standard of AML/CFT and forge a culture of legal compliance

- (1) Improve regulation management to make sure the legal requirement is met
- (2) Conduct both internal and external employee compliance training to strengthen employee's compliance awareness
- (3) Carry out on-site inspections to effectively verify the results of implementation
- (4) Strengthen the tracking of deficiency improvements and comprehensively enhance the system processes
- (5) Integrate Group resource to forget legal compliance culture

7. Integrate ESG strategies to maximize the value of sustainability

- (1) Committing to low-carbon operations to achieve environmental sustainability
- (2) Improving digital technology to promote sustainable finance
- (3) Strengthening talent development to implement employee care
- (4) Forging a deeper financial inclusion for mutual prosperity in the society
- (5) Adhering to ethical standards to practice corporate governance

8. Strengthen institutional investor relationship and improve information transparency

- (1) Strengthen investor relationship management and establish a foundation for mutual trust and communication
- (2) Respond to investors' opinions in a timely manner for reference in business decision-making
- (3) Improve investor recognition by holding legal person briefings
- (4) Continuously optimize the content of law seminars to demonstrate the potential value of the company

Mega International Commercial Bank

1. Strengthen the three lines of defense and implement them to create a corporate culture of ethical management
2. Refine the risk management mechanism and strengthen the identification, assessment and management of climate risks
3. Continue to promote digital transformation and develop diversified digital financial applications and services
4. Take advantage of globalization to enhance the operation and profitability of overseas markets
5. Consolidate the strengths of large enterprises and actively develop small and medium enterprises as a second profit curve
6. Develop diversified and digitalized consumer finance business to enhance customer satisfaction
7. Keep abreast of the pulse of the market and conduct flexible financial operations in order to create stable investment income
8. Implement ESG sustainable finance policies to achieve a positive impact on a sustainable society

Mega Securities Company

1. Improve client structure and increase brokerage market share
2. Develop wealth management and increase recurring income
3. Refine trading capabilities and improve operational performance
4. Utilize Group resources to create business synergy
5. Promote digital transformation and enhance the safety of information and communications
6. Implement the three lines of defense and focus on risk management
7. Strengthen corporate governance and improve fair treatment of customers
8. Emphasize employee training and promote corporate sustainability

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) Promote financial sustainability, implement ESG policies and provide financing services for green energy industry in accordance with government regulations
- (3) Adjust borrower structure, develop non-real estate client base and actively explore opportunities in NCD, acquisition of guaranteed or non-guarantee bills and securities underwriting to achieve portfolio growth and higher gains
- (4) 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



- (5) 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

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) Strategically invest in foreign currency bond business by diversifying country and industry risks, aiming to increase overall return and risk management. Explore bond-related products and services, taking opportunities of the market changes to expand our sources of income
- (3) Continue to focus on sustainable finance issues and implement responsible investment practices, while maintaining appropriate positions in green bonds under cost-effective considerations
- (4) With the aim of balancing credit risks and increasing returns, invest in convertible corporate bonds and exchange-traded fixed income assets with good credit ratings
- (5) Strengthen credit risk management and expand the secondary trading of foreign currency bonds to support domestic financial institutions in acquiring foreign currency funding, establishing a stable source of funds. In addition, flexibly carry out repurchase transactions, currency swaps or buyback transactions to lower funding costs and increase investment returns under the premise of ensuring safe capital scheduling
- (6) Manage foreign currency bond positions and risk duration prudently, aiming to balance risk avoidance and increasing return targets. Allocate capital reasonably, maintain efficient fund utilization, and strengthen risk management and improve our institutional system

3. Equity investment business

- (1) Strengthen research on the fundamentals of various industries and individual stocks, closely monitor changes in economic cycles, and prioritize selecting targets with bullish technical price-volume patterns or market hot topics. Aim to capture short-term market fluctuations and earn capital returns through timely trading
- (2) Explore high dividend yield stocks in each industry with stable profits, generous dividends, and promising growth prospects. Strategically invest in each industry category at a low cost or in batches to steadily enhance our returns
- (3) Pay attention to the ESG profile of invested companies, interact with them, participate in shareholder meetings, and express appropriate opinions on significant proposals to fulfill our institutional investor's duty of governance responsibility

Chung Kuo Insurance Company

- 1. Review and adjust the business structure on a rolling basis, deepen the Group's cross-selling capability, and improve the business penetration rate

2. Strengthen risk management, implement internal and external compliance and audit systems, and enhance risk management mechanisms and stop-sale processes for high-risk products
3. Deepen the existing channels of business and promote the core insurance business; continue to develop channels to increase business sources
4. Optimize internal and external digital platforms to improve customer service and administrative efficiency
5. Strengthen the promotion efforts according to audience types through cross-industry collaboration in online platforms and social media, deepen the corporate brand image, and enhance consumer loyalty
6. Adjust asset allocation to improve the capital efficiency and increase income
7. Implement corporate governance and sustainable management measures in accordance with Group policies
8. Actively build a digital culture, strengthen information infrastructure, and integrate digital platform system services
9. Cultivate a full range of talents and establish a talent reserve database

Mega International Investment Trust Company

1. Increase sales, maintain the proper size of funds, and tap into regular amount investment business
2. Enhance the performance review of the fund research team and strengthen the market and commodity research capabilities
3. Collaborating with professional investment or index institutions to keep abreast of market trends
4. Improving investment research and operational systems to enhance the user-friendly wealth management environment
5. Implement legal compliance and risk management policy

Mega Asset Management Company

1. Keep exploring the advance payment business of urban redevelopment and old building rebuild work and look for investment targets suitable for urban redevelopment (old building rebuilds) in the foreclosure market. Wait for opportunities to act as the executor of the urban redevelopment or make capital gains by direct investment
2. Invest in the real estate, moving assets, and rights from foreclosure or from government auction to expand fixed income source and stabilize revenue
3. Participation in the Utilization of Idle Assets of the Holding Company and Other Sister Companies in the Financial Control Group
4. Participate in tendering and handling of NPLs and utilize the integration expertise to win the business opportunities of debt consolidation services

Mega Venture Capital Company

1. Select potential targets from the pre-IPO stocks or emerging stocks in the first listing market, evaluate their industries, profits and future development, and strive to participate in inquiry and auction opportunities. Realize profits according to market conditions and the company's stock price performance after listing
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 and optimize the investment portfolio



3. Under the general global recession, Southeast Asia countries are the regions that can still maintain relatively high economic growth momentum in the near future. In addition, the Americas region has a relatively high economic growth rate under the situation of easing the epidemic situation. Accordingly, it is planned to continue to explore investment opportunities of high-quality Taiwanese companies in the aforementioned regions to increase profit
4. Due to the rapid changes in the industry, in addition to the technology industry, potential investments will also include channel industry, chain restaurants, and emerging or smart industries cultivated by the government such as medical care, biotechnology, green electricity and renewable energy, livelihood and combat readiness industries, and sophisticated agriculture. We will continue to screen high-quality investment targets to improve shareholder returns
5. To support the government's promotion of domestic economic transformation, a special angel fund was set up starting in 2022 to inject funds into startups and provide related counseling to help startups obtain the necessary capital for development and operation

5.1.3 Industry Overview

A. International and Domestic Financial Environment

International Economic and Financial Environment

The World Bank estimates that global economic growth in 2022 would be 2.9%, down 3.0 percentage points from 2021. In particular, the economic downturn in developed countries has been very rapid, and the economic situation has worsened more noticeably in the second half of the year, reflecting the Russia-Ukraine war and industry supply chain bottlenecks that have pushed up global inflationary pressures. Therefore, central banks around the world have adopted tight monetary policies, especially the US Federal Reserve, which has increased interest rates significantly by 17 basis points. In addition, European countries are also facing energy supply problems, and China's continued and repeated implementation of lockdowns due to the pandemic has caused a continuous decline in industries such as real estate, all of which have led to a general weakness in global economic activity.

In terms of interest rates, major central banks have increased interest rates significantly in 2022 to curb inflation. The US Federal Reserve has raised interest rates by a cumulative 17 basis points and started to shrink its balance sheet, while emerging countries have also taken action to raise interest rates to prevent capital outflows and avoid import-related inflation.

Domestic Economic and Financial Environment

In terms of the domestic economy, Taiwan's economy grew at a rate of 2.45% in 2022. The improvement in private consumption in the second half of the year was more significant than in the first half, reflecting the alleviation of the pandemic's impact, improvement in employment, and growth in domestic consumption. However, the growth rate of fixed capital formation in the third quarter was halved compared to the first half of the year. This was mainly due to the weakening of corporate investment due to the global economic downturn and inventory reduction, as well as the slowdown in construction investment due to the impact of overall prudential policies such as interest rate hikes and selective credit controls. In addition, export momentum has weakened quarter by quarter as demand for commodities in the U.S. and Europe has cooled. Although domestic consumption remained relatively stable in the fourth quarter, the manufacturing industry continued to be sluggish, and export momentum severely declined. The Directorate-General of Budget,

Accounting and Statistics estimated that Taiwan's economic growth rate in 2023 will be 2.12%, a decrease of 0.33 percentage points from 2022.

In terms of interest rates, as major central banks have raised interest rates significantly, Taiwan's central bank also started to raise interest rates from March 2022, with a total of four interest rate hikes of 62.5 basis points throughout the year, bringing the rediscount rate to 1.75%, a new high since December 2015. This was accompanied by two increases in the reserve requirement ratio totaling 0.5 percentage. In addition, the overnight rate has trended upward as the central bank raised interest rates, from an average of 0.085% in January 2022 to 0.555% after the central bank raised interest rates in December 2022. The interest rates for the central bank's fixed deposits have also rose in general.

In terms of exchange rates, the NTD depreciated against the USD from January to October 2022, from 27.6 at the beginning of the year and dropping to nearly 32.3 at one point, reflecting the accelerated and significant interest rate hike by the US Federal Reserve, which in turn led to foreign capital outflows and a shrinking trade surplus with weakening exports, resulting in lower demand from exporters to sell foreign currency. After November, the NTD rebounded slightly against the USD and closed at NT\$30.7 at the end of the year, reflecting the slowdown of the US Federal Reserve and the market's expectation that interest rate hikes were nearing their end, causing foreign capital to turn into net inflows. In addition, the increase in demand for export-related foreign exchange transactions at the end of the year supported the exchange rate of the NTD. In total, the average exchange rate of the NTD against the USD in 2022 was 29.78, which was a depreciation of about 5.9% compared to 28.02 in 2021.

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 Taipei Exchange (TPEX) and one wholly state-owned financial holding corporation, totally 16 financial holding companies. However, On November 11th, 2022, Fubon Financial Holding successfully completed its merger with Jih Sun Financial Holding, making it the first "financial-finance merger" in Taiwan's financial history. Currently, there are a total of fifteen financial holding companies in Taiwan, but the market share of each bank under the financial holding companies is still less than 10%, indicating that the banks under financial holding companies are still small in scale and have not yet achieved economies of scale.
2. In response to the government's commitment to achieve net-zero emissions by 2050, the National Development Council announced the "2050 Net-Zero Emissions Path" on March 30, 2022. The Financial Supervisory Commission (FSC) will continue to promote the Green Finance Action Plan, using the influence of financial institutions in managing and utilizing funds to encourage companies to focus on sustainability issues. In addition, the FSC further released the "Green Finance Action Plan 3.0" on September 26, 2022. Its vision is to "integrate financial resources to support the net-zero transition" and includes 26 specific measures in five promotion areas: Deployment, Funding, Data, Empowerment, and Ecosystem. The goal is to unite the financial industry consensus and develop guidelines and data that are commonly needed by the financial industry, promote the financial industry's understanding of their own greenhouse gas emissions in their investment and financing positions, and facilitate the financial industry's active response and keep abreast of climate-related risks and opportunities, and continuously promote the financial industry to support sustainable development and guide companies in reducing carbon emissions.



3. To ensure uninterrupted operation of the financial system and provide a secure trading environment for the public, the FSC announced the “Financial Information Security Action Plan 2.0” on December 27, 2022, aiming to strengthen the information security protection capabilities of the financial industry, including: (1) Expanding the establishment of Chief Information Security Officer position and holding regular Chief Information Security Officer meetings. (2) Amend self-regulatory rules in response to digital transformation and the opening of network services. (3) Deepen the core data preservation and operation continuity exercises. (4) Expand the adoption of international cybersecurity management standards and establishing cybersecurity monitoring mechanisms. (5) Encourage effective assessment of cybersecurity monitoring and protection. (6) Encourage the deployment of zero-trust networks and strengthening connection authentication and authorization control. (7) Encourage the deployment of a diverse range of cybersecurity talents and expanding attack and defense training capacity. (8) Enhance the sharing of cybersecurity intelligence and improving the effectiveness of cybersecurity joint defense operations. (9) Conduct cybersecurity attack and defense drills and planning for major cybersecurity event support training.

Banking Industry

1. The domestic banking industry is fiercely competitive and not conducive to increasing profitability

There are many banks and branch locations in our country, and the banking industry generally has high homogeneity. At one time, due to the relocation of industries and the sluggish investment environment, the market faced a dilemma of excessive funds and insufficient loan demand, making it difficult for the banking industry to increase deposit and loan spreads and profitability. To curb inflationary pressures, Taiwan’s central bank raised the discount rate four times for a total of 62.5 basis points in 2022, the first interest rate hike since June 2011, and raised the deposit reserve ratio twice for a total of 50 basis points. As a result, the excess liquidity in the financial market has decreased due to the tightening monetary policy, which helps the banking industry increase the spread of deposits and net interest income.
2. The development of Fintech changes the customers' pattern

In 2022, the number of domestic bank branches decreased by 20 to 3,384, a new low in nearly 11 years. This reflects the impact of the popularization of financial technology and digital channel services, which has changed people’s habits and replaced some functions of physical branches. In addition, in recent years, the impact of the COVID-19 epidemic and the entry of three domestic pure online banks into operation has accelerated the trend of digital financial popularization. Therefore, banks must continuously improve their digital financial services to increase competitiveness.
3. Global inflationary pressure remains high, exacerbating concerns about the future outlook

Since the outbreak of the Russian-Ukrainian war in early 2022, as both countries are major energy and food producers, it has exacerbated global inflationary pressures, prompting central banks of many countries to tighten monetary policies in unison. In particular, the United States has raised interest rates by 425 basis points in less than a year, causing severe market turbulence, with not only the stock market falling sharply, but also bond prices plummeting. Affected by inflation and interest rate hikes, concerns about the economic outlook for 2023 have deepened, especially in the United States and Europe. If the degree and timing of the cooling of inflation are not as expected, or if central banks continue to tighten monetary policy, it may push up the risk of economic recession.
4. Supply bottlenecks and rapid changes in downstream demand have increased the challenges faced by businesses in their operations

Since the outbreak of the global pandemic in 2020, the international supply chain has deteriorated. As vaccination became widespread in the United States and Europe, they were the first to shift towards coexisting with the virus. Since 2022, global supply bottlenecks have gradually eased, and with the high inflation and interest rates causing weakened demand, the proportion of consumer spending on services has rebounded. This has led to companies that previously increased inventory due to supply bottlenecks having inventory turnover problems, and some have even delayed investment, indicating that corporate operations face greater challenges in the face of declining demand and rising interest rates.

Securities industry

1. The operation of securities industry is affected by the ups and downs of the Taiwan stock market volume and index. In 2022, the TAIEX closed at 14,137.69 points, with a full-year decline of 22.4%. The daily average trading volume was 305.2 billion, a decrease of 172.6 billion (a decrease of 36.12%) compared to 2021. The opening of new securities accounts was also affected by the market turbulence, with a total of 515,500 new accounts opened in 2022 and a total of 12.0191 million accounts opened. With brokerages, underwriting, and proprietary businesses all affected by the bearish stock and bond markets, the net profit after tax for all securities firms in 2022 was NT\$38.728 billion, a decrease of NT\$66.699 billion (a decrease of 63%) compared to 2021.
2. Looking ahead to 2023, although the economy may recover to normal levels after the global interest rate hike ceases, it still needs to face the negative impact of high inflation. A rapid and substantial increase in interest rates will reduce consumer spending power and cause a decline in economic growth, which will also impact industry trends and corporate profitability. The financial market is still experiencing volatility in 2023, and the Taiwan stock market will still face many variables. It is expected to hit bottom in the first half of the year and rebound in the second half. Although the global economic outlook is not optimistic, Taiwan's relatively mild inflation and relatively stable economy suggest that there is no reason for too much pessimism about the outlook for 2023. Furthermore, with good fundamentals of companies and positive prospects for the securities industry, the business environment should be better than in 2022.

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, and three of which are subsidiaries of financial holding company. As of the end of 2022, commercial papers outstanding of the whole market reached NT\$2,584.8 billion, increased by 0.99% compared to 2021.
2. In 2022, total bond market trading volume was NT\$12.4417 trillion, increase 5.94% versus 2021 of NT\$11.7496 trillion. This is mainly due to the fact that in 2022 during the interest rate hike cycle, customers deliberately shortened the bond RP transaction period.

Non-Life Insurance Industry

1. At the end of December 2022, 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 97.12% of the industry's total premium income. The market share of foreign non-life insurance companies' branches in Taiwan accounts for only about 2.88%.



2. The overall signed premium income of the domestic property insurance market continued to grow. In 2022, except for other insurance (including other property insurance, liability insurance, credit insurance and guarantee insurance) and nuclear insurance, which decreased compared to the same period in 2021, all other types of insurance increased compared to the same period in 2021, with the largest increase being in automobile insurance.
3. In terms of the proportion of business by type of insurance, automobile insurance had the highest proportion of signed premium income in the overall market in 2022, with a business proportion of 52.37%, followed by fire insurance (including natural disaster insurance) at 14.75% and other insurance at 12.82%, which were the top three major types of insurance.
4. As far as the property insurance market is concerned, the development of both operations and investment is still affected by domestic politics, economic conditions, consumer markets, liberalization of property insurance rates, and weakness in the international reinsurance market. It is expected that the market will become more competitive in terms of products or rates.

Securities Investment Trust Industry

As of the end of December 2022, there were a total of 38 domestic investment trust companies, managing a total of 1,016 mutual funds with a business scale of NT\$4.86 trillion; managing a total of 75 private equity funds with a business scale of NT\$32.4 billion; and managing a total of 632 discretionary contracts with a business scale of NT\$2.33 trillion.

Asset Management Industry

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

In order to help with the 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 be entrusted or to assist in creditor's rights consolidation, advance payment business and guarantee. It also set a cap for advance payment of seven times the AMC's net value, in order to assist the urban renewal policy. The aforementioned principles were last revised on May 24, 2019, and were updated to promote urban renewal policies. Asset management companies may handle the business of advance payment, injection of funds and purchase of real estate in order to improve the quality of the living environment of the people, increase the price of social resources, and expediate social and economic development, resulting in a multi-win situation.

Mega Venture Capital Industry

According to the data provided by the Taiwan Venture Capital Association's 2021 Taiwan Venture Capital Yearbook published at the end of 2022, as of the end of August 2022, there were a total of 292 domestic venture capital firms. If the 22 limited partnership venture capital firms are included, the total number of firms will reach 314, indicating that the domestic investment environment is more active than before.

Analyzing the total investment amount of venture capital firms in industries, in recent years, due to the outbreak of the pandemic, the total investment amount of domestic venture capital in the biotechnology industry has ranked first, while the manufacturing and information industries ranked second and third respectively. In terms of the number of investment cases, the biotechnology industry also ranked first, followed by the electronics industry, information industry, manufacturing industry, and service industry.



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 2021 and 2022 were NT\$6,055 thousand and NT\$6,417 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 ESG systems to get in sync with international best practices
 - (3) Measurement on risk exposure of high carbon emission industry and high climate risk customers
 - (4) Measurement on distribution of collaterals from subsidiaries under the RCP 8.5 and RCP 2.6 scenario of high climate risk
 - (5) Passed ISO 27001 certification, aligning with international information security management systems

B. Future R&D Projects

1. Evaluation on the feasibility of merger with or acquisition of other domestic or foreign financial institutions
 2. Establish a project team for data governance and application, construct a top-down data governance framework, and establish a customer-oriented business decision-making reference model.
 3. Planning to build groupwide ESG Sustainability Development platform
 4. Continued development of financial and risk reporting system
 5. Scenario analysis and stress test on physical risk and transition risk
 6. Set up quantitative indicators of high climate risk
 7. Adopt the PCAF method to calculate the carbon emissions of investment and financing portfolios and plan SBT carbon reduction pathways.
 8. Strengthen internet structure to reinforce information security capacity, and maintain the effectiveness of ISO 27001 certification
- Expected R&D expense in 2023 (including employee training and professional services) will be NT\$30,960 thousand.

Mega International Commercial Bank

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

1. The Bank's R&D expenses incurred in 2021 and 2022 are NT\$2,316 thousand and NT\$858^{Note} thousand, respectively, mainly for purchase of professional publications, electronic data base, and publishing of Mega Bank Monthly.
Note: The difference is mainly due to the reclassification of account titles. If calculated per the original account titles, the R&D expense in year 2022 was NT\$ 1,747 thousand.
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 line with the trends of technology development and digital financial transformation, we will continue to strengthen R&D initiatives, increasing the depth of its digital financial services, searching for more cross-industry cooperation opportunities, expanding the scope of its services, and developing new clientele. To align with customers' thoughts and needs of digital services, we also use data analysis technologies to ascertain customer preferences and insights, so as to optimize product designs and processes
- (4) In terms of digital finance innovation, Mega Bank continued its commitment to digital finance R&D and applied for patents for various financial services. As of December 31, 2022, it obtained 477 utility model patents, and 101 invention patents approval from the Ministry of Economic Affairs, totaling 578, ranking first among public banks, and 35 utility model patents and 81 invention patents applications are under review. Also, the percentage of digital and information expense rose from 10.67% in 2021 to 11.99% in 2022. In the future, Mega Bank will continue to encourage employees to devote to R&D and thus create business contribution.

B. Future R&D Projects

1. 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 in related publications.
2. The Bank will strengthen various digital financial applications, continue to work on the optimization of front-, middle-, and back-end interfaces and processes to meet customer needs and improve customer experience.

Expected R&D expense in 2023 will be NT\$1,237 thousand.

Mega Securities Company

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

1. The Company's new products developed in 2020 and 2021 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) Optimized the over-the-counter account opening process by integrating OCR document recognition for digital and handwriting input. Launched an online account opening platform called "E-OPEN" which integrates securities and commission-based services into a one-stop online account opening service. Added a dual-line security monitoring mechanism (SOC) in accordance with the "Financial Security Action Plan" formulated by the FSC, and expanded the scope of ISO27001 (information security management) core system verification, including the electronic transaction platform (APGW) and the main electronic transaction front-end - Mobile VIP
 - (2) Launched the "Mega E-Stock" platform for regular investment in Taiwan and US stocks, and added a new feature for applying for electronic transaction certificates and sending OTP verification codes via email
 - (3) Launched the "securities flash order" feature on the mobile trading platform to enhance mobile trading capabilities. Optimized the "Global Wealth Management" trading platform and XQ API to continuously improve system functionality

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 2021 and 2022 are NT\$1,394 thousand and NT\$1,645 thousand, respectively, mainly for employee training. The achievements of R&D are as follows:

1. In 2021

- (1) Following the development of big data solutions and an integrated regulatory reporting system by Taiwan Depository & Clearing Corporation (TDCC), the company developed “Digital Supervision and Reporting Procedures for Bills Finance Company” and continued to install relevant information systems to support phase 2 (market wide) implementation of electronic delivery for secondary market trade documents.
- (2) The company developed an “Operating Procedure for Bills Enquiry and Confirmation” to improve operating efficiency and support the financial blockchain confirmation service provided by Financial Information Service Co., Ltd. (FISC).
- (3) The company continued to promote the electronic operation of bond passbooks and transaction orders to support the Taiwan Securities Association's initiative to introduce electronic bond passbooks. Electronic operations provide customers with more efficient settlement services at lower cost.
- (4) The company developed a new virtual machine (VM) to replace its physical machine, thereby improving the stability and operational efficiency of its electronic bond trading systems.
- (5) The company upgraded its database systems, taking into consideration the risks of information security, to ensure information security and improve operating efficiency.
- (6) The company adopted electronic documentation system and accelerated digital transformation to comply with the group's digital transformation policy.
- (7) The company developed a “financial self-reporting system” to enhance the efficiency of self-reporting operations.

2. In 2022

- (1) Established an electronic system for sub-market electronic delivery of orders for general investors in collaboration with the TDCC and the TSA to provide customers with more efficient settlement services at lower cost.
- (2) Developed an electronic operation of bond passbooks and transaction between our headquarters and branch offices based on the BCSS settlement system of TDCC to simplify manual operations, reduce mailing costs, and increase the speed of settlement inquiry services.
- (3) Established a futures trading system for US government bonds to cope with significant fluctuations in bond yields and increase the diversity of bond trading.
- (4) Added an email-based customer order confirmation system to reduce human errors.
- (5) Continuously optimize the self-compiled financial reporting system, strengthen review procedures and optimize the production process of financial report working papers to accelerate the production of financial reports.
- (6) Set up an advanced persistent threat (APT) systems to meet information security needs and prevent cyberattacks.
- (7) Established an ESG risk assessment mechanism for investment and financing services to encourage customers to focus on sustainable values.



B. Future R&D Projects

1. Upgrade the core system mainframe integration system to improve operational efficiency and facilitate digital development.
2. Develop an E-loan credit application process management system to enable managers and handling personnel to quickly view case lists, improve data accuracy and operational efficiency, and reduce paper usage to support remote work planning.
3. Establish a legal and regulatory system to collect external laws and track internal regulations, reducing human errors and improving efficiency.
4. Optimize the online learning platform system to enhance learning functions and benefits.
5. Continuously improve ESG-related systems to support green industries and promote sustainable social development ternet activities, and prevent cyberattacks.

The R&D expenses in 2023 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 2021 and 2022 are NT\$10,275 thousand and NT\$7,261 thousand, respectively. The R&D achievements are as follows:

1. Data analysis and automation projects:

Projects were launched in 2021 with data analysis mainly applied to auto insurance loss rates and claims management. Real-time data analysis can be used to improve management decision-making efficiency. Automation projects include the introduction of the smart customer service system and process automation (RPA), with the former providing consumers with quick access to basic guidance and the latter expected to simplify routine tasks with rules.

2. Property Insurance Claims Blockchain

The platform is used to synchronize information with other insurance companies, collect data on mandatory and casualty claims operations, and construct queries, tracking and calculations to improve claims handling efficiency, reduce human errors, streamline operational processes, and promote the digitization of general insurance claims, with business trials already completed in 2022.

B. Future R&D Projects

In response to the development of insurance technologies and digital transformation, a dedicated unit in charge of digital transformation was established in May 2022 to oversee the planning, application, implementation, and analysis of digital projects. It will also internalize digital transformation practices into the corporate culture. We are planning to integrate internal and external needs and resources and optimize and improve pain points in the operation process to improve internal operational efficiency and enhance customer experience. The estimated R&D expenses for the year 2023 is NT\$19,000 thousand.

Mega International Investment Trust Company

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

1. Research and development expenses:

The company's R&D expenses incurred in 2021 and 2022 are NT\$8,252 thousand and NT\$8,140 thousand, respectively. The R&D expenses are for offering of new mutual funds, subscription of China's financial information services (Wind), Bloomberg database, Refinitiv and SysJust.

2. Research and development results in the last two years:

Public Funds Issued: Mega Emerging Markets Short-Term High Yield Bond Fund, Mega Taiwan Gold Transmission Selected Dividend Fund, Mega Global Cosmic Technology Fund, Mega Continental Semiconductor ETF Fund, Mega Taiwan Wafer Manufacturing ETF Fund, and Mega Singapore Exchange Real Estate Income Fund.

B. Future R&D Projects

The company will issue 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 2023 is estimated at NT\$8,071 thousand.

Mega Asset Management Company

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

The company's R&D expenses incurred in 2021 and 2022 are NT\$910 thousand and NT\$937 thousand, respectively, mainly used to strengthen, enhance functionality and manage security of information systems in business, finance and management aspects, in order to make operations more efficient and flexible.

B. Future R&D Projects

In response to the development of asset services business for asset management companies, we continue to carry out hardware replacement and renewal of information equipment, system maintenance, information security protection and digital development.

In response to the development of asset services business for asset management companies, we continue to carry out hardware replacement and renewal of information equipment, system maintenance, information security protection and digital development. The R&D expenses for the year 2023 is estimated at NT\$1,732 thousand.

Mega Venture Capital Company

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

The company's R&D expenses incurred in 2021 and 2022 are NT\$356 thousand and NT\$222 thousand, respectively, mainly for venture information system, upgrade and maintenance of information software and hardware, and employee training. In addition, the research on venture capital business is handled by the Investment Department and there are no additional research and development expenses.

B. Future R&D Projects

The company will plan to upgrade and maintain venture capital information management system and various information software and hardware. The R&D expenses for the year 2023 is estimated at NT\$479 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 2022 operating policies as shown on page 102 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:
 - (1) Finance and business:
 - Scale up capital assets to boost the market status of Mega Financial Holdings group
 - Strengthen overseas businesses and identify opportunities to relocated Taiwanese businesses
 - Consolidate competitive advantages in corporate banking and foreign exchange and deepen the cross-selling of the Group
 - Develop consumer banking and wealth management services to enrich the Group's active customer base
 - (2) Internal procedure:
 - Increase corporate governance standards and pursue the Group's sustainable development
 - Improve the Group's management efficiency to optimize business operations and increase return
 - Reinforce the risk control of the Group and implement internal and external legal compliance
 - Protect the Group's intellectual properties and increase investment of digitalization and IT
 - (3) Learning and growth:
 - Motivate and enhance employee value and foster more digital talents
 - Develop the Group's digital culture and encourages all types of R&D and innovations

Mega International Commercial Bank Co., Ltd.

A. Short-term Business Development Plans

Wealth management and insurance business

1. Strengthen the lineup of the wealth management team and enhance the capacity of management professionals. Invest resources in talent development, increase the number of CFP® certificate holders, build a financial team with both quality and quantity, and highlight the image of professional financial management services.
2. In line with financial market trends and financial management's views on product trends, provide diversified financial products to meet the needs of both inclusive and high-end customers.

3. Strive to attract new customers and develop financial management business for existing deposit customers to accumulate business momentum.
4. Strengthen the digital experience of online robot financial management, and use diversified investments to meet the needs of different customer groups and investment purposes, achieving inclusive finance.
5. Promote online wealth management transactions, optimize customer experience, and improve customer satisfaction.
6. Through the integration of virtual and real channels and social media, an omni-channel marketing mechanism is provided.
7. Continue to promote product transformation, strengthen education and training, and enhance the professionalism of insurance marketing to meet customers' insurance protection needs. Implement relevant regulations and optimize regulatory processes for policy acceptance and salesperson management to protect customer rights and improve operational efficiency. Develop remote insurance and transform to mobile insurance 2.0. Continuously optimize the functions of the insurance agency system and the submission process, and strengthen risk control in accordance with financial inspection requirements.

Credit business

1. Continuously diversify the client structure, expand credit business for small and medium-sized enterprises, and cover large, medium, and small enterprises in order to achieve balanced development of enterprise lending, maintain credit asset quality, and expand interest spreads and boost profits by improving lending structure.
2. Consolidate the advantages of syndicated loan business, track business opportunities of existing lead cases through e-tracking, strive to upgrade from participating banks to lead banks, and focus on green energy financing, project planning, LBOs, mergers and acquisitions, and OBU loans as key types of syndicated loan business.
3. Maintain existing OBU customer relationships and develop new customers, cooperate with overseas credit insurance to reduce operating risks, and jointly cooperate with domestic and overseas branches to strive for OBU syndicated loan and OBU cash flow business opportunities to boost the profitability of OBU and overseas business.
4. Collaborate with high-quality central suppliers to establish an E-finance supply chain financing platform, develop business opportunities for upstream and downstream small and medium-sized enterprise customers of large corporate banking clients, Use FinTech and big data analysis to strengthen product planning for small and medium-sized enterprises, optimize online submission functions, simplify underwriting procedures, and improve the efficiency of small and medium-sized enterprise credit approvals.
5. Practice sustainable finance, develop ESG-linked loans, and reduce loan interest rates by linking them to ESG-related indicators. Make full use of government resources to promote loans for the six core industries and seize opportunities for low-carbon transformation.
6. Develop the mortgage business with a conservative and prudent approach in light of limited resources. Continue to expand the consumer finance and credit business to increase loan profitability. Accelerate the case review process through credit automation and underwriting parameterization, effectively expand submission volume, and accumulate potential customer base.
7. Cultivate an international business marketing team to track key industry trends and overseas investments by Taiwanese companies, target important niche markets such as the New Southbound Policy and US investments, develop expansion plans, and allocate project quotas. Carry out marketing actively through project teams.



Finance and financial market business

1. Pay attention to the direction of monetary policies in various countries, keep abreast of the fluctuations in interest and exchange rates, and the pulse of the international stock and bond markets. Flexibly adjust positions in stocks, bonds, and other assets to improve financial performance and increase investment returns.
2. Grasp the financial market trends and short-term fluctuations, and conduct short-term foreign exchange rate arbitrage transactions of various financial products in a timely manner to increase the benefits of financial operations.
3. Expand investments in ESG-related areas such as bonds, stocks, and long-term equity, and implement investment evaluation and management mechanisms based on ESG principles, leveraging the influence of institutional investors to practice ESG responsible investment.
4. Utilize opportunities in derivative financial products to strengthen customer loyalty and penetration of derivative business and increase the stickiness of existing customers.

Trust Business

1. Co-operate with the FSC Trust 2.0 policy and make the necessary changes on the 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. In response to an aging society and in line with government policies, continue to promote employee welfare (shareholding) trusts and Anyang trusts to meet the needs of customers for retirement preparation, nursing care, and personal property protection, so as to achieve the goal of ESG inclusive finance target.
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. Enhance interaction with investment trust companies and financial holding groups to strive for high-quality fund and ETF custody business. Promote selected custody funds through effective relaunch methods to expand the scale of custody.
5. Customer-oriented, continuously optimize the trust business operation process, strengthen cross-unit information integration to improve operational efficiency..

B. Long-term Business Development Plans

Wealth management and insurance business

1. Enhance the professional capabilities of wealth management personnel in inclusive financial planning and high-asset business services.
2. Continue to cultivate high-end wealth management talents and enhance the ability to research and design financial products.
3. Continue to cultivate brand value, communicate with the market and investors, and build the image of a high-asset wealth management bank that is most trusted by customers.
4. Continue to promote digital and paperless operation of various wealth management and insurance business.

Credit business

1. Maintain the dominant position in the syndicated loan market, continue to develop international business opportunities, expand overseas service bases with development potential in a timely manner, and combine the rich experience of domestic and overseas business units in assisting Taiwanese businesses to expand overseas business to strengthen the competitiveness of international finance and credit business.

2. Comprehensively explore green energy business opportunities, establish a green energy database and train a green energy financing professional team, and become a green energy professional credit bank.
3. Strengthen the cooperation mechanism between domestic business units and foreign business units, jointly improve operational efficiency with professional services, and actively explore new business opportunities in domestic and foreign markets.
4. Strengthen the development of financial technology, develop online financing services, and use systematic analysis methods to find and screen potential high-quality customer groups.
5. Implement cross-selling and joint-selling mechanisms for the Mega Holdings Group and business units, cultivate all-round marketing talents, deepen marketing touchpoints, and use corporate banking business to drive deposit, foreign exchange, TMU, consumer finance, and wealth management business opportunities, as to enhance the overall revenue and competitiveness of the Group.
6. Integrate marketing with the vision of green finance to guide customers to pay attention to sustainable development issues and implement environmentally friendly and energy-saving carbon reduction lifestyles to practice ESG principles.
7. Connect with advanced technologies from fintech or other third-party businesses to build a diversified financial ecosystem scenario, optimize customer experience and expand customer sources.

Finance and financial market business

1. In response to the government's policy of developing green industries, issue perpetual financial bonds to support the green lending business of enterprises and practice corporate social responsibility.
2. Continue to invest in green bonds, sustainable development bonds and other sustainable bonds to fulfill corporate social responsibility and enhance the corporate image of the financial holding group.
3. Research and analyze the long-term trend of the financial market, look for niche commodities and operation strategies in the future, prepare in advance, and cut in in a timely manner to improve the overall business performance.
4. Strengthen the product research and development capabilities, while optimizing the operation process, strongly support the effective promotion of TMU business, and enhance the competitiveness of serving customers.

Trust Business

1. In line with the trend of digital banking development, continuously optimize trust product operations, strengthen the education and training of trust business throughout the bank, and cultivate professional talent to improve the competitiveness of the trust business.
2. Actively optimize custodian systems and cultivate custodian professionals, deepen strategic cooperation with corporate entities such as investment trusts, securities firms, life insurance companies, and venture capital with resources from the Mega Holdings Group to expand the scale of custodian business.
3. In line with the Trust 2.0 plan, through internal resource integration and cross-industry alliances, provide customers with asset protection/inheritance, hospice care or aging-in-place hospice trust services to achieve the goal of ESG financial inclusion.
4. In line with policies such as urban renewal, reconstruction of urban unsafe and old buildings, and major public construction projects, provide professional real estate trust and efficient buying and selling price trust services in conjunction with the credit business expansion.
5. In line with the purpose of supporting the knowledge economy industry and accelerating industry innovation and value-add, provide comprehensive investment management services to strengthen the company's position in the National Development Fund's venture capital project commission.



Mega Securities Co., Ltd.

A. Short-term Business Development Plans

1. Improve client structure and increase brokerage market share.
2. Develop wealth management and increase recurring income.
3. Refine trading capabilities and improve operational performance.
4. Utilize Group resources to create business synergy.
5. Promote digital transformation and enhance the safety of information and communications.
6. Implement the three lines of defense and focus on risk management.
7. Strengthen corporate governance and improve fair treatment of customers.
8. Emphasize employee training and promote corporate sustainability.

B. Long-term Business Development Plans

1. Strengthen the efficiency of capital utilization and increase the Group's share of profit-making share.
2. Identify opportunities to relocate Taiwanese businesses. and understand the demand for overseas Taiwanese businesses to return and be listed in Taiwan.
3. Strengthen the efficiency of Group co-selling, develop wholesale business and increase the share of stock exchange.
4. Develop financial management business and increase the number of effective customers.
5. Improve corporate governance standards and pursue sustainable development.
6. Improve the company's operating efficiency, optimize operations and increase returns.
7. Strengthen risk control mechanisms and implement compliance with internal and external laws and regulations.
8. Strengthen the company's information security and increase investment in cybersecurity protection.
9. Motivate and enhance employee value, train and increase employee capabilities.
10. Establish a digital culture within the company and encourage employees to be innovative.

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. Adjust the structure of credit customers, develop non-real estate customers, actively strive for the underwriting business of bank transferable certificates of deposit, other insurance and insurance-free notes with a certain interest rate spread, and strive to host or participate in joint loan cases and joint underwriting cases to expand ticket source and increase ticket revenue.
3. 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.
4. 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.
5. 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.

6. In line with the group's sustainable finance policy implementation plan, continue to promote responsible credit and responsible investment to fulfill the fiduciary governance responsibilities of institutional investors.
7. Optimize AML/CFT management system and organize relevant training to improve employee's AML risk sense and capacity in identifying suspicious activity
8. Continuously strengthen information system and internal operation efficiency, enhance information security protection practice and implement related employee training to reduce security threats.
9. Continue to implement green and environmentally friendly paperless meeting systems, paperless core report management systems, electronic documents and leave application systems to save the consumption of earth's resources and fulfill corporate social responsibility.

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, and optimize the online learning platform system to strengthen learning functions and benefits.
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. Reinforce risk management and implement compliance and audit system inside and outside of the company.
2. Stabilize large commercial insurance business and expand small and medium-sized insurance business. Expand the scope of personal insurance business by actively pursuing high-quality personal insurance business.
3. Deepen existing channel business and promote core insurance business.
4. Deepen the group's cross-selling capabilities and increase business penetration.
5. Optimize the digital platform, develop alliance partners from different industries, place advertisements according to audience types, and enhance customer stickiness.
6. Actively build a digital culture and strengthen the overall planning and resource integration of digital projects.
7. Adjust asset allocation in a timely manner to improve the efficiency of fund utilization.
8. Cultivate all-round talents and establish a talent reserve database.



B. Long-term Business Development Plans

1. Increase corporate governance standards and pursue sustainable development at the company level.
2. Improve business efficiency and invest in digital information.
3. Reinforce the risk control of the company and implement compliance inside and outside of the company.
4. Enhance the company's market position and deepen joint marketing effectiveness.
5. Establish commercial insurance business and expand personal insurance business.
6. Deeply expand indicator channels and strengthen integrated marketing planning.
7. Integrated internal and external digital platforms and strengthen cross-industry cooperation alliances.
8. Adjust asset allocation and improve the capital efficiency.
9. Motivate increased employee value and foster more digital talents.
10. Establish a digital culture in the company and enhance information security awareness.

Mega International Investment Trust Co., Ltd.

A. Short-term Business Development Plans

1. Actively replace and update the core system to lay the foundation for the development of financial technology and deploy for the growth of the operating scale.
2. Stabilize the scale of asset management and profit growth, and balance the development of both aggressive and conservative products in the era of rising interest rates and inflation, to assist investors in building a comprehensive asset allocation as a goal.
3. Use multi-asset funds or bond ETFs as the main axis for the development of income products.
4. In line with the national preference for stable interest-bearing and retirement-oriented products, REITs funds are also the future direction of product development.
5. Steadily expand the full discretionary business and appeal for long-term stable absolute returns.
6. Raise at least 2-3 new funds each year and continue to promote regular fixed investment and participate in external online trading platform activities.

B. Long-term Business Development Plans

1. Search for strategic sales partners to promote products in long term.
2. Issue ETFs to bring long-term significant scale and number of beneficiaries.
3. Search for strategic sales partners to promote products in long term.
4. Continuously enhance the research team's professional capabilities in researching new products and global markets.
5. Cultivate young generation asset management professionals with diverse learning styles and firm investment value.

Mega Asset Management Co., Ltd.

A. Short-term Business Development Plans

1. 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 and Dangerous Elderly Reconstruction Act.

2. Seek real estate properties with fixed rental income out of NPLs, and after tendering to obtain ownership, lease them out for stable rentals or resell them for capital gains.

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 be the implementer of the capital or rebuilding the old and rebuilding people and injecting funds.

Mega Venture Capital Co., Ltd.

A. Short-term Business Development Plans

1. Participate in capital increase before listing, bidding auctions, enquiry and purchase of convertible corporate bonds, selecting high-quality cases in the emerging market to participate in investment, or repurchasing shares of the original investment company in the listed (over-the-counter) market to realize capital gains and earn stable investment returns.
2. Cope with government funds to strengthen investment in small and medium-sized enterprises and other cases, improve enterprise productivity and industrial added value.

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, assist in the development of the investees and fulfill corporate social responsibility.
2. Increase profit to contribute more to the Group.
3. Follow the New South Bond initiatives led by the government and to increase international exposure while avoid red supply chains.

5.2 Cross Selling Synergies

In 2022, our subsidiary companies achieved a total of NT\$1.114 billion in cross-industry and joint sales with other subsidiaries, an increase of 4.70% compared to 2021, achieving 102.54% of the internal target. The main items are described as follows:

1. Through other subsidiary channels, Mega Bank increased its credit card issuance by 15,970 cards in 2022, with joint marketing rates for card issuance and circulation of 9.55% and 6.87%, respectively. Due to stock market fluctuations, securities delivery deposits reached NT\$30.334 billion, a decline of 13.16% from 2021. However, due to the impact of central bank interest rate hikes, deposit income increased joint marketing benefits to NT\$211 million, an increase of 99.06% from NT\$106 million in 2021.
2. The number of securities counters established by Mega Securities in Mega Bank has increased from 75 at the end of 2018 to 95 at the end of 2022; the bank's referral ratio for securities brokers has increased from 7.18% in 2021 to 7.71% in 2022. Due to larger stock market fluctuations and a more conservative market trading trend, the joint marketing benefits of Taiwan and overseas stock trading introduced through cross-industry and other subsidiaries were NT\$76 million, a decline of 46.48% from NT\$142 million in 2021.



3. Affected by an increase in customer demand, in 2022, Mega Bills Finance Company underwrote NT\$117.2 billion in commercial promissory notes guaranteed by Mega Bank, an increase of 17.15% from NT\$100.1 billion in 2021.
4. Through cross-industry and joint sales with other subsidiaries, Chung Kuo Insurance Company increased its premium income by NT\$676 million in 2022, an increase of 4.99% from NT\$645 million in premium income in 2021; through cross-industry and joint sales with other subsidiaries, premium income accounted for a ratio of domestic signed premium income for that company decreased from 8.76% in 2021 to 8.29% in 2022.
5. Through other subsidiary channels for sales, Mega International Investment Trust Company's (MIIT) average fund balance in 2022 was NT\$37.3 billion, a decline of 7.39% from NT\$40.3 billion in 2021; due to increased volatility in financial markets and heightened risk awareness among investors, the company's fund sales and average fund balance ratios decreased from 27.60% and 44.55%, respectively, in the previous year to 23.72% and rose to 49.17%; joint marketing benefits were NT\$133 million, a decline of 5.65% from NT\$141 million in 2021.

5.3 Market Overview

There are fifteen financial holding corporations in Taiwan by the end of 2022. 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 2022, the economies of various countries were affected by factors such as rising inflation, tight monetary policies, and receding revenue consumption demand in the early stages of reopening, resulting in a general slowdown in economic growth compared to 2021. Particularly in the second half of the year, the global economic decline was more pronounced. Due to the recurring pandemic outbreaks and the insistence on zero-COVID policy, China's economic performance was not as good as in the past. Looking ahead, major institutions such as the World Bank and OECD predict that the economies of the United States and Europe will remain sluggish in 2023, reflecting slow inflation decline and continued tight monetary policies. However, the end of the interest rate hike by the US Federal Reserve will help ease the outflow of funds from emerging markets, and the positive spillover effect of China's shift in its pandemic prevention policies is expected to contribute to three-quarters of global economic growth coming from emerging Asian countries in 2023.

B. Future Market Supply and Demand

1. For loan businesses, domestic banks' loans outstanding reached NT\$33,859.2 billion by the end of 2022, growing by 7.8% compared with the end of 2021. This growth is attributed to active investments in domestic manufacturing industries and historic low domestic interest rates. Among them, loans to private sector, including private enterprises and individuals, accounted for 93.3% of all loans, loans outstanding increased by 7.1%, and the proportion of loans to public enterprises is 2.8%, and the loan balance has grown by over 70%. This reflects that state-owned enterprises such as Taiwan Power Company and CPC Corporation have significantly increased their funding requirements in order to implement stable price policies, leading to a slight decrease in government lending to these institutions. Looking ahead, as the global economic momentum weakens and corporate investment becomes more cautious or restrained, the demand for funds may decrease. However, if manufacturers' inventory reduction progress does not meet expectations, it may lead to an increase in turnover demand.
2. In terms of consumer loans, the loan balance at the end of November 2022 was NT\$10.9913 trillion, an increase of 5.5% from the end of 2021. Among them, housing loans accounted for 84.8%, an increase of 5.9% from the end of 2021. The growth rate has slowed down compared to the past three years under the influence of housing market regulation and interest rate hikes. Car loans and other personal consumer loans grew by 5.6% and 4.5%, respectively. In addition, the balance of construction loans at the end of November 2022 was NT\$3,083.8 billion, an increase of 9.8% from the end of 2021 the growth rate has slowed down compared to the past three years but is still high, reflecting the continued increase in building permits issued and rising construction costs. Looking ahead, it is expected that under the influence of interest rate hikes and the implementation of overall prudent housing market policies, demand for housing and construction loans will weaken.
3. At the end of November 2022, there were 55.08 million credit cards in circulation in Taiwan, an increase of 4.66% from the end of 2021. However, the growth rate of valid cards was only 4.44%, causing the proportion of valid cards to drop slightly to 64.1%. This shows that credit cards are becoming saturated and banks need to improve their card issuance efficiency. In addition, at the end of November 2022, the revolving credit balance of credit cards was NT\$103.4 billion, with little change in the past three years.

C. Business targets

Item	2023 targets
Average outstanding of deposits (in million NTD)	2,968,120
Average outstanding of loans (in million NTD)	2,085,912
Foreign exchange business undertaken (in million USD)	952,566

D. Positive and Negative Factors Influencing Banks' Future Operations

Positive Factors

1. The interest rate hikes by domestic and foreign central banks, as well as the quantitative tightening policies of major central banks, have helped increase bank interest income and reduce excessive market speculation. The market generally expects that the tightening cycle of major central banks will come to an end in 2023, which will help lower market volatility.



2. As the vaccination rate increases and domestic pandemic prevention policies gradually relax, the public is also adapting to living with the virus, indicating that the main downside risks that have disrupted the economy in the past three years have diminished, and it is expected that the economy will develop in a balanced manner.
3. In 2022, international credit rating agency Standard & Poor's upgraded Taiwan's sovereign rating, and expects that Taiwan's economic growth in 2023 will be better than the global average. They also stated that Taiwan's banking industry has a good regulatory record. Fitch Ratings also stated that Taiwan's economy has demonstrated considerable resilience during the pandemic, supporting a stable operating environment for banks.

Negative Factors

1. The global economic outlook is not optimistic, particularly in the United States and Europe. Although major central banks generally expect inflation to ease in 2023, the risk of economic recession will increase if the degree and pace of inflation cooling fall short of expectations, or if central banks continue to tighten monetary policy.
2. The interest rate hikes by major central banks in 2022 have led to an increase in bond yields, causing bond holders to face valuation losses, which in turn affects the net worth of the financial industry and the capital adequacy ratio of banks. In addition, the sharp increase in domestic confirmed cases has caused some pandemic prevention insurance companies to suffer losses, indicating that financial institutions still face high external uncertainty.
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, bonds, derivatives, stock registry services, and 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. Regarding supply, the government continued to relax regulatory restrictions, contributing further to the abundance and diversity of securities businesses. Regulatory authorities are expected to continue to promote the Capital Market Roadmap; open up foreign currency businesses allowing securities brokers to accept a client's request to trade foreign securities; activate ledgers to diversify the use of capital; and establish refinancing risk compilation mechanisms, among other open and loose policies. These actions are aimed at facilitating industrial development and helping securities brokers to break free from price-cutting competitions and develop differentiated business models, thereby steering the securities industry toward a sounder and more robust development.
2. Regarding demand, Taiwan's active stock market has been attracting an increasing number of domestic investors in the past two years. Meanwhile, the diversifying needs for financial management products coupled with the popularization of wealth management concepts among young people and the booming electronic trading market, securities companies are required to continuously improve their digital services and various wealth management products to meet customer needs and stay competitive in the market.

C. Business targets

Item	2023 targets
Market share of securities brokerage	3.40%

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

1. Trading volume is driven by the volatility of Taiwan's stock market, and it is expected to be maintained by the active participation of Taiwanese nationals in the stock market.
2. The regulatory authority supports the securities industry and continues to open up financial products and services by relaxing regulations, which will facilitate business development and increase profits.
3. The brand of Mega Holdings Group appeals to outstanding talents. Combining our brand with the resources of Mega Holdings, the synergy of cross selling is created, thus helping the company to bolster its competitiveness.
4. The popularization of investment concepts among investors is conducive to the development and sales of diversified products, increasing revenue from wealth management services.
5. The popularization of investment concepts among investors is conducive to the development and sales of diversified products, increasing revenue from wealth management services.
6. 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.
7. Our businesses have achieved a balanced development and established a certain market position, which enable us to undertake more new business.

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 customer structure is concentrated with a high proportion of medium-sized accounts, and performance is easily affected by the ups and downs of the Taiwan stock market.
4. The proportion of trading volume of foreign investor is increasing, and local securities brokers lack the advantage of developing foreign customers.
5. In order to comply with the relevant regulations of the competent authorities on sustainable development, information security, corporate governance and anti-money laundering, management and operating costs have increased year by year.
6. The diversification of financial products and expansion of business scope have increased requirements and costs relating to compliance and business risk management.



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

Due to the central bank's quarterly interest rate hike, the secondary market selling rate rose accordingly, and the primary market quotation increase was less than the secondary market, resulting in a smaller bill interest spread in 2022 than in 2021. However, the total CP2 underwriting amount of all bill businesses in the primary market in 2022 was NT\$12.77064 trillion, an increase of NT\$1.556988 trillion (14.80%) compared with 2021, and the company's market share was 28.26%; the total transaction amount of all bill businesses in the secondary market in 2022 was NT\$35.90595 trillion, an increase of NT\$5.616852 trillion (18.54%) compared with 2021, and the company's market share was 30.01%, and each bill business performed steadily and maintained the first place in the bill industry.

Looking ahead to the future, in 2023, countries around the world will continue to suppress inflation and maintain tight monetary policies, keeping policy interest rates high, which will lead to high uncertainty in global markets and increased corporate credit risk. A prudent strategy will be adopted in order to maintain risk management and asset quality in credit business. Regarding credit positions, limited by net worth and capital adequacy ratio, it is expected that the business growth space in 2023 will be slightly reduced compared to 2022. As for the coupon spread, due to the impact of competition among peers and bank, it hinders the increase of interest rates in the primary market for some high-quality customers, which is not as responsive to the increase in secondary market rates due to interest rate increases. It is expected that the overall coupon spread will converge during the interest rate hike cycle, and maintaining the rate spread will face greater challenges.

(2) Bonds market

In 2022, led by the US Federal Reserve (FED), multiple central banks worldwide implemented a tight monetary policy. The yield on US treasuries rose sharply from the beginning of the year, reaching its peak in the third quarter. However, due to cooling inflation, the US signaled a gradual slowdown in interest rate hikes, causing rates to gradually decline. Nevertheless, the duration of the terminal rate will depend on economic data development, and the US bond yield remains in a volatile pattern. Due to relatively mild inflation, Taiwan's central bank raised interest rates to a smaller degree, and the trend of the NTD bond yield was mainly influenced by the US bond yield. As the economy continues to decline, but inflation data remains unstable, it is expected that the central bank will maintain a moderately tight monetary policy, and the NTD bond yield will fluctuate within a range.

Looking to the future, bond yield volatility remains high, and funding costs continue to rise, leading to a reduction in the yield spread and increased pressure on fund allocation. In the future, in response to market conditions and changes in yields, the company will actively explore diversified and stable funding sources to reduce the impact of the interest rate increase cycle on the spreads of securities.

(3) Stock investment business

In 2022, the Taiwan stock market reached a high of 18,000 points at the beginning of the year. However, due to the outbreak of the Russia-Ukraine conflict, global inflation, and the Federal Reserve's tightening monetary policy, the market panic dragged down the Taiwan stock market along with international stocks. Coupled with large-scale selling by foreign investors, the market ended the year with a 4,081-point (-22.4%) decline. Looking ahead to 2023, the first half of the year will continue to be affected by inventory adjustments in the electronics industry, which will slow down economic growth. As inflation continues to cool down, consumer momentum is expected to recover. The lifting of the COVID-19 restrictions in China will also help the economy get back on track. Most of the negative factors have already been reflected in the stock price amendment, and the downside is expected to be limited. However, many variables will continue to affect market sentiment and cause significant volatility, making it difficult to predict and navigate the market.

C. Business targets

Units: NT\$ million

Item	2023 targets
Underwriting and purchasing of bills	3,182,182
Underwriting amount of commercial paper issued for funding purpose (CP2)	3,096,927
Trading volume of bills	10,070,174
Trading volume of bonds	2,775,691
Repo outstanding balance of bills and bonds	204,570
Average outstanding balance of guaranteed issues of commercial paper	166,000

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

1. With the development of financial technology, internal operations continue to be optimized to enhance organizational efficiency.
2. The abundant resources of the Mega Holdings Group allow for highly integrated marketing of products and services, which is beneficial for business expansion.
3. As competent authorities' issue ESG-related policies, sustainable finance can be combined with credit and investment businesses to further diversify market risks.
4. Global central banks have adopted tight monetary policies in response to high inflation, and in order to avoid interest rate risks, companies have shown an increased willingness to undertake FRCP during the interest rate hike cycle.

Negative Factors

1. The central bank continues to implement selective credit controls, further limiting the inflow of funds into the real estate industry, which will affect the development of new real estate businesses.
2. In a financial market where financing channels are increasingly diversified, banks with bill company qualifications strive for domestic loan business at low interest rate and compete for non-guarantee CP primary underwriting business, hindering the business expansion of professional bills companies.



3. Domestic and international economic growth is slowing, and geopolitical risks and inflationary pressures persist. Major economies are continuing to adopt tight monetary policies, and the market remains uncertain with relatively high credit risks. In addition, secondary market interest rates reflect an increase in interest rate expectations, but primary market interest rates are influenced by competition, and may not reflect immediately in the interest rate hike stage, resulting in limited coupon spread.
4. Although the US Federal Reserve will slow its interest rate hike pace in 2023, the duration of terminal rates will depend on economic data developments, and it is expected that market dividend yield fluctuations will intensify, making bond trading more difficult. In addition, funding costs face soaring pressure, which may erode the space for bond yield returns.

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, and 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 economically developed countries, citizens are increasingly dependent on insurance because risks constantly arise from frequent commercial activities, high industrial development, and continued technological innovation. Due to COVID-19, consumers are becoming more aware of the importance of health and risk management, which in turn increases the demand for insurance.
- (2) Property and casualty insurance resemble a short-tailed business. However, the promotion of businesses related to information security insurance, director/supervisor liability insurance, and mobile device insurance is driven by the government's industrial policies to develop renewable energy insurance business opportunities, and rise in corporate and public awareness on risk management. In addition, the pandemic quickened the digital transformation of businesses, thus helping insurance companies to optimize their operating procedures, improve service quality, and develop novel insurance products, all of which are expected to maintain the growth momentum of the entire property insurance market.

C. Business targets

Unit: NT\$ thousand

Item	2023 targets
Insurance premiums	8,995,000
Reinsurance premiums	691,780
Total	9,686,780

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

1. The government's implementation of public construction and infrastructure projects, such as offshore wind power, solar photovoltaic, and railway construction (e.g., High Speed Rail, Taiwan Railway, and Taipei MRT) projects, is conducive to expediting the growth of the property insurance market.

2. Taiwan has gradually opened its borders and the tourism industry is gradually recovering, which is beneficial for promoting travel insurance (comprehensive insurance mainly for accidental injury and accidental medical treatment, excluding travel inconvenience insurance and overseas sudden illness insurance due to the pandemic) and such products, attracting potential customers to make purchases.
3. As Taiwan heads toward an aging society, the trend will facilitate the development of insurance products for senior citizens, injuries, and disabilities.
4. According to the letter issued by the Insurance Bureau on December 24, 2019, in order to calculate the correct and reasonable loss ratio of the fleet for the additional clauses of auto insurance (limited to corporate use), insurance companies are required to request a consent letter from the corporate fleet to access the claims records of the past three years from the Trade-Van Insurance Platform. Since 2021, the aforementioned calculation method has been fully implemented, and the overall insurance premium of long-term rental fleets has increased, while the loss ratio has improved.
5. Public accidental insurance, product liability insurance, board member liability insurance, agriculture insurance and IT safety insurance are the products heavily promoted by the government in recent years as well.
6. In recent years, the COVID-19 pandemic has accelerated the use of online insurance sales models, and digital and social media have increased business opportunities. On September 29, 2022, the Insurance Bureau revised part of the regulations regarding the precautions for the insurance industry's electronic commerce. Insurance companies are allowed to offer open-ended hospitalization medical health insurance, which is advantageous for the E-generation to reduce the burden of insurance premiums and supplement the social security gap with appropriate coverage of daily hospitalization health insurance. This enhances the applicability and diversity of online health insurance products to meet people's needs.

Negative Factors

1. Natural disasters and major incidents around the world have occurred frequently in recent years, and catastrophe risk losses continue to affect policy underwriting. For instance, hurricanes in the United States, wildfires in California, and floods in Western Europe, have resulted in an increased cost of catastrophe reinsurance and relative increase in risk retention.
2. Due to the impact of the pandemic and the war between Ukraine and Russia, the reinsurance premium quotes for cyber insurance and directors and supervisor's liability insurance have increased, which will affect the willingness of enterprises to purchase insurance.

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

1. According to a survey report by the Securities Investment Trust & Consulting Association in February 2022, besides traditional bank financial advisors, social media is becoming an increasingly important source of investment information for Taiwanese investors. In particular, the overall size of mutual funds



in 2022 was reduced by NT\$98.4 billion due to events such as the Russia-Ukraine conflict, the pandemic, and rising interest rates. However, passive investments in ETFs and index funds increased by NT\$245.6 billion, indicating a growing trend of autonomous investment among Taiwanese investors. In addition, the primary tools for investment are through online websites and mobile devices, indicating that online and mobile trading will be the first important step in fund sales in the future.

- Taiwan will enter the “super-aged society” by 2025, and currently, Taiwanese people mainly rely on savings, stock investments, and individual insurance planning to prepare for retirement, with mutual funds and ETFs accounting for about 30% of their portfolio. As people get older, they tend to prefer mutual funds, especially those that are fixed-income oriented, while the younger generation tend to prefer ETFs. However, there is a trend where the age for retirement planning is becoming younger, mainly due to concerns about unstable future income, insufficient current savings, and the high cost of future medical expenses. Investing through small, regular investments, such as low-budget investment, can better meet the needs of retirement planning for Taiwanese people.

C. Business targets

Units: NT\$ million

Item	2023 targets
Public funds under management	80,200
Private placement funds under management	5,900
Discretionary account	530

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

- Laws and policies are getting more open, including relaxing the investment scope and restrictions of funds, increasing the opportunities for new products and investment operations of securities investment trust companies.
- Continue to work closely with other companies within the group to develop new products in response to customer needs and investment opportunities, so as to give full play to the synergy of the group.
- Fintech applications are becoming more and more extensive, helping to improve the efficiency and quality of financial services.
- Through close cooperation with group brother companies, new products are developed in response to customer needs, investment opportunities, etc., and group synergy is exerted.

Negative Factors

- Investors’ autonomous investment awareness is increasing, along with the preference and maturity of younger generations for online sales models. The online market offers a wealth of information but is also chaotic to navigate. Investment trust industry must develop through “digital transformation,” which will not only reduce operating costs and enhance digital financial services but also require strengthening the control over information security and potential risk prevention.

- FSC has gradually relaxed the product scope and management restrictions of the financial industry, increasing the investment trust industry's opportunities for product development and investment operations. This also intensifies the comparison and competitiveness with other financial industries' products. Investment trusts need to develop more innovative products that align with trends, strengthen their self-operating management information, and cooperate with external sales or investment research institutions to create blue ocean investment opportunities. This, combined with digital financial technology services, can break through existing sales models and enhance asset management scale.

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

- 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.
- 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. Business targets

Units: NT\$ million

Item	2023 targets
Average balance of advances in asset service business	12,536
Average balance of investment properties	322

D. Positive and Negative Factors Influencing Future Operations

Positive Factors

- Related regulations (Urban Renewal Act and Old and Dangerous Buildings Improvement Act) have been revised successively, and local governments have also accelerated the review or increased the floor area ratio incentives to increase the willingness of builders and the public to participate in urban renewal or old and dangerous buildings reconstruction.
- The population density in Taipei and New Taipei City is high, and most of the houses are old buildings. The urban renewal and old and dangerous buildings reconstruction in response to living safety are conducive to business development.

Negative Factors

- Due to the selective credit control measures of the central bank excluding urban renewal and old and dangerous buildings cases, domestic financial institutions have competed to grab urban renewal and old and dangerous buildings cases.



2. In recent years, domestic peers have actively entered the urban renewal and old and dangerous buildings advance payment business.
3. The balance of issuing unsecured commercial paper is limited and the central bank's reserve requirement ratio increase has caused the cost of funds to rise, increasing financial costs and compressing profits.

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 Taiwanese companies in demand-driven industries in Asia.

C. Business targets

Units: NT\$ million

Item	2023 targets
long-term investment amount	150
Stock selling income	149

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 in Taiwan were overly focused on technology industries, creating concentration risk. With the upgrade of traditional industries' techniques, rise of AI, 5G, and bio-tech industry, venture capital companies can better diversify investments and reduce concentration risk.
2. Risks such as inflation, pandemic, and geopolitical issues have caused high uncertainty in global economic development, and domestic related industries are inevitably affected, and investment still involves risks.

5.4 Human Resources

Unit: Number of person

Item		Year	2021	2022	Current year as of Mar. 31, 2023
Number of Employees	Mega FHC		66	69	69
	Mega Int'l Commercial Bank		6,559	6,712	6,684
	Mega Bills Finance		220	223	220
	Mega Securities		1,490	1,495	1,497
	Chung Kuo Insurance		834	896	881
	Mega Int'l Investment Trust		89	91	93
	Mega Asset Management		24	25	25
	Total		9,283	9,511	9,469
Average Age	Mega FHC		46.24	46.08	46.27
	Mega Int'l Commercial Bank		40.93	40.90	40.98
	Mega Bills Finance		45.03	44.47	44.54
	Mega Securities		46.41	46.68	46.81
	Chung Kuo Insurance		42.10	41.80	41.90
	Mega Int'l Investment Trust		45.89	43.77	44.23
	Mega Asset Management		48.00	47.00	47.00
Average Years of Services	Mega FHC		10.26	10.26	10.48
	Mega Int'l Commercial Bank		14.04	13.77	13.82
	Mega Bills Finance		15.32	14.68	14.73
	Mega Securities		12.91	13.23	13.30
	Chung Kuo Insurance		11.60	11.00	11.20
	Mega Int'l Investment Trust		11.00	7.51	7.48
	Mega Asset Management		10.20	10.08	10.25

Academic background

Item	Year	2021	2022	Current year as of Mar. 31, 2023
Doctoral Degree	Mega FHC	3.03%	2.90%	2.90%
	Mega Int'l Commercial Bank	0.03%	0.04%	0.05%
	Mega Bills Finance	0.00%	0.00%	0.00%
	Mega Securities	0.13%	0.07%	0.07%
	Chung Kuo Insurance	0.24%	0.22%	0.23%
	Mega Int'l Investment Trust	1.12%	2.20%	1.08%
	Mega Asset Management	0.00%	0.00%	0.00%
Master's Degree	Mega FHC	53.03%	53.62%	53.62%
	Mega Int'l Commercial Bank	27.17%	27.18%	27.27%
	Mega Bills Finance	53.18%	54.71%	55.00%
	Mega Securities	12.42%	12.71%	12.76%
	Chung Kuo Insurance	13.67%	12.61%	12.83%
	Mega Int'l Investment Trust	38.20%	37.36%	36.56%
	Mega Asset Management	25.00%	32.00%	32.00%
Bachelor's Degree	Mega FHC	42.42%	42.03%	42.03%
	Mega Int'l Commercial Bank	70.16%	70.43%	70.33%
	Mega Bills Finance	45.45%	43.95%	43.64%
	Mega Securities	74.09%	73.91%	73.88%
	Chung Kuo Insurance	79.98%	81.70%	81.04%
	Mega Int'l Investment Trust	59.55%	60.44%	62.37%
	Mega Asset Management	75.00%	68.00%	68.00%
High School	Mega FHC	0.00%	0.00%	0.00%
	Mega Int'l Commercial Bank	2.39%	2.19%	2.18%
	Mega Bills Finance	1.36%	1.35%	1.36%
	Mega Securities	13.36%	13.31%	13.29%
	Chung Kuo Insurance	6.00%	5.36%	5.79%
	Mega Int'l Investment Trust	1.12%	0.00%	0.00%
	Mega Asset Management	0.00%	0.00%	0.00%
Below high school	Mega FHC	1.52%	1.45%	1.45%
	Mega Int'l Commercial Bank	0.25%	0.16%	0.17%
	Mega Bills Finance	0.00%	0.00%	0.00%
	Mega Securities	0.00%	0.00%	0.00%
	Chung Kuo Insurance	0.12%	0.11%	0.11%
	Mega Int'l Investment Trust	0.00%	0.00%	0.00%
	Mega Asset Management	0.00%	0.00%	0.00%



Operational Overview

Professional Certificates Held by Employees

Unit: Number of person

Item	Year	2021	2022	Current year as of Mar. 31, 2023
Trust personnel		5,739	5,846	5,880
Bank internal controller		4,540	4,658	4,652
Junior credit personnel		2,272	2,408	2,400
Advanced credit personnel		72	70	70
Junior foreign exchange personnel		3,488	3,653	3,684
Bills finance personnel		370	380	385
Bond personnel		268	261	261
Stock affairs personnel		210	208	207
Life insurance representative		5,896	5,939	5,993
Life insurance broker		5	5	2
Life insurance agent		13	12	12
Investment-linked insurance sales agent		2,103	2,106	2,101
Non-life insurance broker		9	10	10
Non-life insurance agent		13	13	13
Non-life insurance representative		4,087	4,256	4,254
Non-life insurance assessor		125	130	130
Non-life insurance claim adjuster		90	103	103
Securities specialist		2,252	2,309	2,313
Senior securities specialist		2,610	2,637	2,650
Securities margin trading specialist		384	383	386
Securities investment specialist		1,606	1,637	1,642
Securities analyst		117	112	116
Futures commission specialist		140	135	134
Futures brokerage specialist		2,033	2,049	2,058
Futures analyst		22	17	16
Certified public accountant (Domestic)		37	39	37
Certified public accountant (Foreign)		8	6	6
Professional and Technical Personnel Examinations -Attorney		26	26	26
Certified Management Accountant (CMA)		1	0	0
Financial Risk Manager (FRM)		52	46	45
Certified financial planning personnel		1,963	1,915	1,909
Certified financial planner (CFP)		137	151	153
CFA(level1)		63	60	61
CFA(Level2)		24	22	22
CFA(Level3)		11	7	7
Certified internal auditor		14	12	13
Actuary (Domestic)		2	2	3
CAMS		3,136	3,049	3,035
CAMS (English edition)		140	136	137
CFSA		2	2	2
CISA		3	3	3
USA CBA		0	0	0



5.5 Corporate Responsibility and Ethical Conduct

1. Promotion of sustainable development (Please refer to page 58 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. This year, it was selected for the first time to be included in the 2022 Dow Jones Sustainability Indices (DJSI) Emerging Markets Index and World Index as one of the constituent stock, standing out among thousands of companies worldwide and becoming the second state-owned financial institution in Taiwan to be selected for DJSI. The CDP Climate Change Questionnaire was first awarded A- leading level. In domestic ratings, it has once again been ranked among the top 50 enterprises in the "Commonwealth Magazine's Excellence in Corporate Social Responsibility Awards 2022", and also won the Platinum Award for the "Taiwan Corporate Sustainability Report Awards", achieving the best performance in the history of Mega Financial Holding. 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 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 "Out-standing 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 Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Procedures for Material Information Management and Disclosure", "Code 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 2022, the Company had never had transactions with any party with a history of dishonest behaviors. The group has accepted a total of 3 cases reported and established, one of the cases was that the securities subsidiary placed orders on behalf of customers without the customer's authorization letter; the other two cases were that the bank subsidiary's colleagues leaked customer information, and they have been punished according to the internal disciplinary regulations, and strengthened colleagues' education and training and control measures.



5.6 Employee Average Welfare of Non-Managerial Officers

Unit: Persons ; NT\$ thousand

	2021	2022	Difference
Number of non-supervisor employees	7,728	7,754	26
Non-supervisor employees' annual average salary	1,450	1,432	(18)
Non-supervisor employees' annual median salary	1,173	1,173	0

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 CISCO(UCS) are core hardware vendors of Mega Group' 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 net-work which is linked by specific lines.
2. DB2, Oracle, SQL Server, 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 2022 while also strengthening infrastructure, continuously strengthening network architecture, and exercising various plans. Details will be listed as follows:
 - a. Implement the "IBM R6 POWER 10 Mainframe Construction Project" to solve the problem of insufficient system resources of the R6 mainframe system for branch terminals.
 - b. Implement the "IBM R6 POWER 8 Mainframe EOS Replacement Project" to ensure the availability of the R6 mainframe system.
 - c. Implement the "IBM MQ Version Upgrade" for card and SUMMIT systems to maintain service stability and operation quality.
 - d. Implement the "IBM MQ Version Upgrade and OS Version Upgrade" for AS/400 to maintain system stability and improve operation quality.
 - e. Carry out the tapeless construction operation of the mainframe tape library to improve data backup security and fast recovery.
 - f. Carry out the mainframe Control M software construction operation to interface with the batch of the new core system.
 - g. Carry out the mainframe z/OS connect architecture optimization project to meet the digital transformation needs of the bank's core applications.
 - h. Implement the AppConnectEnterprise version upgrade construction service project to maintain service stability and operation quality.
 - i. Domestic ATM and overseas dormitory information security router construction project.
 - j. DMZ/test area/public internet access diversion F5 replacement project.



- k. Head office building/centralization center OOB network construction project.
- l. Overseas branch SDWAN construction project
- m. DWDM OTV/MPLS card version EoS replacement project.
- n. Domestic branch SDWAN construction project.
- o. Domestic branch 2921 Router-EoS replacement project.
- p. 2023 domestic Cisco equipment EoS replacement project.
- q. Intrusion prevention and detection system (IPS) equipment replacement project.
- r. Algosec firewall automatic rule delivery system.
- s. Firewall log analysis system construction project.
- t. Carry out the hardware upgrade project of the log management system, replace the hardware equipment that is about to be EoS, and expand the log storage equipment and log archive storage equipment.
- u. Carry out the enhancement of the email data leakage prevention system (Email DLP), replace the hardware equipment that is about to be EoS.
- v. Building an advanced cybersecurity threat defense system that provides real-time analysis of network traffic and alerts for suspicious activities. In the event of an intrusion, immediate notifications are sent out. Provide an online forensic platform that integrates necessary forensic tools to enable efficient completion of forensic work.
- w. Build a privileged account management system for testing environments to strengthen the management of high-privilege accounts in testing environments and reduce information security risks.
- x. DELL EMC VNX STORAGE replacement project.
- y. e-Mail defense filtering and communication record system enhancement construction project.
- z. Mobile device control system (MDM, MAM) enhancement construction project.
- aa. Testing cloud construction project.
- bb. TEAMS combined with PBX system project
- cc. Avamar backup host replacement project.
- dd. Virtual desktop platform project second phase.

Mega Securities Company

1. Replace the broker system mainframe.
2. Replace the proprietary trading system mainframe.
3. Replace the network equipment that is about to be EoS.
4. Replace the backup system storage device.
5. Upgrade the mail server.
6. Purchase information security related equipment.

Mega Bills Finance Company

1. Strengthen information security equipment and operations
2. Replace the database server equipment
3. Replace the firewall of the cross-branch remittance system.
4. Replace network equipment.

5. Replace the personal computers of the company.
6. Strengthen the monitoring equipment of the computer room environment.

Chung Kuo Insurance Company

1. Build a new fire insurance core system.
2. Build an integrated digital service (LINE+ image management).
3. Update and build an electronic policy delivery platform.
4. Build a VM NSX virtualization security platform.
5. Update the VMWARE virtual environment system server.

Mega International Investment Trust Company

1. Outsource the development of the new core system.
2. Build a new online trading and account opening system.
3. Establish a mobile office environment.
4. Replace the non-core system.
5. Introduce a hyper-converged infrastructure (HCI).
6. Integrate email, instant messaging, phone and mobile devices.

Mega Asset Management Company

Continue to strengthen information security and improve equipment and services to achieve the goal of uninterrupted business operation.

Mega Venture Capital Company

Replace personal 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 out- breaks, 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 Information Security Management

A. Information Security Risk Management Framework and Policies

Mega Financial Holding Company

To oversee the Group's information development and information security management matters and reduce information security risks, Mega Holdings has established the Information Security Policy and Guidelines for Information Security Management Operations. Information and Digital Business Meetings as well as Information Security Meetings for the Group are held pursuant to applicable regulations.

The Information and Digital Business Meetings for the group are convened by the director of Mega Holdings (who is also the President of the Company) and attended by the President of each subsidiary. These meetings are held at least once every six months and may be convened at any time as needed for business purposes. Issues concerning the information security of all subsidiaries, new types of information technologies, digital

development, and information security incidents are discussed and reviewed during the meetings. There is a dedicated unit in charge of executing or coordinating meeting-related resolutions. Important issues or resolutions are reported to higher levels of risk management organization (the Board of Directors, Risk Management Committee).

The Group Information Security Meeting is convened to oversee the Group's information security management matters, the implementation and coordination of each subsidiary's information security policies, and resource allocation.

Chief Information Security Officer (CISO) of the financial holding company acts as the convener and appoints the financial holding company's Information Security Department to be in charge of executing or coordinating resolutions related to the information security meeting.

To manage information security risks, the Company has established an information security policy to serve as the basis for the Company and its subsidiaries to implement various information security measures. This policy is evaluated at least once a year or when there is a significant change to laws and regulations, technologies, organizations, and operations.

Mega International Commercial Bank

According to Article 38-1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" of the FSC, Mega International Commercial Bank established a dedicated information security unit in June 2018 to plan, monitor and execute information security management operations. The Deputy General Manager serves as the Chief Information Security Officer (CISO), who is responsible for the overall promotion of information security policies and resource allocation.

To coordinate information security management matters, the bank holds an "Information Security Response Meeting" every six months, inviting cross-departmental representatives to attend. The CISO serves as the convener and is responsible for deliberating on information security strategies and budgets, reviewing audit department reports on the implementation of standards in various units, and conducting comprehensive reviews and evaluations to establish information security protection mechanisms and related emergency response plans to support the bank's operational needs.

Mega Bank established an "Information Security Policy" to enhance information security and network security management, establish a secure and trustworthy operation environment, ensure data, system, equipment, and network security, and protect customer interests. The policy provides a basis for the implementation of various information security measures. Furthermore, a Fundamental Guide to Cyber Security Protection for Mega Bank has been established as well to ensure that the company's information communication systems consistently provide basic security protection as required by the supervisory authority.

Mega Securities Company

In accordance with Article 36-2 of the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets, the company has appointed a chief information security officer, set up an inter-departmental Information Security Working Group, and established an information security policy, which is reviewed regularly every year. Any amendments to the policy are approved by the Board of Directors beforehand. Every year, the company's information security implementation status is incorporated in its Statement on Internal Control System, which is then presented to the Board of Directors.



The company has developed an information security policy and relevant management regulations in accordance with TWSE's regulations regarding the Establishment of Cyber Security Inspection Mechanism for Securities Firms. The information security policy is disclosed on the company's website and is reviewed regularly every year. Any amendments to the policy are approved by the Board of Directors beforehand.

Mega Bills Finance Company

The Board of Directors supervises how the company manages and operates its cyber security. The company has established an inter-departmental Information Security Working Group, with the president or a president-appointed vice president acting as the convener to review and monitor the implementation status and examine the company's cyber security policy. In compliance with the internal control policy, the company has appointed its Vice President to be the chief information security officer who oversees matters pertaining to the implementation of information security policies and resource allocation. The head of our IT Department concurrently serves as the head of the unit in charge of information security and appoints a person to handle information security matters, including the formulation, planning, monitoring, and implementation of bylaws related to cyber security.

Every year, the company produces a Key Information Security Task Plan and a Report on the Overall Implementation of Information Security. The plan and report are first provided to the Information Security Working Group for discussion, then approved by the President, and finally incorporated in the Statement on Internal Control System, which is then presented to the Board of Directors.

To effectively manage cyber security and ensure data, system, equipment, and network security, the company has developed an Information Security Policy and Terms and Conditions for Information Security Management, among other policies and regulations, in accordance with the Code of Practice for Information Security Protection by Bills Financing Companies and Mega Financial Holding's Information Security Policy.

Chung Kuo Insurance Company

Chung Kuo Insurance (CKI) has established an internationally certified information security management system, developed an Information Security Policy, set up an information security management committee. The committee convenes a meeting every six months to review information security matters and various ISMS operations, as well as policy and procedural revisions.

The company has set up a dedicated unit in charge of information security in accordance with Article 6-1 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, and appointed a person to head the unit and another person to handle information security matters, including planning, monitoring, and executing information security management operations. The unit in charge of information security provides reports on internal and external information security risks, as well as improvement matters as requested by regulatory authorities and recommended by external auditors.

Every year, the unit submits information risk assessment reports to the Information Security Management Committee. These reports are used as the basis to formulate risk treatment plans. The unit also provides the Board of Directors with annual reports detailing the status of information security in the previous year and external information security evaluations.

Mega International Investment Trust Company

The company's information security organization is headed by the President, and relevant tasks are carried out by the IT Department (or information-related department) and Administration Department. The head of IT supervises information security and appoints another person to handle information security matters. A periodically information security meeting with all department heads of the company is held to review information security tasks, future information security plans, and existing information security policies.

The company develops its information security policy by following the principles of information security management set forth in Mega Holdings' Information Security Policy. At the beginning of each year, the implementation of the company's information security in the previous year is reported to the Board of Directors.

Mega Asset Management Company

Information security operations are supervised by the company's Vice President or higher position. A senior IT technician concurrently serves as the Chief Information Security Officer. Meetings may be held at any time to coordinate and address major information security issues.

The company develops its information security policy in accordance with Mega Holdings' Information Security Policy to effectively manage cyber security.

B. Information Security Management Measures

Mega Financial Holding Company

The company has established an information security management system and obtained the ISO27001 international information security certification (valid from September 19, 2022 to September 19, 2025) in 2022. Through the mechanisms of information security governance, legal compliance, risk control and audit review, coupled with the application of technology, the company has comprehensively enhanced its information security protection capabilities. In addition to improving information security related regulations and strengthening system protection, each subsidiary has also joined the financial information security joint defense system to enhance the organization's information security response and protection capabilities. In response to the network threats and risk changes brought by technological development, the company continuously reviews and confirms the appropriateness of relevant regulations and measures, and establishes a complete network and computer security protection system. To strengthen information security and monitoring defense, the company established SOC (information security monitoring center) and source code scanning detection mechanism in 2022. It entrusts professional information security manufacturers to conduct penetration tests every year to test the information security environment's resistance ability and risk situation, and regularly conducts system vulnerability scanning and repair, social engineering drills and information communication security education and training to confirm the appropriateness and effectiveness of information security and network risk control.

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.



Mega International Commercial Bank

1. For the head office and overseas branches in the United States and Hong Kong, where the supervision of local authorities is relatively high, the company completed the Cybersecurity Assessment Tool (CAT) and Cyber Resilience Assessment Framework (C-RAF) operations. In 2022, the company also continued to promote the Cybersecurity Assessment Tool (CAT) operations to other overseas branches such as Ho Chi Minh City Branch, Suzhou Branch (including sub-branch), Ningbo Branch, Phnom Penh Branch (including sub-branch). In addition, to comply with the SWIFT Customer Security Programme (CSP) regulations, the company conducted the “SWIFT CSCF Self-Assessment Evaluation Operation”, and all 23 mandatory security control measures were fully compliant. All overseas branches and head office have completed the annual submission operation on the SWIFT website.
2. Mega Bank assesses and monitors all risks (IT risks, operational risks, and money laundering risks, etc.) to adapt to changes in the financial environment and laws and regulations. Apart from performing risk-based internal audit (RBIA), the Bank regularly monitors risk indicators, reports cyberattack incidents, and performs response drills related to cyber security.
3. In order to standardize and internationalize the information security system and incorporate it into the bank’s internal culture, the company introduced the information security management system and obtained the ISO27001 international information security certification in 2015, and has passed the verification every year according to the requirements of international organizations. In 2022, the verification scope increased to Hengyang Building, and the re-audit work was completed by SGS external verification unit, and the certificate continued to be valid (valid from July 15, 2021 to July 15, 2024). In addition, in order to test the information security environment’s resistance ability and risk situation, the company regularly entrusts professional information security manufacturers to conduct penetration tests and various information security assessment tests every year.
4. To ensure that employees stay more vigilant against phishing attacks which will compromise the company’s cyber security and lead to data leakage, Mega Bank regularly organizes social engineering rehearsals that are aimed at reinforcing the concept of information security and reducing information security risks associated with phishing emails.
5. By following its Information Systems Security Assessment Plans for Computer Systems, the Bank checks its computer IT systems and equipment and reviews relevant information security control measures. Potential security threats and vulnerabilities identified are addressed by strengthening cyber security operations within the scope of projects and upgrading the defense capabilities of cyber security systems.
6. Through a red team assessment with a professional third-party information security team using goal-oriented information security exercises, the company’s deep defense capability and ability to protect its key assets can be evaluated and tested to improve employees’ ability to respond and handle new forms of cyberattacks, thereby reducing the impact of cyber security incidents on Mega Bank and also verifying the effectiveness of the bank’s system control measures.

Mega Securities Company

1. The company’s core system obtained SGS ISO 27001 certification in 2020. Third-party re-certification is organized every year to keep the certificates valid. (valid from July 12, 2020 to July 12, 2023)

2. Vulnerability scanning and penetration tests are conducted on systems and web pages every six months.
3. An IT company is engaged every year to perform third-party laboratory testing on mobile applications so as to fortify the information security of the company's apps.
4. Establish IDS/IPS (intrusion detection and prevention system) and SOC (information security monitoring center) to enhance information security monitoring and defense.
5. The company installs source code testing software and third-party management programs.
6. The company enhances employees' awareness on information security by regularly holding email social engineering rehearsals, organizing information security training programs for all employees, and promoting information security related issues.

Mega Bills Finance Company

1. The company strategically develops annual information security work plans and organizes employee training regularly to ensure business continuity and raise information security awareness. The work plans provide the focuses of implementation and emergency response procedures to maintain normal system operations.
2. Relevant measures include:
 - (1) Strengthening IT systems to prevent cyberattacks.
 - (2) Increasing network or website security protection by setting up anti-tampering functions and using the minimal set of privileges.
 - (3) Increasing personal data protection to prevent data leakage.
 - (4) Increasing endpoint protection by installing and updating anti-virus software programs in a timely manner.
3. Penetration testing, vulnerability scanning, and social engineering drills are carried out twice every year.

Chung Kuo Insurance Company

1. According to the Directions for Insurance Enterprises Engaging in Online Insurance, the company introduced the relevant operation procedures of the information security management system and obtained the international standard certification of the information security management system (ISO27001:2013, valid from June 12, 2020 to June 12, 2023) and the privacy information management system (ISO27701:2019). The company conducts third-party re-examination every year and continues to maintain the validity of the certificate.
2. Information meetings and information security maintenance meetings are convened every three months, and information asset risk assessments are performed every year. The company's information security management committee convenes a meeting every six months to review information security matters and various ISMS operations.
3. The company sets up a dedicated unit in charge of information security in accordance with Article 6-1 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, and appoints a person to head the unit and two other persons to handle information security matters, including planning, monitoring, and executing information security management operations.
4. Every year, a third party is commissioned to perform an annual computer system information security evaluation. The results are then presented to the Board of Directors and forwarded to the audit unit for follow-up and improvements.



5. The company develops guides to handle emergency incidents involving information systems and information security, conducts discussions during quarterly information security meetings, and performs drills/exercises on information security/personal information incidents every year.
6. The company conducts social engineering rehearsals and training on information security every six months. All employees are required to complete at least 3 hours of information awareness courses every year.
7. The company purchases and renews its information security insurance every year.

Mega International Investment Trust Company

1. According to the “Template of Information Security Internal Control System for Securities Investment Trust and Consulting Enterprises”, the company formulated the “Information Security Internal Control System” and related management points.
2. Regularly review various information security regulations, and increase or revise 21 information security regulations in 2022.
3. All employees receive social engineering drills and information security education and training.
4. All existing information and communication security equipment have signed maintenance contracts to timely perform necessary updates or upgrades of software and hardware.
5. Vulnerability scanning, social engineering drills, and penetration tests are carried out twice every year.

Mega Asset Management Company

1. The company regularly organizes social engineering drills and information security training programs to raise employees’ awareness on information security.
2. The company regularly performs vulnerability scanning and penetration tests on its host systems, and upgrades the protection capability of its servers.
3. In response to the vigorous development of information technologies, the company continues to check its IT infrastructure for potential risks and vulnerabilities, and strengthens or improves it as needed.

C. Cyber Security Incidents

In 2022, the Group reported no major cyber security incidents.

5.9 Labor Relations

A. Labor-management negotiations and its implementation

5.9.1 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. Every 3 months, the public areas of the building are regularly disinfected against vector mosquitoes, etc. Every six months, the environment of the whole building (including indoor and public areas) is regularly disinfected and cleaned. In addition, in order to protect the health and safety of our colleagues and encourage them to be vaccinated against COVID-19, our company provides three days of paid “vaccination leave” for our colleagues, one day in 2021 and two days in 2022.

5.9.2 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.

5.9.3 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\$ 67,219 thousand in 2022, accounting for 0.34%, 0.23% and 0.12% of the Company’s consolidated employee welfare expenses, operating expenses and profit, respectively. The total number of training hours was 499,986.5.

5.9.4 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.

5.9.5 Other labor management negotiations

The Company and the “Mega Financial Holdings and its subsidiaries” union 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.
2. There are a few labor regulation violations from the subsidiary level as follows:

Item number	CKI	CKI
Sanction date	2022.1.12	2022.1.12
Case number	Taoyuan City No. 1100346067	Taoyuan City No. 11003460671
Violation of:	Labor code Article 22, Paragraph 2	Labor code Article 24, Paragraph 1
Violation details	Failure to detain in accordance with court execution orders, resulting in failure to pay employees full wages.	Employers did not express opposition or take prevention measures in the case that employees voluntarily work overtime, and did not add more than one-third of the average hourly wage with regard to overtime hours.
Penalty	Fine of NT\$20,000 with name of the company and representative announced.	Fine of NT\$50,000 with name of the company and representative announced.
Remedy	The human resources system has been revised to include the minimum living expenses column, which will be calculated in accordance with the amount of 1.2 times the monthly minimum living expenses per person in the local area announced by the Ministry of Health and Welfare or the municipal government in the last year in the execution order of the court, so as to avoid any unforeseen circumstances of underpayment of labor wages.	<p>1. Implement and strengthen publicity: Make announcements to each unit again and ask each supervisor to implement attendance management. In addition, overtime management will also be strictly implemented. If employees need to work overtime, they have to submit the application in advance. If there is no need for overtime, they should clock out and leave work instead of staying in the company. All supervisors are required to take their management responsibilities.</p> <p>2. Education and training: The quarterly internal compliance training meeting will add the content of the company's rules and regulations for attendance management, and will ask the legal compliance supervisor of each unit to make related announcements to their colleagues.</p> <p>Furthermore, we will invite external lecturers to give lectures on labor laws and regulations so as to strengthen the compliance of managers at all levels with labor laws.</p>

5.10 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					
	2022.12.31	2021.12.31	2020.12.31	2019.12.31	2018.12.31	
Cash and cash equivalents, due from the Central Bank and call loans to banks, net	530,328,029	582,160,503	494,892,806	633,642,673	643,895,292	
Financial assets at fair value through profit or loss	204,901,889	202,834,657	228,608,073	208,313,130	196,201,030	
Financial assets at fair value through other comprehensive income	524,826,590	543,790,346	560,779,813	536,232,599	421,176,553	
Investments in debt instruments at amortized cost, net	565,528,607	648,132,418	534,327,284	275,214,156	272,926,017	
Securities purchased under resell agreements	618,306	949,170	950,137	3,584,364	2,623,231	
Receivables, net	86,258,656	96,630,962	89,970,775	99,308,276	92,723,255	
Current tax assets	329,712	331,977	379,014	483,744	272,816	
Assets classified as held for sale	12,380	15,813	15,813	276,900	328,350	
Loans discounted, net	2,079,441,292	2,037,354,980	1,889,958,222	1,873,677,834	1,864,447,103	
Reinsurance contract assets, net	16,592,224	4,990,018	5,170,035	3,984,617	3,854,464	
Investments accounted for using equity method	4,938,289	5,449,161	5,519,229	3,115,829	3,168,973	
Other financial assets, net	7,673,288	6,095,575	5,134,375	7,418,321	5,112,210	
Investment property, net	1,542,390	1,341,321	1,111,518	1,025,375	1,500,403	
Property and equipment, net	21,636,818	21,670,526	21,950,817	22,080,894	21,973,422	
Right-of-use assets, net	1,903,487	1,854,439	1,837,841	1,777,500	0	
Intangible assets, net	1,318,844	1,017,030	960,918	610,731	518,222	
Deferred income tax assets	6,999,467	6,505,527	5,629,637	5,801,886	7,552,961	
Other assets, net	6,137,079	7,140,436	9,180,225	6,998,951	3,785,059	
Total assets	4,060,987,347	4,168,264,859	3,856,376,532	3,683,547,780	3,542,059,361	
Deposits from the Central Bank and banks	417,271,579	385,049,995	405,296,111	420,833,162	411,643,388	
Due to the Central Bank and banks	3,250,380	46,890,696	20,363,979	21,161,321	53,920,881	
Financial liabilities at fair value through profit or loss	21,447,467	19,344,092	20,934,933	22,115,709	27,357,462	
Securities sold under repurchase agreements	252,342,653	225,056,762	269,355,119	259,192,262	252,298,265	
Commercial paper issued	22,637,681	32,917,848	22,392,125	19,963,897	15,929,662	
Payables	73,475,048	84,963,858	89,502,574	75,207,489	66,362,081	
Current tax liabilities	10,752,028	12,298,301	11,007,264	9,149,946	9,319,314	
Deposits and remittances	2,847,366,547	2,959,789,704	2,613,890,191	2,459,457,135	2,320,637,263	
Bonds payable	20,000,000	6,000,000	18,000,000	12,000,000	13,300,000	
Other borrowings	17,348,000	1,260,000	338,028	3,464,909	4,934,529	
Provisions	33,053,040	29,941,604	30,059,406	28,110,114	26,977,832	
Other financial liabilities	23,542,283	12,453,364	13,160,602	15,818,346	15,325,367	
Lease liabilities	1,956,726	1,903,356	1,881,625	1,801,315	0	
Deferred income tax liabilities	2,480,569	2,635,979	3,370,193	3,164,054	2,526,612	
Other liabilities	14,253,893	19,360,417	10,235,422	8,046,873	7,271,276	
Total liabilities	3,761,177,894	3,839,865,976	3,529,787,572	3,359,486,532	3,227,803,932	
	Before distribution	3,761,177,894	3,839,865,976	3,529,787,572	3,359,486,532	3,227,803,932
	After distribution	Note 1	3,858,905,730	3,551,275,294	3,382,606,233	3,250,923,633
Equity attributable to owners of parent	299,809,453	328,398,883	326,588,960	324,061,248	314,242,280	
Common stock	139,398,196	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	107,542,620	113,046,484	108,207,754	107,511,364	102,575,350	
	Before distribution	107,542,620	113,046,484	108,207,754	107,511,364	102,575,350
	After distribution	Note 1	90,606,774	86,720,032	84,391,663	79,455,649
Other equity interest	(15,325,596)	11,159,926	14,188,733	12,357,411	7,474,457	
Non-controlling interest	0	0	0	0	13,149	
Total Equity	299,809,453	328,398,883	326,588,960	324,061,248	314,255,429	
	Before distribution	299,809,453	328,398,883	326,588,960	324,061,248	314,255,429
	After distribution	Note 1	309,359,129	305,101,238	300,941,547	291,135,728

Note 1: The distribution of 2022 profits is to be recognized by annual shareholders' meeting in 2023.

Note 2: As of the publication date of this annual report, no financial information of 2023 had been audited or reviewed by CPAs.

6.1.2 Condensed Unconsolidated Balance Sheet

Unit: NT\$1,000

Item	Year	2022.12.31	2021.12.31	2020.12.31	2019.12.31	2018.12.31
		Cash and cash equivalents	203,919	81,200	58,854	87,474
Financial assets at fair value through profit or loss	0	0	0	0	203,062	
Financial assets at fair value through other comprehensive income	2,622,808	2,042,180	2,278,091	2,687,373	2,154,580	
Receivables, net	270	5	0	0	0	
Current tax assets	319,360	319,360	319,360	1,582,395	1,259,321	
Investments accounted for using equity method, net	346,718,173	371,979,622	364,965,483	358,254,779	345,071,763	
Other financial assets	100	100	100	100	100	
Investment property, net	128,060	129,572	131,083	132,593	134,104	
Property and equipment, net	578,819	586,865	588,220	593,195	595,986	
Right-of-use assets, net	4,637	4,706	3,066	3,267	0	
Deferred income tax assets	7,010	7,793	6,629	9,651	4,734	
Other assets, net	6,174	5,184	4,300	6,474	8,618	
Total assets		350,589,330	375,156,587	368,355,186	363,357,301	349,584,961
Commercial paper issued, net	12,233,984	15,043,990	11,483,855	13,338,100	13,007,338	
Payables	26,966,886	25,502,346	23,753,085	23,220,100	21,285,593	
Current tax liabilities	1,084,681	1,160,137	1,476,085	1,256,310	980,678	
Bonds payable	5,000,000	5,000,000	5,000,000	0	0	
Other borrowings	5,400,000	0	0	1,400,000	0	
Provisions	31,174	37,554	33,969	74,076	61,801	
Lease liabilities	4,651	4,770	3,080	3,278	0	
Other liabilities	58,501	8,907	16,152	4,189	7,271	
Total liabilities	Before distribution	50,779,877	46,757,704	41,766,226	39,296,053	35,342,681
	After distribution	Note 1	65,797,458	63,253,948	62,415,754	58,462,382
Common stock	139,398,196	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	107,542,620	113,046,484	108,207,754	107,511,364	102,575,350
	After distribution	Note 1	90,606,774	86,720,032	84,391,663	79,455,649
Other equity interest	(15,325,596)	11,159,926	14,188,733	12,357,411	7,474,457	
Total Equity	Before distribution	299,809,453	328,398,883	326,588,960	324,061,248	314,242,280
	After distribution	Note 1	309,359,129	305,101,238	300,941,547	291,122,579

Note 1: The distribution of 2022 profit is to be recognized by annual shareholders' meeting in 2023.

Note 2: As of the publication date of this annual report, no financial information of 2023 had been audited or reviewed by CPAs.



6.1.3 Condensed Consolidated Income Statement

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

Item	Year	2022	2021	2020	2019	2018
Interest income		69,936,167	42,796,556	49,724,053	71,681,244	68,345,796
Less: interest expense		(32,253,073)	(10,328,211)	(18,173,179)	(36,614,396)	(30,301,244)
Net interest revenue		37,683,094	32,468,345	31,550,874	35,066,848	38,044,552
Net revenue other than interest		18,366,559	27,762,501	29,259,048	30,208,014	23,564,855
Net revenue		56,049,653	60,230,846	60,809,922	65,274,862	61,609,407
Bad debts expense, commitment, and guarantee liability provisions		(2,876,572)	(1,904,434)	(2,151,568)	(687,183)	(1,996,406)
Net change in provisions for insurance liabilities		(2,357,830)	(64,520)	(227,160)	(34,968)	68,884
Operating expenses		(29,670,950)	(29,605,479)	(29,100,556)	(30,898,437)	(28,601,925)
Profit from continuing operations before tax		21,144,301	28,656,413	29,330,638	33,654,274	31,079,960
Income tax expense		(2,809,343)	(2,925,343)	(4,312,670)	(4,699,474)	(2,986,515)
Profit for the year		18,334,958	25,731,070	25,017,968	28,954,800	28,093,445
Total other comprehensive income (after income tax)		(27,884,634)	(2,433,425)	629,445	3,982,425	(407,496)
Total comprehensive income		(9,549,676)	23,297,645	25,647,413	32,937,225	27,685,949
Profit attributable to owners of parent		18,334,958	25,731,070	25,017,968	28,956,244	28,109,164
Loss attributable to non-controlling interests		0	0	0	(1,444)	(15,719)
Comprehensive income attributable to owners of parent		(9,549,676)	23,297,645	25,647,413	32,938,669	27,701,668
Comprehensive income attributable to non-controlling interests		0	0	0	(1,444)	(15,719)
Earnings per share (EPS)		1.32	1.85	1.80	2.08	2.02

Note : As of the publication date of this annual report, no financial information of 2023 had been audited or reviewed by CPA.

6.1.4 Condensed Unconsolidated Income Statement

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

Item	Year	2022	2021	2020	2019	2018
Share of profit of associates and joint ventures accounted for using equity method		18,602,819	25,601,093	25,470,382	29,345,776	27,913,508
Other revenues		77,295	74,338	118,320	158,590	255,974
Operating expenses		(375,242)	(386,968)	(403,919)	(412,436)	(384,452)
Other expenses and losses		(133,156)	(57,991)	(65,046)	(60,937)	(62,002)
Profit from continuing operations before tax		18,171,716	25,230,472	25,119,737	29,030,993	27,723,028
Income tax (expense) benefit		163,242	500,598	(101,769)	(74,749)	386,136
Profit for the year		18,334,958	25,731,070	25,017,968	28,956,244	28,109,164
Other comprehensive loss for the period, net of tax		(27,884,634)	(2,433,425)	629,445	3,982,425	(407,496)
Total comprehensive income for the period		(9,549,676)	23,297,645	25,647,413	32,938,669	27,701,668
Earnings per share		1.32	1.85	1.80	2.08	2.02

Note :As of the publication date of this annual report, no financial information of 2023 had been audited or reviewed by CPA.

6.1.5 Independent Auditors' Name and Opinion

Year	CPA Firm	CPA's Name	Auditing Opinion
2022	PricewaterhouseCoopers, Taiwan	Puo-Ju Kuo, Chung-Hsi Lai	Unqualified Opinion
2021	PricewaterhouseCoopers, Taiwan	Shu-Mei Chi, Puo-Ju Kuo	Unqualified 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

6.2 Five-Year Financial Analysis

Item		Year	2022	2021	2020	2019	2018
Operating ability	Total assets turnover (times)		0.01	0.02	0.02	0.02	0.02
	Loans to deposits ratio of bank subsidiary (%)		73.88	69.43	73.24	77.23	81.73
	NPL ratio of bank subsidiary (%)		0.16	0.26	0.21	0.14	0.15
	NPL ratio of bills finance subsidiary (%)		0.01	0.00	0.00	0.00	0.00
	Average operating revenue per employee of the Group (NT\$1,000)		5,728	6,278	6,289	6,676	6,620
	Average profit per employee (NT\$1,000)		1,874	2,682	2,587	2,962	3,019
Profitability	Return on total assets (%)		0.45	0.64	0.66	0.80	0.79
	Return on equity (%)		5.84	7.86	7.69	9.07	9.04
	Net income margin (%)		32.71	42.72	41.14	44.36	45.60
	Earnings per share (NT\$)		1.32	1.85	1.80	2.08	2.02
Financial structure (%)	Ratio of liabilities to assets		92.62	92.12	91.53	91.20	91.13
	Ratio of liabilities to net worth		1,254.52	1,169.27	1,080.80	1,036.68	1,027.13
	FHC's double leverage ratio		116.52	113.89	112.45	111.38	110.56
	The financial ratio set by FHC Act §41		-	-	-	-	-
Leverage ratio (%)	Operating leverage ratio		1.35	1.12	1.13	1.06	1.09
	FHC's financial leverage ratio		1.01	1.00	1.00	1.00	1.00
Growth rates (%)	Growth rate of assets		(2.57)	8.09	4.69	3.99	(0.15)
	Growth rate of profit		(28.74)	2.85	(13.60)	8.28	6.14
Cash flow (%)	Cash flow ratio		8.29	11.44	Note 2	11.69	Note 2
	Cash flow adequacy ratio		216.98	288.64	218.10	234.15	276.18
	Cash flow coverage ratio		Note 2	Note 2	Note 2	Note 2	Note 2
Operating scale (%)	Market share of assets		5.49	5.87	5.86	6.13	6.36
	Market share of net worth		7.16	6.27	6.66	7.29	8.52
	Market share of deposits of bank subsidiary		5.03	5.66	5.35	5.50	5.47
	Market Share of loans of bank subsidiary		5.20	5.52	5.47	5.72	5.95



Capital adequacy ratio (%)	Capital adequacy ratio of each subsidiary calculated according to its own industry regulations (%)					
	Mega International Commercial Bank Co., Ltd.	14.31	14.14	14.04	13.92	13.86
	Mega Securities Co., Ltd.	459.16	406.95	363.03	447.81	500.36
	Mega Bills Finance Co., Ltd.	13.56	13.41	13.21	13.58	13.57
	Chung Kuo Insurance Co., Ltd.	(8.80)	624.90	683.99	720.14	762.18
	Eligible capital of each subsidiary (in NTD thousands)					
	Mega International Commercial Bank Co., Ltd.	327,326,084	312,007,199	302,458,804	299,282,941	293,769,063
	Mega Securities Co., Ltd.	14,309,410	16,062,236	14,117,338	13,024,144	12,775,462
	Mega Bills Finance Co., Ltd.	34,036,972	39,029,515	38,990,116	36,622,230	34,898,052
	Chung Kuo Insurance Co., Ltd.	(98,702)	8,126,520	7,467,330	7,189,577	7,132,025
	Mega Asset Management Co., Ltd.	2,840,721	2,850,035	2,779,978	2,753,530	2,731,316
	Mega Venture Capital Co., Ltd.	1,073,732	1,101,889	829,781	761,477	713,200
	Mega Int'l Investment Trust Co., Ltd.	863,184	859,618	849,740	845,920	820,145
	Group's net eligible capital	326,247,530	335,519,331	328,305,711	324,651,590	319,151,058
	Statutory capital requirement (in NTD thousands)					
	Mega International Commercial Bank Co., Ltd.	240,201,897	231,637,103	226,191,970	225,757,313	209,367,448
	Mega Securities Co., Ltd.	4,674,698	5,920,502	5,833,059	4,362,605	3,829,847
	Mega Bills Finance Co., Ltd.	20,075,622	23,280,331	23,605,607	21,575,707	20,568,663
	Chung Kuo Insurance Co., Ltd.	2,242,744	2,600,920	2,183,448	1,996,730	1,871,472
	Mega Asset Management Co., Ltd.	8,235,098	7,508,712	7,157,783	5,823,786	6,435,398
	Mega Venture Capital Co., Ltd.	539,207	563,060	415,739	380,772	356,699
	Mega Int'l Investment Trust Co., Ltd.	463,684	473,668	463,009	470,897	467,823
	Group's total statutory capital requirement	279,769,702	274,748,539	268,852,024	264,121,493	246,248,635
	Group capital adequacy ratio (%)	116.61	122.12	122.11	122.92	129.61
	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 (%)					
		1,271.43	1,190.48	970.31	968.98	961.70

Analysis of over 20% change in last two years :

1. The NPL ratio of bank subsidiary decreased by 38% is due to the decrease of NPL amount.
2. Due to the decrease of profit, average profit per employee decreased by 30%, net income margin decreased by 23%, operating leverage ratio increased by 21%, and growth rate of profit decreased by 1,108%.
3. Due to the decrease of cash and cash equivalents, due from the Central Bank and call loans to banks, and investments in debt instruments at amortized cost, growth rate of assets decreased by 132%.
4. Due to the decrease of net cash inflow from operating activities, cash flow ratio decreased by 28% and cash flow adequacy ratio decreased by 25%.

Note 1: As of the publication date of this annual report, no financial information of 2023 had been audited or reviewed by CPA.

Note 2: The net cash flow from operating or investing activities is outflow, 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 / 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 × 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 × statutory capital requirement of each subsidiary.
- (3) Group capital adequacy ratio = Group's net eligible capital / Group's statutory capital requirement



6.2.1

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

December 31, 2022 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			Gogoro Network (Cayman), Taiwan Branch	\$ 5,352,120	1.79
Central Bank of the Republic of China (Taiwan)	\$ 346,941,546	115.72	Changchun Investment Co., Ltd.	5,245,400	1.75
Ministry of Finance, R.O.C	76,829,370	25.63	Winbond Electronics Corporation	5,209,331	1.74
Taiwan Power Company	74,200,653	24.75	Huang Hsiang Construction Corporation	5,200,000	1.73
Government National Mortgage Association	66,394,328	22.15	Li Ming Development Construction Co., Ltd.	5,174,097	1.73
CPC Corporation, Taiwan	59,439,984	19.83	Sakai Display Products Corporation	5,146,232	1.72
Taiwan High Speed Rail Corporation	47,872,042	15.97	Asia Cement Corporation	5,071,951	1.69
United States Treasury Dept	22,192,474	7.40	Fubon Financial Holding Co., Ltd.	5,002,686	1.67
Taiwan Semiconductor Manufacturing Co., Ltd.	19,936,588	6.65	King's Town Construction Co., Ltd.	4,969,951	1.66
Taiwan Cement Corp.	14,646,618	4.89	Jun Investment International Co., Ltd.	4,915,638	1.64
YFG Shopping Centres PTY Ltd ATF The FU	12,012,624	4.01	QISDA Corp.	4,891,623	1.63
Highwealth Construction Corp.	11,331,566	3.78	Kinsus Interconnect Technology Corp.	4,726,767	1.58
CTCI Corporation.	10,110,532	3.37	Wealth Media Co., Ltd.	4,615,398	1.54
Hotai Finance Co., Ltd.	9,976,759	3.33	Cathay Financial Holding Co., Ltd.	4,589,622	1.53
Hon Hai Precision Ind. Co., Ltd.	9,726,408	3.24	Formosa Ha Tinh (Cayman) Limited	4,406,168	1.47
Pegatron Corporation	9,566,300	3.19	King Yuan Electronics Co., Ltd.	4,371,473	1.46
Nan Ya Plastics Corporation America	9,130,899	3.05	Central Investment Co., Ltd.	4,348,609	1.45
Asustek Computer Inc.	8,980,000	3.00	Government Of Japan	4,310,571	1.44
Nan Ya Plastics Corporation	8,947,932	2.98	Bank Of East ASIA Ltd Hong Kong	4,267,152	1.42
Far EasTone Telecommunications Co., Ltd.	8,883,856	2.96	Tatung CO.	4,265,869	1.42
Wistron Corporation	8,605,199	2.87	U-Ming Marine Transport Corp.	4,210,146	1.40
China Petrochemical Development Corp.	7,850,295	2.62	Yi-Ta Investment CO., Ltd.	4,205,960	1.40
National Australia Bank Ltd.	7,734,183	2.58	Chang Hwa Commercial Bank, Ltd.	4,149,749	1.38
Synnex Technology International Corp.	7,624,645	2.54	Commonwealth Bank of Australia	4,066,847	1.36
Taiwan Mobile Co., Ltd.	7,320,882	2.44	Der Chao Construction Co., Ltd.	4,040,100	1.35
Ruentex Development Co., Ltd.	7,082,811	2.36	Mayfull Enterprise Co., Ltd.	4,021,970	1.34
Formosa Petrochemical Corp.	7,058,926	2.35	Continental Holdings Corporation	3,951,608	1.32
Grand River D. Limited	6,967,526	2.32	The Export-Import Bank Of Korea	3,920,619	1.31
Yuanlih Development Co., Ltd.	6,922,360	2.31	Reliance Industries Limited	3,914,888	1.31
Taiwan Water Corp.	6,875,779	2.29	San Miguel Corporation	3,913,182	1.31
Runlong Construction Corp.	6,552,657	2.19	Quanta Computer Inc.	3,894,886	1.30
Rich Development Inc.	6,472,276	2.16	Taiwan Star Telecom Corporation Limited	3,864,801	1.29
Farglory Land Development Co., Ltd.	6,443,994	2.15	Yeashin Inter. Development Co., Ltd.	3,855,867	1.29
Chailease Finance Co., Ltd.	6,304,708	2.10	Siliconware Precision Industries Co., Ltd.	3,849,679	1.28
Huei Hong Investment Co., Ltd.	6,298,640	2.10	Eva Airways Corporation	3,837,997	1.28
Westpac Banking Corporation Sydney	6,279,459	2.09	Chow Tai Fook Enterprises Limited	3,776,003	1.26
Ruen Hua Dyeing & Weaving Co., Ltd	6,265,000	2.09	PHU My Hung Development Corporation	3,775,666	1.26
Kingston Technology International Ltd.	6,263,820	2.09	Farglory Free Trade Zone Co., Ltd.	3,775,324	1.26
Taipei City Government Finance Bureau Taipei City Debt Fund Fixed Deposit Account	6,188,065	2.06	WT Microelectronics Co., Ltd.	3,730,593	1.24
CSBC Corporation, Taiwan	5,746,521	1.92	China Steel Corp.	3,703,761	1.24
Hwang Chang General Contractor Co., Ltd.	5,696,283	1.90	Ruen Chen Investment Holding Co., Ltd.	3,648,000	1.22
Kingston Technology Far East Corp.	5,546,336	1.85	US Government N Sovereign	3,642,045	1.21
UPC Technology Corporation	5,540,126	1.85	Uni-President Enterprises Corp.	3,635,561	1.21
			Wan Hai Lines (Singapore) Ptd Ltd	3,633,425	1.21
			Yageo Corporation	3,620,861	1.21
			Kookmin Bank Co., Ltd.	3,610,624	1.20

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 (%)
Zhen Ding Technology Holding Limited	\$ 3,608,065	1.20	Mr./Ms. Wu	\$ 10,230,093	3.41
Waverley Logistics Ltd., Taiwan Branch	3,571,900	1.19	Mr./Ms. Yang	10,162,105	3.39
Sunworld Dynasty US Holdings LLC	3,566,619	1.19	Mr./Ms. Xu	10,130,367	3.38
Lih Pao Construction Co., Ltd.	3,513,866	1.17	Mr./Ms. Tseng	9,726,599	3.24
Chinese Maritime Transport Ltd.	3,505,004	1.17	Mr./Ms. Lan	9,721,898	3.24
Greencompass Marine S.A.	3,495,212	1.17	Mr./Ms. Chen	9,647,300	3.22
AU Optronics Corp.	3,479,991	1.16	Mr./Ms. Guo	9,528,401	3.18
Oriental Petrochemical (Taiwan) Co., Ltd.	3,479,871	1.16	Mr./Ms. Wu	9,048,387	3.02
Commonwealth Bank Of Australia SYD	3,458,982	1.15	Mr./Ms. Xu	9,028,400	3.01
Taiyuan Assets Co., Ltd.	3,445,000	1.15	Mr./Ms. Huang	8,774,299	2.93
Far Eastern New Century Corporation	3,437,355	1.15	Mr./Ms. Wu	7,473,638	2.49
JVP Investment Inc.	3,434,682	1.15	Mr./Ms. Ho	7,101,705	2.37
J-M Manufacturing Company Inc.	3,415,932	1.14	Mr./Ms. Lin	7,089,658	2.36
Yieh United Steel Corp.	3,379,334	1.13	Mr./Ms. Chiu	6,652,657	2.22
Fong Yi Construction Co., Ltd.	3,360,000	1.12	Mr./Ms. You	6,312,965	2.11
Barclays Bank PLC, Taipei Branch	3,347,433	1.12	Mr./Ms. Liu	6,163,084	2.06
Cheng Uei Precision Industry Co., Ltd.	3,324,975	1.11	Mr./Ms. Huang	5,816,690	1.94
Taipei Fubon Commercial Bank Co., Ltd.	3,318,154	1.11	Mr./Ms. Jiang	5,777,178	1.93
Delpha Construction Co., Ltd.	3,312,000	1.10	Mr./Ms. Lin	5,746,541	1.92
Yungshin Construction & Development Co., Ltd.	3,237,055	1.08	Mr./Ms. Lan	5,645,440	1.88
FIRST ABU DHABI BANK P.J.S.C	3,209,641	1.07	Mr./Ms. Lin	5,297,849	1.77
Powerchip Semiconductor Manufacturing Corporation	3,189,319	1.06	Mr./Ms. Huang	5,202,128	1.74
Taiwan Tea Corporation	3,177,851	1.06	Mr./Ms. You	5,187,128	1.73
Yulon Finance Corporation	3,143,719	1.05	Mr./Ms. Wu	5,148,000	1.72
Fong-Yi Department Corp., Ltd.	3,129,500	1.04	Mr./Ms. Chen	5,109,153	1.70
Pao Chi Development Co., Ltd.	3,084,720	1.03	Mr./Ms. Xu	5,102,342	1.70
KRONOS I (UK) Ltd.	3,070,500	1.02	Mr./Ms. Lin	5,024,126	1.68
Riderwood USA Inc.	3,070,500	1.02	Mr./Ms. Su	4,592,654	1.53
GlobalWafers Co., Ltd.	3,069,125	1.02	Mr./Ms. Zhan	4,496,647	1.50
Emirates NBD Bank PJSC	3,065,908	1.02	Mr./Ms. Zhan	4,458,815	1.49
VISA Inc.	3,051,664	1.02	Mr./Ms. Lin	4,400,163	1.47
Kai Tai Fung International Co., Ltd.	3,035,699	1.01	Mr./Ms. Liu	4,400,163	1.47
Guanhong Development Co., Ltd.	3,028,900	1.01	Mr./Ms. Chang	4,382,089	1.46
Credit Suisse New York	3,020,405	1.01	Mr./Ms. Chen	4,374,836	1.46
Formosa Chemicals & Fiber Corp.	3,005,401	1.00	Mr./Ms. Chen	4,218,501	1.41
2. Principal, his /her spouse, blood relatives within the second degree and enterprises in which the principal or spouse is the responsible person			Mr./Ms. Tsai	4,142,452	1.38
Mr./Ms. Chang	\$ 47,876,280	15.97	Mr./Ms. Lin	4,138,918	1.38
Mr./Ms. Hsu	28,187,313	9.40	Mr./Ms. Chou	4,118,011	1.37
Mr./Ms. Tsai	18,833,421	6.28	Mr./Ms. Chen	4,048,970	1.35
Mr./Ms. Zheng	15,661,566	5.22	Mr./Ms. Chen	4,044,803	1.35
Mr./Ms. Tsai	15,430,884	5.15	Mr./Ms. Chen	3,939,393	1.31
Mr./Ms. Chen	15,312,266	5.11	Mr./Ms. Chu	3,834,591	1.28
Mr./Ms. F	12,030,992	4.01	Mr./Ms. Li	3,809,731	1.27
Mr./Ms. Li	11,794,150	3.93	Mr./Ms. Yeh	3,780,289	1.26
Mr./Ms. Guo	10,971,311	3.66	Mr./Ms. Yang	3,746,231	1.25
Mr./Ms. Miao	10,772,289	3.59	Mr./Ms. Lin	3,706,161	1.24
Mr./Ms. Huang	10,661,238	3.56	Mr./Ms. Chen	3,705,657	1.24
Mr./Ms. Chen	10,253,173	3.42	Mr./Ms. Zheng	3,580,000	1.19
			Mr./Ms. Zhao	3,534,114	1.18
			Mr./Ms. Ho	3,505,405	1.17
			Mr./Ms. Han	3,430,807	1.14
			Mr./Ms. Kao	3,426,237	1.14
			Mr./Ms. Chien	3,380,730	1.13

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 (%)
Mr./Ms. Xie	\$ 3,282,184	1.09	Rich Development Inc.	\$ 11,687,467	3.90
Mr./Ms. Jiao	3,200,492	1.07	Yieh Phui (Hong Kong) Holdings Ltd.	11,653,964	3.89
Mr./Ms. Chou	3,135,361	1.05	Yieh Phui Enterprise Co., Ltd.	11,615,354	3.87
Mr./Ms. Sun	3,134,318	1.05	Yieh United Steel Corp.	11,472,301	3.83
Mr./Ms. Chu	3,022,035	1.01	Eliter International Corp.	11,420,054	3.81
Mr./Ms. Chang	3,015,460	1.01	CTCI-HEC (Chungli) Corporation	11,380,472	3.80
3. Same affiliated enterprises			Lealea Garden Hotels	11,329,568	3.78
Taiwan Power Company	\$ 74,386,013	24.81	CTCI Corporation.	11,311,750	3.77
CPC Corporation, Taiwan	59,839,448	19.96	Foxsemicon Integrated Technology Inc.	11,228,520	3.75
Ruentex Xing Corporation	44,402,949	14.81	BENQ Corporation	11,210,844	3.74
Huei Hong Investment Co., Ltd.	43,188,654	14.41	Lealea Hotels & Resorts Co., Ltd.	10,771,149	3.59
U-Ming Marine Transport Corp.	37,068,421	12.36	Cathay Real Estate Development Co., Ltd.	10,541,591	3.52
Formosa Plastics Corp.	36,560,724	12.19	Asustek Computer Inc.	10,414,941	3.47
Far Eastern New Century Corporation	36,412,807	12.15	Wistron Corporation	10,201,431	3.40
Ruentex Development Co., Ltd.	36,244,514	12.09	WPG Holdings Co., Ltd.	10,002,367	3.34
Everest Textile Co., Ltd.	34,495,151	11.51	Wistron NeWeb Corp.	9,731,612	3.25
Asia Investment Corporation	34,295,232	11.44	AU Optronics Corp.	9,388,102	3.13
Formosa Chemicals & Fiber Corp.	34,112,923	11.38	Aaeon Technology Inc.	9,178,386	3.06
Nan Ya Plastics Corporation	33,607,610	11.21	Nan Ya Plastics Corporation America	9,130,899	3.05
Formosa Petrochemical Corp.	32,834,568	10.95	King's Town Construction Co., Ltd.	9,115,581	3.04
Gogoro Taiwan Ltd.	32,506,071	10.84	Nanya Technology Corp.	9,018,909	3.01
Ruen Chen Investment Holding Co., Ltd.	29,908,405	9.98	Amis Queen S.A.	8,904,266	2.97
Ren Ying Industries Inc.	27,165,000	9.06	Pxmart Co., Ltd.	8,881,898	2.96
Formosa Heavy Industries Corp.	25,436,542	8.48	China Petrochemical Development Corp.	8,777,295	2.93
Taiwan Semiconductor Manufacturing Co., Ltd.	22,462,111	7.49	Lextar Electronics Corp.	8,724,183	2.91
Tien Ying Energy Co., Ltd.	21,568,572	7.19	Walsin Lihwa Corp.	8,704,673	2.90
Highwealth Construction Corp.	20,812,695	6.94	Uni-President Enterprises Corp.	8,537,879	2.85
Taiwan Cement Corp.	20,354,936	6.79	Yieh Mau Corporation	8,517,769	2.84
Fubon Financial Holding Co., Ltd.	20,221,959	6.74	Continental Holdings Corporation	8,456,924	2.82
China Synthetic Rubber Corp.	19,710,586	6.57	MiTAC Holdings Corporation	8,326,543	2.78
Linde Lienhwa Industrial Gases Co., Ltd.	19,343,628	6.45	Glorystone Inc.	8,197,213	2.73
UPC Technology Corporation	19,281,250	6.43	Green Forest Development Enterprise Co., Ltd.	8,072,783	2.69
Lien Hwa Industrial Corp.	19,224,497	6.41	Walsin Technology Corp.	8,026,809	2.68
Onyx Ta-Ho Environmental Service Co., Ltd.	19,221,916	6.41	Evergreen Marine Corp. (Taiwan) Ltd.	7,887,832	2.63
E-One Moli Energy Corp.	17,226,448	5.75	Winbond Electronics Corp.	7,767,966	2.59
China Steel Corporation	17,040,441	5.68	Uni Airways Corp.	7,583,945	2.53
Taiwan Mobile Co., Ltd.	17,036,818	5.68	Re-use Environmental Co., Ltd.	7,575,206	2.53
Qingshiban Investment Co., Ltd.	16,075,038	5.36	China Airlines Ltd.	7,558,878	2.52
Pegatron Corporation	15,483,722	5.16	Grace Hospitality Management Co., Ltd.	7,522,789	2.51
Feng Sheng Enterprise Co., Ltd.	15,426,908	5.15	SIO International Holdings Limited	7,464,232	2.49
Shin Yu Investment Ltd.	14,838,307	4.95	Yulon Motor Co., Ltd.	7,327,666	2.44
Chailease Auto Rental Co., Ltd.	14,832,253	4.95	Tatung CO.	7,288,350	2.43
Adancetek Enterprise Co., Ltd.	13,684,439	4.56	HDEC Corporation	7,259,548	2.42
Foxconn(Far East) Ltd.	13,641,523	4.55	Darfon Electronics Corp.	7,128,700	2.38
Formosa Chemicals Industries (Ningbo) Co., Ltd.	13,529,263	4.51	E-DA Development Corp.	7,104,479	2.37
Kingston Solutions, Inc.	13,237,084	4.42	Chow Tai Fook Enterprises Limited	7,052,048	2.35
Trondage Enterprises	13,176,024	4.39	Grand River D. Limited	6,967,526	2.32
Chailease Resources Technology Co., Ltd.	12,452,501	4.15	Jia Rui Development Company	6,870,477	2.29
Hon Hai Precision Industry Co., Ltd.	12,297,018	4.10	San Miguel Corporation	6,821,965	2.28
Hotai Finance Co., Ltd.	12,245,336	4.08	Shinkong Synthetic Fibers Corporation	6,682,145	2.23
Ennoconn Corporation	12,211,858	4.07	Wan Hai Lines Ltd.	6,603,639	2.20

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 Kong Mitsukoshi Department Store Co., Ltd.	\$ 6,526,591	2.18	Elitegroup Computer Systems Co., Ltd.	\$ 4,535,869	1.51
Shin Ruenn development Co., Ltd.	6,456,186	2.15	Morrihan International Corp.	4,499,359	1.50
YFY Inc.	6,437,075	2.15	Wei Chuan Foods Corp.	4,434,801	1.48
Amaran Biotechnology Inc.	6,432,725	2.15	King Yuan Electronics Co., Ltd.	4,381,473	1.46
Junmen Co., Ltd.	6,373,638	2.13	Sino-American Silicon Products Inc.	4,300,118	1.43
Kaohsiung Airport Catering Services Ltd.	6,305,068	2.10	Prasac Microfinance	4,290,745	1.43
Tai Yuen Textile Co., Ltd.	6,254,250	2.09	Yunpeng Construction Co., Ltd.	4,257,120	1.42
Macquarie Group Ltd.	6,240,039	2.08	VA Product Inc.	4,239,350	1.41
Fujian Fuxin Special Steel Co., Ltd.	6,191,402	2.07	Pou Chen Corporation	4,236,000	1.41
Wealth Media Co., Ltd.	6,156,500	2.05	Sakura Development Co., Ltd.	4,224,100	1.41
Evergreen International Storage&Transport Corp., Ltd.	6,155,991	2.05	Unicorn Marine Agency Co., Ltd.	4,215,694	1.41
CSBC Corporation, Taiwan	6,087,018	2.03	Taishin Leasing & Financing Co., LTD.	4,200,816	1.40
MasterLink Securities Corporation	6,026,931	2.01	JSL Construction & Development Co., Ltd.	4,199,591	1.40
Yuen Foong Yu Consumer Products Co., Ltd.	5,969,829	1.99	Cosmos Hotels & Resorts	4,095,000	1.37
Yulon Finance Corporation	5,957,626	1.99	Konglin Construction & Manufacturing Co., Ltd.	4,092,334	1.36
Hengshang Investment Co., Ltd.	5,746,698	1.92	Hsiang Ho Fishery Co., Ltd.	4,040,495	1.35
Hwang Chang General Contractor Co., Ltd.	5,736,283	1.91	Der Chao Construction Co., Ltd.	4,040,100	1.35
Daxin Materials Corp.	5,719,827	1.91	Everlasting Cable TV Co., Ltd.	4,025,906	1.34
Farglory Ocean Park Co., Ltd.	5,664,016	1.89	Shih Wei Navigation Co., Ltd.	4,025,538	1.34
Central Trading & Development Corp.	5,640,345	1.88	EBN Technology Corporation	4,011,458	1.34
Mayfull Logistics Corporation	5,600,151	1.87	Yigao Investment Co., Ltd.	3,974,682	1.33
IMA Foods Corporation	5,598,609	1.87	Reliance Industries Limited	3,914,888	1.31
Starlux Airlines Co., Ltd.	5,519,499	1.84	Associated Transport Inc.	3,875,004	1.29
Alpha Networks Inc.	5,413,908	1.81	WIN Semiconductors Corp	3,839,423	1.28
Hsin Hung International Investment Co., Ltd.	5,413,812	1.81	Fabulous Cultural & Creative Enterprise Co., Ltd.	3,837,539	1.28
CDC Finance & Leasing Corporation	5,410,211	1.80	Taiwan Cogeneration Corporation	3,711,748	1.24
Cheng Uei Precision Industry Co., Ltd.	5,400,137	1.80	Taiwan Glass Industry Corp.	3,467,088	1.16
Polis International Development Co., Ltd.	5,350,000	1.78	Cal-Comp Electronics	3,454,445	1.15
Quanta Computer Inc.	5,339,527	1.78	Taiyuan Assets Co., Ltd.	3,445,000	1.15
Zhong-Tai Binguan Co.,Ltd.	5,297,849	1.77	J-M Manufacturing Company Inc.	3,415,932	1.14
Xinjiapo Construction Co., Ltd.	5,227,006	1.74	General Interface Solution Limited	3,415,432	1.14
Radium Life Tech Corp.	5,211,329	1.74	Sigurd Microelectronics Corp.	3,407,198	1.14
Li Ming Development Construction Co., Ltd.	5,174,097	1.73	Delpha Construction Co., Ltd.	3,362,000	1.12
QS Control Corp.	5,128,075	1.71	CDIB Capital Group	3,356,584	1.12
Jing Kwan Investment Co., Ltd.	5,099,938	1.70	Cheng Loong Co., Ltd.	3,339,819	1.11
Foxwell Energy Corporation Ltd.	5,093,594	1.70	Yungshin Construction & Development Co., Ltd.	3,257,055	1.09
Evergreen Air Cargo Services Corp.	5,085,641	1.70	Taiwan Tea Corporation	3,256,311	1.09
Hsu Tai Investment Ltd.	5,069,849	1.69	Shin Yang Steel Co., Ltd.	3,234,127	1.08
Central Investment Holding Co. Ltd.	4,998,609	1.67	International Bills Finance Corporation	3,169,841	1.06
Siliconware Precision Industries Co., Ltd.	4,995,475	1.67	An Hei Construction Co., Ltd.	3,159,200	1.05
Infinite Finance Co., Ltd.	4,982,606	1.66	YI JINN Industrial Co., Ltd.	3,154,161	1.05
Farglory Free Trade Zone Investment Holding Co., Ltd.	4,967,616	1.66	Dai Shen Development Co., Ltd.	3,092,232	1.03
Powerchip Semiconductor Manufacturing Corporation	4,955,626	1.65	KRONOS I (UK) Ltd.	3,070,500	1.02
CMT Logistics Co., Ltd.	4,903,352	1.64	CLEVO Co.	3,070,412	1.02
Weblink International Inc.	4,898,623	1.63	Asia Pacific Logistics International Co., Ltd.	3,050,214	1.02
Cheng Shin Rubber Ind., Co., Ltd.	4,738,832	1.58	Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	3,032,305	1.01
Tsai Liue Investment Co., Ltd.	4,681,891	1.56	Ctbc Leasing Co., Ltd.	3,026,779	1.01
Yeashin Inter. Development Co., Ltd.	4,593,667	1.53	Kinpo Electronics, Inc.	3,022,702	1.01



6.3 Audit Committee's Report

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

The Board of Directors has prepared and delivered this Company's 2022 consolidated financial statements, audited by CPA Kuo, Puo-Ju and Lai, Chung-Hsi of PricewaterhouseCoopers, Taiwan, 2022 business report and the proposal for distribution of 2022 earnings. 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:

2023 Annual General Shareholders' Meeting

Mega Financial Holding Co., Ltd.

Chairman of the Audit Committee: Wu, Ying

Date: May 16, 2023

6.4 Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

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, 2022 and 2021, 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, 2022 and 2021, 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 that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ 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, 2022 are addressed as follows:

Impairment assessment of loans discounted

Description

The impairment assessment of loans discounted complies with the regulations under IFRS 9 “Financial Instruments” and relevant regulations issued by the competent authority. For the accounting policy of impairment assessment of 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 \$2,111,263,461 thousand and \$31,822,169 thousand, respectively, as at December 31, 2022, please refer to Note 6(8); for disclosures of related credit risks, please refer to Note 8(3).



The subsidiary, Mega International Commercial Bank Co., Ltd. (“MICB”), 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, 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 impairment assessment of loans discounted, which involves various assumptions, estimates, and judgements, as well as predictions and assessments of future economic conditions and credit behavior of debtors. The amounts, recognized in a manner consistent with regulations and interpretations, are directly subject to the measurement results. Thus, we have included the assessment 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 described above:

1. Obtained an understanding and assessed the related written policies and internal control system of MICB’s loans discounted, the expected credit loss impairment model and methodology, 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 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 data on macroeconomics (economic growth rate, annual inflation rate, etc.) adopted by management to measure expected credit losses under IFRS 9.
 - (2) Assessed 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 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.
7. Assessed whether the provision of impairment loss is in compliance with the relevant regulations of the competent authority.

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 \$8,533,031 thousand and financial assets at fair value through other comprehensive income amounting to \$19,225,629 thousand as at December 31, 2022.

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 described 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 methodology used by the management is commonly used by the industry.
3. Assessed the reasonableness of similar and comparable companies used by management.
4. Sampled and examined inputs and calculation formulas used in the valuation models and agreed such data to the 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)D 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, 2022, subsidiary CKI's claims reserve and ceded claims reserve was \$8,393,815 thousand and \$4,173,392 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 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 described above:

1. Obtained an understanding and assessed CKI's policies, internal controls and processing procedures for the calculation of the CKI'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 CKI'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 that came into effect 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

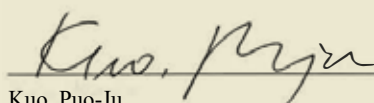
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

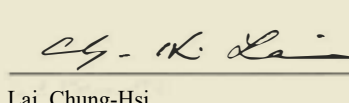
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 governance, 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.



Kuo, Puo-Ju



Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

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' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Items	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Assets						
11000	Cash and cash equivalents, net	6(1) and 11	\$ 113,662,306	3	\$ 140,618,308	3
11500	Due from the Central Bank and call loans to banks, net	6(2) and 11	416,665,723	10	441,542,195	11
12000	Financial assets at fair value through profit or loss	6(3), 11 and 12	204,901,889	5	202,834,657	5
12150	Financial assets at fair value through other comprehensive income	6(4), 11 and 12	524,826,590	13	543,790,346	13
12200	Investments in debt instruments at amortized cost, net	6(5) and 12	565,528,607	14	648,132,418	16
12500	Securities purchased under resell agreements		618,306	-	949,170	-
13000	Receivables, net	6(6)	86,258,656	2	96,630,962	2
13200	Current tax assets		329,712	-	331,977	-
13300	Assets classified as held for sale	6(7)	12,380	-	15,813	-
13500	Loans discounted, net	6(8) and 11	2,079,441,292	51	2,037,354,980	49
13700	Reinsurance contract assets, net	6(9)	16,592,224	1	4,990,018	-
15000	Investments accounted for using equity method	6(10)	4,938,289	-	5,449,161	-
15500	Other financial assets, net	6(11) and 12	7,673,288	-	6,095,575	-
18000	Investment property, net	6(14) and 12	1,542,390	-	1,341,321	-
18500	Property and equipment, net	6(15) and 12	21,636,818	1	21,670,526	1
18600	Right-of-use assets, net	6(12)	1,903,487	-	1,854,439	-
19000	Intangible assets, net		1,318,844	-	1,017,030	-
19300	Deferred income tax assets	6(41)	6,999,467	-	6,505,527	-
19500	Other assets, net	6(16) and 12	6,137,079	-	7,140,436	-
	Total Assets		\$ 4,060,987,347	100	\$ 4,168,264,859	100
Liabilities						
21000	Deposits from the Central Bank and banks	6(17) and 11	\$ 417,271,579	10	\$ 385,049,995	9
21500	Due to the Central Bank and banks	6(18)	3,250,380	-	46,890,696	1
22000	Financial liabilities at fair value through profit or loss	6(19)	21,447,467	1	19,344,092	1
22500	Securities sold under repurchase agreements	6(3)(4)(5)(20) and 11	252,342,653	6	225,056,762	5
22600	Commercial paper issued, net	6(21)(43) and 11	22,637,681	1	32,917,848	1
23000	Payables	6(22)	73,475,048	2	84,963,858	2
23200	Current tax liabilities		10,752,028	-	12,298,301	-
23500	Deposits and remittances	6(23)	2,847,366,547	70	2,959,789,704	71
24000	Bonds payable	6(24)(43)	20,000,000	1	6,000,000	-
24400	Other borrowings	6(25)(43)	17,348,000	-	1,260,000	-
24600	Provisions	6(26)	33,053,040	1	29,941,604	1
25500	Other financial liabilities	6(27)	23,542,283	1	12,453,364	-
26000	Lease liabilities	6(12)(43)	1,956,726	-	1,903,356	-
29300	Deferred income tax liabilities	6(41)	2,480,569	-	2,635,979	-
29500	Other liabilities	6(28)	14,253,893	-	19,360,417	1
	Total Liabilities		3,761,177,894	93	3,839,865,976	92
Equity						
Equity attributable to owners of parent						
31100	Capital					
31101	Common stock	6(29)	139,398,196	3	135,998,240	3
31500	Capital surplus	6(29)	68,194,233	2	68,194,233	2
Retained earnings						
32001	Legal reserve	6(29)	45,976,579	1	43,343,934	1
32003	Special reserve	6(29)	2,538,952	-	2,538,952	-
32011	Unappropriated earnings	6(30)	59,027,089	1	67,163,598	2
Other equity interest						
32500	Other equity interest	6(31)	(15,325,596)	-	11,159,926	-
	Total Equity		299,809,453	7	328,398,883	8
	TOTAL LIABILITIES AND EQUITY		\$ 4,060,987,347	100	\$ 4,168,264,859	100

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

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31				Change percentage (%)
			2022		2021		
			Amount	%	Amount	%	
41000	Interest income	6(32) and 11	\$ 69,936,167	125	\$ 42,796,556	71	63
51000	Less: interest expense	6(32) and 11	(32,253,073)	(58)	(10,328,211)	(17)	212
	Net interest revenue		<u>37,683,094</u>	<u>67</u>	<u>32,468,345</u>	<u>54</u>	16
	Net revenue other than interest						
49800	Net service fee revenue and commissions	6(33)	10,335,499	19	12,037,236	20	(14)
49810	Net insurance revenue		(5,811,266)	(10)	2,234,552	4	(360)
49820	Gain on financial assets and liabilities at fair value through profit or loss	6(34) and 11	6,121,167	11	7,839,449	13	(22)
49825	Gain on investment property	6(14)	21,378	-	27,346	-	(22)
49835	Realized gain on financial assets at fair value through other comprehensive income	6(35)	3,563,995	6	2,973,300	5	20
49850	Loss arising from derecognition of financial assets measured at amortised cost	6(5)and8	(38,867)	-	(39,147)	-	(1)
49870	Foreign exchange gains		2,789,496	5	1,443,881	2	93
49890	Share of (loss) profit of associates and joint ventures accounted for using equity method	6(10)	(127,282)	-	125,017	-	(202)
49898	Gain (loss) on reclassification under the overlay approach	6(31)	5,502	-	(43,085)	-	(113)
49900	Net other revenue other than interest income	6(37)	1,367,072	2	1,163,633	2	17
55000	Reversal of loss on assets	6(36)	139,865	-	319	-	43745
	Net revenue		<u>56,049,653</u>	<u>100</u>	<u>60,230,846</u>	<u>100</u>	(7)
58100	Bad debts expense, commitment and guarantee liability provision	6(6)(8)(9)(11)(26) and 8(3)	(2,876,572)	(5)	(1,904,434)	(3)	51
58300	Net change in provisions for insurance liabilities	6(26)	(2,357,830)	(4)	(64,520)	-	3554
	Operating expenses						
58501	Employee benefit expenses	6(38)	(19,586,824)	(35)	(20,146,203)	(34)	(3)
58503	Depreciation and amortization expense	6(39)	(2,251,673)	(4)	(2,072,262)	(3)	9
58599	Other general and administrative expenses	6(40)	(7,832,453)	(14)	(7,387,014)	(12)	6
	Total operating expenses		<u>(29,670,950)</u>	<u>(53)</u>	<u>(29,605,479)</u>	<u>(49)</u>	-
61000	Profit from continuing operations before tax		21,144,301	38	28,656,413	48	(26)
61003	Income tax expense	6(41)	(2,809,343)	(5)	(2,925,343)	(5)	(4)
69000	Profit		<u>\$ 18,334,958</u>	<u>33</u>	<u>\$ 25,731,070</u>	<u>43</u>	(29)
	Components of other comprehensive income that will not be reclassified to profit or loss, net of tax						
69561	Gain on remeasurement of defined benefit plan	6(26)	2,033,496	3	749,495	1	171
69563	Share of other comprehensive (loss) 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	6(10)(31)	(12,896)	-	1,496	-	(962)
69567	Revaluation (loss) gain on investments in equity instruments measured at fair value through other comprehensive income	6(31)	(6,167,416)	(11)	3,262,980	5	(289)
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(41)	(406,699)	(1)	(149,896)	-	171
	Components of other comprehensive income that will be reclassified to profit or loss, net of tax						
69571	Exchange differences on translation	6(31)	2,889,689	5	(1,163,898)	(2)	(348)
69575	Share of other comprehensive loss 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)	(154,098)	-	(24,723)	-	523
69585	Revaluation loss from investments in debt instruments measured at fair value through other comprehensive income	6(31)	(26,931,923)	(48)	(5,462,256)	(9)	393
69587	Reversal of impairment loss from investments in debt instruments measured at fair value through other comprehensive income	6(31)	(102,741)	-	(23,552)	-	336
69590	Other comprehensive (loss) income on reclassification under the overlay approach	6(31)	(5,502)	-	43,085	-	(113)
69579	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(31)(41)	973,456	2	333,844	1	192
69500	Other comprehensive loss		<u>(\$ 27,884,634)</u>	<u>(50)</u>	<u>(2,433,425)</u>	<u>(4)</u>	1046
69700	Total comprehensive (loss) income		<u>(\$ 9,549,676)</u>	<u>(17)</u>	<u>\$ 23,297,645</u>	<u>39</u>	(141)
	Profit attributable to:						
69901	Owners of parent		<u>\$ 18,334,958</u>	<u>33</u>	<u>\$ 25,731,070</u>	<u>43</u>	(29)
	Comprehensive (loss) income attributable to:						
69951	Owners of parent		<u>(\$ 9,549,676)</u>	<u>(17)</u>	<u>\$ 23,297,645</u>	<u>39</u>	(141)
	Earnings per share						
70000	Basic and diluted earnings per share (in dollars)	6(42)	<u>\$</u>	<u>1.32</u>	<u>\$</u>	<u>1.85</u>	

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



MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 21,144,301	\$ 28,656,413
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(39)	1,605,544	1,516,907
Amortization expense	6(39)	646,129	555,355
Bad debts expense, commitment and guarantee liability provision		2,876,572	1,904,434
Interest expense	6(32)	32,253,073	10,328,211
Interest income	6(32)	(69,936,167)	(42,796,556)
Dividend income	6(34)(35)	(4,308,202)	(3,287,543)
Net change in provisions for insurance liabilities		2,357,830	64,520
Reversal of impairment losses on assets	6(36)	(139,865)	(319)
Gain on disposal of property and equipment	6(37)	(834)	(8,343)
Gain on disposal of investment property		-	(4,643)
Share of loss (profit) of associates and joint ventures accounted for using equity method	6(10)	127,282	(125,017)
(Profit) loss reclassified by applying overlay approach		(5,502)	43,085
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in due from Central Bank and call loans to other banks		78,959,678	8,191,233
(Increase) decrease in financial assets at fair value through profit or loss		(2,067,232)	25,773,416
(Increase) decrease in financial assets at fair value through other comprehensive income		(14,032,842)	14,813,743
Decrease (increase) in investments in debt instruments measured at amortized cost		82,630,934	(113,837,345)
(Decrease) increase in receivables		15,035,229	(6,971,722)
Increase in discounts and loans		(44,977,291)	(149,604,839)
(Increase) decrease in reinsurance contract assets		(11,602,206)	180,017
Increase in other financial assets		(1,574,933)	(964,874)
Decrease in other assets		1,092,949	2,028,805
Changes in operating liabilities			
Increase (decrease) in deposits from the Central Bank and banks		32,221,584	(20,246,116)
Increase (decrease) in financial liabilities at fair value through profit or loss		2,103,375	(1,590,841)
Increase (decrease) in bills and bonds purchased under resale agreements		27,285,891	(44,298,357)
Decrease in payables		(16,690,288)	(5,952,967)
(Decrease) increase in deposits and remittances		(112,423,157)	345,899,513
Increase (decrease) in other financial liabilities		11,088,919	(707,238)
Increase in liabilities reserve		2,928,302	583,906
(Decrease) increase in other liabilities		(7,353,413)	7,551,112
Cash inflow generated from operations		29,245,660	57,693,950
Interest received		65,166,608	43,393,789
Cash dividend received		4,480,409	3,453,442
Interest paid		(29,029,347)	(10,666,130)
Income tax paid		(4,435,944)	(3,013,425)
Net cash flows from operating activities		65,427,386	90,861,626
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from capital reduction of investments accounted for using equity method	6(15)	\$ 43,350	\$ -
Acquisition of property and equipment		(1,083,118)	(935,944)
Proceeds from disposal of property and equipment		1,257	13,964
Acquisition of intangible assets	6(14)	(1,021,684)	(594,594)
Acquisition of investment properties		(105,295)	(3,541)
Proceeds from disposal of investment property		-	26,377
Net cash flows used in investing activities		(2,165,490)	(1,493,738)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in due to the Central Bank and banks		(43,640,316)	26,526,717
(Decrease) increase in commercial papers payable	6(43)	(10,264,000)	10,529,000
Increase (decrease) in bank notes payable	6(43)	14,000,000	(12,000,000)
Increase in other borrowings	6(43)	16,088,000	921,972
Increase in guarantee deposits received		2,210,151	1,568,330
Payment of lease liabilities	6(43)	(564,246)	(561,774)
Cash dividends paid		(17,078,169)	(19,738,829)
Net cash flows (used in) from financing activities		(39,248,580)	7,245,416
Effect of exchange rate changes on cash and cash equivalents		2,782,483	(1,154,927)
Net increase in cash and cash equivalents, net		26,795,799	95,458,377
Cash and cash equivalents, net at beginning of year		408,584,597	313,126,220
Cash and cash equivalents, net at end of year		\$ 435,380,396	\$ 408,584,597
The components of cash and cash equivalents			
Cash and cash equivalents reported in the statement of financial position	6(1)	\$ 113,662,306	\$ 140,618,308
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	6(2)	321,099,784	267,017,119
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7		618,306	949,170
Cash and cash equivalents at end of reporting period		\$ 435,380,396	\$ 408,584,597

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
 YEAR ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars)

	Notes	Common stock	Capital surplus
<u>For the year ended December 31, 2021</u>			
Equity at beginning of year		\$ 135,998,240	\$ 68,194,233
Profit for the year		-	-
Other comprehensive income (loss) for the year	6(31)	-	-
Total comprehensive income (loss)		-	-
Earnings distribution for 2020			
Legal reserve	6(30)	-	-
Cash dividends	6(30)	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(4)	-	-
Equity at end of year		\$ 135,998,240	\$ 68,194,233
<u>For the year ended December 31, 2022</u>			
Equity at beginning of year		\$ 135,998,240	\$ 68,194,233
Profit for the year		-	-
Other comprehensive income (loss)	6(31)	-	-
Total comprehensive income (loss)		-	-
Earnings distribution for 2021			
Legal reserve	6(30)	-	-
Cash dividends	6(30)	-	-
Stock dividends	6(30)	3,399,956	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(4)	-	-
Equity at end of year		\$ 139,398,196	\$ 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					
Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign Financial Statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income		Other comprehensive income (loss) on reclassification using overlay approach	Other equity interest	Total equity
\$ 40,962,325	\$ 2,538,952	\$ 64,706,477	(\$ 4,107,628)	\$ 18,349,008	(\$ 35,934)	(\$ 16,713)	\$ 326,588,960	
-	-	25,731,070	-	-	-	-	25,731,070	
-	-	599,599	(1,158,569)	(1,919,573)	43,085	2,033	(2,433,425)	
-	-	26,330,669	(1,158,569)	(1,919,573)	43,085	2,033	23,297,645	
2,381,609	-	(2,381,609)	-	-	-	-	-	
-	-	(21,487,722)	-	-	-	-	(21,487,722)	
-	-	(4,217)	-	(15,874)	-	20,091	-	
<u>\$ 43,343,934</u>	<u>\$ 2,538,952</u>	<u>\$ 67,163,598</u>	<u>(\$ 5,266,197)</u>	<u>\$ 16,413,561</u>	<u>\$ 7,151</u>	<u>\$ 5,411</u>	<u>\$ 328,398,883</u>	
\$ 43,343,934	\$ 2,538,952	\$ 67,163,598	(\$ 5,266,197)	\$ 16,413,561	\$ 7,151	\$ 5,411	\$ 328,398,883	
-	-	18,334,958	-	-	-	-	18,334,958	
-	-	1,626,797	2,900,155	(32,383,140)	(5,502)	(22,944)	(27,884,634)	
-	-	19,961,755	2,900,155	(32,383,140)	(5,502)	(22,944)	(9,549,676)	
2,632,645	-	(2,632,645)	-	-	-	-	-	
-	-	(19,039,754)	-	-	-	-	(19,039,754)	
-	-	(3,399,956)	-	-	-	-	-	
-	-	(3,025,909)	-	3,025,909	-	-	-	
<u>\$ 45,976,579</u>	<u>\$ 2,538,952</u>	<u>\$ 59,027,089</u>	<u>(\$ 2,366,042)</u>	<u>(\$ 12,943,670)</u>	<u>\$ 1,649</u>	<u>(\$ 17,533)</u>	<u>\$ 299,809,453</u>	

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

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 reorganization, 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 9,786 and 9,594 as of December 31, 2022 and 2021, 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 14, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 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 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

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 that came into effect as endorsed by the FSC but not yet adopted by the Mega Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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.

(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 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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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 recognizes 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 recognizes 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.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

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 that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(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) recognized at fair value, financial assets at fair value through other comprehensive income, defined benefit liabilities recognized 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, 2022	December 31, 2021	
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
MICB	Mega International Commercial Bank Public Co., Ltd (“MICBPC”)	100.00	100.00	Note 8
MS	Mega Futures Co., Ltd (“MF”)	100.00	100.00	Note 9
MS	Mega International Securities Investment Consulting Co.Ltd. (“MISIC”)	100.00	100.00	Note 10

- (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) MICBPC is mainly engaged in accepting deposits, negotiation of import/export bills, collections and exchange of foreign currencies and extension of credits.
- (9) MF is mainly engaged in brokerage of domestic and foreign futures trading, and settlement and consulting services for domestic futures trading.
- (10) MISIC is mainly engaged in investment consulting services.



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, 2022	December 31, 2021	
MICB	Mega Management Consulting Corporation	100.00	100.00	Venture capital and management consulting, etc.
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	Packaging, printing and agency of manpower service
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	Corporate management consulting, data processing business and general advertising services
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 recognized 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 recognized in profit or loss. All amounts previously recognized 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 recognized 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 recognized 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 recognized in other comprehensive income.

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

The translation differences arising from above processes are recognized 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 recognized 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 recognized at the date of sale or purchase.

(7) Financial assets or liabilities

The financial assets and liabilities of the Mega Group including derivatives are recognized 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 amortized 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 recognizes 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 amortized 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 derecognized, entirely or partially, in accordance with IFRS 9, the old financial asset is derecognized, and a new financial asset and related gains or losses are recognized.

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 derecognized, 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 recognized in profit or loss.

Interest arising from loans discounted is recognized 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 amortized 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 recognized 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 amortized cost or fair value through other comprehensive income. Financial assets at amortized 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 recognized in profit or loss. Mega Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

Dividends are recognized 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 amortized cost

a. Financial assets at amortized 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 measures 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 recognized in derecognition designated as gain (loss) on financial assets at amortized cost when the asset is derecognized 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 recognize 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 recognized 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 recognized as realized 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 recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized 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 recognized 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.

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 "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 categorized 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 recognized in profit or loss. Mega Group subsequently measures these financial liabilities at fair value with any gain or loss recognized 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 recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

(B) Financial liabilities measured at amortized 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 amortized 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 derecognizes 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 derecognized 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 derecognize 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 recognized amounts and (B) there is an intention to settle on a net basis or realize 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 amortized cost, loan commitments and financial guarantee contracts, at each reporting date, the Mega Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes 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 recognizes 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 recognized 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 recognized 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 amortized 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 recognized 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 recognized at cost.
- B. The Mega Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized 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 recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. Unrealized gains on transactions between the Mega Group and its associates are eliminated to the extent of the Mega Group's interest in the associates. Unrealized 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 recognized 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 recognizes 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 recognized 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 recognized 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 recognized 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 recognized as an asset or included in the carrying amount of the asset. The carrying amount of the replaced part is derecognized.

- C. Significant renewals and improvements incurred to increase the future economic benefits of the assets are capitalized. 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	3~12

(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 recognized 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 capitalized. All maintenance cost are recognized 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 recognized as a right-of-use assets 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 recognized 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 amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use assets 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 assets 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 assets 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 recognized as an adjustment to the right-of-use assets.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use assets to reflect the partial or full termination of the lease, and recognize 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 amortized 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 recognized 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 recognizing 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 amortized historical cost would have been if the impairment had not been recognized.

(20) Provisions, contingent liabilities and contingent assets

A. When all the following criteria are met, the Mega Group shall recognize a provisionn:

(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 recognized 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 recognize 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 recognize 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 authorized 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 Jin-Guan-Pao-Tsai Letter No. 11004925801, 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 recognized 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 recognized.

(E) Liability reserve

The minimum liability reserve for health insurance policies with over 1-year coverage term is assessed and modified annually. Reserve for specialized health insurance is recognized 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 recognized 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 recognizes 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 recognized in deferred accounts and amortized through straight-line method during the contract term.

Provisions are recognized 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 recognized amount less the cumulative gains that were recognized 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 recognized 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 recognized together with the loss allowance for financial asset. A provision is recognized 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 recognized in 'bad debts expense, commitment and guarantee liability provision'.

(22) Employee benefits

A. Short-term employee benefits

The Mega Group should recognize 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. 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 recognized 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 recognize 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 recognized as pension expenses when they are due on an accrual basis. Prepaid pension assets are recognized 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 recognized 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 unrecognized 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 recognized in other comprehensive income in the period in which they arise.
- iii. Past service costs are recognized immediately in profit or loss if vested immediately.

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

Employees' compensation and directors' and supervisors' remuneration are recognized 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 recognized 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 recognized 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 recognized as incurred. Expense consists of employee benefit expense, depreciation and amortization expense and other business and administration expenses. Dividend revenues are recognized 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 recognized as "interest income" and "interest expense" in the consolidated statement of comprehensive income.
- B. Service fee income and expense are recognized upon the completion of services of loans or other services; service fee earned from performing significant items shall be recognized 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 recognized in the period when the respective policies are issued. The associated expenses such as commissions, agency cost and service charges are recognized accordingly. Claims of direct coverage are recognized based on claims (including claim expenses) applied and paid during the period. Please refer to Note 4 (26) for related details of provision for liabilities.

(26) Reinsurance contracts

- A. Revenues and expenses of inward and outward reinsurance business are recognized on the date the bills are received. Appropriate methods should be adopted in estimating payments and income arising from unrecognized 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 recognized. 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 recognized if the receivables do not exceed reinsurance reserve asset at book value. Recognition should be appropriately made according to the amount for amortizable 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 recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 realization 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 recognized 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 recognized as deferred income tax.

Temporary difference related to investment in the subsidiaries, branches and affiliated entities are recognized 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 recognized.

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

If the future taxable income is probable to provide as unused loss carryforwards or deferred income tax credit which can be realized in the future, the proportion of realization 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 recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.

- D. Certain transactions of the Mega Group are recognized in other comprehensive income. The tax effects on these kinds of transactions are also recognized 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 recognized 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 recognized 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 specialized 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 amortized 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, net

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 19,189,239	\$ 16,008,741
Bank deposits	3,144,525	5,737,514
Cash equivalents	1,117,409	1,132,996
Checks for clearance	488,564	375,969
Due from banks	89,722,600	117,363,100
Subtotal	113,662,337	140,618,320
Less: Allowance for doubtful accounts-due from banks	(31)	(12)
Total	\$ 113,662,306	\$ 140,618,308

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

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

	December 31, 2022	December 31, 2021
Reserve for deposits-category A	\$ 2,466,169	\$ 7,975,610
Reserve for deposits-category B	57,475,970	56,709,890
Reserve for deposits-general	291	262
Reserve for deposits-foreign currency	908,399	898,188
Deposits of overseas branches with foreign Central Banks	235,904,064	207,041,474
Interbank settlement fund of Fund Center	16,019,065	19,931,695
Call loans to banks and bank overdrafts	103,738,275	147,931,712
Interbank trade financing	153,525	1,053,937
Subtotal	416,665,758	441,542,768
Less: Allowance for bad debt expense-call loans to banks	-	(12)
Less: Allowance for bad debt expense-due from the Central Bank	(9)	(6)
Less: Allowance for doubtful accounts-Interbank trade financing-no significant increase in credit risk	(26)	(555)
Total	\$ 416,665,723	\$ 441,542,195

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, 2022 and 2021, 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, were \$321,099,784 and \$267,017,119, 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, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Stocks	\$ 16,945,689	\$ 21,363,538
Commercial papers	118,801,929	106,664,782
Beneficiary certificates	1,151,802	2,521,612
Negotiable certificates of deposits	10,136,900	17,300,000
Corporate bonds	15,332,252	15,340,668
Government bonds	1,337,751	1,903,643
Financial bonds	3,033,402	1,707,749
Derivative instruments	6,605,779	3,969,776
Other securities	14,376	24,895
Convertible corporate bond	29,107,732	26,651,290
Subtotal	202,467,612	197,447,953
Valuation adjustment	2,434,277	5,386,704
Total	\$ 204,901,889	\$ 202,834,657

A. Gain or loss on financial assets mandatorily measured at fair value through profit or loss for the years ended December 31, 2022 and 2021 are provided in Note 6(34).

B. Please refer to Note 12 for details of the aforementioned financial assets pledged as collaterals as of December 31, 2022 and 2021.

C. As of December 31, 2022 and 2021, financial assets at fair value through profit or loss undertaken for repurchase agreements were \$111,137,457 and \$91,742,736, respectively.

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

	December 31, 2022	December 31, 2021
<u>Financial assets mandatorily measured at fair value through profit or loss</u>		
Listed stocks	\$ -	\$ 445,050
Beneficiary certificates	65,536	1,939,021
Subtotal	65,536	2,384,071
Valuation adjustment	1,649	7,151
Total	\$ 67,185	\$ 2,391,222

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,	
	2022	2021
Profit or loss recognized in accordance with IFRS 9	(\$ 249,984)	\$ 135,970
Less: Profit or loss that would have been recognized under IAS 39	(244,482)	92,885
Profit or loss from adopting reclassification under the overlay approach	(\$ 5,502)	\$ 43,085

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

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

	December 31, 2022	December 31, 2021
Debt instruments		
Government bonds	\$ 114,553,447	\$ 115,748,933
Financial bonds	113,321,963	112,906,007
Corporate bonds	203,771,265	206,665,856
Bank's certificates of deposits	13,596,154	6,670,307
Beneficiary securities	65,302,277	54,195,837
Subtotal	510,545,106	496,186,940
Valuation adjustment	(25,588,160)	1,621,884
Debt instruments, net	484,956,946	497,808,824
Equity instruments		
Stocks	28,045,096	31,013,659
Other marketable securities	302,258	302,258
Subtotal	28,347,354	31,315,917
Valuation adjustment	11,522,290	14,665,605
Equity instruments, net	39,869,644	45,981,522
Total	\$ 524,826,590	\$ 543,790,346

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 \$39,869,644 and \$45,981,522 as at December 31, 2022 and 2021, respectively.

B. The subsidiaries-MICB, CKI, MBF and MS sold equity instruments for the following respective reasons: to sell them in tranches as these individual stocks have declining revenue that may affect their future dividend distribution ability and dividend yield level, to meet capital needs for the epidemic prevention insurance claims, for adjusting investment portfolios, and for risk control considerations. The fair

value of the equity investments sold amounted to \$12,719,203, \$2,916,994, \$539,653 and \$5,777,275, and resulted in cumulative losses on disposal amounting to \$2,494,836, \$296,448, \$1,078 and \$301,078, respectively, for the year ended December 31, 2022. In addition, since the investee, Riselink Partners Ltd., has stopped investing in new projects, the subsidiary-MICB sold all its shares in the investee on June 10, 2022 to accelerate the capital recovery, and gains on disposal of \$761 has been recognized for the year ended December 31, 2022. Further, the investee, YFY Biotech Management Company (YFY Biotech), has completed the dissolution and liquidation processes and distributed residual assets, the subsidiary-MICB received ordinary shares of OTC-listed companies, TaiGen Biopharmaceuticals Holdings Limited and Medeon Biodesign Inc., according to capital contribution ratio and recognized investment costs based on the fair values of stock closing prices on the stock transfer date, January 11, 2022, and a gain on disposal of \$68,437 after writing off the balance of investment in YFY Biotech. In addition, the investee, H&QAP GCGF, has ceased investing in new investments, started to dispose the assets on account and returned the investment proceeds to the subsidiary-MICB; therefore, a gain on disposal of \$136 has been recognized.

The subsidiaries-MICB, CKI, MBF and MS sold equity investments due to the changes in structure of industry and adjustment of investment position in equity investments. The fair value of the equity investments sold were \$382,777, \$3,711,419, \$191,026 and \$9,783,467, and resulted in cumulative gains (losses) on disposal amounting to (\$21,785), \$67,446, \$7 and (\$23,664), respectively. In addition, investees of the subsidiary-MICB, H&D Venture Capital Investment Corporation and Universal Development & Investment Capital I Co., Ltd, were liquidated and the cumulative losses on disposal was \$6,664. Also, the investee, H&QAP GCGF, has ceased to make new investments and subsequently disposed its assets and returned the investments, including cumulative gain on disposal of \$446 was recognized for the year ended December 31, 2021.

C. Amounts recognized 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,	
	2022	2021
Equity instruments at fair value through other comprehensive income (loss)		
Fair value change recognised in other comprehensive income	(\$ 6,167,416)	\$ 3,262,980
Cumulative loss (gain) reclassified to retained earnings due to derecognition	\$ 3,024,106	(\$ 15,874)
Dividend income recognised in profit or loss		
Held at end of year	\$ 2,470,031	\$ 1,847,324
Derecognised during the year	1,009,935	609,036
	\$ 3,479,966	\$ 2,456,360
Debt instruments at fair value through other comprehensive income (loss)		
Fair value change recognised in other comprehensive loss	(\$ 26,847,894)	(\$ 4,945,316)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to reversal of impairment recognition	(\$ 102,741)	(\$ 23,552)
Reclassified due to derecognition	(84,029)	(516,940)
	(\$ 186,770)	(\$ 540,492)
Interest income recognised in profit or loss	\$ 7,728,565	\$ 5,658,548

D. Please refer to Note 12 for details of the aforementioned financial assets pledged as collaterals as of December 31, 2022 and 2021.

E. As of December 31, 2022 and 2021, financial assets at fair value through other comprehensive income undertaken for repurchase agreements were \$ 135,995,463 and \$131,024,115, respectively.

F. Information relating to the accumulated impairment movements for the years ended December 31, 2022 and 2021 is provided in Note 8(3).

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

H. Core Pacific City Company Limited carried out a capital reduction to offset accumulated deficits and to return investment to shareholders as resolved at the extraordinary shareholders' meeting on November 8, 2021. The shareholding ratio of the subsidiary-MBF decreased from 37,380 shares to 246 shares, and its investment cost decreased from \$600,000 to \$356,434. In addition, shareholders of the investee adopted two resolutions regarding the distributions of cash dividends from earnings and from legal reserve at the annual general shareholders' meeting held on February 23, 2022. The subsidiary-MBF received a cash dividend of \$373,509 according to its shareholding ratio on February 25, 2022).

(5) Investments in debt instruments at amortized cost, net

	December 31, 2022	December 31, 2021
Central Bank's certificates of deposits	\$ 341,307,444	\$ 442,345,069
Bank's certificates of deposits	5,643,324	7,151,628
Financial bonds	39,408,474	30,714,232
Government bonds	20,085,423	6,987,373
Corporate bonds	8,105,364	6,223,524
Commercial papers	151,020,379	154,776,724
Subtotal	565,570,408	648,198,550
Less: Accumulated impairment	(41,801)	(66,132)
Total	\$ 565,528,607	\$ 648,132,418

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

	For the years ended December 31,	
	2022	2021
Interest income	\$ 4,463,724	\$ 2,287,460
Gain (loss) on impairment	27,123	(32,211)
Loss on disposal	(27,245)	-
Total	\$ 4,463,602	\$ 2,255,249

B. For the years ended December 31, 2022 and 2021, the Mega Group sold its investments in debt instruments for capital management purpose, resulting to a loss on disposal amounting to \$ 27,245 and \$0, respectively.

C. Please refer to Note 12 for details of the aforementioned financial assets pledged as collaterals as of December 31, 2022 and 2021.

D. As of December 31, 2022 and 2021, investments in debt instruments at amortized cost undertaken for repurchase agreements were \$355,068 and \$394,395, respectively.

E. Please refer to Note 8(3) for the movement information on accumulated loss for the years ended December 31, 2022 and 2021.

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

(6) Receivables, net

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 17,976,262	\$ 16,696,225
Factoring receivable	15,333,425	18,160,261
Notes receivable	203,428	145,151
Accrued income and interest	11,420,173	6,482,477
Acceptances receivable	5,474,966	4,932,522
Insurance receivable	565,763	888,580
Margin loans and securities business money lending receivable	13,164,408	19,007,241
Recovery of accounts receivable	39,249	44,097
Purchase of obligor receivable for acting as assignee	36,724	76,496
Credit card receivables	9,908,440	9,128,843
Receivable accounts for settlement	9,476,440	19,150,087
Receivable accounts for settlement consideration	5,211	2,235,115
Other receivables	4,203,209	1,180,998
Subtotal	87,807,698	98,128,093
Less: Allowance for bad debts	(1,549,042)	(1,497,131)
Receivables, net	\$ 86,258,656	\$ 96,630,962

A. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2022 and 2021.

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

(7) Assets classified as held for sale

Subsidiary-CKI

A. On August 10, 2022 and November 25, 2020, the Board of Directors of subsidiary-CKI resolved to sell some of its investment properties and self-used property, and the relevant assets were transferred to assets classified as held for sale. However, certain assets were not sold by the end of the period because of the market changes and thus were transferred to property and equipment, and an additional depreciation of \$653 for the period when the assets were classified as held for sale was recognized for the year ended December 31, 2022.

B. Assets of disposal group classified as held for sale:

	December 31, 2022	December 31, 2021
Property, plant and equipment	\$ 12,380	\$ 15,813

C. Please refer to Note 12 for details of the aforementioned assets classified as held for sale pledged as collaterals as of December 31, 2022.

(8) Loans discounted, net

	December 31, 2022	December 31, 2021
Bills and notes discounted	\$ 55,235	\$ 35,577
Overdrafts	1,595,730	1,441,971
Short-term loans	536,789,033	542,484,781
Medium-term loans	858,820,483	769,260,109
Long-term loans	703,355,213	743,361,713
Import/export bills negotiated	7,258,294	5,735,487
Loans transferred to non-accrual loans	3,389,473	5,373,071
Subtotal	2,111,263,461	2,067,692,709
Less: Allowance for bad debts	(31,822,169)	(30,337,729)
Loans, net	\$ 2,079,441,292	\$ 2,037,354,980

A. As of December 31, 2022 and 2021, the amounts reclassified from non-performing loans to overdue loans were \$3,389,473 and \$5,373,071, including interest receivable of \$33,776 and \$36,907, respectively.

B. Considering that certain borrowers had weak financial structures and rising credit risks due to the impact of the pandemic, the subsidiary-MICB sold credit assets. The related disposal losses amounted to \$11,622 and \$39,147 for the years ended December 31, 2022 and 2021, respectively.

C. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2022 and 2021.

D. The amounts of recovery of write-off for the years ended December 31, 2022 and 2021 were \$716,039 and \$501,604, respectively.

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

(9) Reinsurance contract assets, net

A. Details are as follows:

	December 31, 2022	December 31, 2021
Reinsurance claims and payment receivables	\$ 6,680,720	\$ 263,728
Reinsurance transaction receivables	2,837,634	547,850
Overdue reinsurance		
-Claims and payment receivables	290	462
-Transaction receivables	18,841	22,991
Less: Allowance for bad debts	(86,195)	(11,726)
Subtotal	9,451,290	823,305
Reinsurance reserve assets		
-Ceded unearned premium reserve	2,042,112	2,014,871
-Ceded claim reserve	4,173,392	2,116,411
-Ceded premium deficiency reserve	924,772	34,960
-Ceded liability reserve	658	471
Subtotal	7,140,934	4,166,713
Total	\$ 16,592,224	\$ 4,990,018

Except for overdue receivables, the property insurance CKI's reinsurance contracts assets are neither past due nor impaired, and the part of the reinsurance companies 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,	
	2022	2021
Balance at the beginning of the year	\$ 11,726	\$ 13,318
Impairment loss (reversal of provision)	74,493	(1,586)
Foreign currency translation adjustments	(24)	(6)
Balance at the end of year	\$ 86,195	\$ 11,726

(10) Investments accounted for using equity method

Individually Immaterial Associates	December 31, 2022		December 31, 2021	
	Amount	Percentage of Shareholding	Amount	Percentage of Shareholding
Mega Management Consulting Corporation	\$ 54,835	100.00	\$ 76,886	100.00
Cathay Investment & Warehousing Ltd.	29,801	100.00	29,486	100.00
Ramlett Finance Holdings INC.	-	100.00	-	100.00
Yung Shing Industries Co.	704,944	99.56	696,791	99.56
China Products Trading Company	27,819	68.27	27,897	68.27
Next Commercial Bank Co., LTD.(Note)	1,915,792	25.10	2,169,868	25.10
An Feng Enterprise Co., Ltd.	13,228	25.00	12,627	25.00
Taiwan Bills Finance Corporation	1,601,428	24.55	1,790,154	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	49,406	22.22	48,538	22.22
Mega Growth Venture Capital Co., Ltd.	205,401	20.08	262,157	20.08
China Real Estate Management Co., Ltd.	188,581	16.65	188,434	20.00
Universal Venture Capital Investment Corporation	147,054	11.84	146,323	11.84
Total	\$ 4,938,289		\$ 5,449,161	

Note: In January 2019, the Board of Directors of the subsidiary-MICB resolved to establish an internet-only bank, NEXT COMMERCIAL BANK Co., LTD. (referred herein as the 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 internet-only bank was reclassified as investment accounted for using the equity method. On December 9, 2021, Next Bank has obtained license under patents from FSC and officially opened for business in March 2022. 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 years ended December 31, 2022 and 2021, the subsidiary-MICB recognized investment loss amounting to \$251,809 and \$114,875, based on Next bank's unreviewed financial statements. As of December 31, 2022 and 2021, from the acquisition date of investment, the accumulated investment losses recognized were \$591,941 and \$340,132, respectively.

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 summarized below:

	For the years ended December 31,	
	2022	2021
(Loss) profit for the year	(\$ 127,282)	\$ 125,017
Other comprehensive loss (after income tax)	(166,994)	(23,227)
Total comprehensive (loss) income	(\$ 294,276)	\$ 101,790

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 equity method.

D. The ownership percentage of MICB's investment in China Real Estate Management Co., Ltd. is 16.65%. However, due to MICB occupying 3 board seats of China Real Estate Management Co., Ltd.'s total 9 board seats, and MICB has influence over decision-making. Therefore, valuations are accounted for using equity method.

E. The Company's and its subsidiaries' investments accounted for using the equity method as of December 31, 2022 and 2021 have not been pledged or provided as collateral.

(11) Other financial assets, net

	December 31, 2022	December 31, 2021
Exchange bills negotiated	\$ 1,011	\$ 1,037
Purchase of obligor receivable	638	638
Non-accrual loans transferred from accounts other than loans	29,458	22,867
Pledged time deposits	400,100	426,050
Customer margin account	6,917,295	5,223,844
Security lending deposits	35,657	81,962
Call loan to security brokers	-	82,941
Others	309,728	274,326
Subtotal	7,693,887	6,113,665
Less: Allowance for bad debts-exchange bills negotiated	(10)	(10)
Allowance for bad debts-non-accrual loans transferred from accounts other than loans	(20,589)	(18,080)
Total	\$ 7,673,288	\$ 6,095,575

A. Please refer to Note 12 for details of the aforementioned financial assets pledged as collaterals as of December 31, 2022 and 2021.

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 year to 30 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, 2022		December 31, 2021	
	Carrying amount		Carrying amount	
Land and land improvements	\$ 454,842	\$ 453,318		
Buildings and auxiliary	1,320,832	1,279,239		
Equipment	127,767	121,731		
Other equipment	46	151		
Total	\$ 1,903,487	\$ 1,854,439		

	For the years ended December 31,	
	2022	2021
	Depreciation expense	
Land and land improvements	\$ 25,239	\$ 26,076
Buildings and auxiliary	481,471	477,943
Equipment	61,753	62,655
Other equipment	105	233
Total	\$ 568,568	\$ 566,907

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

	For the years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 22,713	\$ 26,064
Expense on short-term lease contracts	17,838	21,284
Expense on leases of low-value assets	6,438	6,795
<u>Other disclosures</u>		
Addition of right-of-use assets	\$ 622,214	\$ 610,425
Cash outflow for leases	611,235	615,917

(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, 2022 and 2021, the Mega Group recognized rental income in the amounts of \$163,714 and \$163,829, respectively, based on the operating lease agreement, of which rental income arising from variable lease payments amounted to \$1,698 and \$0, respectively.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2022		December 31, 2021	
Within 1 year	\$	232,176	\$	233,135
1-2 years		200,890		165,300
2-3 years		127,572		113,963
3-4 years		97,426		58,856
4-5 years		36,398		50,565
After 5 years		61,478		11,904
Total	\$	755,940	\$	633,723

(14) Investment property, net

January 1, 2022	Land and land improvements	Buildings and structures	Total
Cost	\$ 1,092,966	\$ 406,587	\$ 1,499,553
Accumulated depreciation	-	(158,232)	(158,232)
	<u>\$ 1,092,966</u>	<u>\$ 248,355</u>	<u>\$ 1,341,321</u>
For the year ended December 31, 2022			
January 1, 2022	\$ 1,092,966	\$ 248,355	\$ 1,341,321
Additions	98,165	7,130	105,295
Transfers	107,663	(3,939)	103,724
Depreciation expense	-	(7,970)	(7,970)
Foreign exchange differences	-	20	20
December 31, 2022	<u>\$ 1,298,794</u>	<u>\$ 243,596</u>	<u>\$ 1,341,321</u>
December 31, 2022			
Cost	\$ 1,298,794	\$ 397,629	\$ 1,696,423
Accumulated depreciation	-	(154,033)	(154,033)
	<u>\$ 1,298,794</u>	<u>\$ 243,596</u>	<u>\$ 1,542,390</u>
January 1, 2021	Land and land improvements	Buildings and structures	Total
Cost	\$ 842,965	\$ 419,825	\$ 1,262,790
Accumulated depreciation	-	(151,272)	(151,272)
	<u>\$ 842,965</u>	<u>\$ 268,553</u>	<u>\$ 1,111,518</u>
For the year ended December 31, 2021			
January 1, 2021	\$ 842,965	\$ 268,553	\$ 1,111,518
Additions	-	3,541	3,541
Disposals	(6,060)	(15,674)	(21,734)
Transfers	256,061	259	256,320
Depreciation expense	-	(8,229)	(8,229)
Foreign exchange differences	-	(95)	(95)
December 31, 2021	<u>\$ 1,092,966</u>	<u>\$ 248,355</u>	<u>\$ 1,341,321</u>
December 31, 2021			
Cost	\$ 1,092,966	\$ 406,587	\$ 1,499,553
Accumulated depreciation	-	(158,232)	(158,232)
	<u>\$ 1,092,966</u>	<u>\$ 248,355</u>	<u>\$ 1,341,321</u>

A. The fair values of the investment property held by the Mega Group as of December 31, 2022 and 2021 were \$5,346,748 and \$4,836,685, respectively. A portion of investment property was valued 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, 2022 and 2021, Level 2 within the fair value hierarchy were \$4,267,882 and \$3,759,726, respectively, and Level 3 within the fair value hierarchy were \$1,078,866 and \$1,076,959, respectively.

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B. Rental income from the lease of the investment property for the years ended December 31, 2022 and 2021 were \$21,378 and \$22,703, respectively.

C. Please refer to Note 12 for details of the aforementioned investment property pledged as collaterals as of December 31, 2022 and 2021.

(15) Property and equipment, net

January 1, 2022	Land and land improvements	Buildings	Equipment	Leasehold improvements	Prepayments for equipment	Total
Cost	\$ 14,658,760	\$ 13,045,349	\$ 7,554,878	\$ 239,342	\$ 23,863	\$ 35,522,192
Accumulated depreciation	-	(7,663,628)	(5,821,362)	(221,768)	-	(13,706,758)
Accumulated impairment	(91,981)	(52,927)	-	-	-	(144,908)
Total	\$ 14,566,779	\$ 5,328,794	\$ 1,733,516	\$ 17,574	\$ 23,863	\$ 21,670,526
For the year ended December 31, 2022						
January 1, 2022	\$ 14,566,779	\$ 5,328,794	\$ 1,733,516	\$ 17,574	\$ 23,863	\$ 21,670,526
Additions	-	132,781	879,105	11,238	59,994	1,083,118
Disposals	-	-	(320)	(103)	-	(423)
Transfers	(114,294)	(1,811)	36,797	7,665	(63,745)	(135,388)
Depreciation expense	-	(301,590)	(722,130)	(5,286)	-	(1,029,006)
Reversal of impairment (Note)	1,306	5,947	-	-	-	7,253
Reclassify	7,632	8,181	123	-	(123)	15,813
Foreign exchange differences	4,869	5,310	14,746	-	-	24,925
December 31, 2022	\$ 14,466,292	\$ 5,177,612	\$ 1,941,837	\$ 31,088	\$ 19,989	\$ 21,636,818
December 31, 2022						
Cost	\$ 14,556,967	\$ 13,163,487	\$ 8,048,410	\$ 250,805	\$ 19,989	\$ 36,039,658
Accumulated depreciation	-	(7,938,895)	(6,106,573)	(219,717)	-	(14,265,185)
Accumulated impairment	(90,675)	(46,980)	-	-	-	(137,655)
Total	\$ 14,466,292	\$ 5,177,612	\$ 1,941,837	\$ 31,088	\$ 19,989	\$ 21,636,818

January 1, 2021	Land and land improvements	Buildings	Equipment	Leasehold improvements	Prepayments for equipment	Total
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
For the year ended December 31, 2021						
January 1, 2021	\$ 14,811,810	\$ 5,506,525	\$ 1,602,018	\$ 18,438	\$ 12,026	\$ 21,950,817
Additions	-	132,992	741,955	1,928	59,069	935,944
Disposals	-	(5,632)	-	-	-	(5,632)
Transfers	(256,061)	(259)	38,075	1,799	(47,232)	(263,678)
Depreciation expense	-	(292,692)	(644,489)	(4,590)	-	(941,771)
Reversal (loss) of impairment (Note)	14,120	(1,618)	-	-	-	12,502
Reclassify	-	-	1,404	-	-	1,404
Foreign exchange differences	(3,090)	(10,523)	(5,447)	-	-	(19,060)
December 31, 2021	\$ 14,566,779	\$ 5,328,793	\$ 1,733,516	\$ 17,575	\$ 23,863	\$ 21,670,526
December 31, 2021						
Cost	\$ 14,658,760	\$ 13,045,349	\$ 7,554,878	\$ 239,342	\$ 23,863	\$ 35,522,192
Accumulated depreciation	-	(7,663,628)	(5,821,362)	(221,768)	-	(13,706,758)
Accumulated impairment	(91,981)	(52,927)	-	-	-	(144,908)
Total	\$ 14,566,779	\$ 5,328,794	\$ 1,733,516	\$ 17,574	\$ 23,863	\$ 21,670,526

Note : The amounts of impairment and reversal of property and equipment held by the subsidiary- MS were valued according to the result of valuation by an independent valuation expert using comparison method and income approach. The fair value of buildings is considered Level 2 within the fair value hierarchy.

Please refer to Note 12 for details of the aforementioned property and equipment pledged as collaterals as of December 31, 2022 and 2021.

(16) Other assets, net

	December 31, 2022	December 31, 2021
Prepayments	\$ 541,187	\$ 279,839
Refundable deposits	2,743,791	3,893,243
Guarantee deposits held for operation and funds for security settlements	1,058,649	1,099,966
Temporary payments	1,631,187	1,734,943
Others	162,265	132,445
Total	\$ 6,137,079	\$ 7,140,436

Please refer to Note 12 for details of the aforementioned other assets pledged as collaterals as of December 31, 2022 and 2021.

(17) Deposits from the Central Bank and banks

	December 31, 2022	December 31, 2021
Call loans from banks	\$ 174,158,911	\$ 154,067,388
Deposits from Chunghwa Post	20,193	25,674
Overdrafts on banks	1,806,669	4,475,195
Deposits from the banks	54,987,031	65,045,356
Deposits from the Central Bank	186,298,775	161,436,382
Total	\$ 417,271,579	\$ 385,049,995

(18) Due to the Central Bank and banks

	December 31, 2022	December 31, 2021
Due to the Central Bank	\$ 3,219,692	\$ 3,200,153
Other dues to the Central Bank	-	17,177,070
Call loan from other banks	30,688	26,513,473
Total	\$ 3,250,380	\$ 46,890,696

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

	December 31, 2022	December 31, 2021
<u>Financial liabilities held for trading</u>		
Derivative instruments	\$ 4,294,237	\$ 2,361,751
Liabilities on sale of borrowed securities	26,792	104,133
Issuance of call (put) warrants	111,573	136,161
Bonds purchased under resell agreements	-	97,660
Others	94,941	36,649
Subtotal	4,527,543	2,736,354
<u>Financial liabilities designated at fair value through profit or loss</u>		
Financial bonds	19,101,375	15,973,324
Valuation adjustment	(2,181,451)	634,414
Subtotal	16,919,924	16,607,738
Total	\$ 21,447,467	\$ 19,344,092

A. For information regarding the Mega Group's recognized 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, 2022 and 2021, 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).

(20) Securities sold under repurchase agreements

	December 31, 2022	December 31, 2021
Short-term bills	\$ 104,266,716	\$ 86,116,172
Bonds	148,075,937	138,940,590
Total	\$ 252,342,653	\$ 225,056,762

Financial Information

(21) Commercial papers issued, net

	December 31, 2022	December 31, 2021
Domestic commercial papers	\$ 22,665,000	\$ 32,929,000
Less: Unamortized discount	(27,319)	(11,152)
Net	\$ 22,637,681	\$ 32,917,848
Interest rate ranges (%)	0.59%~1.80%	0.30%~0.52%

The amounts of guarantee provided for the commercial papers issued above were \$250,000 (par value) by Dah Chung Bills Finance Corporation, \$50,000 (par value) by International Bills Finance Corporation and non-guaranteed as of December 31, 2022 and 2021, respectively.

(22) Payables

	December 31, 2022	December 31, 2021
Notes and accounts payable	\$ 4,676,528	\$ 9,518,170
Settlement amounts payable	9,505,745	21,284,534
Accrued expenses	7,001,155	6,494,016
Interest payable	5,027,351	1,787,458
Dividends payable	32,440,118	30,964,025
Acceptances	5,544,091	4,975,421
Collections for others	1,161,647	2,455,091
Due to reinsurers and ceding companies	1,301,691	1,284,465
Securities financing refundable deposits	2,277,149	1,705,830
Deposits payable for securities financing	2,081,603	2,014,282
Other payables	2,457,970	2,480,566
Total	\$ 73,475,048	\$ 84,963,858

(23) Deposits and remittances

	December 31, 2022	December 31, 2021
Checking account deposits	\$ 36,019,573	\$ 27,659,136
Demand deposits	835,191,326	909,419,146
Time deposits	1,047,337,829	1,129,407,699
Demand savings deposits	589,548,600	586,768,790
Time savings deposits	329,980,218	296,391,347
Negotiable certificates of deposits	546,900	1,002,000
Remittances	8,742,101	9,141,586
Total	\$ 2,847,366,547	\$ 2,959,789,704

(24) Bonds payable

	December 31, 2022	December 31, 2021
Financial bonds	\$ 15,000,000	\$ 1,000,000
Corporate bonds	5,000,000	5,000,000
Total	\$ 20,000,000	\$ 6,000,000

Corporate bonds issued by the Company were as follows:

Name of bond (Note 1)	Issuing period	Interest rate	Total issued amount	December 31, 2022	December 31, 2021
109-1 unsecured corporate bonds A	2020.05.27-2027.05.27	0.66%	\$ 3,200,000	\$ 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	1,800,000
Total				\$ 5,000,000	\$ 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, 2022	December 31, 2021
109-1 Development financial bond (Note 3)	2020.03.11-2023.03.11	0.60%	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
111-1 Development financial bond (Note 3)	2022.02.22-2027.02.22	0.70%	1,500,000	1,500,000	-
111-4 Development financial bond (Note 4)	2022.10.07-2029.10.07	1.82%	4,700,000	4,700,000	-
111-5 Development financial bond (Note 4)	2022.10.07-2032.10.07	1.90%	1,500,000	1,500,000	-
111-6 Development financial bond (Note 4)	2022.11.22-2030.11.22	2.18%	3,900,000	3,900,000	-
111-7 Development financial bond (Note 4)	2022.12.26-2029.12.26	2.20%	2,400,000	2,400,000	-
Total				\$ 15,000,000	\$ 1,000,000

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

(Note 3) It was a general bank debenture.

(Note 4) It was a subordinated bank debenture.

Unit: In thousands of US Dollars

Name of bond (Note 5)	Issuing period	Interest rate	Total issued amount	December 31, 2022	December 31, 2021
107-1 Development financial bond (Note 5)	2018.03.01-2048.03.01	0.00%	\$ 330,000	\$ 330,000	\$ 330,000
107-2 Development financial bond (Note 5)	2018.05.17-2048.05.17	0.00%	164,000	164,000	164,000
111-2 Development financial bond (Note 3) (Note 6)	2022.07.05-2024.01.05	Note 7	13,300	13,300	-
111-3 Development financial bond (Note 3) (Note 6)	2022.07.05-2027.07.05	Note 8	6,500	6,500	-
Total				\$ 513,800	\$ 494,000

(Note 5) The agreed price was repaid at maturity.

(Note 6) The interest was paid quarterly, the principal was repaid at maturity.

(Note 7) A fixed interest rate of 2.8% for the first year, and a structured interest rate for the period after the first year to 18 months.

(Note 8) A fixed interest rate of 4.8% for the first year, and a structured interest rate for the period between the second year to the fifth year.

As of December 31, 2022 and 2021, the unpaid balance of financial bonds issued by the subsidiary-MICB amounted to US\$513,800 thousand, and US\$494,000 thousand; and NT\$15 Billion, and NT\$1 Billion, respectively. The financial bonds are general bonds of US\$513,800 thousand which were financial liabilities designated at fair value through profit or loss. The interest rate swaps which are used to hedge the interest rate risk are measured at fair value, and changes in fair value are recognized 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, 2022	December 31, 2021
Credit borrowings	\$ 13,348,000	\$ 1,260,000
Interest rate ranges (%)	1.28%~1.96%	0.58%~1.05%
Secured borrowings	\$ 4,000,000	\$ -
Interest rate ranges (%)	1.50%~1.63%	-

The Company and its subsidiaries pledged its self-used properties, investment properties and assets held for sale as collateral for the secured borrowings as of December 31, 2022.

(26) Provisions

	December 31, 2022	December 31, 2021
Insurance liabilities	\$ 15,646,429	\$ 10,100,190
Liabilities reserve for employee benefits	12,301,828	14,683,613
Reserve for guarantee liabilities	4,954,715	4,990,572
Provisions for loan commitments	131,941	157,912
Other provisions	18,127	9,317
Total	\$ 33,053,040	\$ 29,941,604

A. Details of reserves for insurance liabilities as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Reserve for unearned premiums	\$ 4,810,520	\$ 4,569,091
Reserve for outstanding losses	8,393,815	4,187,578
Reserve for catastrophic losses	599,747	1,304,078
Deficiency reserve	1,841,464	38,820
Liability reserve	883	623
Total	\$ 15,646,429	\$ 10,100,190

(A) Changes in unearned premium reserve and ceded unearned premium reserve are as follows:

	For the year ended December 31, 2022		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 4,569,091	\$ 2,014,871	\$ 2,554,220
Provision	4,810,520	2,042,112	2,768,408
Recovery	(4,569,091)	(2,014,871)	(2,554,220)
Balance at the end of the year	\$ 4,810,520	\$ 2,042,112	\$ 2,768,408

	For the year ended December 31, 2021		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 4,244,779	\$ 1,839,206	\$ 2,405,573
Provision	4,569,091	2,014,871	2,554,220
Recovery	(4,244,779)	(1,839,206)	(2,405,573)
Balance at the end of the year	\$ 4,569,091	\$ 2,014,871	\$ 2,554,220

(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, 2022	December 31, 2021
Claims reported but not paid	\$ 4,578,329	\$ 3,047,459
Claims incurred but not reported	3,815,486	1,140,119
	\$ 8,393,815	\$ 4,187,578

b. Detail of ceded claim reserve:

	December 31, 2022	December 31, 2021
Claims reported but not paid	\$ 2,388,727	\$ 1,706,478
Claims incurred but not reported	1,784,665	409,933
	\$ 4,173,392	\$ 2,116,411

c. Changes in claims reserve and ceded claims reserve are as follows:

	For the year ended December 31, 2022		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 4,187,578	\$ 2,116,411	\$ 2,071,167
Provision	8,393,815	4,173,392	4,220,423
Recovery	(4,187,578)	(2,116,411)	(2,071,167)
Balance at the end of the year	\$ 8,393,815	\$ 4,173,392	\$ 4,220,423

	For the year ended December 31, 2021		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 4,377,670	\$ 2,355,094	\$ 2,022,576
Provision	4,187,578	2,116,411	2,071,167
Recovery	(4,377,670)	(2,355,094)	(2,022,576)
Balance at the end of the year	\$ 4,187,578	\$ 2,116,411	\$ 2,071,167



(C) Changes in special reserve are as follows:

	For the year ended December 31, 2022		
	Compulsory insurance	Others	Total
Balance at the beginning of the year	\$ 230,077	\$ 1,074,001	\$ 1,304,078
Net change	49,813	(754,144)	(704,331)
Balance at the end of the year	\$ 279,890	\$ 319,857	\$ 599,747

	For the year ended December 31, 2021		
	Compulsory insurance	Others	Total
Balance at the beginning of the year	\$ 215,985	\$ 1,074,001	\$ 1,289,986
Net change	14,092	-	14,092
Balance at the end of the year	\$ 230,077	\$ 1,074,001	\$ 1,304,078

- a. In accordance with “Regulations Governing Reserve for Natural Catastrophe by Property Insurance Industry”, commencing from January 1, 2013, CKI’s special reserves provisioned under liabilities prior to December 31, 2012 for insurance types other than compulsory automobile liability insurance, nuclear power insurance, policy-based basic residential earthquake insurance and commercial earthquake insurance and typhoon/flood insurance, 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, and the provisions shall be recorded under liabilities. The remaining special reserves provisioned for the insurance types other than the aforementioned insurance, after deducting income taxes, in accordance with the requirements in IAS 12, shall be provisioned as special reserve under equity. In addition, the above regulations were amended and renamed to “Regulations Governing Reserve for Catastrophe by Property Insurance Industry” in accordance with the Financial-Supervisory-Insurance-Bureau Letter No. 11101405951 of FSC, dated June 30, 2022. Under the Article 8 of the regulations, in the event that the actual net claims incurred from catastrophes exceed the expected claims after deducting the amount offset by special reserves for catastrophes; or the accumulated amount of special reserves for fluctuation of risks reaches the required level, the amount shall be offset by or recovered from special reserves for fluctuation of risks pursuant to the Article 3 of “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon/flood Insurance by Property Insurance Industry”. As the CKI’s COVID-19 epidemic prevention insurance met the requirements of the above regulations, the write-off amount was \$754,144 for the year ended December 31, 2022.

Additionally, in accordance with “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, the special reserves provisioned have remained in the special reserves under liabilities.

- b. In accordance with Article 2 of the Compulsory Automobile Liability Insurance Act, Article 145 paragraph 2 of Insurance Act and Article 24-2 paragraph 1 of Insurance Industry Deposit Reserve Regulation authorized by Article 148-3 paragraph 2 of Insurance Act, commencing from April 1, 2021, CKI shall set aside NT\$30 for each insurance contract as the reserve fund from the expenses of the insurer on a monthly basis. Subsequent to the property insurance industry assuming the business, if there is a loss in the annual pure premium, it should be covered by the various reserves for this Insurance in priority. If annual pure premium is still insufficient, then comply with Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.
- c. The impact of the catastrophe 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, 2022			
	Net income	Earnings per share(Note)	Special reserve	Equity
Applicable amount	(\$ 9,523,769)	(\$ 63.87)	\$ 599,747	\$ 12,755
Non-applicable amount	(10,127,084)	(67.92)	279,890	268,641
Affected amount	\$ 603,315	\$ 4.05	\$ 319,857	(\$ 255,886)

	For the year ended December 31, 2021			
	Net income	Earnings per share(Note)	Special reserve	Equity
Applicable amount	\$ 505,111	\$ 3.72	\$ 1,304,078	\$ 7,858,028
Non-applicable amount	505,111	3.72	230,077	8,717,229
Affected amount	\$ -	\$ -	\$ 1,074,001	(\$ 859,201)

Note: For the years ended December 31, 2022 and 2021, Basic and diluted (loss) earnings per share have been adjusted retrospectively according to the ratio of capital reduction to offset accumulated deficits on January 30, 2023.

(D) Changes in deficiency reserve and ceded deficiency reserve are as follows:

	For the year ended December 31, 2022		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 38,820	\$ 34,960	\$ 3,860
Provision	1,841,464	924,772	916,692
Recovery	(38,820)	(34,960)	(3,860)
Balance at the end of the year	\$ 1,841,464	\$ 924,772	\$ 916,692

	For the year ended December 31, 2021		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 55,900	\$ 53,940	\$ 1,960
Provision	38,820	34,960	3,860
Recovery	(55,900)	(53,940)	(1,960)
Balance at the end of the year	\$ 38,820	\$ 34,960	\$ 3,860

(E) Change in ceded liability reserve and liability reserve are as follows:

	For the year ended December 31, 2022		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 623	\$ 471	\$ 152
Provision	883	658	225
Recovery	(623)	(471)	(152)
Balance at the end of the year	\$ 883	\$ 658	\$ 225

	For the year ended December 31, 2021		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 915	\$ 700	\$ 215
Provision	623	471	152
Recovery	(915)	(700)	(215)
Balance at the end of the year	\$ 623	\$ 471	\$ 152

B. Liabilities reserve for employee benefits are as follows:

	December 31, 2022	December 31, 2021
Recognized in consolidated balance sheet:		
- Defined benefit plans	\$ 6,360,845	\$ 8,695,128
- Employee preferential savings plans	5,940,983	5,988,485
Total	\$ 12,301,828	\$ 14,683,613

(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, 2022 and 2021 were \$479,357 and \$524,303, respectively.

b. The amounts recognized in the balance sheet are determined as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 15,924,318	\$ 18,074,136
Fair value of plan assets	(9,579,826)	(9,392,331)
Net defined benefit liability	\$ 6,344,492	\$ 8,681,805

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, 2022			
Balance at January 1	\$ 18,074,136	(\$ 9,392,331)	\$ 8,681,805
Current service cost	440,542	-	440,542
Interest expense (income)	80,799	(42,283)	38,516
Past service cost	-	(62)	(62)
	<u>18,595,477</u>	<u>(9,434,676)</u>	<u>9,160,801</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(753,073)	(753,073)
Change in demographic assumptions	-	-	-
Change in financial assumptions	(1,847,826)	-	(1,847,826)
Experience adjustments	582,658	(15,255)	567,403
	<u>(1,265,168)</u>	<u>(768,328)</u>	<u>(2,033,496)</u>
Pension fund contribution	-	(725,243)	(725,243)
Paid pension	(1,406,337)	1,348,421	(57,916)
Exchange difference	346	-	346
Balance at December 31	<u>\$ 15,924,318</u>	<u>(\$ 9,579,826)</u>	<u>\$ 6,344,492</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2021			
Balance at January 1	\$ 19,462,962	(\$ 9,804,293)	\$ 9,658,669
Current service cost	495,827	-	495,827
Interest expense (income)	57,524	(29,164)	28,360
Past service cost	-	(34)	(34)
	<u>20,016,313</u>	<u>(9,833,491)</u>	<u>10,182,822</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	\$ -	(\$ 142,469)	(\$ 142,469)
Change in demographic assumptions	84,191	-	84,191
Change in financial assumptions	(532,803)	-	(532,803)
Experience adjustments	(155,939)	(2,475)	(158,414)
	<u>(604,551)</u>	<u>(144,944)</u>	<u>(749,495)</u>
Pension fund contribution	-	(728,571)	(728,571)
Paid pension	(1,335,531)	1,314,675	(20,856)
Exchange difference	(2,095)	-	(2,095)
Balance at December 31	<u>\$ 18,074,136</u>	<u>(\$ 9,392,331)</u>	<u>\$ 8,681,805</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, 2022 and 2021 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,	
	2022	2021
Discount rate	1.15%~1.85%	0.45%~0.70%
Future salary increases	1.25%~3.22%	1.25%~3.32%

For the years ended December 31, 2022 and 2021, assumptions regarding future mortality rates are set based on the 6th 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, 2022				
Effect on present value of defined benefit obligation	(\$ 319,828)	\$ 330,198	(\$ 272,878)	\$ 265,562
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 400,538)	\$ 414,545	\$ 400,259	(\$ 388,985)

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 \$438,180 for defined benefit plan in 2023.

(B) Subsidiary-MICB's payment obligations of fixed-amount preferential savings for retired employees 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 recognized 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,	
	2022	2021
Present value of defined benefit obligations	\$ 5,940,983	\$ 5,988,485
Less: employee preferential savings fair value of plan assets	-	-
	\$ 5,940,983	\$ 5,988,485

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, 2022			
Balance at January 1	\$ 5,988,485	\$ -	\$ 5,988,485
Interest expense	229,125	-	229,125
	6,217,610	-	6,217,610
Remeasurements:			
Change in demographic assumptions	132,731	-	132,731
Experience adjustments	644,960	-	644,960
	777,691	-	777,691
Pension fund contribution	-	(1,054,318)	(1,054,318)
Paid pension	(1,054,318)	1,054,318	-
Balance at December 31	\$ 5,940,983	\$ -	\$ 5,940,983

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2021			
Balance at January 1	\$ 5,187,055	\$ -	\$ 5,187,055
Interest expense	197,736	-	197,736
	<u>5,384,791</u>	<u>-</u>	<u>5,384,791</u>
Remeasurements:			
Change in demographic assumptions	1,020,376	-	1,020,376
Experience adjustments	613,438	-	613,438
	<u>1,633,814</u>	<u>-</u>	<u>1,633,814</u>
Pension fund contribution	-	(1,030,120)	(1,030,120)
Paid pension	(1,030,120)	1,030,120	-
Balance at December 31	<u>\$ 5,988,485</u>	<u>\$ -</u>	<u>\$ 5,988,485</u>

c. Actuarial assumptions are as follows:

	2022	2021
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, 2022				
Effect on present value of defined benefit obligation	<u>(\$ 125,840)</u>	<u>\$ 130,795</u>	<u>(\$ 28,970)</u>	<u>\$ 28,970</u>
December 31, 2021				
Effect on present value of defined benefit obligation	<u>(\$ 128,062)</u>	<u>\$ 133,145</u>	<u>(\$ 27,933)</u>	<u>\$ 27,933</u>

Subsidiary-MICB recognized employee benefit expenses of \$1,317,376 and \$2,122,538 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 were \$303,767 and \$297,277, respectively.

Pursuant to relevant government regulations in the country where the entity operates, local staff of the Mega Group's overseas subsidiaries, recognized pension expenses of \$29,385 and \$23,234 applying defined contribution plans for the years ended December 31, 2022 and 2021, respectively.

C. Please refer to Note 8 (3) for the information on the changes in the financing commitment preparation and guarantee liability preparation for the years ended December 31, 2022 and 2021.

D. Please refer to Note 8 (3) for the relevant credit risk information of guarantee liability preparation and financing commitment preparation.

(27) Other financial liabilities

	December 31, 2022	December 31, 2021
Principal received on structured instruments	\$ 16,323,624	\$ 6,877,221
Appropriated loan fund	312,226	372,333
Futures traders' equity	6,906,433	5,203,810
Total	<u>\$ 23,542,283</u>	<u>\$ 12,453,364</u>

(28) Other liabilities

	December 31, 2022	December 31, 2021
Deposits received	\$ 9,024,866	\$ 6,814,715
Advance receipt	1,933,831	1,518,886
Receipts under custody from customers' security subscription	441,762	7,862,897
Other liabilities to be settled	447,480	397,330
Temporary receipts and suspense accounts	1,862,038	1,497,949
Others	543,916	1,268,640
Total	\$ 14,253,893	\$ 19,360,417

(29) Equity

A. Common stock

The Company decided to increase its capital from retained earnings amounting to \$3,399,956 through the issuance of 339,996 thousand new shares, with a par value of \$10 dollars per share, as resolved by the Board of Directors on April 26, 2022 and by the shareholders' meeting on June 17, 2022. Additionally, the paid-in capital increased to \$139,398,196. The aforementioned capital increase has been approved by the FSC and the effective date of the capital increase is August 19, 2022.

As of December 31, 2022, the Company's authorized capital was \$220,000,000. The Company's issued capital was \$139,398,196, consisting of 13,939,820 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, 2022	December 31, 2021
Consolidation surplus arising from share conversion	\$ 43,047,306	\$ 43,047,306
Changes in additional paid-in capital of investees accounted for using the 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
	\$ 68,194,233	\$ 68,194,233

Note: All the subsidiaries' share-based payments were included.

(B) As of December 31, 2022, 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 capitalized 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 No.1090150022 of the FSC dated on March 31, 2021, upon the first-time adoption for IFRSs, equivalent amounts of special reserve with regard to the unrealized revaluation increment under the stockholders' 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 amortized 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 2021 and 2020 were resolved at the Board meetings on April 26, 2022 and April 27, 2021, respectively, and were approved by the stockholders at the stockholders' meeting dated June 17, 2022 and July 20, 2021. Details of the earnings appropriation for 2021 and 2020 are set forth below:

	2021 earnings		2020 earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 2,632,645		\$ 2,381,609	
Cash dividends	19,039,754	\$ 1.40	21,487,722	\$ 1.58
Stock dividends	3,399,956	0.25	-	-

The appropriation of earnings is posted in the website "Market Observation Post System" of the Taiwan Stock Exchange.

(31) Other equity items

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other comprehensive income (loss) on reclassification using overlay approach	Other equity, other	Total
At January 1, 2022	(\$ 5,266,197)	\$ 16,413,561	\$ 7,151	\$ 5,411	\$11,159,926
Financial assets at fair value through other comprehensive income					
Evaluation adjustment in the period	-	(33,015,310)	-	-	(33,015,310)
Changes in accumulated impairments in the period	-	(102,741)	-	-	(102,741)
Realized gain and loss in the period	-	2,941,880	-	-	2,941,880
Translation gain and loss on the financial statements of foreign operating entities in the period	2,889,689	-	-	-	2,889,689
Share of the other comprehensive income of associates and joint ventures accounted for using equity method in the period	10,466	(154,516)	-	(22,944)	(166,994)
Other comprehensive income on reclassification using overlay approach	-	-	(5,502)	-	(5,502)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	973,456	-	-	973,456
At December 31, 2022	(\$ 2,366,042)	(\$ 12,943,670)	\$ 1,649	(\$ 17,533)	(\$15,325,596)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other comprehensive income (loss) on reclassification using overlay approach	Other equity, other	Total
At January 1, 2021	(\$ 4,107,628)	\$ 18,349,008	(\$ 35,934)	(\$ 16,713)	\$14,188,733
Financial assets at fair value through other comprehensive income					
Evaluation adjustment in the period	-	(1,682,336)	-	-	(1,682,336)
Changes in accumulated impairments in the period	-	(23,552)	-	-	(23,552)
Realized gain and loss in the period	-	(532,814)	-	20,091	(512,723)
Translation gain and loss on the financial statements of foreign operating entities in the period	(1,163,898)	-	-	-	(1,163,898)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method in the period	5,329	(30,589)	-	2,033	(23,227)
Other comprehensive income on reclassification using overlay approach	-	-	43,085	-	43,085
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	333,844	-	-	333,844
At December 31, 2021	(\$ 5,266,197)	\$ 16,413,561	\$ 7,151	\$ 5,411	\$11,159,926

Financial Information

(32) Net interest revenue

	For the years ended December 31,	
	2022	2021
Interest income		
Interest income of loans discounted	\$ 46,081,160	\$ 31,552,821
Interest income of deposits and call loans from the other banks	9,963,634	1,863,764
Interest income of securities investment	12,232,714	7,992,723
Interest income of securities purchased under resell agreements	19,847	8,549
Credit card interest income	252,878	221,962
Interest income of securities purchased under resell agreements income	779,273	874,136
Interest income of accounts receivable	268,783	80,293
Other interest income	337,878	202,308
Subtotal	69,936,167	42,796,556
Interest expense		
Interest expense of deposits	(19,897,447)	(8,446,785)
Interest expense of interbank overdraft and call loans	(9,495,868)	(1,089,100)
Interest expense of issuance of securities	(311,317)	(187,387)
Interest expense of bonds payable under repurchase agreements	(2,034,200)	(529,680)
Other interest expense	(514,241)	(75,259)
Subtotal	(32,253,073)	(10,328,211)
Total	\$ 37,683,094	\$ 32,468,345

(33) Net service fee revenue and commissions

	For the years ended December 31,	
	2022	2021
Service fee income and commission income		
Service fee income from export and import business	\$ 488,623	\$ 439,619
T/T service fee income	598,035	622,745
Loans service fee income	1,545,401	1,325,609
Guarantee service fee income	1,623,698	1,538,000
Brokerage fee income	3,136,974	5,007,206
Service fee income of trust and ancillary business	2,243,447	2,299,906
Agency service fee income	937,282	1,053,411
Credit card processing fee income	701,065	684,093
Reinsurance commission income	750,993	630,501
Underwriting fee income	670,843	670,903
Other service fee income	931,218	897,131
Subtotal	13,627,579	15,169,124
Service fee expense and commission expense		
Insurance commission expense	(1,350,066)	(1,167,877)
Agency service fee expense	(879,020)	(783,275)
Brokerage handling fee expense	(289,433)	(461,025)
Interbank transaction fee expenditure	(267,034)	(241,876)
Custodial fees expenditure	(97,819)	(88,274)
Other commission expense	(19,876)	(19,965)
Other service fee expense	(388,832)	(369,596)
Subtotal	(3,292,080)	(3,131,888)
Total	\$ 10,335,499	\$ 12,037,236

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.

- A. Since the subsidiary-MICB is concurrently engaged in the electronic payment businesses, the subsidiary's service fee income collected from the businesses amounted to \$317 and \$393 for the years ended December 31, 2022 and 2021, respectively.
- B. Since the subsidiary-MICB is concurrently engaged in the electronic payment businesses, the subsidiary's interest income earned from utilizing funds received from users and calculated in accordance with Article 4 of the 'Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions' amounted to \$0 (in dollars) and \$2 (in dollars) for the years ended December 31, 2022 and 2021, respectively.

(34) Financial assets or financial liabilities at fair value through profit or loss

	For the years ended December 31,	
	2022	2021
<u>Gain and loss from disposal of financial assets and liabilities at fair value through profit or loss</u>		
Short-term notes and bills	\$ 446,767	\$ 725,836
Bonds	41,494	204,204
Stocks	(743,895)	2,461,337
Derivative instruments	3,729,674	2,979,479
Negotiable certificates of deposits	3,019	821
Beneficiary certificates	(302,889)	16,413
Warrant	(59,455)	(1,033,816)
Others	3,174	(85,884)
Subtotal	3,117,889	5,268,390
<u>Valuation gains and losses on financial assets and liabilities at fair value through profit or loss</u>		
Short-term notes and bills	(56,036)	(83,813)
Bonds	523,885	(48,265)
Stocks	(698,821)	1,210,271
Derivative instruments	838,106	(318,076)
Negotiable certificates of deposits	368	(186)
Beneficiary certificates	2,163	18,857
Warrant	210,191	144,099
Others	18,564	(12,028)
Subtotal	838,420	910,859
Interest income on financial assets at fair value through profit or loss	2,081,057	1,484,872
Interest expense on financial liabilities at fair value through profit or loss	(744,435)	(655,855)
Dividend and bonus from financial assets at fair value through profit or loss	828,236	831,183
Total	\$ 6,121,167	\$ 7,839,449

(35) Realized gain on financial assets at fair value through other comprehensive income

	For the years ended December 31,	
	2022	2021
Dividend income	\$ 3,479,966	\$ 2,456,360
Gain on bonds disposal	84,029	516,940
	\$ 3,563,995	\$ 2,973,300

(36) Reversal of impairment loss on assets

	For the years ended December 31,	
	2022	2021
Reversal of gain on debt instrument at fair value through other comprehensive income	\$ 102,741	\$ 23,552
Reversal of gain (loss) on investments in debt instruments at amortized cost	27,123	(32,211)
Reversal of gain (loss) on other financial assets	2,748	(3,459)
Reversal of gain on impairment of property and equipment	7,253	12,502
Impairment of other assets	-	(65)
Total	\$ 139,865	\$ 319

(37) Net other revenue other than interest income

	For the years ended December 31,	
	2022	2021
Rent income	\$ 163,714	\$ 163,829
Advisory income	808,013	807,234
Gain on disposal of property and equipment	834	8,343
Gain on sales of nonperforming loans	220,207	15,465
Others	174,304	168,762
Total	\$ 1,367,072	\$ 1,163,633

(38) Employee benefit expenses

	For the years ended December 31,	
	2022	2021
Wages and salaries	\$ 15,106,522	\$ 14,874,390
Labor and health insurance fees	1,078,763	1,070,756
Pension costs	2,129,885	2,967,352
Other employee benefits expenses	1,271,654	1,233,705
Total	\$ 19,586,824	\$ 20,146,203

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, 2022 and 2021, employees' compensation were accrued at \$13,905 and \$17,499, respectively; directors' remuneration were accrued at \$91,384 and \$126,948, respectively. The aforementioned amounts were recognized in wages and salaries.

The actual distributed amount of employees' and directors' remuneration for 2021 resolved at the Board of Directors' annual meeting were \$18,612 and \$126,875, respectively. Compared to the 2021 consolidated financial statements, there was an increase of \$1,113 and a decrease of \$73, respectively. The amount was due to estimated differences and is treated as a change in accounting estimate, where the difference was recognized as profit or loss in 2022.

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.

(39) Depreciation and amortization expense

	For the years ended December 31,	
	2022	2021
Depreciation expense	\$ 1,605,544	\$ 1,516,907
Amortisation expense	646,129	555,355
Total	\$ 2,251,673	\$ 2,072,262

(40) Other general and administrative expenses

	For the years ended December 31,	
	2022	2021
Information technology expense	\$ 1,106,686	\$ 919,845
Tax and official fee	2,749,348	2,573,266
Donations	113,612	99,255
Insurance charges	483,883	461,846
Office supplies and printing expenses	1,809,261	1,734,262
Professional expenses	595,638	638,978
Other operating expenses	974,025	959,562
Total	\$ 7,832,453	\$ 7,387,014

(41) Income tax expense

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax		
Current tax on profits for the year	\$ 4,066,752	\$ 5,595,601
Adjustment for prior years	(1,237,521)	(1,244,114)
Separate income tax	-	12
Additional tax on undistributed earnings	62,705	-
Total current tax	2,891,936	4,351,499
Deferred income tax		
Origination and reversal of temporary differences	(82,593)	(1,426,156)
Total deferred income tax	(82,593)	(1,426,156)
Income tax expense	\$ 2,809,343	\$ 2,925,343

(B) The income tax relating to components of other comprehensive income:

	For the years ended December 31,	
	2022	2021
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 973,456	\$ 333,844
Remeasurement of defined benefit plans	(406,699)	(149,896)
	<u>\$ 566,757</u>	<u>\$ 183,948</u>

B. Differences between accounting income and taxable income are reconciled as follows:

	For the years ended December 31,	
	2022	2021
Income tax from pre-tax income calculated at statutory tax rate	\$ 4,228,860	\$ 5,731,283
Effects of items not recognized under relevant regulations	157,433	(239,761)
Additional tax on undistributed earnings	62,705	-
Effect of alternative minimum tax	2,501	506
Income tax of adjustments for over provisions of prior years' income tax	(1,237,521)	(1,236,108)
Effects of income tax exemption and adjustment of other income	(404,635)	(1,330,577)
Income tax expense	<u>\$ 2,809,343</u>	<u>\$ 2,925,343</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	For the year ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income or loss	December 31
Deferred tax assets:				
Temporary differences				
Reserve for bad debts expense in excess of limit	\$ 2,112,452	\$ 211,680	\$ -	\$ 2,324,132
Reserve for guarantee liabilities in excess of limit	286,620	-	-	286,620
Unpaid liabilities reserve for employee benefits	2,959,391	(69,155)	(406,298)	2,483,938
Unrealized loss on impairment	921,968	(16,933)	-	905,035
Unrealized valuation loss on foreign bond	-	-	768,187	768,187
Others	225,096	6,459	-	231,555
	<u>\$ 6,505,527</u>	<u>\$ 132,051</u>	<u>\$ 361,889</u>	<u>\$ 6,999,467</u>

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income or loss	December 31
Deferred tax assets:				
Temporary differences				
Reserve for bad debts expense in excess of limit	\$ 2,269,257	(\$ 156,805)	\$ -	\$ 2,112,452
Reserve for guarantee liabilities in excess of limit	282,621	3,999	-	286,620
Unpaid liabilities reserve for employee benefits	2,331,360	777,875	(149,844)	2,959,391
Unrealized loss on impairment	29,445	892,523	-	921,968
Others	716,954	(529,591)	37,733	225,096
	<u>\$ 5,629,637</u>	<u>\$ 988,001</u>	<u>(\$ 112,111)</u>	<u>\$ 6,505,527</u>

	For the year ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income or loss	December 31
Deferred tax liabilities:				
Temporary differences				
Land revaluation increment tax	(\$ 1,053,300)	\$ -	\$ -	(\$ 1,053,300)
Unrealized exchange gain	(282,206)	(15,711)	-	(297,917)
Share of profit of associates and joint ventures accounted for under equity method	(955,668)	(51,623)	-	(1,007,291)
Unrealized valuation gains on foreign bond	(205,269)	-	205,269	-
Others	(139,536)	17,876	(401)	(122,061)
	<u>(\$ 2,635,979)</u>	<u>(\$ 49,458)</u>	<u>\$ 204,868</u>	<u>(\$ 2,480,569)</u>

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income or loss	December 31
Deferred tax liabilities:				
Temporary differences				
Land revaluation increment tax	(\$ 1,053,300)	\$ -	\$ -	(\$ 1,053,300)
Unrealized exchange gain	(614,260)	332,054	-	(282,206)
Share of profit of associates and joint ventures accounted for under equity method	(827,868)	(127,800)	-	(955,668)
Unrealized valuation gains on foreign bond	(501,380)	-	296,111	(205,269)
Others	(373,385)	233,901	(52)	(139,536)
	<u>(\$ 3,370,193)</u>	<u>\$ 438,155</u>	<u>\$ 296,059</u>	<u>(\$ 2,635,979)</u>

D. Assessment of income tax returns

The profit-seeking enterprise income tax return of the Company and 7 subsidiaries through 2017 was assessed and approved by the Tax Authority, except for the following that are under the administrative remedy.

(A) MICB: The income tax returns of 2014 is under reinvestigation.

(B) MS: The income tax returns of 2014 is under reinvestigation.

(C) MITC: The income tax returns of 2012 and 2013 are under administrative lawsuit. The income tax return of 2016 is under administrative appeal.

(42) Earnings per share

Basic and diluted earnings per share

	For the years ended December 31,	
	2022	2021
Profit attributable to ordinary stockholders of the Company	\$ 18,334,958	\$ 25,731,070
Weighted-average number of shares outstanding (In thousands of shares)	13,939,820	13,939,820
Basic earnings per share (In dollars)	\$ 1.32	\$ 1.85

The above weighted-average outstanding shares have been adjusted retrospectively according to the ratio of capital increase from retained earnings for the year ended December 31, 2021. Basic and diluted earnings per share before the adjustment were both 1.89 (in dollars) for the year ended December 31, 2021.

(43) Changes in liabilities from financing activities

	Commercial paper issued	Bonds payable	Other borrowings	Lease Liabilities
January 1, 2022	\$ 32,917,848	\$ 6,000,000	\$ 1,260,000	\$ 1,903,356
Changes in cash flows from financing activities	(10,264,000)	14,000,000	16,088,000	(568,844)
Amortization of a premium or a discount on interest expense	(16,167)	-	-	-
Additions to leases	-	-	-	622,214
December 31, 2022	<u>\$ 22,637,681</u>	<u>\$ 20,000,000</u>	<u>\$ 17,348,000</u>	<u>\$ 1,956,726</u>
January 1, 2021	\$ 22,392,125	\$ 18,000,000	\$ 338,028	\$ 1,881,625
Changes in cash flows from financing activities	10,529,000	(12,000,000)	921,972	(588,694)
Amortization of a premium or a discount on interest expense	(3,277)	-	-	-
Additions to leases	-	-	-	610,425
December 31, 2021	<u>\$ 32,917,848</u>	<u>\$ 6,000,000</u>	<u>\$ 1,260,000</u>	<u>\$ 1,903,356</u>

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 recognized by fair value, which is transaction price in most cases.

Subsequent recognitions are measured by fair value except that certain financial instruments are recognized 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 amortized cost-central bank's certificates of deposits 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, 2022	
	Carrying amount	Fair Value
Investments in debt instruments at amortized cost	\$ 67,586,402	\$ 65,454,665

	December 31, 2021	
	Carrying amount	Fair Value
Investments in debt instruments at amortized cost	\$ 43,907,304	\$ 44,063,456

For the above-mentioned investments in debt instruments at amortized 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 amortization 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 Reuters 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-centralized 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-centralized markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).
- B. The Mega Group 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, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, 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 amortized 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 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, 2022			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets mandatorily measured at fair value through profit or loss				
Investment in stocks	\$ 20,451,828	\$ 8,419,839	\$ 4,790,052	\$ 7,241,937
Investment in bonds	47,705,776	2,356,805	45,348,971	-
Investment in bills	128,979,236	-	128,979,236	-
Others	1,159,270	1,159,270	-	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	39,556,764	20,331,135	587,130	18,638,499
Investment in bonds	471,425,541	48,312,105	423,113,436	-
Investment in bills	13,531,405	6,860,549	6,670,856	-
Others	312,880	312,880	-	-
<u>Liabilities</u>				
Financial liabilities held for trading	233,305	148,185	85,120	-
Financial liabilities designated as at fair value through profit or loss	16,919,924	-	16,919,924	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets mandatorily measured at fair value through profit or loss	6,605,779	340,475	6,265,178	126
<u>Liabilities</u>				
Financial liabilities held for trading	4,294,237	-	4,293,522	715

Recurring fair value measurements	December 31, 2021			
	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	\$ 25,568,458	\$ 13,867,647	\$ 5,335,656	\$ 6,365,155
Investment in bonds	46,754,090	2,597,067	44,157,023	-
Investment in bills	124,004,857	-	124,004,857	-
Others	2,537,476	2,524,276	13,200	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	45,668,339	25,071,158	320,829	20,276,352
Investment in bonds	491,106,336	44,340,262	446,766,074	-
Investment in bills	6,702,488	-	6,702,488	-
Others	313,183	313,183	-	-
Liabilities				
Financial liabilities held for trading	374,603	247,821	126,782	-
Financial liabilities designated as at fair value through profit or loss	16,607,738	-	16,607,738	-
Derivative financial instruments				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	3,969,776	371,325	3,598,423	28
Liabilities				
Financial liabilities held for trading	2,361,751	-	2,361,426	325

C. The transfer between Level 1 and Level 2.

On December 31, 2022, the balance of MICB's held 2022 Fiscal Year Order 2 Category 1 Central Government Construction Bonds was \$ 1,366,854. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

On December 31, 2021, the balance of MICB's held 2020 Fiscal Year Order 9 Category 1 Central Government Construction Bonds was \$2,212,623. 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. The transfer between Level 2 and Level 3.

Transfers into or out from level 3 (for example, transfers resulting 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.

E. 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, 2022

Item	January 1, 2022	Valuation gain or loss		Addition		Reduction		December 31, 2022
		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	
Non-derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	\$ 6,365,155	\$ 307,619	\$ -	\$ 8,433	\$ 703,317	(\$ 64,973)	(\$ 77,614)	\$ 7,241,937
Financial assets at fair value through other comprehensive income	20,276,352	-	(1,650,511)	59,448	-	(46,790)	-	18,638,499
Derivative financial instruments								
Financial assets mandatorily measured at fair value through profit or loss	28	139	-	429	-	(470)	-	126
Total	\$ 26,641,535	\$ 307,758	(\$ 1,650,511)	\$ 68,310	\$ 703,317	(\$ 112,233)	(\$ 77,614)	\$25,880,562



The Company and subsidiaries held unlisted stocks in the amount of \$703,317, 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 \$77,614, 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, 2021

Item	January 1, 2021	Valuation gain or loss		Addition		Reduction		December 31, 2021
		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	
Non-derivative financial instruments								
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	\$ 6,473,849	\$ 235,696	\$ -	\$ 829	\$ 110,457	(\$ 284,960)	(\$ 170,716)	\$ 6,365,155
Financial assets at fair value through other comprehensive income	16,429,609	-	3,366,305	-	1,382,106	(486,912)	(414,756)	20,276,352
Derivative financial instruments								
Financial assets mandatorily measured at fair value through profit or loss	230	313	-	1,449	-	(1,964)	-	28
Total	\$ 22,903,688	\$ 236,009	\$ 3,366,305	\$ 2,278	\$ 1,492,563	(\$ 773,836)	(\$ 585,472)	\$26,641,535

The Company and subsidiaries held unlisted stocks in the amount of \$1,492,563, 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 \$585,472, 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.

(B) Movements of financial liabilities classified into Level 3 of fair value are as follows:

For the year ended December 31, 2022

Item	January 1, 2022	Valuation gain or loss		Addition		Reduction		December 31, 2022
		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	\$ 325	\$ 14	\$ -	\$ 6,033	\$ -	(\$ 5,657)	\$ -	\$ 715

For the year ended December 31, 2021

Item	January 1, 2021	Valuation gain or loss		Addition		Reduction		December 31, 2021
		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	\$ 262	\$ 45	\$ -	\$ 1,547	\$ -	(\$ 1,529)	\$ -	\$ 325

(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, 2022	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
Financial assets at fair value through profit or loss				
Investment in stocks	\$ 724,194	(\$ 724,194)	\$ -	\$ -
Derivative financial instruments	4	(4)	-	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	-	-	1,863,850	(\$ 1,863,850)

December 31, 2021	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
Financial assets at fair value through profit or loss				
Investment in stocks	\$ 636,515	(\$ 636,515)	\$ -	\$ -
Derivative financial instruments	3	(3)	-	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	-	-	2,027,635	(\$ 2,027,635)

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 summarized quantitative information of significant unobservable inputs

December 31, 2022	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	\$ 5,517,399	Market approach	Lack of liquidity discount	10%~50%	The higher the liquidity discount , the lower the fair value.
	1,724,538	Net asset approach	Price-book value ratio multiple	0.85~9.49	The higher the price-book value ratio multiple, the higher the fair value.
			N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment	16,367,998	Market approach	Lack of liquidity discount	10%~30%	The higher the liquidity discount , the lower the fair value.
			Price-book value ratio multiple	0.86~3.04	The higher the price-book value ratio multiple, the higher the fair value.
	2,270,501	Net asset approach	N/A	N/A	N/A
Derivative financial assets					
Structured products	126	Determined using the Option Pricing Model verified by the subsidiary – MS	Price volatility	35%~45%	The higher the price volatility, the higher the fair value.
Derivative financial liabilities					
Structured products	715	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, 2021	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	\$ 5,378,958	Market approach	Lack of liquidity discount	15%~50%	The higher the liquidity discount , the lower the fair value.
			Price-book value ratio multiple	0.89~4.22	The higher the price-book value ratio multiple, the higher the fair value.
			Price to earnings ratio multiple	8.99	The higher the price to earnings ratio multiple, the higher the fair value.
	986,197	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment	17,238,714	Market approach	Lack of liquidity discount	10%~30%	The higher the liquidity discount , the lower the fair value.
			Price-book value ratio multiple	1.05~2.41	The higher the price-book value ratio multiple, the higher the fair value.
	3,037,638	Net asset approach	N/A	N/A	N/A
Derivative financial assets					
Structured products	28	Determined using the Option Pricing Model verified by the subsidiary – MS	Price volatility	34%~57%	The higher the price volatility, the higher the fair value.
Derivative financial liabilities					
Structured products	325	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.

The Board of Directors of the Company is the highest governing body on climate change-related issues. It is responsible for supervising and reviewing the Group's climate-related risk policies and management systems. The Risk Management Committee and Sustainable Development Committee, which report to the Board of Directors, are responsible for identifying and managing climate change risks and opportunities.

The Risk Management Committee is chaired by the Company's board chairman, and it guides the Risk Management Department of the Company and risk management units of each subsidiary, regularly identifies the climate risks that the Mega Group is facing and reports it to the Board of Directors so that the Board of Directors is able to understand and oversee risk related issues. The Mega Group follows

the framework of the TCFD Recommendations and Guidelines to address climate change and strengthen climate resilience, and Risk Management Department of the Company and risk management units of each subsidiary review climate-related risks of each business and continue to improve the assessment on the climate risk impacts and opportunities and countermeasures.

The sustainable Development Committee is chaired by the general manager of the Company. The Committee consists of an Environmental Sustainability Working Group, which takes charge of the Mega Group's green operations and environmental performance management; and a Sustainable Finance Working Group, which is responsible for the Mega Group's green financing services and low-carbon development strategies. The Committee controls the Mega Group's energy consumption and total GHG emissions, formulates sustainable finance policies, develops low-carbon products and services, and regularly reports to the Board of Directors.

(2) The organization framework of risk management

The Mega Group has established risk management policies and guidelines for the Company and each subsidiary to follow. Subsidiaries therefore follow the Company's instructions in setting risk management organization, 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, organization 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 summarizing 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 is responsible for supervision of the Mega Group's credit risk and regularly submits summary report to the management, the Risk Management Department and the Board of Directors.

The management mechanism of subsidiaries for credit risk includes:

The establishment of 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 and areas.

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 borrower's early warning mechanism.

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

Internal risk ratings and classification of credit assets are as follows:

I. Internal risk ratings

Corporate credit risk is measured by using the borrower's default probability model 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 models. Back-testing is conducted on internal models regularly or irregularly; 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. Classification of credit assets

The internal rating for lending is classified as excellent, satisfactory, fair and weaker, which corresponds to the Standard & Poor's 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 subsidiaries must assess the credit of the counterparty, generally referencing external rating agencies, assets and scale of equity of the counterparty, and the credit rating of the counterparty's country of origin in order to set different transaction limits, as well as periodically examining the ratings and changes in stock prices of the counterparty in order to monitor the risks of counterparty.

(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 is necessary to meet the minimum rating set by the Board of (Managing) Directors, and country risk at the application, changes in CDS quoted prices and market condition.

Subsidiaries have set trading units and overall total risk limit for non-hedging derivative instruments, and use positive trading contract evaluation and potential expense as the basis for calculating credit risk of the counterparty 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 recognizes 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 recognized for assets in Stage 1, and lifetime expected credit losses are recognized 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 credit rating at the reporting date has decreased by more than certain grades since initial recognition and it qualified other conditions at the reporting date. A no-rated financial instrument is determined by default events and qualitative indicators.

(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 subsidiaries is 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 contract payments, including interest, are past due more than a certain number of days.

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 certain grades since initial recognition and it qualified other conditions at the reporting date, 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 5-year CDS spread of bond issuer/counterparty is over certain basis points five business days before the reporting date.

e. Fluctuation rate of individual stock price relative to the overall market price.

The fluctuation rate of the individual stock price of the bond issuer/ counterparty relative to the overall market price is lower than a certain percentage in consecutively certain number of days.

(2) Definition of default and credit impaired financial asset

(A) Credit business

Subsidiary, MICB, uses the credit-impaired indicators as follows:

a. Quantitative 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 overdue credits.

(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 reorganization or is likely to file for reorganization.

(g) A debtor's credit rating has been downgraded significantly, and its operations or financial condition may have deteriorated, which has been approved as irregular transaction, and should be recognized as credit impaired (Stage 3).



(B) Bond investments and counterparty transactions

Each subsidiary uses the main credit-impaired indicators as follows:

- a. The repayment of principal or interest is past due more than a certain number of days.
- b. Overdue receivables.
- c. Bad debts.
- d. The issuer or debtor encounters financial difficulties, and the assets are evaluated as unrecoverable.
- e. A modification of the contractual terms due to the debtor's financial difficulties, including extension of principal payments (interest paid as agreed), extension of principal and interest payments, etc.
- f. The debtor has filed for bankruptcy or is likely to file for bankruptcy.
- g. The debtor entered into reorganization or is likely to file for reorganization.
- h. The credit rating at the reporting date is classified as "D".
- i. The credit rating has been downgraded significantly, and its operations or financial condition may have deteriorated, which has been approved as irregular transaction.
- j. Reclassified as credit-impaired after the expert's judgement.

(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 to 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 recognizes 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 recognizes 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 subsidiary, MICB, 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: Subsidiary, MICB, 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: calculated from total book value (including interest receivable).
 - (b) Stage 2 and Stage 3: used the cash flows of bonds during its duration.



(5) Consideration of forward-looking information

(A) Credit business

Subsidiary, MICB, 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) with internal credit ratings (b) external credit ratings and (c) without credit ratings:

(a) Loans with internal credit ratings:

To measure the PD of internally rated financial assets, Subsidiary, MICB, considers forward-looking information by assessing corporate and individual customers sequently, 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, Subsidiary, MICB, 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.

(b) 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.

(c) No-rated financial assets:

To measure the PD of no-rated financial assets, Subsidiary, MICB, 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 the global economy were adversely affected, 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 degree of impact to the economy. 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 new future economic condition criteria in the measurement of the expected credit impairment loss). The Mega Group will closely monitor the development of the pandemic, and prudently assess and actively respond to the impact of the pandemic on the Mega Group's financial position and operational 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

Establish policies 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

Transactions are usually settled by gross amounts, and net settlement agreements are contracted with certain counterparties or all transactions with a counterparty will be terminated and be settled by a net amount if the counterparty defaults in order to further reduce credit risk.

(D) Other credit enhancements

It mainly obtains guarantees from third-parties, financial institutions or credit institutions to mitigate the credit risk.



E. Maximum credit risk exposure

The maximum credit risk exposure of financial assets within the balance sheets is presented in book values. The maximum credit risk exposure of guarantees and irrevocable commitments off balance sheets is calculated based on their limits. Letters of credit and the guarantee refer to those issued but not used.

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 amount of these assets.

(A) The maximum exposure to credit risk in relation to the items on balance sheet classified by credit ratings is as follows:

a. Loans discounted, net

December 31, 2022

	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	\$ 993,039,776	\$ 533,818	\$ -	\$ -	\$ 993,573,594
- good	591,497,235	15,792,102	-	-	607,289,337
- acceptable	280,324,375	12,617,319	-	-	292,941,694
- weak	92,297,906	10,866,400	8,374,124	-	111,538,430
No rating	102,273,143	984,595	2,662,668	-	105,920,406
Total carrying amount	2,059,432,435	40,794,234	11,036,792	-	2,111,263,461
Allowance for bad debt	(2,453,004)	(429,852)	(2,778,502)	-	(5,661,358)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(26,160,811)	(26,160,811)
Total	\$ 2,056,979,431	\$ 40,364,382	\$ 8,258,290	(\$ 26,160,811)	\$ 2,079,441,292

December 31, 2021

	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	\$ 962,832,046	\$ 661,451	\$ -	\$ -	\$ 963,493,497
- good	531,100,349	26,667,113	-	-	557,767,462
- acceptable	296,315,595	29,434,731	-	-	325,750,326
- weak	104,202,520	12,144,703	8,950,484	-	125,297,707
No rating	91,503,558	841,167	3,038,992	-	95,383,717
Total carrying amount	1,985,954,068	69,749,165	11,989,476	-	2,067,692,709
Allowance for bad debt	(2,679,786)	(579,314)	(2,504,674)	-	(5,763,774)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(24,573,955)	(24,573,955)
Total	\$ 1,983,274,282	\$ 69,169,851	\$ 9,484,802	(\$ 24,573,955)	\$ 2,037,354,980

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b. Receivables, net

December 31, 2022

	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	\$ 27,062,863	\$ 11,009	\$ -	\$ -	\$ 27,073,872
- good	5,726,461	42,436	-	-	5,768,897
- acceptable	5,057,322	507,312	-	-	5,564,634
- weak	372,216	80,886	114,240	-	567,342
No rating	47,493,348	488,080	851,525	-	48,832,953
Total carrying amount	85,712,210	1,129,723	965,765	-	87,807,698
Allowance for bad debt	(478,157)	(45,618)	(121,258)	-	(645,033)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(904,009)	(904,009)
Total	\$ 85,234,053	\$ 1,084,105	\$ 844,507	(\$ 904,009)	\$ 86,258,656

December 31, 2021

	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	\$ 25,862,295	\$ 497	\$ -	\$ -	\$ 25,862,792
- good	6,051,540	89,154	-	-	6,140,694
- acceptable	4,285,772	447,825	-	-	4,733,597
- weak	328,103	125,143	131,526	-	584,772
No rating	59,411,906	671,342	722,990	-	60,806,238
Total carrying amount	95,939,616	1,333,961	854,516	-	98,128,093
Allowance for bad debt	(497,230)	(42,605)	(107,643)	-	(647,478)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(849,653)	(849,653)
Total	\$ 95,442,386	\$ 1,291,356	\$ 746,873	(\$ 849,653)	\$ 96,630,962

c. Debt instruments

December 31, 2022

	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	\$ 1,038,973,132	\$ 3,711,238	\$ -	\$ 1,042,684,370
- good	6,596,421	-	-	6,596,421
- acceptable	-	-	-	-
- weak	1,097,236	-	-	1,097,236
No rating	149,327	-	-	149,327
Total carrying amount	1,046,816,116	3,711,238	-	1,050,527,354
Allowance for bad debt	(41,801)	-	-	(41,801)
other equity	(148,329)	(1,397)	-	(149,726)
Total	\$ 1,046,625,986	\$ 3,709,841	\$ -	\$ 1,050,335,827

December 31, 2021

	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	\$ 1,137,345,318	\$ -	\$ -	\$ 1,137,345,318
- good	7,601,987	-	-	7,601,987
- acceptable	-	-	-	-
- weak	1,060,069	-	-	1,060,069
No rating	-	-	-	-
Total carrying amount	1,146,007,374	-	-	1,146,007,374
Allowance for bad debt	(66,132)	-	-	(66,132)
other equity	(247,134)	-	-	(247,134)
Total	\$ 1,145,694,108	\$ -	\$ -	\$ 1,145,694,108

(B) The maximum exposure to credit risk in relation to the items off balance sheet classified by credit ratings is as follows:

December 31, 2022

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	\$ 289,564,021	\$ 166,896	\$ -	\$ -	\$ 289,730,917
- good	173,026,626	3,606,273	-	-	176,632,899
- acceptable	99,439,581	2,659,376	-	-	102,098,957
- weak	19,388,074	480,537	1,000	-	19,869,611
No rating	39,637,074	3,000	24,448	-	39,664,522
Exposure at default	621,055,376	6,916,082	25,448	-	627,996,906
Provisions for liabilities and loan commitments	(376,595)	(90,865)	(8,689)	-	(476,149)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(4,610,507)	(4,610,507)
Total	\$ 620,678,781	\$ 6,825,217	\$ 16,759	(\$ 4,610,507)	\$ 622,910,250

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December 31, 2021

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	\$ 292,384,202	\$ -	\$ -	\$ -	\$ 292,384,202
- good	173,520,582	10,715,930	-	-	184,236,512
- acceptable	85,905,190	7,029,819	-	-	92,935,009
- weak	22,377,504	711,509	2,889	-	23,091,902
No rating	27,574,980	3,000	32,575	-	27,610,555
Exposure at default	601,762,458	18,460,258	35,464	-	620,258,180
Provisions for liabilities and loan commitments	(408,405)	(124,289)	(10,565)	-	(543,259)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(4,605,225)	(4,605,225)
Total	\$ 601,354,053	\$ 18,335,969	\$ 24,899	(\$ 4,605,225)	\$ 615,109,696

(C) Relevant financial information on effect of the collateral, and other credit enhancements of the Mega Group's assets exposed to credit risk is as follows:

December 31, 2022	Collateral	Guarantee	Total
On-Balance-Sheet Items			
Loans discounted	\$ 1,334,081,569	\$ 64,786,057	\$ 1,398,867,626
Off-Balance-Sheet Items			
Irrevocable loan commitments	44,738,883	1,785	44,740,668
Guarantees	149,265,846	2,021,079	151,286,925
Letters of credit	8,493,928	341,262	8,835,190

December 31, 2021	Collateral	Guarantee	Total
On-Balance-Sheet Items			
Loans discounted	\$ 1,354,094,621	\$ 67,632,031	\$ 1,421,726,652
Off-Balance-Sheet Items			
Irrevocable loan commitments	40,546,743	237,474	40,784,217
Guarantees	179,388,718	1,717,287	181,106,005
Letters of credit	10,592,377	422,777	11,015,154

Note : Collaterals include property, movable property, certification of authorization, securities, certificates of deposits, letter of credit and rights in property.

- 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, appraised value may be used.
- Value of collaterals pledged for assets that do not arise from lending is the lower of market value and maximum exposure amount.

(D) 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, 2022	Total carrying amount	Allowance for impairment	Total risk exposure	exposure Fair value of Collateral / Guarantee
Receivables				
- Credit card business	\$ 95,907	\$ 74,288	\$ 21,620	\$ -
- Other	869,858	683,304	186,554	165,769
Loan discounted	11,036,792	3,105,867	7,930,925	6,182,531
Reinsurance contract assets	95,250	86,195	9,055	-
Other financial assets	29,458	20,589	8,869	-
Impaired financial assets on balance sheet	\$ 12,127,266	\$ 3,970,243	\$ 8,157,023	\$ 6,348,300
Irrevocable loan commitments	\$ -	\$ -	\$ -	\$ -
All types of guarantees	25,448	24,680	768	53
Letters of credit	-	-	-	-
Impaired financial assets off balance sheet	\$ 25,448	\$ 24,680	\$ 768	\$ 53

December 31, 2021	Total carrying amount	Allowance for impairment	Total risk exposure	exposure Fair value of Collateral / Guarantee
Receivables				
- Credit card business	\$ 87,221	\$ 70,887	\$ 16,334	\$ -
- Other	767,295	612,028	155,267	115,299
Loan discounted	11,989,476	2,705,758	9,283,718	7,889,008
Reinsurance contract assets	23,453	11,726	11,727	-
Other financial assets	22,867	18,080	4,787	-
Impaired financial assets on balance sheet	\$ 12,890,312	\$ 3,418,479	\$ 9,471,833	\$ 8,004,307
Irrevocable loan commitments	\$ -	\$ -	\$ -	\$ -
All types of guarantees	34,353	32,984	1,369	523
Letters of credit	1,111	77	1,034	1,111
Impaired financial assets off balance sheet	\$ 35,464	\$ 33,061	\$ 2,403	\$ 1,634

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, 2022 and 2021, is shown below:

For the year ended December 31, 2022

Loans discounted	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	\$ 2,679,786	\$ 579,314	\$ 2,504,674	\$ 5,763,774	\$ 24,573,955	\$ 30,337,729
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(13,488)	37,908	(24,420)	-	-	-
- Transferred to credit impaired financial asset	(13,817)	(13,611)	27,428	-	-	-

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- Transferred to 12-month expected credit losses	154,227	(153,968)	(259)	-	-	-
- Derecognised financial assets	(1,144,103)	(121,351)	(204,312)	(1,469,766)	-	(1,469,766)
- Additional provision and reversal	(277,486)	32,757	1,804,806	1,560,077	-	1,560,077
Originated or purchased new financial assets	1,113,572	83,897	51,281	1,248,750	-	1,248,750
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	1,586,856	1,586,856
Write-off of uncollectible amount	-	-	(2,608,175)	(2,608,175)	-	(2,608,175)
Foreign exchange and other changes	(45,687)	(15,094)	1,227,479	1,166,698	-	1,166,698
Balance at the end of the year	<u>\$ 2,453,004</u>	<u>\$ 429,852</u>	<u>\$ 2,778,502</u>	<u>\$ 5,661,358</u>	<u>\$ 26,160,811</u>	<u>\$ 31,822,169</u>

For the year ended December 31, 2021

Loans discounted	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	\$ 2,961,164	\$ 581,822	\$ 2,109,119	\$ 5,652,105	\$ 23,513,862	\$ 29,165,967
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(23,031)	24,920	(1,889)	-	-	-
- Transferred to credit impaired financial asset	(24,306)	(21,696)	46,002	-	-	-
- Transferred to 12-month expected credit losses	159,275	(142,757)	(16,518)	-	-	-
- Derecognised financial assets	(1,277,269)	(153,351)	(88,686)	(1,519,306)	-	(1,519,306)
- Additional provision and reversal	(291,737)	85,898	995,830	789,991	-	789,991
Originated or purchased new financial assets	1,270,386	167,558	77,798	1,515,742	-	1,515,742
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	1,060,093	1,060,093
Write-off of uncollectible amount	-	-	(1,331,972)	(1,331,972)	-	(1,331,972)
Foreign exchange and other changes	(94,696)	36,920	714,990	657,214	-	657,214
Balance at the end of the year	<u>\$ 2,679,786</u>	<u>\$ 579,314</u>	<u>\$ 2,504,674</u>	<u>\$ 5,763,774</u>	<u>\$ 24,573,955</u>	<u>\$ 30,337,729</u>

(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, 2022 and 2021, is shown below:

For the year ended December 31, 2022

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	\$ 497,230	\$ 42,605	\$ 107,643	\$ 647,478	\$ 849,653	\$ 1,497,131
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(782)	8,931	(8,149)	-	-	-
- Transferred to credit impaired financial asset	(82)	(2,541)	2,623	-	-	-
- Transferred to 12-month expected credit losses	2,042	(1,414)	(628)	-	-	-
- Derecognised financial assets	(45,623)	(10,375)	(60,833)	(116,831)	-	(116,831)
- Additional provision and reversal	(14,930)	10,255	56,223	51,548	-	51,548
Originated or purchased new financial assets	47,130	13,370	13,811	74,311	-	74,311
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	54,356	54,356
Write-off of uncollectible amount	(6,831)	(15,213)	(65,972)	(88,016)	-	(88,016)
Foreign exchange and other changes	3	-	76,540	76,543	-	76,543
Balance at the end of the year	\$ 478,157	\$ 45,618	\$ 121,258	\$ 645,033	\$ 904,009	\$ 1,549,042

For the year ended December 31, 2021

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	\$ 546,324	\$ 35,515	\$ 90,075	\$ 671,914	\$ 909,136	\$ 1,581,050
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(693)	3,279	(2,586)	-	-	-
- Transferred to credit impaired financial asset	(156)	(464)	620	-	-	-
- Transferred to 12-month expected credit losses	3,449	(1,238)	(2,211)	-	-	-
- Derecognised financial assets	(65,256)	(3,959)	(122,427)	(191,642)	-	(191,642)
- Additional provision and reversal	(25,173)	6,642	90,484	71,953	-	71,953
Originated or purchased new financial assets	46,404	18,651	8,102	73,157	-	73,157
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(59,483)	(59,483)
Write-off of uncollectible amount	(7,679)	(15,835)	46,213	22,699	-	22,699
Foreign exchange and other changes	10	14	(627)	(603)	-	(603)
Balance at the end of the year	\$ 497,230	\$ 42,605	\$ 107,643	\$ 647,478	\$ 849,653	\$ 1,497,131

Financial Information

(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, 2022 and 2021, is shown below:

a. Financial assets at fair value through other comprehensive income

For the year ended December 31, 2022

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	\$ 247,134	\$ -	\$ -	\$ 247,134
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(1,397)	1,397	-	-
- The impairment allowance for financial assets derecognised in the current year	(40,853)	-	-	(40,853)
- Additional provision and reversal	(84,493)	-	-	(84,493)
Originated or purchased new financial assets	26,465	-	-	26,465
Foreign exchange and other changes	1,473	-	-	1,473
Balance at the end of the year	\$ 148,329	\$ 1,397	\$ -	\$ 149,726

For the year ended December 31, 2021

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	\$ 266,046	\$ 6,091	\$ -	\$ 272,137
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	6,091	(6,091)	-	-
- The impairment allowance for financial assets derecognised in the current year	(62,349)	-	-	(62,349)
- Additional provision and reversal	(9,433)	-	-	(9,433)
Originated or purchased new financial assets	55,799	-	-	55,799
Foreign exchange and other changes	(9,020)	-	-	(9,020)
Balance at the end of the year	\$ 247,134	\$ -	\$ -	\$ 247,134

b. Investments in debt instruments at amortized cost

For the year ended December 31, 2022

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	\$ 66,132	\$ -	\$ -	\$ 66,132
Changes from financial instruments recognised at the beginning of the year:				
- The impairment allowance for financial assets derecognised in the current year	(50,504)	-	-	(50,504)
- Additional provision and reversal	(4,977)	-	-	(4,977)
Originated or purchased new financial assets	31,142	-	-	31,142
Foreign exchange and other changes ⁸	8	-	-	8
Balance at the end of the year	\$ 41,801	\$ -	\$ -	\$ 41,801

For the year ended December 31, 2021

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	\$ 34,363	\$ -	\$ -	\$ 34,363
Changes from financial instruments recognised at the beginning of the year:				
- The impairment allowance for financial assets derecognised in the current year	(23,214)	-	-	(23,214)
- Additional provision and reversal	2,079	-	-	2,079
Originated or purchased new financial assets	52,906	-	-	52,906
Foreign exchange and other changes ⁸	(2)	-	-	(2)
Balance at the end of the year	\$ 66,132	\$ -	\$ -	\$ 66,132

(D) The reconciliation from the beginning balance to ending balance of guarantee liabilities and the provisions for loan commitments for the years ended December 31, 2022 and 2021, is shown below:

For the year ended December 31, 2022

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	\$ 408,406	\$ 124,288	\$ 10,565	\$ 543,259	\$ 4,605,225	\$ 5,148,484
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(579)	579	-	-	-	-
- Transferred to credit impaired financial asset	(21)	(898)	919	-	-	-
- Transferred to 12-month expected credit loss	54,695	(54,695)	-	-	-	-
- Derecognized financial assets	(98,427)	(19,558)	(3,297)	(121,282)	-	(121,282)
- Additional provision and reversal	(100,952)	38,774	-	(62,178)	-	(62,178)
Originated or purchased new financial assets	124,100	3,098	500	127,698	-	127,698
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	5,282	5,282
Foreign exchange and other changes	(10,627)	(723)	2	(11,348)	-	(11,348)
Balance at the end of the year	\$ 376,595	\$ 90,865	\$ 8,689	\$ 476,149	\$ 4,610,507	\$ 5,086,656

For the year ended December 31, 2021

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	\$ 360,595	\$ 134,518	\$ 34,650	\$ 529,763	\$ 4,699,092	\$ 5,228,855
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	(12,479)	12,479	-	-	-	-
- Transferred to credit impaired financial asset	(26)	(67)	93	-	-	-
- Transferred to 12-month expected credit loss	32,627	(32,627)	-	-	-	-
- Derecognized financial assets	(112,289)	(26,359)	(22,796)	(161,444)	-	(161,444)
- Additional provision and reversal	41,343	(6,021)	(889)	34,433	-	34,433
Originated or purchased new financial assets	109,042	52,313	88	161,443	-	161,443
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(93,867)	(93,867)
Foreign exchange and other changes	(10,407)	(9,948)	(581)	(20,936)	-	(20,936)
Balance at the end of the year	\$ 408,406	\$ 124,288	\$ 10,565	\$ 543,259	\$ 4,605,225	\$ 5,148,484

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, 2022 and 2021, is shown below:

For the year ended December 31, 2022

Loan discounted	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	\$ 1,985,954,068	\$ 69,749,165	\$ 11,989,476	\$ 2,067,692,709
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(14,490,107)	14,692,384	(202,277)	-
- Transferred to credit impaired financial asset	(3,086,013)	(946,065)	4,032,078	-
- Transferred to 12-month expected credit losses	20,169,417	(20,166,212)	(3,205)	-
- Derecognition(including recovery, write-off bad debt not included)	(693,726,732)	(28,421,887)	(495,938)	(722,644,557)
- Decreased	(70,030,428)	(3,159,691)	(1,913,782)	(75,103,901)
Originated or purchased new financial assets	823,022,734	8,985,263	183,198	832,191,195
Write-off of uncollectible amount	-	-	(2,608,175)	(2,608,175)
Foreign exchange and other changes	11,619,496	61,277	55,417	11,736,190
Balance at the end of the year	\$ 2,059,432,435	\$ 40,794,234	\$ 11,036,792	\$ 2,111,263,461

For the year ended December 31, 2021

Loan discounted	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	\$ 1,838,136,949	\$ 67,276,693	\$ 13,710,547	\$1,919,124,189
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(18,815,928)	18,823,706	(7,778)	-
- Transferred to credit impaired financial asset	(2,052,817)	(1,622,551)	3,675,368	-
- Transferred to 12-month expected credit losses	11,365,568	(11,315,358)	(50,210)	-
- Derecognition(including recovery, write-off bad debt not included)	(662,168,929)	(29,771,479)	(3,986,520)	(695,926,928)
- Decreased	(68,078,084)	(3,147,738)	(582,877)	(71,808,699)
Originated or purchased new financial assets	894,269,286	29,580,893	585,112	924,435,291
Write-off of uncollectible amount	-	-	(1,331,972)	(1,331,972)
Foreign exchange and other changes	(6,701,977)	(75,001)	(22,194)	(6,799,172)
Balance at the end of the year	\$ 1,985,954,068	\$ 69,749,165	\$ 11,989,476	\$2,067,692,709

(B) The movement in the total carrying amount of receivables for the years ended December 31, 2022 and 2021, is shown below:

For the year ended December 31, 2022

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
Balance at the beginning of the year	\$ 95,939,616	\$ 1,333,961	\$ 854,516	\$ 98,128,093
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(302,994)	314,250	(11,256)	-
- Transferred to credit impaired financial asset	(55,320)	(50,167)	105,487	-
- Transferred to 12-month expected credit losses	69,202	(68,409)	(793)	-
- Derecognition(including recovery, write-off bad debt not included)	(43,420,853)	(453,010)	(70,580)	(43,944,443)
- Increased(decreased)	6,718,335	(37,732)	10,402	6,691,005
Originated or purchased new financial assets	26,624,267	106,043	86,770	26,817,080
Write-off of uncollectible amount	(6,831)	(15,213)	(65,972)	(88,016)
Foreign exchange and other changes	146,788	-	57,191	203,979
Balance at the end of the year	\$ 85,712,210	\$ 1,129,723	\$ 965,765	\$ 87,807,698

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For the year ended December 31, 2021

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
Balance at the beginning of the year	\$ 89,277,840	\$ 1,176,583	\$ 1,097,402	\$ 91,551,825
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to lifetime expected credit losses	(225,000)	225,933	(933)	-
- Transferred to credit impaired financial asset	(45,864)	(25,265)	71,129	-
- Transferred to 12-month expected credit losses	117,027	(115,357)	(1,670)	-
- Derecognition(including recovery, write-off bad debt not included)	(41,754,913)	(356,742)	(176,803)	(42,288,458)
- Increased(decreased)	132,141	194,722	(123,750)	203,113
Originated or purchased new financial assets	48,432,995	249,924	9,019	48,691,938
Write-off of uncollectible amount	(7,679)	(15,835)	(29,236)	(52,750)
Foreign exchange and other changes	13,069	(2)	9,358	22,425
Balance at the end of the year	\$ 95,939,616	\$ 1,333,961	\$ 854,516	\$ 98,128,093

(C) The movement in the total carrying amount of debt instruments for the years ended December 31, 2022 and 2021, is shown below:

a. Financial assets at fair value through other comprehensive income

For the year ended December 31, 2022

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	\$ 497,808,824	\$ -	\$ -	\$ 497,808,824
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to 12-month expected credit losses	(3,918,597)	3,918,597	-	-
Originated or purchased new financial assets	99,313,537	(151,338)	-	99,162,199
Derecognition	(89,399,390)	-	-	(89,399,390)
Foreign exchange and other changes	(22,558,666)	(56,021)	-	(22,614,687)
Balance at the end of the year	\$ 481,245,708	\$ 3,711,238	\$ -	\$ 484,956,946

For the year ended December 31, 2021

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	\$ 531,521,527	\$ 453,640	\$ -	\$ 531,975,167
Changes from financial instruments recognised at the beginning of the year:				
- Transferred to 12-month expected credit losses	450,025	(450,025)	-	-
Originated or purchased new financial assets	84,274,338	(13)	-	84,274,325
Derecognition	(110,118,253)	-	-	(110,118,253)
Foreign exchange and other changes	(8,318,813)	(3,602)	-	(8,322,415)
Balance at the end of the year	\$ 497,808,824	\$ -	\$ -	\$ 497,808,824



b. Investments in debt instruments at amortized cost

For the year ended December 31, 2022

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	\$ 648,198,550	\$ -	\$ -	\$ 648,198,550
Originated or purchased new financial assets	468,711,703	-	-	468,711,703
Derecognition	(551,688,569)	-	-	(551,688,569)
Foreign exchange and other changes	348,724	-	-	348,724
Balance at the end of the year	\$ 565,570,408	\$ -	\$ -	\$ 565,570,408

For the year ended December 31, 2021

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	\$ 534,361,647	\$ -	\$ -	\$ 534,361,647
Originated or purchased new financial assets	608,884,205	-	-	608,884,205
Derecognition	(494,916,949)	-	-	(494,916,949)
Foreign exchange and other changes	(130,353)	-	-	(130,353)
Balance at the end of the year	\$ 648,198,550	\$ -	\$ -	\$ 648,198,550

H. Credit risk concentration

Extreme credit risk concentration will enhance risk degree and risk concentration will happen in some conditions, 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, region/country, collateral and other forms.

(A) Loans and credit commitments of the Mega Group are shown below by industry:

		Loans and credit commitments			
		December 31, 2022		December 31, 2021	
		Amount	Percentage (%)	Amount	Percentage (%)
Individuals	Individuals	\$ 681,367,914	24.88%	\$ 701,935,362	26.11%
	Government institution	26,354,983	0.96%	16,669,339	0.62%
Corporation	Finance, investment and insurance	226,583,411	8.27%	215,984,904	8.04%
	Enterprise and commerce	1,790,428,719	65.36%	1,739,111,360	64.70%
	- Manufacturing	721,531,722	26.34%	711,462,974	26.47%
	- Electricity and gas supply	43,597,659	1.59%	24,515,928	0.91%
	- Wholesale and retail	209,880,110	7.66%	190,358,161	7.08%
	- Transportation and storage	131,802,046	4.81%	150,567,542	5.60%
	- Real estate	431,686,368	15.76%	419,861,894	15.62%
	- Others	251,930,814	9.20%	242,344,861	9.02%
	Others	14,525,341	0.53%	14,249,924	0.53%
Total		\$ 2,739,260,368	100.00%	\$ 2,687,950,889	100.00%

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(B) Loans and credit commitments of the Mega Group are shown below by region

	Loans and credit commitments			
	December 31, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
ROC	\$ 2,166,372,582	79.09%	\$ 2,146,255,003	79.85%
Asia Pacific	344,137,430	12.56%	347,362,278	12.92%
North America	129,908,025	4.74%	109,811,768	4.09%
Others	98,842,331	3.61%	84,521,840	3.14%
Total	\$ 2,739,260,368	100.00%	\$ 2,687,950,889	100.00%

I. Foreclosed properties management policy

As of December 31, 2022 and 2021, book value of foreclosed properties in other assets in the consolidated balance sheet of MICB are totaling \$39,601 and \$24,273, respectively. According to the Banking Act of The Republic of China, 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, 2022				
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	\$ 1,285,741	\$ 699,931,340	0.18%	\$ 10,271,677	798.89%
	Unsecured loans	1,649,017	835,129,867	0.20%	13,296,259	806.31%
Consumer banking	Residential mortgage loans (Note 4)	476,975	444,285,430	0.11%	6,357,989	1332.98%
	Cash card	-	-	-	-	-
	Small amount of credit loans (Note 5)	33,909	23,716,122	0.14%	359,935	1061.47%
	Others (Note 6)					
	Secured loans	85,204	108,141,212	0.08%	1,535,470	1802.11%
	Unsecured loans	-	59,490	0.00%	840	-
Gross loan business		\$ 3,530,846	\$ 2,111,263,461	0.17%	\$ 31,822,170	901.26%
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services		\$ 16,427	\$ 9,827,652	0.17%	\$ 86,049	523.83%
Without recourse factoring (Note 7)		\$ 3,590	\$ 15,333,425	0.02%	\$ 215,499	6002.76%

Month / Year		December 31, 2021				
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	\$ 2,489,159	\$ 701,082,974	0.36%	\$ 10,230,723	411.01%
	Unsecured loans	2,306,723	763,619,739	0.30%	11,554,760	500.92%
Consumer banking	Residential mortgage loans (Note 4)	563,845	471,746,438	0.12%	6,686,126	1185.80%
	Cash card	-	-	-	-	-
	Small amount of credit loans (Note 5)	26,245	20,865,636	0.13%	314,632	1198.83%
	Others (Note 6)					
	Secured loans	78,819	110,344,028	0.07%	1,551,016	1967.82%
	Unsecured loans	-	33,894	0.00%	472	-
Gross loan business		\$ 5,464,791	\$ 2,067,692,709	0.26%	\$ 30,337,729	555.15%
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services		\$ 18,546	\$ 9,085,600	0.20%	\$ 82,962	447.33%
Without recourse factoring (Note 7)		\$ 1,912	\$ 18,160,261	0.01%	\$ 244,753	12800.89%

Note 1: The amount recognized 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 or children's) 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 loans, 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 recognized 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, 2022	
	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)	79	2,859
Total	\$ 79	\$ 2,859

	December 31, 2021	
	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)	127	1,698
Total	\$ 127	\$ 1,698

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, and the Banking Bureau letter No. 10500134790 dated September 20, 2016.

(C) Credit risk concentration of MICB

Year	December 31, 2022		
	Ranking (Note 1)	Industry of Enterprise Group (Note 2)	Total outstanding loan amount / net worth of the current year (%)
		Total outstanding loan amount (Note 3)	
1	A Group – Other Financial Service Activities Not Elsewhere	\$ 42,908,359	14.80%
2	B Company – Railway Transportation	39,282,410	13.55%
3	C Group – Chemical Materials Manufacturing	30,711,057	10.59%
4	D Group – Manufacture of panel and components	22,203,712	7.66%
5	E Group – Real Estate Development Activities	16,839,218	5.81%
6	F Group – Real Estate Development Activities	16,401,192	5.66%
7	G Group – Ocean Freight Transportation Forwarding Services	15,786,448	5.44%
8	H Group – Computer Manufacturing	14,864,332	5.13%
9	I Group – Real Estate Development Activities	14,617,307	5.04%
10	J Group – Financial leasing industry	14,439,486	4.98%

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Year	December 31, 2021		
Ranking (Note 1)	Industry of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
1	A Company – Railway Transportation	\$ 43,789,296	14.64%
2	B Group – Other Financial Service Activities Not Elsewhere	38,319,966	12.81%
3	C Group – Chemical Materials Manufacturing	37,019,855	12.38%
4	D Group – Manufacture of liquid crystal panel and components	21,322,946	7.13%
5	E Group – Ocean Freight Transportation Forwarding Services	18,924,933	6.33%
6	F Group – Real Estate Development Activities	15,135,455	5.06%
7	G Group – Ocean Freight Transportation Forwarding Services	14,764,514	4.94%
8	H Group – Semiconductor package and test industry	13,737,258	4.59%
9	I Group – Computer Manufacturing	13,630,941	4.56%
10	J Group – Financial leasing industry	13,395,632	4.48%

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 categorized and listed in total, and disclosed by “code” plus “industry type” (for example, A company (or group) – Manufacture of Liquid Crystal Panel and Components). 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 Listings.

Note 3: Total outstanding loan amount is the sum of all types of loans (including import bills negotiation, export bills negotiation, bills and notes discounted, overdrafts, short-term loans, short-term secured loans, margin loans receivable, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and overdue loans), exchange bills negotiated, 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, 2022	December 31, 2021
Guarantees in arrear and endorsement of credits overdue for no longer than three months	\$ 51,500	\$ -
Overdue credits (non-accrual loans are inclusive)	12,451	-
Loans under surveillance	-	-
Overdue receivables	-	-
Ratio of overdue credits (%)	0.01	-
Ratio of overdue credits plus ratio of loans under surveillance (%)	0.01	-
Provision for bad debts and guarantees as required by regulations	2,141,742	2,470,710
Provision for bad debts and guarantees actually reserved	2,238,701	2,546,592

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, 2022	December 31, 2021
Total guarantees and endorsement for short-term bills	\$ 164,587,600	\$ 192,848,800
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	4.31	4.94
Total securities sold under repurchase agreements	197,969,284	189,737,223
Securities sold under repurchase agreements / Net amount (after deducting final accounts allotment)	5.18	4.86

c. Credit risk concentration

Item	December 31, 2022		December 31, 2021	
Amount of credit extensions to interested parties	\$ -		\$ -	
Ratio of credit extensions to interested parties (%) (Note 1)	-		-	
Ratio of credit extensions secured by stocks (%) (Note 2)	12.85		16.81	
Industry concentration (%) (Top 3 industries with highest ratio of credit extension amount) (Note 3)	Industry	Ratio (%)	Industry	Ratio (%)
	Real estate	27.84	Real estate	28.42
	Financial & Insurance	22.56	Financial & Insurance	24.32
	Manufacturing	18.34	Manufacturing	20.43

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 amount of all credit extensions.

Note 3: Total amount of credit extensions include guarantees receivable, endorsed notes and overdue credit advances (including non-accrual loans, 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. Management procedures 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.

Mega Group is responsible for daily capital liquidity management according to the limits authorized 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 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 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 amortized cost, securities purchased under resell agreements, receivables, loans discounted and other financial assets. These assets can also be used in response of unexpected cash outflows.

The liquidity management policies of the Mega Group include:

- (A) Maintain the credit and 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) Holding 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. Maturity analysis of financial assets and financial liabilities held for liquidity risk management

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 based on the remaining period from the financial reporting date to the contractual maturity date.

(A) The Mega Group's maturity analysis for non-derivative instruments

(Please refer to page 138~139 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021.)

(B) Structure analysis for maturity of derivative financial assets and liabilities (settled by gross amount)

(Please refer to page 140 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021.)

(C) Structure analysis for maturity of derivative financial assets and liabilities (settled by net amount)

(Please refer to page 141~142 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021.)

(D) Maturity analysis for contracts off the balance sheet

(Please refer to page 143 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021.)

Financial Information

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, 2022						
	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	\$2,538,318,235	\$ 204,423,742	\$ 185,252,743	\$ 407,873,496	\$ 286,180,101	\$ 270,558,827	\$1,184,029,326
Primary funds outflow upon maturity	3,288,504,207	171,444,406	158,959,963	467,315,556	408,407,023	726,126,828	1,356,250,431
Gap	(\$ 750,185,972)	\$ 32,979,336	\$ 26,292,780	(\$ 59,442,060)	(\$ 122,226,922)	(\$ 455,568,001)	(\$ 172,221,105)

	December 31, 2021						
	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	\$2,608,442,833	\$ 295,911,282	\$ 301,670,734	\$ 259,224,343	\$ 273,389,872	\$ 252,660,491	\$1,225,586,111
Primary funds outflow upon maturity	3,302,335,570	128,910,679	256,766,139	482,254,510	373,925,411	759,645,310	1,300,833,521
Gap	(\$ 693,892,737)	\$ 167,000,603	\$ 44,904,595	(\$ 223,030,167)	(\$ 100,535,539)	(\$ 506,984,819)	(\$ 75,247,410)

(B) Maturity analysis of USD of subsidiary-MICB

Unit: In thousand of US dollars

	December 31, 2022					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 63,582,425	\$ 22,889,780	\$ 9,022,989	\$ 6,568,435	\$ 6,590,008	\$ 18,521,213
Primary funds outflow upon maturity	71,966,081	24,212,618	15,922,289	5,287,365	7,793,200	18,750,609
Gap	(\$ 8,383,656)	(\$ 1,322,838)	(\$ 6,899,300)	\$ 1,281,070	(\$ 1,203,192)	(\$ 229,396)

	December 31, 2021					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 62,102,993	\$ 22,727,143	\$ 8,522,989	\$ 6,316,107	\$ 9,138,768	\$ 15,397,986
Primary funds outflow upon maturity	70,999,550	27,903,024	7,993,207	6,939,535	9,204,965	18,958,819
Gap	(\$ 8,896,557)	(\$ 5,175,881)	\$ 529,782	(\$ 623,428)	(\$ 66,197)	(\$ 3,560,833)

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, 2022					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 19,468,273	\$ 8,794,008	\$ 2,311,155	\$ 749,980	\$ 1,182,358	\$ 6,430,772
Primary funds outflow upon maturity	20,896,510	6,733,188	2,803,472	1,089,612	963,497	9,306,741
Gap	(\$ 1,428,237)	\$ 2,060,820	(\$ 492,317)	(\$ 339,632)	\$ 218,861	(\$ 2,875,969)

	December 31, 2021					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 19,015,582	\$ 8,902,041	\$ 2,272,457	\$ 755,368	\$ 1,007,486	\$ 6,078,230
Primary funds outflow upon maturity	20,424,670	10,809,314	1,307,396	990,236	1,108,520	6,209,204
Gap	(\$ 1,409,088)	(\$ 1,907,273)	\$ 965,061	(\$ 234,868)	(\$ 101,034)	(\$ 130,974)

E. Disclosure requirements in the Regulations Governing the Procedures for Bills Finance Companies

Utilization and Sources of Capital
December 31, 2022

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		\$ 61,151	\$ 66,838	\$ 1,336	\$ 6	\$ -
	Bonds		1,221	2,996	714	6,272	96,967
	Bank deposits		350	-	-	-	-
	Total		62,722	69,834	2,050	6,278	96,967
Sources of Capital	Loans borrowed		6,242	1,740	-	-	-
	Securities sold under repurchased agreements		154,265	43,128	527	50	-
	Own capital		-	-	-	-	35,184
	Total		160,507	44,868	527	50	35,184
Net flow of capital			(\$ 97,785)	\$ 24,966	\$ 1,523	\$ 6,228	\$ 61,783
Accumulated net flow of capital			(\$ 97,785)	(\$ 72,819)	(\$ 71,296)	(\$ 65,068)	(\$ 3,285)

Utilization and Sources of Capital
December 31, 2021

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		\$ 73,636	\$ 46,121	\$ 4,925	\$ -	\$ -
	Bonds		1,220	1,475	2,086	7,004	108,084
	Bank deposits		337	-	-	-	-
	Total		75,193	47,596	7,011	7,004	108,084
Sources of Capital	Loans borrowed		17,351	-	-	-	-
	Securities sold under repurchased agreements		149,341	38,538	1,808	50	-
	Own capital		-	-	-	-	40,986
	Total		166,692	38,538	1,808	50	40,986
Net flow of capital			(\$ 91,499)	\$ 9,058	\$ 5,203	\$ 6,954	\$ 67,098
Accumulated net flow of capital			(\$ 91,499)	(\$ 82,441)	(\$ 77,238)	(\$ 70,284)	(\$ 3,186)

(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 Company has established "Market Risk Management Guidelines" to manage and monitor the Mega Group in the implementation of market risk management.

The establishment and amendment of each subsidiary's market risk management objectives shall be reviewed by the Risk Management Department, reported to the Board of Directors for approval, and reported to Risk Management Committee for reference. The market risk management policies are approved by each subsidiary and reported to the Company for reference.

D. Procedures for market risk management

- (A) Each subsidiary has set an organization 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 authorizes certain committee/management to be in charge of policies compliance. 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, set and adjust business goals based on business policies, domestic and foreign economic situations, future market interest rates, foreign exchange rates and prices trends.
- (B) 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.
- (C) Each subsidiary's management monitors its financial product positions and assesses risk changes, such as profit or loss, on a daily basis, and conducts stress tests and sensitivity analysis on risk factors on a monthly basis. The Risk Management Department of the Company conducts periodical reviews on implementation of market risk management and reports it to the Risk Management Committee and the Board of Directors of the Company.

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 (DV01, Delta, Vega, Gamma) and VaR method to measure market risk and conducts stress test monthly.

The Company with subsidiaries-MICB, 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.

The Mega Group chooses an appropriate method to measure market risk based on the nature, scale and complexity of its business. The methods conducted to measure market risks are as follows:

- (A) Set out reasonable assumptions and parameters and employ statistical or other quantitative methods to conduct an appropriate quantitative risk measurement.
- (B) Adopt possible qualitative methods to show the possibility of market risk occurrence and the extent of its impact.
- (C) Perform stress tests to assess the potential abnormal loss arising from severe market volatility.

The Mega Group currently monitors market risk by sensitivity analysis mainly, and position stop-loss supportingly.

F. Policies and procedures of trading-book risk management

The Mega Group daily monitors 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 authorized 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, foreign exchange forward and foreign exchange options. The foreign exchange trading of the bank subsidiary 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 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, 2022				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	\$ 61,303,080	\$ 856,678	\$ 13,549,624	\$ 2,925,477	\$ 13,467,141
Due from the Central Bank and call loans to banks	253,198,884	96,077	13,108,321	5,036,674	53,835,351
Financial assets at fair value through profit or loss	32,126,067	987,525	494	26,818	1,575
Financial assets at fair value through other comprehensive income	161,385,463	75,111,782	8,816,901	644,671	3,272,459
Investments in debt instruments at amortised cost	60,249,079	520,252	3,469,462	327,093	1,383,977
Receivables	20,410,692	6,412,956	917,523	750,187	1,175,497
Loans discounted	416,213,458	63,259,132	26,700,764	30,297,289	25,513,797
Reinsurance contract assets	284,331	28	-	31	2
Investments accounted for using equity method	29,801	-	-	-	-
Other financial assets	1,088,324	182	533	30,720	16,350
Liabilities					
Deposits from the Central Bank and banks	\$ 322,600,357	\$ 2,428,917	\$ 13,297,233	\$ 2,736,948	\$ 30,291,572
Due to the Central Bank and banks	3,250,380	-	-	-	-
Financial liabilities at fair value through profit or loss	20,147,419	2,500	494	6,958	1,231
Securities sold under repurchased agreements	35,411,651	27,846,962	-	-	-
Payables	10,716,800	258,416	830,696	576,362	931,073
Deposits and remittances	1,029,777,436	27,138,608	80,923,190	36,117,821	39,170,378
Other financial liabilities	10,528,888	622,690	1,974,328	1,434,863	81,496
Off-balance sheet commitments	89,511,558	2,768,179	5,898,657	24,100,175	7,877,844

	December 31, 2021				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	\$ 86,013,520	\$ 4,064,732	\$ 8,406,120	\$ 5,348,628	\$ 16,170,105
Due from the Central Bank and call loans to banks	243,104,443	1,418,102	4,633,195	4,541,782	58,487,503
Financial assets at fair value through profit or loss	31,098,586	910,312	274	9,265	516
Financial assets at fair value through other comprehensive income	154,037,742	64,192,907	23,971,136	2,035,552	3,161,612
Investments in debt instruments at amortised cost	39,286,055	503,369	6,002,543	312,872	959,055
Receivables	16,183,497	5,202,825	942,093	438,866	1,644,995
Loans discounted	412,897,452	64,374,801	22,240,192	26,494,696	28,469,364
Reinsurance contract assets	183,333	-	-	21	-
Investments accounted for using equity method	29,485	-	-	-	-
Other financial assets	654,557	165	4,716	18,565	16,524
Liabilities					
Deposits from the Central Bank and banks	\$ 304,771,277	\$ 3,709,394	\$ 5,317,124	\$ 734,913	\$ 29,751,686
Due to the Central Bank and banks	29,713,626	-	-	-	-
Financial liabilities at fair value through profit or loss	17,793,561	3,616	241	3,733	378
Securities sold under repurchased agreements	26,985,328	16,791,526	-	-	-
Payables	11,210,886	578,540	772,505	467,996	1,325,708
Deposits and remittances	974,574,449	31,370,368	95,747,930	36,049,589	33,938,918
Other financial liabilities	1,593,471	603,428	1,722,113	1,721,978	90,341
Off-balance sheet commitments	85,251,510	1,509,660	11,001,837	12,482,210	3,555,316

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 categorized 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

- (A) 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.
- (B) 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 Mega Group's positions on note and bond financial products, interest rate derivatives and interest-bearing deposits and loans. Equity securities risk is the variation testing of the β value of purchased stocks, convertible bonds and the stock warrants portfolio of subsidiary issued in respect to the weighted stock index.

December 31, 2022

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%	(\$ 97,704)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	97,704	-
Interest rate risk	Major increases in interest rates 1BPS	39,193	(111,044)
Interest rate risk	Major decreases in interest rates 1BPS	(39,191)	110,958
Equity securities risk	TAIEX decreased by 1%	(38,241)	(147,804)
Equity securities risk	TAIEX increased by 1%	37,962	147,804

December 31, 2021

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%	(\$ 70,835)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	70,835	-
Interest rate risk	Major increases in interest rates 1BPS	32,542	(136,767)
Interest rate risk	Major decreases in interest rates 1BPS	(32,540)	136,638
Equity securities risk	TAIEX decreased by 1%	(114,312)	(213,701)
Equity securities risk	TAIEX increased by 1%	114,082	213,701

M. 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, 2022

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 827,900,889	\$ 1,052,574,885	\$ 116,596,448	\$ 170,862,580	\$ 2,167,934,802
Interest rate sensitive liabilities	306,427,289	1,003,564,988	247,476,064	37,009,668	1,594,478,009
Interest rate sensitive gap	\$ 521,473,600	\$ 49,009,897	(\$ 130,879,616)	\$ 133,852,912	\$ 573,456,793
Net worth					\$ 294,189,067
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					135.97%
Ratio of interest rate sensitivity gap to net worth					194.93%



Interest rate sensitivity analysis on assets and liabilities of MICB (NT Dollars)

December 31, 2021

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 956,495,866	\$ 1,020,603,440	\$ 77,911,357	\$ 215,872,927	\$ 2,270,883,590
Interest rate sensitive liabilities	500,647,591	995,559,484	238,135,421	22,652,797	1,756,995,293
Interest rate sensitive gap	\$ 455,848,275	\$ 25,043,956	(\$ 160,224,064)	\$ 193,220,130	\$ 513,888,297
Net worth					\$ 290,985,826
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					129.25%
Ratio of interest rate sensitivity gap to net worth					176.60%

Notes: 1. The above amounts included only New Taiwan dollar amounts (excluded foreign currency) held by the head office, domestic and foreign 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 sensitive 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, 2022

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	\$ 28,350,426	\$ 769,581	\$ 605,928	\$ 884,612	\$ 30,610,547
Interest rate sensitive liabilities	27,513,106	14,917,594	1,799,856	27,855	44,258,411
Interest rate sensitive gap	\$ 837,320	(\$ 14,148,013)	(\$ 1,193,928)	\$ 856,757	(\$ 13,647,864)
Net worth					\$ 195,137
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					69.16%
Ratio of interest rate sensitivity gap to net worth					(6,993.99%)

Interest rate sensitivity analysis on assets and liabilities of MICB (US Dollars)

December 31, 2021

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	\$ 31,315,186	\$ 744,486	\$ 450,284	\$ 812,877	\$ 33,322,833
Interest rate sensitive liabilities	23,239,712	21,634,945	2,089,192	126	46,963,975
Interest rate sensitive gap	\$ 8,075,474	(\$ 20,890,459)	(\$ 1,638,908)	\$ 812,751	(\$ 13,641,142)
Net worth					\$ 557,193
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					70.95%
Ratio of interest rate sensitivity gap to net worth					(2,448.19%)

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 sensitive 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.

N. 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, 2022

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 132,555,393	\$ 2,049,794	\$ 6,278,398	\$ 96,967,140	\$ 237,850,725
Interest rate sensitive liabilities	205,375,302	526,678	49,626	-	205,951,606
Interest-rate sensitive gap	(\$ 72,819,909)	\$ 1,523,116	\$ 6,228,772	\$ 96,967,140	\$ 31,899,119
Net worth					\$ 35,183,797
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					115.49%
Ratio of interest rate sensitivity gap to net worth					90.66%

Interest rate sensitivity analysis on assets and liabilities of MBF

December 31, 2021

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$ 122,788,834	\$ 7,010,955	\$ 7,004,317	\$ 108,084,132	\$ 244,888,238
Interest rate sensitivity liabilities	205,230,604	1,807,552	49,829	-	207,087,985
Interest-rate sensitivity gap	(\$ 82,441,770)	\$ 5,203,403	\$ 6,954,488	\$ 108,084,132	\$ 37,800,253
Net worth					\$ 40,985,765
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					118.25%
Ratio of interest rate sensitivity gap to net worth					92.23%

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 sensitive 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, 2022	
	Average amount	Average interest rate (%)
Assets		
Cash and cash equivalents (Note)	\$ 967,276	0.24
Call loans to banks	4,148	0.31
Financial assets at fair value through profit or loss	147,252,796	1.10
Financial assets at fair value through other comprehensive income	104,645,527	1.58
Investments in debt instruments at amortised cost	434,756	4.43
Securities purchased under resell agreements	41,096	0.30
Liabilities		
Interbank call loans and overdrafts	15,190,046	0.92
Securities sold under repurchase agreements	201,517,538	0.68
	For the year ended December 31, 2021	
	Average amount	Average interest rate (%)
Assets		
Cash and cash equivalents (Note)	\$ 844,451	0.19
Financial assets at fair value through profit or loss	139,669,429	0.70
Financial assets at fair value through other comprehensive income	115,924,514	1.47
Investments in debt instruments at amortised cost	405,619	4.41
Securities purchased under resell agreements	98,630	0.15
Liabilities		
Interbank call loans and overdrafts	13,107,953	0.29
Securities sold under repurchase agreements	208,734,791	0.22

Note: Cash and cash equivalents comprise pledged certificates of deposits and bill reserve account.

(6) Transfer of financial assets

A. Transferred financial assets that are not derecognized in their entirety

The Mega Group's transferred financial assets that do not meet derecognition conditions are mainly debt instruments with repurchase agreements or equity securities lending agreements. These financial assets have been transferred when collecting the cash flow, and will be repurchased at a fixed price in the future under the contract. The Mega Group may not use, sell or pledge the transferred financial assets during the valid period of the transaction, however, these assets were not derecognized as the consolidated company is still exposed to interest rate risk and credit risk. Financial assets and associated financial liabilities that do not meet the derecognition conditions are analyzed as follows:

December 31, 2022		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities
Securities purchased under resell agreements Repurchase agreement	\$ -	\$ -
Financial assets at fair value through profit or loss Repurchase agreement	106,215,145	106,173,768
Financial assets at fair value through other comprehensive income Repurchase agreement	58,557,718	54,577,578
Investments in debt instruments at amortised cost Repurchase agreement	-	-

December 31, 2021		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities
Securities purchased under resell agreements Repurchase agreement	\$ -	\$ -
Financial assets at fair value through profit or loss Repurchase agreement	87,950,588	87,861,690
Financial assets at fair value through other comprehensive income Repurchase agreement	52,919,505	50,097,927
Investments in debt instruments at amortised cost Repurchase agreement	187,675	200,399

B. Transferred financial assets that are derecognized in their entirety

The Mega Group does not have any financial asset securitization transaction and do not have any derecognized 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.

As 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, even though the Mega Group's financial assets and financial liabilities do not meet the offsetting criteria; 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, 2022						
Financial assets that are offset, or can be settled under 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	\$ 6,618,096	\$ 12,316	\$ 6,605,779	\$ 6,119,698	\$ 34,849	\$ 451,232
Financial liabilities that are offset, or can be settled under 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	\$ 4,306,553	\$ 12,316	\$ 4,294,237	\$ 1,970,685	\$ 3,597	\$ 2,319,955
Repurchase agreement	50,082,172	-	50,082,172	48,430,656	1,648,056	3,460
Total	\$ 54,388,725	\$ 12,316	\$ 54,376,409	\$ 50,401,341	\$ 1,651,653	\$ 2,323,415
December 31, 2021						
Financial assets that are offset, or can be settled under 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	\$ 3,972,247	\$ 2,471	\$ 3,969,776	\$ 2,069,737	\$ 52,787	\$ 1,847,252

Description	Financial liabilities that are offset, or can be settled under master netting arrangements or similar arrangements					
	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	\$ 2,364,222	\$ 2,471	\$ 2,361,751	\$ 329,903	\$ 3,845	\$ 2,028,003
Repurchase agreement	30,906,698	-	30,906,698	30,906,494	-	204
Total	\$ 33,270,920	\$ 2,471	\$ 33,268,449	\$ 31,236,397	\$ 3,845	\$ 2,028,207

Note : Including netting settlement agreements and non-cash collaterals.

(8) Changes in interest rate benchmark

To address interest rate benchmark reform, the bank subsidiary sets a LIBOR interest rate benchmark transition team which reports quarterly to the Board of Directors the action plan and subsequent execution progress. The products affected by the interest rate benchmark reform are LIBOR linked loans and discounted, debt instruments and derivatives. The risk is originated from interest rate benchmark reform if the bank subsidiary is not able to complete the negotiation with the counterparty before the replacement of LIBOR. In order to control the risk of interest rate benchmark reform, the bank subsidiary has completed the interest rate benchmark reform plan. Additionally, the modification of contracts, customer communications, the impact assessment on financing and business, revisions of the internal control policies, changes of system and procedure, risk management and adjustment of valuation model will be completed before the replacement of LIBOR. As of December 31, 2022, the bank subsidiary's exposure amounts affected by the interest rate benchmark reform of loans discounted, bonds and derivative instruments were \$ 233.819 billion, \$ 30.797 billion and \$ 38.136 billion, respectively.

9. INSURANCE RISK MANAGEMENT

In order to effectively recognize, 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 limit.

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, or over-insurance for catastrophe losses reinsurance contract. 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.

E. Impact of the coronavirus disease (COVID-19)

For the claims from epidemic prevention insurance that increased catastrophe risk of CKI, the Company and CKI have prudently assessed the impact on earnings, capital adequacy, provisions, capital liquidity, and other significant issues to establish an appropriate countermeasure.

CKI started to sell epidemic prevention insurance in 2021, and the products has been in high demand ever since the epidemic heating up in mid-April 2022. After considering the risk appetite, CKI has stopped selling epidemic prevention and vaccine-related insurance products as of April 18 and June 24, 2022, respectively, except for Migrant Workers Covid-19 Health Insurance.

For the year ended December 31, 2022, CKI's premium revenue and insurance claim payments from the aforementioned epidemic prevention insurance amounted to \$0.427 billion and \$17.196 billion, respectively. As of December 31, 2022, the claim reserve and premium insufficient reserve amounted to \$3.472 billion and \$1.824 billion, respectively. CKI will continue to prudently estimate the amount of provision for insurance liability in accordance with the government epidemic prevention policy and the development of the epidemic.

As at the date of the approval of the financial statements, the countermeasures taken by CKI in response to the financial liquidity risk due to the impact of the COVID-19 pandemic for the adequacy of capital structure and policyholders' rights and interests are as follows:

(A) Borrowings funds to meet cash flow needs arising from a large amount of insurance claim payments

To meet the capital needs for the epidemic prevention insurance claims, CKI previously applied for short-term financing totaling \$8 billion from financial institutions, which was approved in accordance with the Jin-Guan-Pao-Chan Letter No. 1110442540, dated August 5, 2022. However, the number of local confirmed cases continue to rise and there is a possibility of a recurrence of the epidemic, and thus CKI applied for the second short-term financing totaling \$5 billion, which was approved in accordance with the Jin-Guan-Pao-Chan Letter No. 1110463903, dated December 2, 2022.

CKI has pledged various collaterals for the secured portion of the aforementioned borrowings. Refer to Note 12 for details of the pledged amount and types of pledged assets.

(B) Significant events or measures that can affect its financial position, financial performance and cash flows

To enhance its financial structure and increase its book value per share, the capital increase of \$2,000,064 by CKI has been approved by the competent authority on October 12, 2022, and the effective date of the capital increase was October 17, 2022. The registrations were completed on November 11, 2022. On December 16, 2022, the Board of Directors of CKI on behalf of the shareholders resolved to reduce capital to offset accumulated deficits and increase capital secondly by issuance of ordinary shares through private placement, which were effective and approved by the Securities and Futures Bureau and the Insurance Bureau of Financial Supervisory Commission on January 17, 2023 and January 7, 2023, respectively. The effective dates of capital reduction and capital increase were set on January 30, 2023 and January 31, 2023, respectively. The registrations were completed on February 20, 2023.

For capital reduction to offset accumulated deficits, the capital reduction amount and the number of retired shares were \$2,420,500 and 242,050 thousand shares, respectively, with the capital reduction ratio of 54.7562492%. As for the capital increase by issuance of ordinary shares through private placement, the total amount of capital raised and the number of privately placed shares were \$6,000,300 and 333,350 thousand shares, respectively, which were all subscribed by the Company.

(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. For the years ended December 31, 2022 and 2021, 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, 2022		For the year ended December 31, 2021	
	Premium Income	Self-retained Premium	Premium Income	Self-retained Premium
Earthquake insurance	\$ 876,726	\$ 194,355	\$ 827,895	\$ 170,743
Fire insurance	960,652	396,442	867,398	339,998
Engineering insurance	382,959	132,809	335,655	123,257

(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 the uncertainty of changes in the environment (e.g. changes in regulations or legal rulings), trend or claim payment methods, this may change the loss development model and the estimated loss rate, affect the estimation of claim reserves, thus, CKI's sensitivity test on the estimated loss rate is as follows:

Type	December 31, 2022				December 31, 2021			
	Final loss rate increases 5%		Final loss rate increases 5%		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	Total increase of claim reserves	Net increase of claim reserves	Total increase of claim reserves	Net increase of claim reserves
Fire Insurance	\$ 111,395	\$ 35,943	\$ 100,204	\$ 31,030				
Marine Insurance	51,820	8,673	46,423	11,674				
Automobile Insurance	187,388	144,763	184,034	141,798				
Accident Insurance	72,015	30,539	62,500	30,755				
Injury Insurance	56,525	24,168	35,188	17,092				
Offshore Branches	11,243	11,243	4,129	4,129				

Sensitivity testing calculates the impact of 5% increase in the final loss rate on the Company's profit or loss based on the retained earned premium within 1 year as of the date of financial reporting. If the testing of the final loss rate is inverse, the above-mentioned claims reserve is also inverted.

(4) Claim development trend

As of December 31, 2022 and 2021, the subsidiary-CKI's claim development trend is as follows:

A. Accumulative claim amounts (Before reinsurance ceding)

Year of Accident	December 31, 2022										
	Day of evaluation						Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.12.31					
2017 and before	41,988,843	42,311,368	42,320,574	42,219,456	42,084,133	42,014,387	42,014,387	41,672,264	342,123		
2018		2,841,225	3,611,662	3,658,774	3,680,585	3,674,927	3,674,927	3,533,837	141,090		
2019			2,883,148	3,991,769	4,052,711	4,097,595	4,097,595	3,954,341	143,254		
2020				3,313,587	3,887,198	4,016,458	4,016,458	3,476,377	540,081		
2021					2,835,312	3,410,421	3,410,421	2,745,963	664,458		
2022						21,526,550	21,526,550	19,037,039	2,489,511		
Total							78,740,338	74,419,821	4,320,517	4,073,298	8,393,815

Year of Accident	December 31, 2021										
	Day of evaluation						Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
	2016.12.31	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.12.31					
2016 and before	39,015,357	39,271,725	39,135,208	39,050,288	38,978,128	38,838,846	38,838,846	38,480,595	358,251		
2017		2,717,118	3,176,160	3,270,286	3,241,328	3,245,287	3,245,287	3,166,276	79,011		
2018			2,841,225	3,611,662	3,658,774	3,680,585	3,680,585	3,444,626	235,959		
2019				2,883,148	3,991,769	4,052,711	4,052,711	3,783,215	269,496		
2020					3,313,587	3,887,198	3,887,198	3,092,455	794,743		
2021						2,835,312	2,835,312	1,678,064	1,157,248		
Total							56,539,939	53,645,231	2,894,708	1,292,870	4,187,578

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 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, 2022											
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
	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.12.31					
2017 and before	24,968,765	25,264,728	25,341,198	25,303,536	25,205,013	25,149,716	25,149,716	24,998,885	150,831		
2018		1,691,109	2,213,015	2,288,280	2,301,534	2,298,026	2,298,026	2,235,621	62,405		
2019			1,781,237	2,300,125	2,385,165	2,416,956	2,416,956	2,330,177	86,779		
2020				1,875,695	2,281,088	2,404,389	2,404,389	2,289,175	115,214		
2021					1,675,304	1,953,259	1,953,259	1,697,098	256,161		
2022						10,923,170	10,923,170	9,626,556	1,296,614		
Total							10,923,170	10,923,170	9,626,556	2,252,419	4,220,423

December 31, 2021											
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
	2016.12.31	2017.12.31	2018.12.31	2019.12.31	2020.12.31	2021.12.31					
2016 and before	23,103,284	23,390,360	23,359,027	23,348,442	23,318,990	23,216,771	23,216,771	23,040,125	176,646		
2017		1,578,405	1,905,701	1,992,756	1,984,546	1,988,242	1,988,242	1,947,640	40,602		
2018			1,691,109	2,213,015	2,288,280	2,301,534	2,301,534	2,214,589	86,945		
2019				1,781,237	2,300,125	2,385,165	2,385,165	2,262,005	123,160		
2020					1,875,695	2,281,088	2,281,088	2,068,560	212,528		
2021						1,675,304	1,675,304	1,086,977	588,327		
Total							33,848,104	32,619,896	1,228,208	842,959	2,071,167

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, CKI 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 ceded, CKI 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", CKI 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 realize assets immediately or acquires adequate capital and thus it fails to fulfill payment obligations for insurance. To control this risk, CKI conduct cash flow 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, 2022 and 2021:

	December 31, 2022		December 31, 2021	
Within 1 year	\$	7,473,358	\$	3,445,844
1-5 years		920,457		741,734
Total	\$	8,393,815	\$	4,187,578

C. Market risk

Subsidiaries-CKI 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.

Type	For the year ended December 31, 2022					
	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	\$ 387,284	\$ 171,831	\$ 163,027	\$ 396,088	\$ 2,388	\$ 398,476
Non-compulsory insurance	8,662,898	827,123	4,565,318	4,924,703	(216,576)	4,708,127
Total	\$ 9,050,182	\$ 998,954	\$ 4,728,345	\$ 5,320,791	(\$ 214,188)	\$ 5,106,603

Type	For the year ended December 31, 2021					
	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	\$ 396,124	\$ 174,000	\$ 167,235	\$ 402,889	\$ 4,673	\$ 407,562
Non-compulsory insurance	7,683,363	720,380	3,928,423	4,475,320	(153,320)	4,322,000
Total	\$ 8,079,487	\$ 894,380	\$ 4,095,658	\$ 4,878,209	(\$ 148,647)	\$ 4,729,562

The subsidiaries-CKI had no premium income from compulsory insurance in Guam and premium income of \$890,504 and \$718,856 from non-compulsory insurance income for the years ended December 31, 2022 and 2021, respectively.

B. Details of calculation of net claims.

Type	For the year ended December 31, 2022			
	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
Compulsory insurance	\$ 230,029	\$ 166,632	\$ 136,782	\$ 259,879
Non-compulsory insurance	20,464,648	315,053	10,172,299	10,607,402
Total	\$ 20,694,677	\$ 481,685	\$ 10,309,081	\$ 10,867,281

Type	For the year ended December 31, 2021			
	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
Compulsory insurance	\$ 337,202	\$ 156,065	\$ 200,362	\$ 292,905
Non-compulsory insurance	3,348,818	332,459	1,522,882	2,158,395
Total	\$ 3,686,020	\$ 488,524	\$ 1,723,244	\$ 2,451,300

C. Details of assets and liabilities for compulsory automobile liability insurance.

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 634,570	\$ 595,933
Notes and premiums receivable	7,050	7,702
Claims recoverable from reinsurers	20,975	24,080
Due from reinsurers and ceding companies	28,694	29,027
Ceded unearned premium reserve	87,496	89,857
Ceded claims reserve	126,999	138,222
Temporary payments	2,162	616
Total	\$ 907,946	\$ 885,437
Liabilities		
Due to reinsurers and ceding companies	\$ 31,338	\$ 30,660
Unearned premium reserve	242,416	247,165
Claims reserve	351,109	376,321
Special reserve	279,890	230,077
Other liabilities	3,193	1,214
Total	\$ 907,946	\$ 885,437

D. Details of revenues and costs relating to compulsory automobile liability insurance.

	For the years ended December 31,	
	2022	2021
Operating revenues		
Direct written premiums	\$ 271,712	\$ 278,726
Reinsurance premiums	171,831	174,000
Less: Reinsurance premiums ceded	(163,027)	(167,235)
Net change in reserve for unearned premiums	2,388	4,673
Net premiums	282,904	290,164
Interest income	2,481	1,630
Total	\$ 285,385	\$ 291,794
Operating costs		
Claims incurred	\$ 230,029	\$ 337,202
Reinsurance claims incurred	166,632	156,065
Less: Claims recovered from reinsurers	(136,782)	(200,362)
Net claims	259,879	292,905
Net change in claims reserve	(13,989)	(6,937)
Net change in special reserve	49,813	14,092
Total	\$ 295,703	\$ 300,060

E. Net premiums limits

CKI's net premiums limits of the respective insurance risk units are as follows:

Items	December 31, 2022	December 31, 2021
General fire insurance	\$ 2,800,000	\$ 2,800,000
Fire & allied perils insurance	2,800,000	2,800,000
Marine cargo insurance	520,000	420,000
Marine hull insurance	300,000	200,000
Fishing vessel insurance	50,000	50,000
Aviation insurance	USD10,000 thousands	USD10,000 thousands
Engineering insurance	3,000,000	2,800,000
Engineering surety bond	200,000	200,000
Money insurance	1,000,000	1,000,000
General liability insurance	500,000	500,000
Professional liability insurance	500,000	500,000
Employer's compensation liability insurance	700,000	700,000
Fidelity surety bond	50,000	50,000
Bankers' surety bond	1,000,000	1,000,000
Other property insurance	200,000	200,000
Other credit and surety insurance	120,000	120,000
Individual comprehensive insurance	50,000	50,000
Nuclear energy insurance	400,000	400,000
Motor physical damage insurance	15,000	15,000
Motor third party liability insurance	120,000	120,000
Motor passenger liability insurance	120,000	120,000
Compulsory automobile liability insurance for driver injury	3,000	3,000
Car driver injury insurance	30,000	30,000
Driver injury insurance	3,000	3,000
Personal accident insurance	25,000	25,000
Travel accident insurance-per person	30,000	30,000
Travel accident insurance-per incident	200,000	-
Group accident insurance-per person	20,000	20,000
Group accident insurance-per incident	200,000	-
Individual health insurance	2,000	2,000
Group health insurance	2,000	2,000

F. Unqualified reinsurance reserve

(A) The summarized content in respect of unqualified reinsurance contract and related explanation for each insurance type are as follows:

The subsidiary-CKI 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 contract
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
TUGU INSURANCE (HONG KONG)	Marine hull insurance: Treaty reinsurance Cargo insurance: Treaty reinsurance
TRUST RE	Fire insurance: 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 reinsurance Liability insurance: Treaty and facultative reinsurance Marine hull insurance: Treaty and facultative reinsurance Cargo insurance: Treaty reinsurance Aviation Insurance: Facultative reinsurance
ACR (HK)	Fire insurance: Facultative reinsurance Marine hull insurance: Treaty and facultative reinsurance Cargo insurance: Treaty reinsurance

(B) The unqualified reinsurance expense were \$1,746 and \$4,313 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the composition of the unqualified reinsurance reserves and the amounts are as follows:

	December 31, 2022	December 31, 2021
Ceded unearned premium reserve	\$ 873	\$ 2,156
Ceded claim reserve-reported but unpaid	10,475	16,940
Claims recoverable from reinsurers	116	871

10. CAPITAL MANAGEMENT

(1) Objective of capital management

- The Mega Group's eligible capital should be sufficient to meet the regulatory requirements and the minimum regulated capital adequacy ratio. This is the basic objective of capital management of the Mega Group. The calculation of eligible capital and legal capital shall follow the regulations of the competent authority.
- In order to have adequate capital to take various risks, the Mega Group shall assess the capital demand on the basis of risk combinations it faces and risk characteristics, and should optimize resource and capital allocation through risk management.

(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 eligible capital divided by legal 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, 2022

	Ownership percentage held by the Company	Eligible capital	Minimum capital
The Company	100.00%	\$ 299,798,327	\$ 350,054,925
MICB	100.00%	327,326,084	240,201,897
MS	100.00%	14,309,410	4,674,698
MBF	100.00%	34,036,972	20,075,622
CKI	100.00%	(98,702)	2,242,744
MAM	100.00%	2,840,721	8,235,098
Mega Venture Capital	100.00%	1,073,732	539,207
MITC	100.00%	863,184	463,684
Deduction item		353,902,198	346,718,173
Subtotal	(A)	\$ 326,247,530	(B) \$ 279,769,702
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)			(C) 116.61%

Mega Financial Holding Co., Ltd. and subsidiaries
Capital adequacy ratio

December 31, 2021

	Ownership percentage held by the Company	Eligible capital	Minimum capital
The Company	100.00%	\$ 328,386,721	\$ 374,743,865
MICB	100.00%	312,007,199	231,637,103
MS	100.00%	16,062,236	5,920,502
MBF	100.00%	39,029,515	23,280,331
CKI	100.00%	8,126,520	2,600,920
MAM	100.00%	2,850,035	7,508,712
Mega Venture Capital	100.00%	1,101,889	563,060
MITC	100.00%	859,618	473,668
Deduction item		372,904,401	371,979,622
Subtotal	(A)	\$ 335,519,332	(B) \$ 274,748,539
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)			(C) 122.12%

B. As of December 31, 2022 and 2021, the financial holding's net eligible capital are as follows:

Mega Financial Holding Co., Ltd. and subsidiaries
Financial Holding's net eligible capital

Item	December 31, 2022	December 31, 2021
Common stocks	\$ 139,398,196	\$ 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	45,976,579	43,343,934
Special reserve	2,538,952	2,538,952
Accumulated earnings	59,027,089	67,163,598
Equity adjustment number	(15,325,596)	11,159,926
Less: goodwill and other intangible assets	4,116	4,369
deferred assets	7,010	7,793
treasury stocks	-	-
Total net eligible capital	\$ 299,798,327	\$ 328,386,721

11. RELATED PARTY TRANSACTIONS

(1) Names of the related parties and their relationship with the Company

Names of related parties	Short name 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	Third-tier subsidiary of the Company
China Products Trading Co.	China Products Trading	Sub-subsidiary of the Company
Mega Management Consulting Corporation	Mega Management Consulting	Sub-subsidiary of the Company
Cathay Investment & Warehousing Co. S.A.	Cathay Investment & Warehousing	Sub-subsidiary of the Company
ICBC Asset Management & Consulting Co., Ltd.	ICBC Asset Management & Consulting	Third-tier subsidiary of the Company
RAMLETT FINANCE HOLDINGS INC	RAMLETT	Sub-subsidiary of the Company
Taiwan Bills Finance Corporation	TFC	Investments accounted for using equity method of the company
Next Commercial Bank Co., Ltd.	Next Bank	Investments accounted for using equity method of the company
Everstrong Iron & Steel Foundry & Mfg Corp.	Everstrong Iron	Investments accounted for using equity method of the company
China Real Estate Management Co., Ltd.	China Real Estate	Investments accounted for using equity method of the company
An Feng Enterprise Co., Ltd.	An Fang	Investments accounted for using equity method of the company
Mega Growth Venture Capital Co., Ltd.	Mega Growth Venture Capital	Investments accounted for using equity method of the company
Universal Venture Capital Investment Corporation	Universal Venture Capital	Investments accounted for using equity method of the company
Mega Charity Foundation	Mega Charity	Substantial related party of a subsidiary of the Company
Mega Bank C&E Foundation	Mega Foundation	Substantial related party of a subsidiary of the Company
Mega Diamond Money Market Fund	Mega Diamond Money Market Fund	Funds raised and managed by a subsidiary of the Company
Mega USD Money Market Fund	Mega USD Money Market Fund	Funds raised and managed by a subsidiary of the Company
Nuclear Energy Insurance Pool of the Republic of China	None	Chairman of the association is the director of the subsidiary-CKI
Benson Jay Trading Company Ltd.	Benson Jay Trading	Substantial related party of a subsidiary of the Company
Formosa Laboratories, Inc.	Formosa Laboratories	Substantial related party of a subsidiary of the Company
Other related parties		The Company and subsidiaries' directors, supervisors, managers, their relatives, associated companies and related parties in substance

(2) Significant transactions with related parties

A. Deposits and remittances

Details of the related parties' and Next Bank's deposits placed with MICB recorded under "deposits and remittances" are as follows:

	December 31, 2022	December 31, 2021
All related parties (individual amounts accounting for less than 10% of the total amount)	\$ 2,249,041	\$ 1,595,312
Next Bank	4,243	6,953,028
	<u>\$ 2,253,284</u>	<u>\$ 8,548,340</u>

B. Loans

Details of the credits extended to the related parties by MICB and recorded under "loans discounted" are as follows:

	December 31, 2022	December 31, 2021
All related parties (individual amounts accounting for less than 10% of the total amount)	\$ 153,479	\$ 231,538

C. Bank deposits

	December 31, 2022	December 31, 2021
Chunghwa Post	\$ 1,929	\$ 4,003
BOT	76,533	159,482
Total	<u>\$ 78,462</u>	<u>\$ 163,485</u>

D. Guarantee deposits

(A) Guarantee deposits held for operation

Collaterals		December 31, 2022	December 31, 2021
BOT	Financial assets at fair value through other comprehensive income - bonds	\$ 50,017	\$ 50,428

(B) Refundable deposit

	December 31, 2022	December 31, 2021
BOT	\$ 10,080	\$ 24,200

E Sales of notes and bonds

	For the years ended December 31	
	2022	2021
Chunghwa Post	\$ 194,589,781	\$ 130,158,357
BOT	-	499,878
Mega Diamond Money Market Fund	45,993,902	20,479,203
Total	\$ 240,583,683	\$ 151,137,438

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, 2022	
	Total consideration	Ending balances
Mega Diamond Money Market Fund	\$ 21,640,942	\$ 299,787
Mega USD Money Market Fund	123,287	-
Total	\$ 21,764,229	\$ 299,787

	For the year ended December 31, 2021	
	Total consideration	Ending balances
Chunghwa Post	\$ 6,690,210	\$ -
Mega USD Money Market Fund	278,637	-
Total	\$ 6,968,847	\$ -

G. Transactions with other financial institutions

(A) Due from banks and call loans to banks

	December 31, 2022	December 31, 2021
BOT	\$ 323,682	\$ 21,265,666

(B) Deposits from banks and call loans from banks

	December 31, 2022	December 31, 2021
Chunghwa Post	\$ 20,193	\$ 1,025,674
BOT	8,017,883	6,171,858
Total	\$ 8,038,076	\$ 7,197,532

H. Commercial paper issued

	December 31, 2022	December 31, 2021
TFC	\$ 1,124,000	\$ 525,000

I. Other borrowings

	December 31, 2022	December 31, 2021
BOT	\$ 300,000	\$ 220,000

J. Collaterals

	December 31, 2022	December 31, 2021
BOT		
Financial assets at fair value through profit or loss-negotiable certificates of deposits	\$ 1,000,206	\$ 800,109
Financial assets at fair value through other comprehensive income-bonds	1,659,871	1,906,206
Total	\$ 2,660,077	\$ 2,706,315

K. Loans

December 31, 2022

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status		Collaterals	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	7	\$ 6,185	\$ 2,693	V		None	None
Household mortgage loans	103	835,157	719,067	V		Real estate	None
Other loans	Formosa Laboratories	496,239	416,239	V		Real estate	None
	Benson Jay Trading	38,150	38,150	V		Real estate	None
	RAMLETT	53,120	53,120	V		Real estate	None

December 31, 2021

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default status		Collaterals	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	7	\$ 5,870	\$ 5,413	V		None	None
Household mortgage loans	106	877,049	757,929	V		Real estate	None
Other loans	RAMLETT	49,305	47,829	V		Real estate	None
	China Real Estate	9,000	-	V		Real estate	None
	Benson Jay Trading	38,150	38,150	V		Real estate	None

L. Interest income

	For the years ended December 31	
	2022	2021
BOT	\$ 32,603	\$ 21,876

M. Interest expense

	For the years ended December 31	
	2022	2021
BOT	\$ 81,312	\$ 10,056
Chunghwa Post	14,879	2,940
TFC	-	2,259
Total	\$ 96,191	\$ 15,255

N. 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	
	2022	2021
BOT	(\$ 18,920)	(\$ 782)
Chunghwa Post	35,204	33,523
Mega Diamond Money Market Fund	557	4,854
Total	\$ 16,841	\$ 37,595

O. Donation expense

	For the years ended December 31			
	2022		2021	
Mega charity	\$	10,000	\$	10,000
Mega Foundation		19,000		19,000
Total	\$	29,000	\$	29,000

P. Information on remunerations to the Group's key management

	For the years ended December 31			
	2022		2021	
Salaries and other short-term employee benefits	\$	325,819	\$	369,057
Post-employment benefits		5,755		7,322
Termination benefits		854		895
Total	\$	332,428	\$	377,274

(3) Subsidiaries' transactions and balances with related parties exceeding \$100 million

(Please refer to page 177~186 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021.)

12. PLEDGED ASSETS

Assets	Purpose of pledge	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss	Collaterals for Central Bank and bank overdrafts	\$ 6,700,665	\$ 13,000,748
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	21,221,471	18,403,813
Investments in debt instruments at amortized cost	Central Bank guarantees	7,651,618	7,286,800
Other financial assets	Operation guarantee deposits, Collaterals for bank overdrafts	400,100	426,050
Property and equipment	Collaterals for short-term borrowings	2,496,740	2,156,720
Investment property	Collaterals for short-term borrowings	846,080	363,133
Assets classified as held for sale	Collaterals for short-term borrowings	220	-
Other assets	Guarantee of insurance business, performance guarantee	795,438	490,218
		\$ 40,112,332	\$ 42,127,482

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 recognized appropriately and be declared in accordance with relevant reporting regulations, and transactions are inconsistent with or in violation of the Office of Foreign Assets Control (OFAC) Regulations.

As of reporting date, 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 Group of the closure. For the issues listed in the aforementioned consent order, MICB NY Branch still has certain items that need continuous improvements and has to ensure that each improvement measure is effectively and continuously implemented.

Financial Information

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 for certain items of MICB NY Branch which needs continuous improvements, and ensure that each improvement measure is effectively and continuously implemented, MICB Chicago Branch and MICB Silicon Valley Branch have completed improvements on the abovementioned issues. Those written action plans were periodically reported to the Board of Directors and submitted to the Federal Reserve Bank. 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 Group of the closure of the case.

B. As of December 31, 2022 and 2021, MICB and its subsidiaries’ commitments and contingent liabilities were as follows:

	December 31, 2022	December 31, 2021
Irrevocable arranged financing limit	\$ 143,460,826	\$ 134,727,684
Securities sold under repurchase agreement	34,963,970	16,884,182
Securities purchased under resell agreement	1,222,960	949,396
Credit card commitments	104,491,116	98,659,426
Guarantees issued	145,193,003	133,804,193
Letters of credit	64,571,662	55,030,177
Customers’ securities under custody	387,285,244	301,061,286
Properties under custody	2,097,620	2,571,303
Guarantee received	150,815,749	113,558,588
Collections receivable for customers	76,584,185	82,342,135
Collections payable for customers	185,865	243,997
Trustee sales license	452	673
Payables on consignments-in	1,554	1,554
Agent for government bonds	85,912,700	80,549,400
Agent for marketable securities under custody	162,690,258	105,556,195
Trust liability	701,514,489	648,883,055
Certified notes payable	3,503,384	3,513,487
Total	<u>\$ 2,064,495,037</u>	<u>\$ 1,778,336,731</u>

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, 2022 and 2021, the Company’s commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2022	December 31, 2021
Securities sold under repurchase agreements	\$ 197,969,284	\$ 189,737,223
Guarantees for commercial papers	164,587,600	192,848,800
Buy fixed rate financial paper	14,600,000	24,100,000
Buy index rate financial paper	90,967,250	72,810,750
Sell fixed rate financial paper	11,910,000	4,400,000
Sell index rate financial paper	10,400,000	9,300,000
Total	<u>\$ 490,434,134</u>	<u>\$ 493,196,773</u>



(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, 2022, CKI had appointed attorneys to deal with the lawsuits regarding several ongoing claims and had recognized the appropriate claim reserve.

14. SIGNIFICANT DISASTER LOSS: None.

15. SIGNIFICANT SUBSEQUENT EVENTS:

To enhance its financial structure and increase its book value per share, on December 16, 2022, the Board of Directors of CKI on behalf of the shareholders resolved to reduce capital to offset accumulated deficits and increase capital by issuance of ordinary shares through private placement, which were effective and approved by the Securities and Futures Bureau and the Insurance Bureau of Financial Supervisory Commission on January 17, 2023 and January 7, 2023, respectively. The effective dates of capital reduction and capital increase were set on January 30, 2023 and January 31, 2023, respectively. The registrations were completed on February 20, 2023.

For capital reduction to offset accumulated deficits, the capital reduction amount and the number of retired shares were \$2,420,500 and 242,050 thousand shares, respectively, with the capital reduction ratio of 54.7562492%. As for the capital increase by issuance of ordinary shares through private placement, the total amount of capital raised and the number of privately placed shares were \$6,000,300 and 333,350 thousand shares, respectively, which were all subscribed by the Company.

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 191~201 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021.)

(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 or 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 specialized counters in their premises for other subsidiaries in different businesses (including counters of banking services, securities trading services, and insurance services) 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 or losses

For the year ended December 31, 2022

The promotion bonus paid to other subsidiaries by MITC, MICB, CKI and MS amounted to \$32,317, \$33,852, \$31,754 and \$22,415, respectively. As a result of cross-selling by other subsidiaries, the income increased by \$133,377 for MITC; \$179,299 for MICB; \$32,164 for CKI; \$91,586 for MS.

For the year ended December 31, 2021

The promotion bonus paid to other subsidiaries by MITC, MICB, CKI and MS amounted to \$33,917, \$33,196, \$28,897 and \$45,988, respectively. As a result of cross-selling by other subsidiaries, the income increased by \$141,362 for MITC; \$74,189 for MICB; \$644,648 for CKI; \$164,001 for MS.

(8) Information for private placement securities: None.

(9) Adjustment of key organization and significant change in regulatory system: None.

(10) Financial information by business segments

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES Financial Information by Business Segments

For the year ended December 31, 2022	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	\$ 36,840,730	\$ 59,606	\$ 246,542	\$ 776,724	(\$ 240,508)	\$ 37,683,094
Revenues other than interest, net	16,987,470	(6,476,490)	3,916,631	3,011,324	927,624	18,366,559
Net revenue	53,828,200	(6,416,884)	4,163,173	3,788,048	687,116	56,049,653
(Provision for) reversal of bad debts expense, commitment and guarantee liability	(3,100,136)	(94,453)	308,285	-	9,732	(2,876,572)
Net change in provisions for insurance liabilities	-	(2,357,830)	-	-	-	(2,357,830)
Operating expenses	(23,903,481)	(1,324,876)	(798,431)	(2,928,412)	(715,750)	(29,670,950)
Profit (loss) from continuing operations before tax	26,824,583	(10,194,043)	3,673,027	859,636	(18,902)	21,144,301
Income tax (expense) benefit	(2,619,782)	640,474	(661,219)	(253,198)	84,382	(2,809,343)
Profit (loss) from continuing operations	\$ 24,204,801	(\$ 9,553,569)	\$ 3,011,808	\$ 606,438	\$ 65,480	\$ 18,334,958

For the year ended December 31, 2021	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	\$ 30,260,964	\$ 74,950	\$ 1,231,871	\$ 986,224	(\$ 85,664)	\$ 32,468,345
Revenues other than interest, net	14,873,810	1,943,594	3,690,057	6,034,842	1,220,198	27,762,501
Net revenue	45,134,774	2,018,544	4,921,928	7,021,066	1,134,534	60,230,846
(Provision for) reversal of bad debts expense, commitment and guarantee liability	(1,782,406)	235	(132,587)	-	10,324	(1,904,434)
Net change in provisions for insurance liabilities	-	(64,520)	-	-	-	(64,520)
Operating expenses	(22,802,795)	(1,352,830)	(835,612)	(3,813,580)	(800,662)	(29,605,479)
Profit (loss) from continuing operations before tax	20,549,573	601,429	3,953,729	3,207,486	344,196	28,656,413
Income tax (expense) benefit	(2,133,687)	(122,790)	(717,847)	(363,765)	412,746	(2,925,343)
Profit (loss) from continuing operations	\$ 18,415,886	\$ 478,639	\$ 3,235,882	\$ 2,843,721	\$ 756,942	\$ 25,731,070

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
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	December 31, December 31,		LIABILITIES AND EQUITY	December 31, December 31,	
	2022	2021		2022	2021
Assets			Liabilities		
Cash and cash equivalents	\$ 203,919	\$ 81,200	Commercial paper payable, net	\$ 12,233,984	\$ 15,043,990
Financial assets at fair value through other comprehensive income	2,622,808	2,042,180	Payables	26,966,886	25,502,346
Receivables, net	270	5	Current tax liabilities	1,084,681	1,160,137
Current tax assets	319,360	319,360	Bonds payable	5,000,000	5,000,000
Investments accounted for using equity method, net	346,718,173	371,979,622	Other borrowings	5,400,000	-
Other financial assets	100	100	Provisions	31,174	37,554
Investment property, net	128,060	129,572	Lease liabilities	4,651	4,770
Property and equipment, net	578,819	586,865	Other liabilities	58,501	8,907
Right-of-use assets, net	4,637	4,706	Total liabilities	50,779,877	46,757,704
Deferred income tax assets	7,010	7,793	Equity		
Other assets, net	6,174	5,184	Common stock	139,398,196	135,998,240
			Capital surplus	68,194,233	68,194,233
			Retained earnings		
			Legal reserve	45,976,579	43,343,934
			Special reserve	2,538,952	2,538,952
			Unappropriated earnings	59,027,089	67,163,598
			Other equity interest	(15,325,596)	11,159,926
			Total equity	299,809,453	328,398,883
TOTAL ASSETS	\$ 350,589,330	\$ 375,156,587	TOTAL LIABILITIES AND EQUITY	\$ 350,589,330	\$ 375,156,587

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	For the years ended December 31,	
	2022	2021
Revenues		
Interest income	\$ 5,258	\$ 2,359
Foreign exchange gain	-	1
Share of profit of associates and joint ventures accounted for using equity method	18,602,819	25,601,093
Net revenue other than interest	72,037	71,978
Total revenue	18,680,114	25,675,431
Expenses and losses		
Interest expense	(133,151)	(57,991)
Foreign exchange loss	(5)	-
Employee benefit expenses	(274,339)	(297,163)
Depreciation and amortization expenses	(15,996)	(15,615)
Other general and administrative expenses	(84,907)	(74,190)
Total expenses and losses	(508,398)	(444,959)
Profit from continuing operations before tax	18,171,716	25,230,472
Income tax benefit	163,242	500,598
Profit	18,334,958	25,731,070
Other comprehensive income (loss)		
Components of other comprehensive income that will not be reclassified to profit or loss		
Gain (loss) on remeasurement of defined benefit plans	3,917	(5,820)
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	(5,137,278)	4,104,642
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	580,628	(235,911)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(783)	1,164
Components of other comprehensive income that will be reclassified to profit or loss		
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	(23,331,118)	(6,297,500)
Other comprehensive loss after tax	(27,884,634)	(2,433,425)
Total comprehensive (loss) income	(\$ 9,549,676)	\$ 23,297,645
Earnings Per Share (in dollars)		
Basic and Diluted Earnings Per Share (in dollars)	\$ 1.32	\$ 1.85

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained earnings				Other equity interest				Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other comprehensive income (loss) on reclassification using overlay approach		Other equity, other
<u>For the year ended December 31, 2021</u>										
Equity at beginning of year	\$135,998,240	\$ 68,194,233	\$ 40,962,325	\$ 2,538,952	\$ 64,706,477	\$ 4,107,628	\$ 18,349,008	\$ 35,934	\$ 16,713	\$ 326,588,960
Profit for the year	-	-	-	-	25,731,070	-	-	-	-	25,731,070
Other comprehensive income (loss) for the year	-	-	-	-	599,599	(1,158,569)	(1,919,573)	43,085	2,033	(2,433,425)
Total comprehensive income (loss)	-	-	-	-	26,330,669	(1,158,569)	(1,919,573)	43,085	2,033	23,297,645
Earnings distribution for 2020										
Legal reserve	-	-	2,381,609	-	(2,381,609)	-	-	-	-	-
Cash dividends	-	-	-	-	(21,487,722)	-	-	-	-	(21,487,722)
Disposal of investments in equity instruments measured at fair value through other comprehensive income (loss)	-	-	-	-	(4,217)	-	(15,874)	-	20,091	-
Equity at end of year	\$135,998,240	\$ 68,194,233	\$ 43,343,934	\$ 2,538,952	\$ 67,163,598	\$ 5,266,197	\$ 16,413,561	\$ 7,151	\$ 5,411	\$ 328,398,883
<u>For the year ended December 31, 2022</u>										
Equity at beginning of year	\$135,998,240	\$ 68,194,233	\$ 43,343,934	\$ 2,538,952	\$ 67,163,598	\$ 5,266,197	\$ 16,413,561	\$ 7,151	\$ 5,411	\$ 328,398,883
Profit for the year	-	-	-	-	18,334,958	-	-	-	-	18,334,958
Other comprehensive income (loss) for the year	-	-	-	-	1,626,797	2,900,155	(32,383,140)	(5,502)	(22,944)	(27,884,634)
Total comprehensive income (loss)	-	-	-	-	19,961,755	2,900,155	(32,383,140)	(5,502)	(22,944)	(9,549,676)
Earnings distribution for 2021										
Legal reserve	-	-	2,632,645	-	(2,632,645)	-	-	-	-	-
Cash dividends	-	-	-	-	(19,039,754)	-	-	-	-	(19,039,754)
Stock dividends	3,399,956	-	-	-	(3,399,956)	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income (loss)	-	-	-	-	(3,025,909)	-	3,025,909	-	-	-
Equity at end of year	\$139,398,196	\$ 68,194,233	\$ 45,976,579	\$ 2,538,952	\$ 59,027,089	\$ 2,366,042	\$ 12,943,670	\$ 1,649	\$ 17,533	\$ 299,809,453

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the years ended December 31,	
	2022	2021
Cash Flows from Operating Activities		
Profit before tax	\$ 18,171,716	\$ 25,230,472
Income and expenses having no effect on cash flows		
Income and expenses		
Depreciation expense	14,022	13,867
Amortization expense	1,974	1,748
Interest revenue	(5,258)	(2,359)
Interest expense	133,151	57,991
Dividend income	(65,563)	(64,602)
Share of profit of associates and joint ventures accounted for	(18,602,819)	(25,601,093)
Changes in operating assets and liabilities		
Changes in operating assets:		
Increase in receivables	(265)	(5)
(Increase) decrease in other assets	(1,242)	35
Changes in operating liabilities:		
(Decrease) increase in payables	(524,551)	503
Decrease in provisions	(2,463)	(2,235)
Decrease in other liabilities	-	(10,373)
Cash flows used in operations	(881,298)	(376,051)
Interest received	5,258	2,359
Cash dividend received	17,511,422	16,458,698
Interest paid	(115,651)	(57,991)
Income tax refunded	87,786	184,650
Net cash flows from operating activities	<u>16,607,517</u>	<u>16,211,665</u>
Cash Flows from Investing Activities		
Proceeds from disposal of ownership interests in subsidiaries	(2,000,064)	-
Acquisition of property and equipment	(2,594)	(9,280)
Acquisition of intangible assets	(1,721)	(2,667)
Net cash flows used in investing activities	<u>(2,004,379)</u>	<u>(11,947)</u>
Cash Flows from Financing Activities		
(Decrease) increase in commercial papers issued	(2,800,000)	3,560,000
Increase in other borrowings	5,400,000	-
(Decrease) increase in guarantee deposits received	(330)	3,128
Payment of lease liabilities	(1,920)	(1,671)
Cash dividends paid	(17,078,169)	(19,738,829)
Net cash flows used in financing activities	<u>(14,480,419)</u>	<u>(16,177,372)</u>
Net increase in cash and cash equivalents	122,719	22,346
Cash and cash equivalents at beginning of year	81,200	58,854
Cash and cash equivalents at end of year	<u>\$ 203,919</u>	<u>\$ 81,200</u>

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2022	December 31, 2021	Item	December 31, 2022	December 31, 2021
ASSETS			LIABILITIES		
Cash and cash equivalents	\$ 107,913,288	\$ 133,169,080	Deposits from the Central Bank and banks	\$ 404,758,827	\$ 366,830,881
Due from the Central Bank and call loans to banks	417,225,506	443,563,175	Due to the Central Bank and banks	3,219,692	46,890,696
Financial assets at fair value through profit or loss	56,556,514	56,992,991	Financial liabilities at fair value through profit or loss	21,024,834	18,871,360
Financial assets at fair value through other comprehensive income	404,518,469	407,244,111	Securities sold under repurchase agreements	34,830,461	16,836,542
Investments in debt instruments at amortized cost	559,411,088	642,398,399	Payables	28,923,015	30,200,660
Securities purchased under resale agreements	1,221,780	949,170	Current tax liabilities	9,373,275	9,737,196
Receivables, net	45,349,463	38,756,829	Deposits and remittances	2,832,812,166	2,955,815,426
Current tax asset	5,019	2,386	Financial bonds payable	15,000,000	1,000,000
Loans discounted, net	2,055,016,751	2,015,685,891	Other financial liabilities	15,934,138	6,339,600
Investments accounted for using equity method, net	10,190,302	10,057,482	Provisions	14,605,525	16,534,453
Other financial assets, net	271,001	245,968	Lease liabilities	2,177,454	1,823,542
Property and equipment, net	14,840,124	14,783,275	Deferred income tax liabilities	2,441,615	2,385,723
Right-of-use assets, net	2,121,739	1,773,541	Other liabilities	12,027,972	6,534,550
Investment property, net	582,887	583,197	Total liabilities	3,397,128,974	3,479,800,629
Deferred income tax assets	6,052,590	6,054,635	EQUITY		
Other assets, net	5,808,993	6,646,888	Common stock	85,362,336	85,362,336
			Capital surplus	62,219,540	62,219,540
			Retained earnings	156,356,955	145,870,972
			Other equity interest	(13,982,291)	5,653,541
			Total equity	289,956,540	299,106,389
TOTAL ASSETS	\$ 3,687,085,514	\$ 3,778,907,018	TOTAL LIABILITIES AND EQUITY	\$ 3,687,085,514	\$ 3,778,907,018



MEGA SECURITIES CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2022	December 31, 2021	Item	December 31, 2022	December 31, 2021
ASSETS			LIABILITIES		
Current assets	\$ 49,902,915	\$ 81,016,974	Current liabilities	\$ 38,722,347	\$ 67,380,074
Financial assets at fair value through other comprehensive income-non-current	1,006,218	1,047,486	Provisions for liabilities - non-current	65,159	122,035
Investments accounted for using equity method	896,034	918,252	Lease liabilities - non-current	84,725	59,718
Property and equipment, net	2,089,755	2,308,495	Deferred income tax liabilities	3,615	2,884
Right-of-use assets, net	148,423	116,481	Other liabilities - non-current	7,221	7,221
Investment property, net	627,898	401,319	Total liabilities	38,883,067	67,571,932
Intangible assets, net	91,253	77,420	EQUITY		
Deferred income tax assets	66,291	91,072	Common stock	11,600,000	11,600,000
Other assets - non-current	886,410	908,228	Capital surplus	971,161	971,161
			Retained earnings	3,948,357	5,518,810
			Other equity interest	312,612	1,223,824
			Total equity	16,832,130	19,313,795
TOTAL ASSETS	\$ 55,715,197	\$ 86,885,727	TOTAL LIABILITIES AND EQUITY	\$ 55,715,197	\$ 86,885,727



MEGA BILLS FINANCE CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2022	December 31, 2021	Item	December 31, 2022	December 31, 2021
ASSETS			LIABILITIES		
Cash and cash equivalents	\$ 351,332	\$ 337,259	Interbank overdraft and call loans	\$ 7,982,322	\$ 17,350,762
Financial assets at fair value through profit or loss	138,802,548	132,751,383	Financial liabilities at fair value through profit or loss	94,673	29,122
Financial assets at fair value through other comprehensive income	100,475,481	114,538,586	Securities sold under repurchase agreements	197,969,284	189,737,223
Investments in debt instruments at amortized cost	449,151	402,162	Payables	554,995	531,342
Receivables, net	1,073,254	1,120,769	Current tax liabilities	445,735	632,641
Other financial assets, net	471,170	504,509	Provisions	2,576,840	2,985,472
Property and equipment, net	362,935	353,761	Lease liabilities	149,269	12,127
Right-of-use assets, net	148,905	12,249	Deferred income tax liabilities	32,178	244,851
Investment property, net	2,464,440	2,475,104	Other liabilities	407,070	251,387
Intangible assets, net	7,403	8,529	Total liabilities	210,212,366	211,774,927
Deferred income tax assets	724,536	197,736	EQUITY		
Other assets, net	65,008	58,645	Common stock	13,114,411	13,114,411
			Capital surplus	320,929	320,929
			Retained earnings	25,539,109	24,745,092
			Other equity interest	(3,790,652)	2,805,333
			Total equity	35,183,797	40,985,765
TOTAL ASSETS	\$ 245,396,163	\$ 252,760,692	TOTAL LIABILITIES AND EQUITY	\$ 245,396,163	\$ 252,760,692



CHUNG KUO INSURANCE CO., LTD.
CONDENSED BALANCE SHEETS 2021
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2022	December 31, 2021	Item	December 31, 2022	December 31, 2021
ASSETS					
Cash and cash equivalents	\$ 2,500,588	\$ 4,187,842	Short-term liabilities	\$ 9,099,194	\$ -
Receivables	765,426	1,077,881	Payables	\$ 1,694,060	\$ 1,737,897
Current tax assets	5,332	8,203	Current tax liabilities	2,456	83,929
Assets classified as held for sale	12,380	15,813	Insurance liabilities	15,646,429	10,100,190
Financial assets at fair value through profit or loss	67,185	2,391,222	Provisions	80,212	113,785
Financial assets at fair value through other comprehensive income	388,864	2,030,382	Lease liabilities	31,429	30,175
Investments in debt instruments at amortized cost	3,466,994	3,516,440	Other liabilities	112,799	136,083
Investments accounted for using equity method	28,263	36,336	Total liabilities	26,666,579	12,202,059
Right-of-use assets, net	31,291	30,078	EQUITY		
Investment property, net	277,012	294,438	Common stock	4,420,500	3,000,000
Reinsurance contracts assets	16,592,224	4,990,018	Capital surplus	1,664,375	1,084,811
Property and equipment, net	805,115	765,146	(Accumulated deficit) retained earnings	(6,342,158)	3,579,835
Intangible assets, net	95,426	50,553	Other equity interest	270,038	193,382
Deferred income tax assets	665,595	29,027	Total equity	12,755	7,858,028
Other assets, net	977,639	636,708			
TOTAL ASSETS	\$ 26,679,334	\$ 20,060,087	TOTAL LIABILITIES AND EQUITY	\$ 26,679,334	\$ 20,060,087



MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31, 2022, AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2022	December 31, 2021	Item	December 31, 2022	December 31, 2021
ASSETS			LIABILITIES		
Current assets	\$ 761,776	\$ 775,346	Current liabilities	\$ 61,639	\$ 77,647
Financial assets at fair value through other comprehensive income	1,582	1,357	Lease liabilities	534	258
Property and equipment, net	128,793	129,581	Liabilities - non-current	2,010	9,812
Right-of-use assets, net	1,062	684	Total liabilities	64,183	87,717
Intangible assets, net	2,407	2,139	EQUITY		
Deferred income tax assets	413	1,960	Common stock	527,000	527,000
Other assets - non-current	31,334	36,268	Capital surplus	3,675	3,675
			Retained earnings	332,427	329,085
			Other equity interest	82	(142)
TOTAL ASSETS	\$ 927,367	\$ 947,335	Total equity	863,184	859,618
			TOTAL LIABILITIES AND EQUITY	\$ 927,367	\$ 947,335

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31, 2022, AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2022	December 31, 2021	Item	December 31, 2022	December 31, 2021
ASSETS			LIABILITIES		
Current assets	\$ 16,016,536	\$ 14,694,867	Current liabilities	\$ 11,353,345	\$ 11,162,136
Property and equipment, net	1,299	890	Long-term loans	2,248,861	999,818
Investment property, net	317,670	213,861	Lease liabilities	22,022	1,284
Right-of-use assets, net	29,633	1,967	Other liabilities - non-current	5,247	4,150
Intangible assets, net	1,266	858	Total liabilities	13,629,475	12,167,388
Deferred income tax assets	99,069	100,457	EQUITY		
Other assets - non-current	4,723	4,523	Common stock	2,000,000	2,000,000
			Capital surplus	1,261	1,261
			Retained earnings	839,460	848,774
TOTAL ASSETS	\$ 16,470,196	\$ 15,017,423	Total equity	2,840,721	2,850,035
			TOTAL LIABILITIES AND EQUITY	\$ 16,470,196	\$ 15,017,423

MEGA VENTURE CAPITAL CO., LTD.
CONDENSED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2022	December 31, 2021	Item	December 31, 2022	December 31, 2021
ASSETS			LIABILITIES		
Current assets	\$ 255,231	\$ 341,242	Current liabilities	\$ 4,681	\$ 24,230
Financial assets at fair value through profit or loss	823,182	784,877	Total liabilities	4,681	24,230
			EQUITY		
			Common stock	1,050,000	1,000,000
			Retained earnings	23,732	101,889
			Total equity	1,073,732	1,101,889
TOTAL ASSETS	\$ 1,078,413	\$ 1,126,119	TOTAL LIABILITIES AND EQUITY	\$ 1,078,413	\$ 1,126,119

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2022	%	2021	%
Interest income	\$ 66,457,595	124	\$ 39,410,949	88
Less: Interest expense	(30,218,689)	(56)	(9,625,761)	(22)
Net interest income	36,238,906	68	29,785,188	66
Net revenue other than interest	17,201,792	32	15,199,213	34
Net revenue	53,440,698	100	44,984,401	100
Bad debts expense, commitment and guarantee liability provision	(2,942,670)	(6)	(1,837,715)	(4)
Operating expenses	(23,763,656)	(44)	(22,636,867)	(50)
Profit from continuing operations before tax	26,734,372	50	20,509,819	46
Income tax expense	(2,552,937)	(5)	(2,052,499)	(5)
Profit	24,181,435	45	18,457,320	41
Other comprehensive loss	(20,526,934)	(38)	(788,560)	(2)
Total comprehensive income	\$ 3,654,501	7	\$ 17,668,760	39
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 2.83		\$ 2.16	

Financial Information

MEGA SECURITIES CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2022	%	2021	%
Revenues	\$ 3,900,601	100	\$ 7,199,526	100
Service fee expenditure	(235,607)	(6)	(413,313)	(6)
Employee benefit expense	(1,828,769)	(47)	(2,586,177)	(36)
Other operating expenditures	(197,904)	(5)	(79,377)	(1)
Operating expenses	(1,027,002)	(27)	(1,211,954)	(17)
Other gains and losses	164,065	4	144,997	2
Share of profit of associates and joint ventures accounted for using equity method	66,770	2	47,951	1
Profit from continuing operations before tax	842,154	21	3,101,653	43
Income tax expense	(238,925)	(6)	(353,323)	(5)
Profit	603,229	15	2,748,330	38
Other comprehensive (loss) income	(1,174,006)	(30)	274,805	4
Total comprehensive (loss) income	<u>(\$ 570,777)</u>	<u>(15)</u>	<u>\$ 3,023,135</u>	<u>42</u>
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 0.52		\$ 2.37	

MEGA BILLS FINANCE CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2022	%	2021	%
Interest income	\$ 3,348,239	79	\$ 2,702,451	54
Less: Interest expense	(1,509,561)	(36)	(503,632)	(10)
Net interest income	1,838,678	43	2,198,819	44
Net revenue other than interest	2,388,388	57	2,797,855	56
Net revenue	4,227,066	100	4,996,674	100
Provisions	308,285	8	(132,586)	(3)
Operating expenses	(833,849)	(20)	(868,279)	(17)
Profit from continuing operations before tax	3,701,502	88	3,995,809	80
Income tax expense	(661,219)	(16)	(717,847)	(14)
Profit	3,040,283	72	3,277,962	66
Other comprehensive loss	(6,560,344)	(155)	1,790,973	(36)
Total comprehensive (loss) income	<u>\$ 3,520,061</u>	<u>(83)</u>	<u>\$ 1,486,989</u>	<u>30</u>
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 2.32		\$ 2.50	

CHUNG KUO INSURANCE CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2022	%	2021	%
Operating revenue	\$ 6,034,608	100	\$ 5,839,253	100
Operating cost	(14,783,496)	(244)	(3,864,055)	(66)
Operating expense	(1,414,883)	(24)	(1,346,081)	(23)
Operating income	(10,163,771)	(168)	629,117	11
Non-operating income and expense	(472)	-	(1,216)	-
(Loss) Profit from continuing operations before tax	(10,164,243)	(168)	627,901	11
Income tax benefit (expense)	640,474	11	(122,790)	(2)
(Loss) profit	(9,523,769)	(157)	505,111	9
Other comprehensive (loss) income	(214,344)	(3)	109,517	2
Total comprehensive (loss) income	(\$ 9,738,113)	(160)	\$ 614,628	11
(Loss) earnings per share				
Basic and diluted (loss) earnings per share (after taxes)	(\$ 63.87)		\$ 3.72	

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2022	%	2021	%
Operating revenue	\$ 359,581	100	\$ 400,521	100
Operating expense	(266,334)	(74)	(304,037)	(76)
Operating income	93,247	26	96,484	24
Non-operating income and expense	(10)	-	5,507	2
Income before income tax	93,237	26	101,991	26
Income tax expense	(19,231)	(6)	(19,032)	(5)
Net income	74,006	20	82,959	21
Other comprehensive income	6,325	2	2,311	-
Total comprehensive income	\$ 80,331	22	\$ 85,270	21
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 1.40		\$ 1.57	

MEGA ASSET MANAGEMENT CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2022	%	2021	%
Operating revenue	\$ 481,882	100	\$ 437,804	100
Operating cost	(2,122)	(1)	(1,910)	-
Gross profit	479,760	99	435,894	100
Operating expense	(74,056)	(15)	(65,038)	(15)
Operating income	405,704	84	370,856	85
Non-operating income and expense	(127,795)	(26)	(47,052)	(11)
Income before income tax	277,909	58	323,804	74
Income tax expense	(55,382)	(12)	(65,235)	(15)
Net income	222,527	46	258,569	59
Other comprehensive income	907	-	40	-
Total comprehensive income	\$ 223,434	46	\$ 258,609	59
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 1.11		\$ 1.29	

MEGA VENTURE CAPITAL CO., LTD.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2022	%	2021	%
Operating revenue	\$ 27,475	100	\$ 316,561	100
Operating expense	(19,863)	(72)	(41,137)	(13)
Operating income	7,612	28	275,424	87
Non-operating income and expense	457	1	267	-
Income before income tax	8,069	29	275,691	87
Income tax expense	(4,248)	(15)	(3,584)	(1)
Net income	3,821	14	272,107	86
Total comprehensive income	\$ 3,821	14	\$ 272,107	86
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 0.04		\$ 2.59	

(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, 2022	For the year ended December 31, 2021
Return on assets	Pre-tax	5.01	6.79
	After-tax	5.05	6.92
Return on equity	Pre-tax	5.79	7.70
	After-tax	5.84	7.86
Net profit margin		98.15	100.22

UNIT : %

Items		MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES	
		For the year ended December 31, 2022	For the year ended December 31, 2021
Return on assets	Pre-tax	0.51	0.71
	After-tax	0.45	0.64
Return on equity	Pre-tax	6.73	8.75
	After-tax	5.84	7.86
Net profit margin		32.71	42.72

b. The subsidiary

UNIT : %

Items		MICB	
		For the year ended December 31, 2022	For the year ended December 31, 2021
Return on assets	Pre-tax	0.72	0.57
	After-tax	0.65	0.51
Return on equity	Pre-tax	9.08	6.91
	After-tax	8.21	6.22
Net profit margin		45.25	41.03

UNIT : %

Items		MS	
		For the year ended December 31, 2022	For the year ended December 31, 2021
Return on assets	Pre-tax	1.18	3.83
	After-tax	0.85	3.39
Return on equity	Pre-tax	4.66	16.91
	After-tax	3.34	14.99
Net profit margin		15.47	38.17

UNIT : %

Items		MBF	
		For the year ended December 31, 2022	For the year ended December 31, 2021
Return on assets	Pre-tax	1.49	1.43
	After-tax	1.22	1.18
Return on equity	Pre-tax	9.72	9.70
	After-tax	7.98	7.96
Net profit margin		71.92	65.60

UNIT : %

Items	CKI		
	For the year ended December 31, 2022	For the year ended December 31, 2021	
Return on assets	Pre-tax	(43.49)	3.20
	After-tax	(40.75)	2.58
Return on equity	Pre-tax	(258.28)	8.32
	After-tax	(242.00)	6.69
Net profit margin	(157.82)	8.65	

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 31, 2022 and 2021.

- (13) In accordance with Article 17 of Enforcement Rules of the Trust Enterprise Law, the disclosures of the trust balance sheets, trust income statements and list of investment for trust business are as follows:

(Please refer to page 216-217 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

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 218 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

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: 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: None.

(Please refer to page 218 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

G. Information on categories of securitization of assets 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.

I. Information on financial derivative transactions: Please refer to Note 7 for the information of financial instruments.

J. Funds lent to others: None.

K. Endorsement / guarantee provided: None.

(2) Information on the investees:

A. Supplementary disclosure regarding investee company:

(Please refer to page 219-221 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

B. Securities held at the end of period as of December 31, 2022:

(Please refer to page 222-224 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021.)

(3) Information on investments in Mainland China

(Please refer to page 225-226 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)



(4) Major shareholders information

Name of major shareholders	Shares	Number of shares held	Ownership (%)
Ministry of Finance		1,171,619,980	8.40
National Development Fund, Executive Yuan		851,747,532	6.11

A. The major shareholders' information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized 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 dematerialized 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 227 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

(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 228-229 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

(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 Futures 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. Thus, the 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.

Financial Information

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), impairment loss of loan, 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 CODM mainly focuses on the operating results, 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 services

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 region for relevant components of income balances.

(5) Information about segment profit or loss, assets and liabilities

Items	For the year ended December 31, 2022						
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Net interest income	\$ 36,857,448	\$ 59,515	\$ 218,455	\$ 780,571	(\$ 241,668)	\$ 8,773	\$ 37,683,094
Net revenue other than interest	17,127,418	(6,442,512)	4,008,611	3,048,920	19,538,802	(18,914,680)	18,366,559
Net revenue	53,984,866	(6,382,997)	4,227,066	3,829,491	19,297,134	(18,905,907)	56,049,653
(Provision for) reversal of bad debts expense, commitment and guarantee liability	(3,100,136)	(94,453)	308,285	-	9,732	-	(2,876,572)
Provisions for insurance liabilities	-	(2,357,830)	-	-	-	-	(2,357,830)
Operating expenses	(24,083,514)	(1,328,963)	(833,849)	(2,973,064)	(755,935)	304,375	(29,670,950)
Profit (loss) from continuing operations before tax	26,801,216	(10,164,243)	3,701,502	856,427	18,550,931	(18,601,532)	21,144,301
Income tax (expense) benefit	(2,619,781)	640,474	(661,219)	(253,198)	84,381	-	(2,809,343)
Profit (loss)	\$ 24,181,435	(\$ 9,523,769)	\$ 3,040,283	\$ 603,229	\$ 18,635,312	(\$ 18,601,532)	\$ 18,334,958

Items	For the year ended December 31, 2021						
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Net interest income	\$ 30,273,741	\$ 75,142	\$ 1,214,891	\$ 986,685	(\$ 88,357)	\$ 6,243	\$ 32,468,345
Net revenue other than interest	15,044,658	1,973,984	3,781,783	6,039,870	26,829,650	(25,907,444)	27,762,501
Net revenue	45,318,399	2,049,126	4,996,674	7,026,555	26,741,293	(25,901,201)	60,230,846
(Provision for) reversal of bad debts expense, commitment and guarantee liability	(1,782,406)	235	(132,586)	-	10,323	-	(1,904,434)
Provisions for insurance liabilities	-	(64,520)	-	-	-	-	(64,520)
Operating expenses	(22,944,987)	(1,356,940)	(868,279)	(3,914,460)	(819,656)	298,843	(29,605,479)
Profit (loss) from continuing operations before tax	20,591,006	627,901	3,995,809	3,112,095	25,931,960	(25,602,358)	28,656,413
Income tax (expense) benefit	(2,133,686)	(122,790)	(717,847)	(363,765)	412,745	-	(2,925,343)
Profit (loss)	\$ 18,457,320	\$ 505,111	\$ 3,277,962	\$ 2,748,330	\$ 26,344,705	(\$ 25,602,358)	\$ 25,731,070

For the year ended December 31, 2022							
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	\$ 3,708,587,710	\$ 26,679,334	\$ 245,396,163	\$ 62,677,530	\$ 369,065,306	(\$ 351,418,696)	\$ 4,060,987,347
Segment liabilities	\$ 3,418,631,170	\$ 26,666,579	\$ 210,212,366	\$ 45,845,400	\$ 64,478,216	(\$ 4,655,837)	\$ 3,761,177,894

For the year ended December 31, 2021							
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	\$ 3,798,147,301	\$ 20,060,087	\$ 252,760,692	\$ 92,138,726	\$ 392,247,465	(\$ 387,089,412)	\$ 4,168,264,859
Segment liabilities	\$ 3,499,040,912	\$ 12,202,059	\$ 211,774,927	\$ 72,824,931	\$ 59,037,040	(\$ 15,013,893)	\$ 3,839,865,976

(6) Geographical information about net revenue and identifiable assets

	For the years ended December 31,	
	December 31, 2022	December 31, 2021
Asia	\$ 51,207,140	\$ 55,694,545
America	3,104,864	2,943,764
Other	1,737,649	1,592,537
Total net revenue	\$ 56,049,653	\$ 60,230,846

	For the years ended December 31,	
	December 31, 2022	December 31, 2021
Asia	\$ 3,765,699,206	\$ 3,808,096,488
America	182,645,306	256,331,558
Other	112,642,835	103,836,813
Total identifiable assets	\$ 4,060,987,347	\$ 4,168,264,859

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	2022	2021	Difference	
				Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to banks		530,328,029	582,160,503	(51,832,474)	(8.90)
Financial assets at fair value through profit or loss		204,901,889	202,834,657	2,067,232	1.02
Financial assets at fair value through other comprehensive income		524,826,590	543,790,346	(18,963,756)	(3.49)
Investments in debt instruments at amortized cost, net		565,528,607	648,132,418	(82,603,811)	(12.74)
Securities purchased under resell agreements		618,306	949,170	(330,864)	(34.86)
Receivables, net		86,258,656	96,630,962	(10,372,306)	(10.73)
Current tax assets		329,712	331,977	(2,265)	(0.68)
Assets classified as held for sale		12,380	15,813	(3,433)	(21.71)
Loans discounted, net		2,079,441,292	2,037,354,980	42,086,312	2.07
Reinsurance contract assets, net (Note 1)		16,592,224	4,990,018	11,602,206	232.51
Investments accounted for using equity method		4,938,289	5,449,161	(510,872)	(9.38)
Other financial assets, net		7,673,288	6,095,575	1,577,713	25.88
Investment property, net		1,542,390	1,341,321	201,069	14.99
Property and equipment, net		21,636,818	21,670,526	(33,708)	(0.16)
Right-of-use assets, net		1,903,487	1,854,439	49,048	2.64
Intangible assets, net		1,318,844	1,017,030	301,814	29.68
Deferred income tax assets		6,999,467	6,505,527	493,940	7.59
Other assets, net		6,137,079	7,140,436	(1,003,357)	(14.05)
Total assets		4,060,987,347	4,168,264,859	(107,277,512)	(2.57)
Deposits from the Central Bank and banks		417,271,579	385,049,995	32,221,584	8.37
Due to the Central Bank and banks (Note 2)		3,250,380	46,890,696	(43,640,316)	(93.07)
Financial liabilities at fair value through profit or loss		21,447,467	19,344,092	2,103,375	10.87
Securities sold under repurchase agreements		252,342,653	225,056,762	27,285,891	12.12
Commercial paper issued, net (Note 3)		22,637,681	32,917,848	(10,280,167)	(31.23)
Payables		73,475,048	84,963,858	(11,488,810)	(13.52)
Current income tax liabilities		10,752,028	12,298,301	(1,546,273)	(12.57)
Deposits and remittances		2,847,366,547	2,959,789,704	(112,423,157)	(3.80)
Bonds payable (Note 4)		20,000,000	6,000,000	14,000,000	233.33
Other borrowings (Note 5)		17,348,000	1,260,000	16,088,000	1,276.83
Provisions		33,053,040	29,941,604	3,111,436	10.39
Other financial liabilities (Note 6)		23,542,283	12,453,364	11,088,919	89.04
Lease liabilities		1,956,726	1,903,356	53,370	2.80
Deferred income tax liabilities		2,480,569	2,635,979	(155,410)	(5.90)
Other liabilities (Note 7)		14,253,893	19,360,417	(5,106,524)	(26.38)
Total liabilities		3,761,177,894	3,839,865,976	(78,048,400)	(2.03)
Equity attributable to owners of parent		299,809,453	328,398,883	(28,589,430)	(8.71)
Common stock		139,398,196	135,998,240	3,399,956	2.50
Capital surplus		68,194,233	68,194,233	-	-
Retained earnings		107,542,620	113,046,484	(5,503,864)	(4.87)
Other equity interest (Note 8)		(15,325,596)	11,159,926	(26,485,522)	(237.33)
Total Equity		299,809,453	328,398,883	(28,589,430)	(8.71)

Change analysis:

1. The increase in reinsurance contract assets is primarily due to the significant increase in claims for pandemic insurance, which in turn led to an increase in reinsurance claims.
2. The decrease due to the Central Bank and banks is mainly due to adjustments in fund allocation and a reduction in interbank borrowing.
3. The decrease in commercial paper issued is mainly due to a partial shift in fund allocation to short-term borrowing to support operations.
4. The increase in bonds payable is mainly due to the issuance of subordinated financial bonds to strengthen our capital base and support long-term business development needs.
5. The increase in other borrowings is mainly due to a partial shift in fund allocation from issuing commercial paper to short-term borrowing to support operations.
6. The increase in other financial liabilities is mainly due to an increase in the principal received from structured products.
7. The decrease in other liabilities is primarily due to a decrease in proceeds from underwriting equity securities.
8. The decrease in other equity is mainly due to the impact of a market downturn on stocks and bonds, resulting in a change from profit to loss in the valuation of debt and equity instruments.

7.2 Analysis of Financial Performance

Unit: NT\$1,000

Item	2022	2021	Difference	%
Interest income (Note 1)	69,936,167	42,796,556	27,139,611	63.42
Less: interest expense (Note 2)	(32,253,073)	(10,328,211)	(21,924,862)	212.28
Net interest revenue	37,683,094	32,468,345	5,214,749	16.06
Net revenue other than interest (Note 3)	18,366,559	27,762,501	(9,395,942)	(33.84)
Net revenue	56,049,653	60,230,846	(4,181,193)	(6.94)
Bad debts expense, commitment and guarantee liability provision	(2,876,572)	(1,904,434)	(972,138)	51.05
Net change in provisions for insurance liabilities (Note 4)	(2,357,830)	(64,520)	(2,293,310)	3,554.42
Operating expenses	(29,670,950)	(29,605,479)	(65,471)	0.22
Profit from continuing operations before tax	21,144,301	28,656,413	(7,512,112)	(26.21)
Income tax expense	(2,809,343)	(2,925,343)	116,000	(3.97)
Profit for the year	18,334,958	25,731,070	(7,396,112)	(28.74)
Total other comprehensive income (after income tax)	(27,884,634)	(2,433,425)	(25,451,209)	1,045.90
Total comprehensive income (Note 5)	(9,549,676)	23,297,645	(32,847,321)	(140.99)
Profit attributable to owners of parent	18,334,958	25,731,070	(7,396,112)	(28.74)
Comprehensive income attributable to owners of parent	(9,549,676)	23,297,645	(32,847,321)	(140.99)

Change analysis:

1. The increase in interest income is mainly due to the raising interest rates from global central banks, resulting in an increase in interest income from loans.
2. The increase in interest expense is mainly due to the raising interest rates from global central banks, resulting in an increase in interest expense on deposits.
3. The decrease in net revenue other than interest is mainly due to losses from pandemic insurance policies.
4. The decrease in net change in provisions for insurance liabilities is mainly due to losses from pandemic insurance policies.
5. The decrease in comprehensive income for the period is mainly due to a shift from gains to losses in the evaluation of debt and equity instruments.



7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for 2022

Unit: %

Item	Year	2022	2021	%
Cash flow ratio		8.29	11.44	(27.53)
Cash flow adequacy ratio		216.98	288.64	(24.83)
Cash flow coverage ratio		Note	Note	NA

Note: Due to the net outflow of cash from investment activities, disclosure is not provided.

Change Analysis:

The decrease in the cash flow ratio and cash flow adequacy ratio was mainly due to the increase in interest payments, resulting in a decrease in net cash inflow 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
113,662,306	358,488,714	326,874,995	145,276,025	None	None

7.4 Influences from Major Capital Expenditures in 2022: None.

7.5 Investment Strategies in the Past Year and Investment Plan for the Coming Year

7.5.1 Investment Policies in 2022

- 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 company reported a profit in 2022 of NT\$ 24,181,435 thousand, an increase of 31.01% from NT\$18,457,320 thousand in 2021, mainly due to interest net income increased by 21.67% compared to 2021, and the increase of net income from financial operations. Although the stock operation income declined compared to 2021, the profit from the disposal of FXSWAP positions due at the end of 2022 increased compared to 2021, and the valuation of positions not yet due also increased. Overall, currency swap operations increased compared to 2021.

Mega Securities Co., Ltd. (MSC)

MSC reported a profit in 2022 of NT\$ 603,229 thousand, a decrease of 78.05% from NT\$2,748,330 thousand in 2021. This decrease was mainly due to the fact that the average daily market volume in 2022 was NT\$305.2 billion, a decrease of NT\$172.6 billion compared to 2021, and the weighted stock price index fell by 22.4% in 2022, resulting in a decline in both net income from handling fees and net income from financial operations compared to 2021. In 2023, the company will reduce the impact of market shocks on profits and strive to increase regular income and strengthen operational performance while actively promoting digital transformation to maintain competitiveness and increase profits.

Mega Bills Finance Co., Ltd. (MBF)

MBF reported a profit in 2022 of NT\$3,040,283 thousand, a decrease of 7.25% from NT\$3,277,962 thousand in 2021. This decrease was because that in 2022, the interest rate of NTD and foreign currency rose, and the bond spread narrowed, resulting in a decrease in net interest income from bond holdings and a decrease in bond disposal income; The interest rates for secondary market bonds increased due to the interest rate hike of the Central Bank in Taiwan in 2022, but interest rates in the primary market were affected by competition among peers and banks, resulting in a smaller increase in quoted prices compared to the secondary market. This led to a narrowing of the overall coupon spread compared to 2021. In view of the slowdown in domestic and international economic growth in 2023, mainly due to geopolitical risks and inflationary pressures, major economies continue to adopt tight monetary policies to suppress inflation, resulting in many uncertainties in the market and relatively high corporate credit risk. The bills business will adopt a prudent strategy in order to maintain the risk control and quality of credit business, and the cost of funds will continue to reflect the expectation of interest rate increase. For bond and equity investment business, flexible adjustments will be made for NTD/foreign currency bond portfolios, and diversified and stable funds will be expanded to maximize the benefits of bond investment. In addition, fundamental and technical changes in stock targets will be analyzed in-depth to keep abreast of market trends and adjust trading positions accordingly for short-term trading to earn capital returns.



Chung Kuo Insurance Co., Ltd. (CKI)

CKI reported a net loss after tax in 2022 of NT\$9,523,769 thousand, a decrease in profit compared to the profit after tax of NT\$505,111 thousand in 2021. This was mainly due to the severe domestic COVID-19 epidemic, the recognition of losses from pandemic insurance policies and related reserves resulting in losses. In 2023, the company will use its funds prudently, strengthen the effectiveness of capital increase, continue to pay attention to industry development trends, improve product research and development mechanisms, implement risk management, and ensure the company's stable operation.

Mega Assets Management Co., Ltd. (AMC)

AMC reported a profit in 2022 of NT\$222,527 thousand, a decrease of 13.94% from NT\$258,569 thousand in 2021, mainly due to the increase in operating volume of advances and the central bank's interest rate hike, which drove growth in operating income. However, the increase in borrowing interest rates has led to a much greater increase in interest expenses than the increase in service revenue. In 2023, the company will not only actively develop existing businesses to enhance operational profitability but also continue to monitor market trends in the financial market. The company will prioritize liquidity safety in capital allocation and seek relatively favorable funding costs through multiple consultations.

Mega Venture Capital Co., Ltd. (MVC)

MVC reported a profit in 2022 of NT\$3,821 thousand, a decrease of 98.60% from NT\$272,107 thousand in 2021. The reason was that the performance of the stock market was affected by domestic and foreign political and economic situations. Although the company actively disposed of its positions, the valuation loss was large, resulting in a profit performance that did not meet the budget target. In 2023, the company will continue to invest in early-stage and expansion stage investments, together with mature stage investments that generate short-term profits. At the same time, the company will continue to carefully evaluate its investment plans and plan a portfolio of investments in different products, industries and development stages with growth potential in order to reduce and diversify the investment risks it faces.

Mega International Investment Trust Co., Ltd. (MIIT)

MIIT reported a profit in 2022 of NT\$ 74,006 thousand, a decrease of 10.79% from NT\$82,959 thousand in 2021, mainly due to the fluctuation of global investment market, causing the net value of the fund to decline, resulting in a reduction in scale and a decrease in management fee income. The company plans to raise at least 3 new funds in 2023 to increase profits by promoting the growth of fund scale.

Taipei Financial Center Corporation (TFCC)

TFCC reported a profit in 2022 of NT\$1,526,965 thousand, an increase of NT\$ 238,811 thousand or 18.54%, from NT\$1,288,154 thousand in 2021, mainly due to the epidemic has gradually slowed down, and

domestic consumption and foreign tourists have gradually recovered, resulting in an increase in the number of visitors to the observation deck and adjustments to commercial office rents, resulting in an increase of NT\$385,574 thousand in net operating profit compared to the same period. However, non-operating income and expenses decreased by NT\$87,644 thousand.

Taiwan Depository & Clearing Corporation (TDC)

TDC reported a profit in 2022 of NT\$ 4,251,899 thousand, a decrease of NT\$1,863,079 thousand (a decline of 30.47%) compared to the profit of NT\$6,114,978 thousand in 2021. This was mainly due to the significant decrease in the trading volume of Taiwan stocks, resulting in a decrease of NT\$2,084,900 thousand in various securities-related service revenues compared to the same period, resulting in a decrease of NT\$2,263,286 thousand in operating profit.

7.5.3 Investment Plans for 2023

- 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, 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 is 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, we 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 are 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 is 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 is 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

Follow the authority's relevant regulation on this industry and the company's internal control systems and processing procedures to evaluate the counterparty's credit level before the transaction is done and confirm the legitimacy. Regularly review the credit status of counterparties and investment targets, continuously control credit risks, and regularly evaluate various credit enhancement measures.

(2) Market risk

Determine the scope of use of self-owned funds, the investment limit of investment targets, and the approved level of investment. Reviewing the investment target's loss/profit and setting up stop loss point. For those targets that reach the goals, a review in fund manager meeting is conducted.

(3) Operational risk

Reviewing operational risk loss events periodically and setting up risk database and operational risk self-evaluation system. Each department follow the internal control system to conduct self-review periodically. Internal and external auditor will audit randomly. Setting up important event risk management mechanism to make sure a quick response 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 needs 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. In addition, the company has formulated internal risk management rules, setting both qualitative and quantitative annual risk management goals in accordance with the “Risk Management Policies and Operating Guidelines” and conduct relevant review on a periodic basis.

B. Organization of risk management

Mega International Commercial Bank Co., Ltd.

The Board of Directors is the highest risk oversight unit and is responsible for approving risk management strategies, organizations, objectives, important regulations and various risk limits.

(1) Credit risk

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 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 manage business-related operational risks, and formulates business-related goals, regulations, and operational rules. The Risk Management Department formulates operational risk management policies and objectives, supervises the implementation of objectives, establishes operational risk management mechanisms and urges all units to report operational risk exposures. The Auditing Department of the Board of Directors regularly checks the effectiveness of the operational risk management mechanism of each unit, as well as supervising and tracking improvements of operational deficiencies.

(4) Liquidity risk

The Treasury Department manages the daily liquidity risks. The Risk Management Department Review of Financial Conditions, Operating Results, and Risk Management 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.

The Board of Directors is the highest risk management unit and is ultimately responsible for establishing a risk management system and ensuring its effective operation.

(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 Corporate Finance Department, Trading 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 Corporate Finance Department, Trading Department, Bond Department, and all branches are the main operational units for market risk control.

(3) Operational risk

The affairs with regard to operational risk are periodically reported to the Risk Management Committee and board of Directors by the risk management unit. 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 Trading 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.

The Board of Directors is the decision-making body of the risk management organization and is responsible for approving risk management policies and ensuring effective risk management and taking the ultimate responsibility for risk management.

(1) Credit risk

Risk Management Office monitors the risk management mechanism and execution of each department according to “Risk Management Principles” and “Credit Monitoring Management Execution Principles”, including the authorization structure at all levels, reporting process and operation content, credit evaluation before the transaction, credit rating management, post-transaction credit monitoring and over-limit countermeasures, etc.

(2) Market risk

Risk Management Office monitors the risk management mechanism and execution of each department according to “Risk Management Principles”, including the authorization structure of each level, reporting process and operation content, transaction scope, market risk measurement method, market risk limit and approval level and over-limit countermeasures, etc.

(3) Operational risk

According to feature of product risk of operation procedures, each department enacted “standard operational procedure” covering internal control specification and control point. Each department additionally set up “Self-inspection Item for Management of Business” for necessary supervision, management and anomaly tracking and improvement.

(4) Liquidity risk

The identification, measurement and management of liquidity risk are the responsibility of the Finance Department. 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, “Rules Governing Handling Operation of Significant Accidental Event” has been enacted 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 Board of Directors ensures the effectiveness of risk management and assumes the ultimate responsibility for overall risk management; each business unit is responsible for implementing credit, market, operational and insurance risk business. 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.

The Board of Directors shall be ultimately responsible for the effective operation of risk management; the investment and transaction departments are responsible for regularly and irregularly reviewing the credit status of investment targets and counterparties. The finance department is responsible for compiling and reporting relevant management reports and information. The risk control department is responsible for Monitor and regularly summarize reports, and the audit office regularly checks the effectiveness of the actual implementation of each department.

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

All units report operational risk events in accordance with regulations, review and develop improvement plans. The business supervisory unit of the head office inspects the relevant regulations, processes or systems, and tracks and improves the handling situation. The Risk Control and Management Office reports operational risk events on a monthly basis, and reports it to the Risk Management Committee and the Board of Directors quarterly. Conduct self-assessment of operational risks on a regular basis every year to measure operational risk exposures. The improvement suggestions put forward by the respective evaluation units shall be developed by the business supervisory unit of the Headquarters and notified to the relevant units for compliance. The Risk Control and Management Office will submit the assessment results and improvement implementation to the Risk Management Committee, and report to the Board of Directors and the Financial Control Risk Management Committee.

(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 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, Board of Directors, and Mega Financial Holding's Risk Management Committee regularly.

(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

Summarize 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

Monthly operational risk event loss data report is reported and subsequently tracked by the Risk Management Department to Mega Financial Holding. The aforementioned contents will also be included in the risk management profile tracking and reporting to the board on a quarterly basis. Each department conduct compliance self-inspection each half year and the result are reported to the Broad by legal and compliance department. Each 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 monthly 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, monthly 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.

Regularly report to the Board of Directors the changes in cash and equity positions of investment enterprises, the impact of interest rates, exchange rates, stock markets and other economic conditions, investment policies (including risk limits) and other market risks, as well as the credit and operational status of trading partners and investment enterprises.

D. Hedging or risk mitigation policy, strategies, and procedures**Mega International Commercial Bank Co., Ltd.****(1) Credit risk**

The bank will take 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

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.

- (1) 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.
- (2) 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 are evaluated periodically.
- (3) For 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.
- (4) 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.

The investment limit for a single case of investment shall not exceed 20% of the paid-in capital, and the total shareholding of the group shall not exceed 15% of the equity of the case; the company’s concentration in a single industry shall not exceed 40% of the company’s paid-in capital. The total investment shall not exceed 150% of the net value to control the overall risk.

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, 2022; Unit: NT\$ thousand

Exposure types	Exposures after credit mitigation	Capital requirement
Sovereigns	763,827,145	1,623,558
Non-central government public sector entities	6,257,569	101,546
Banks (including multilateral development banks)	377,797,518	10,692,876
Enterprises (including securities firms and insurance companies)	1,160,422,553	77,451,192
Regulatory retail portfolios	76,161,792	3,293,649
Residential property	1,206,275,453	68,114,090
Equity investment	57,635,133	8,347,604
Other assets	43,959,301	2,673,841
Total	3,692,336,464	172,298,356

Note : Capital requirement is the risk exposure after risk offset multiplies by risk weights and minimum capital adequacy.

(2) Market risk

The Capital Requirement for Market Risk

December 31, 2022; Unit: NT\$ thousand

Risk type	Capital requirement
Interest rate risk	1,201,325
Equity risk	489,340
Foreign exchange risk	597,777
Commodities risk	0
Total	2,288,442

(3) Operational risk

The Capital Charge for Operational Risk

December 31, 2022; Unit: NT\$ thousand

Year	Gross profits	Capital requirement
2022	53,338,937	
2021	45,057,800	
2020	45,064,811	
Total	143,461,548	7,273,077

(4) Liquidity Risk

Analysis of the Maturity Structure-NT Dollar

December 31, 2022; 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	\$2,538,318,235	\$ 204,423,742	\$ 185,252,743	\$ 407,873,496	\$ 286,180,101	\$ 270,558,827	\$1,184,029,326
Major Outflows of Matured Funds	3,288,504,207	171,444,406	158,959,963	467,315,556	408,407,023	726,126,828	1,356,250,431
Period Gap	(\$ 750,185,972)	\$ 32,979,336	\$ 26,292,780	(\$ 59,442,060)	(\$ 122,226,922)	(\$ 455,568,001)	(\$ 172,221,105)

Note: The above table reports the N.T. dollars position held by the Bank.



Analysis of the Maturity Structure-US Dollar

December 31, 2022; 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	\$ 63,582,425	\$ 22,889,780	\$ 9,022,989	\$ 6,568,435	\$ 6,580,008	\$ 18,521,213
Major Outflows of Matured Funds	71,966,081	24,212,618	15,922,289	5,287,365	7,793,200	18,750,609
Period Gap	(\$ 8,383,656)	(\$ 1,322,838)	(\$ 6,899,300)	\$ 1,281,070	(\$ 1,213,192)	(\$ 229,396)

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, 2022; 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	\$ 19,468,273	\$ 8,794,008	\$ 2,311,155	\$ 749,980	\$ 1,182,358	\$ 6,430,772
Major Outflows of Matured Funds	20,896,510	6,733,188	2,803,472	1,089,612	963,497	9,306,741
Period Gap	(\$ 1,428,237)	\$ 2,060,820	(\$ 492,317)	(\$ 339,632)	\$ 218,861	(\$ 2,875,969)

(5) Securitization risk

The Exposure and Capital Charge for Securitization Framework

December 31, 2022; Unit: NTS thousand

Bank category	Risk exposure category Book type	Asset category	Traditional				Synthetic		Total			
			Exposure				Capital Charge (2)	Exposure		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)	Capital charge (4)			Exposure (5)=(1)+(3)
Non- originating bank	Banking book	Mortgage-backed Securities	1,302,411	-	-	1,302,411	20,839	-	-	1,302,411	20,839	
		Collateralized Mortgage Obligations	65,299,015	-	-	65,299,015	1,044,784	-	-	65,299,015	1,044,784	
	Trading book											
	Sub-total		66,601,426	-	-	66,601,426	1,065,623	-	-	66,601,426	1,065,623	
Originating bank	Banking book											
	Trading book											
	Sub-total		-	-	-	-	-	-	-	-	-	
Total			66,601,426	-	-	66,601,426	1,065,623	-	-	66,601,426	1,065,623	

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, 2022; Unit: NTS thousand

Exposure types	Capital charge	Risk assets
Sovereigns	0	0
Non-central government public sector entities	4,410	55,126
Banks (including multilateral development banks)	128,241	1,603,016
Corporations (including securities firms and insurance companies)	13,174,241	164,678,010
Regulatory retail portfolios	11,007	137,593
Equity investment	740	9,251
Other assets	0	0
Total	301,926	3,774,073

(2) Market risk

The Capital Charge for Market Risk under Standardized Approach

December 31, 2022; Unit: NTS thousand

Exposure type	Capital charge	Risk assets (Note)
Interest rate risk	5,300,529	66,256,613
Equity risk	302,624	3,782,800
Foreign exchange risk	175,476	2,193,450
Commodities risk	0	0
Option adopted by simplified approach	0	0
Total	5,778,629	72,232,863

Note: Capital charge times 12.5

(3) Operational risk

The Capital Charge for Operational Risk under Basic Indicators Method

December 31, 2022; Unit: NTS thousand

Year	Gross profits	Capital charge	Risk assets
2022	4,190,345		
2021	4,968,537		
2020	4,694,495		
Total	13,853,377	692,669	8,658,361

(4) Liquidity risk

Analysis of the Maturity Structure of Assets and Liabilities

December 31, 2022; Unit: NTS million

	Total	Amount Outstanding by Remaining Time to Maturity				
		0~30 days	31~90 days	91~180 days	181days~1 year	over1 year
Assets	239,414	63,007	70,153	2,424	6,572	97,258
Liabilities	207,457	161,194	44,920	1,062	154	127
Gap	31,957	(98,187)	25,233	1,362	6,418	97,131
Cumulative gap		(98,187)	(72,954)	(71,592)	(65,174)	31,957



Mega Securities Co., Ltd.

(1) Credit risk

Credit risk analysis of Mega Securities and its subsidiaries

December 31, 2022; Unit: NT\$ thousand

Exposure type	Mega Securities Co., Ltd.	Mega Futures Co., Ltd.	Mega International Investment Services Co., Ltd.	Total
Deposits	1,954,407	536,760	32,659	2,523,826
Marketable Securities	25,136,396	0	28,961	25,165,357
Financial Derivatives	277,854	0	0	277,854
Long-term Investments	764,137	9,280	0	773,417
Total	28,132,794	546,040	61,619	28,740,453

Country credit risk analysis

December 31, 2022; Unit: NT\$ thousand

Country Exposure	Deposits	Securities	Derivatives	Total	As a percentage of shareholder's equity
China	0	613,821	0	613,821	3.18%
USA	0	578,471	0	578,471	3.00%
Australia	0	265,462	0	265,462	1.37%
Cayman Island	0	38,443	0	38,443	0.20%
Belgium	32,497	0	0	32,497	0.17%
France	0	32,274	0	32,274	0.17%
Japan	0	30,729	0	30,729	0.16%
Korea	0	27,871	0	27,871	0.14%

(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, 2022; 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	22,393	31,073	34,483	36,318	44,772	49,254	49,254
Major cash outflows	20,456	28,449	31,341	32,272	36,538	38,365	38,365
Cumulative gap	1,937	2,624	3,141	4,046	8,234	10,890	-



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, 2022; Unit: NT\$ thousand

Exposure	Risk-based capital	As a percentage of the risk capital before adjustment
R0: Asset risk – Related party risk	159,244	3.92%
R1: Asset risk – Unrelated party risk	222,260	5.47%
R2: Credit risk	859,289	21.13%
R3a: Underwriting risk – Reserve risk	1,001,346	24.63%
R3b: Underwriting risk – Premium risk	1,446,258	35.57%
R3c: Underwriting risk – Long-term insurance risk	3	0.00%
R3d: Natural disaster risk	276,737	6.81%
R4 : Asset & liability allocation risk	1,002	0.02%
R5 : Other risk	99,982	2.46%
Risk-based capital before adjustment	4,066,121	100.00%
Risk-based capital	1,121,372	
Adjusted net capital	(98,702)	
Capital Adequacy Ratio	-8.80%	

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 2021, the Central Bank adjusted its selective credit controls for the third time, tightening regulations on loan ratios and grace periods. It did so in order to promote financial stability and improve banking businesses, prevent excessive flow of bank credit resources to real estate loans, and respond to deepening concerns over financial risk and substantial investments in unfavorable manufacturing businesses. Meanwhile, the Financial Supervisory Commission (FSC) strengthened its financial inspection of real estate-related loans to curb improper speculation. During a press conference held after the meeting of its Board of Supervisors in December 2022, the Central Bank expressed that further adjustment to its selective credit controls is imminent.
- (2) As recommended in an evaluation by the Asia/Pacific Group on Money Laundering (APG), the Central Bank plans to revise the Regulations Governing the Establishment and Administration of Foreign Currency Exchange Counters to enhance the effectiveness of anti-money laundering and counter terrorism financing and strengthen the management of foreign currency exchange counters. The revisions include a reduction in currency exchange limit, preserving documents related to enhanced review to facilitate auditing, and strengthening customer due diligence measures to improve existing laws and regulations.



- (3) Following changes that permit electronic payment institutions to process domestic and foreign small-amount remittances, the Central Bank amended the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions to strengthen the implementation of foreign exchange management. One of the amendments states that the Bank may, in view of economic or financial conditions, or the needs for maintaining the order of foreign exchange market, issue an order to flexibly adjust the basis for establishing the amount of annual aggregate foreign exchange purchased or sold for transactions of specific nature and individual declarant to reduce foreign exchange speculation.
- (4) The Central Bank amended the Directions Governing Authorized Banks for Operating Foreign Exchange Businesses through Electronic or Communications Equipment to assist banks in developing digital channels and further simplify the application procedures for authorized banks operating foreign exchange businesses through electronic or communications equipment.
- (5) The Financial Supervisory Commission promulgated the Guidelines for Domestic Banks' Climate Risk Financial Disclosure which is aimed to promote the core strategy for the development of sustainable finance in the Green Finance Action Plan 2.0 and strengthen the management of climate-related risks by domestic banks. The Guidelines are expected to be implemented starting from 2022. Accordingly, domestic banks shall, beginning from 2023, perform the financial disclosure of climate-related risks for the previous year before the end of June each year.

B. Countermeasures

In response to the development of financial technology, the Company will continue to optimize user experience, taking into consideration the different habits of users to increase customer stickiness and boost the competitiveness of the company's digital financial services. The Company will revise its internal rules and regulations in accordance with the laws and regulations of the competent authority, to prevent excessive flow of bank credit resources to mortgage loans, enhance its anti-money laundering and countering terrorism financing system, strengthen climate-related risk management, and comply with internal and external rules and reinforce the company's compliance and risk management mechanism.

7.6.4 Impact on the Company's financial standing due to technological (including cyber security risks) or industrial changes, and corresponding countermeasures

A. Impact of technological (including cyber security risks) and corresponding countermeasures:

a. Impact on the bank's financial standing due to technological (including cyber security risks) changes

To keep pace with the trends of technology development and digital transformation, the Company has accelerated its R&D initiatives and improved various digital financial services, while seeking cross-industry cooperation opportunities to expand its service scope and develop new clients. To align with customers' thoughts on digital services, the Company has also increased the use of data analysis and other technological methods to ascertain 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. Impacts on the bank's financial standing due to technological changes are as follows:

- 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 institutions 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.

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. A video identity verification platform was also established in response to the trends of mobile financial services. Online video calls are used as substitute for some counter service operations to promptly provide more convenient digital financial services for customers.
- The Company actively cultivates the consumer banking market, launching a variety of "MegaBee" services (mortgage loan, personal loan, and wealth management) to provide individuals with quick online inquiries about housing prices, credit limit interest rates, robo-advisor services, etc. This one-stop service meets the various online loan and financial planning needs of the general public. The service is also integrated with AI Big Data analysis, as well as financial technologies, such as robotic process automation, to create smart valuation and price quoting procedures, thereby making the loan approval process much more efficient. Among these initiatives, the smart valuation model and process for mortgage loan applications have obtained six patents from the Taiwan Intellectual Property Office of the Ministry of Economic Affairs, and also won the Best Consumer Finance prize in the 10th Taiwan Banking and Finance Best Practice Awards. In the future, more loan and wealth management products will be integrated into the platform to provide more comprehensive consumer finance services.
- Mega Bank launched "Taiwan Pay" a debit and credit card mobile payment service, offering money transfer, shopping, tax payment, and utility payment functions. A merchant payment collection system has been set up as well to increase the opportunity for merchants to interact with 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 cooperated with LINE to market its business through LINE account services, and to provide personalized account notification functions, including notifications related to transactions, credit card spending, loans, financing, and investments. Such cooperation helps boost customer adhesion and reinforce the digital brand image of Mega Bank. To support the Open Banking initiative promoted by the competent authority of Taiwan, Mega Bank cooperated with Taiwan Depository & Clearing Corporation (TDCC) and completed Phase 2 of this initiative, which allows customers to directly use TDCC's App to check their personal banking details. Through this initiative, Mega Bank actualizes the spirit of sharing financial data securely and maximizing benefits for consumers and the society. The Bank is planning to cooperate with more third-party service providers, integrating inter-industry data and services to create greater data value.
- Regarding the digital transformation of bank branches, Mega Bank has deployed Smart Teller Machine (STM) in its branches. The STM is designed with standard and digital account opening processes, which enable customers to open an account in 17 minutes on average and greatly reduce the workloads of bank clerks. Currently, the Bank is still busy introducing this service in the process for opening other types of accounts, with the aim to integrate it across all account opening integrated platforms to improve the operating efficiency of clerks and shorten the waiting time for customers. Meanwhile, the Bank has set up a cloud-based service on its official website to provide OMO services, such as taking a digital queue ticket, inquiring queue progress, booking an appointment for opening an account, applying for a credit card online. These services improve customer satisfaction.
- 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.
- To integrate the resources of Mega Holdings Group, Mega Bank cooperated with Mega Securities to provide a digital financial service, in which customers can open multiple accounts (digital deposit account and securities account) at the same time without having to fill out a bunch of paperwork. This service is aimed at improving user experience and harnessing the synergy of Mega Holdings Group in integrated marketing. In addition, Mega Bank and Chung Kuo Insurance collaborated to link online foreign currency settlement to a travel insurance purchase service, thereby continuing to create an ecosphere for convenient digital living. In response to the increasing demand for mobile device authentication, we are currently preparing to introduce the FIDO solution to facilitate the use of digital services across different subsidiaries by the same customer without the need for duplicate identity verification mechanisms. This will optimize the online service experience and enhance our brand image.
- The Company continues to organize digital banking training for employees to strengthen their ability to know exactly the "who and when" when promoting a digital product, and to improve their computer knowledge and skills. This training also equips employees with the basic concept of digital banking to serve as the foundation for building a culture of digital banking.
- 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.

- 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.
- In response to the endless hacking incidents, an information security monitoring center has been established. Through the establishment of reporting and response processes and event correlation analysis technology, combined with 7x24 continuous monitoring, as well as early detection, reporting and handling of information security risk events.
- Mega Bank has established Guidelines for Use of Emerging Technologies to combat web threats and information risks brought about by technological applications (e.g., cloud services, social media, mobile devices, and biometric data) and ensure the sustainable development and reputation of the Bank. In December 2022, the Company continued to purchase the "e-commerce and information security liability insurance (cyber security insurance)" for all of its branches, both at home and abroad. The insurance period is from 2022.12.01 to 2023.12.01, and the insured amount is USD 5 million, covering all domestic and foreign branches.

B. Impacts of changes in the industry and responsive measures

a. Impacts of changes in the industry on banks' finance and business

- The COVID-19 pandemic has affected the world for more than two years, changing not only the way people work but also the way businesses operate. Market demands for stay-at-home economy, remote video, IoT applications, and cloud services have increased, thus increasing business opportunities related to software and hardware applications, including 5G infrastructure, Big Data centers, and artificial intelligence. This trend prompted the transformation and production expansion of industries. The trends of cloud technology, artificial intelligence (AI), and digital ecosystems have also accelerated the development of digital banking, shifting financial transactions toward mobile payment, Internet banking, and mobile banking. In response, banks placed their focus on novel financial services, such as consumer behavior analysis and instant provision of suitable financial and consumption advices, to strengthen customer stickiness.
- Under the impact of COVID-19, extreme weather events around the world, and other environmental variables, international investment trends and the government worldwide are paying increased attention to environmental, social, and corporate governance (ESG) issues. In response, the Taiwan government also implemented policies such as the Green Finance Action Plan 2.0, where banks will play a role in guiding enterprises to value the importance of environmental protection and also providing Taiwanese firms with flexible and reliable financial support to create a positive loop in which investments and industries both pursue sustainable development.



b. Countermeasures

In order to strengthen industrial analysis and to keep track of industrial dynamics, we not only subscribe to professional industrial economy databases for employees to access and review 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. In response to the trends of digital transformation, we actively adopt a digital communication platform to digitally transform and continuously optimize our business 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 our board directors, the Company builds a safe and sound operating environment and transparent corporate management system to support and comply with the government's financial policies. Concurrently, environmental sustainability and social prosperity issues are considered to achieve a robust business management that helps us to establish a positive corporate image.
- 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 support the underprivileged, as well as promote arts, culture, and sports events to enhance its corporate image and exert positive influence.

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 securities subsidiary of the Company has avoided concentration risks, limits are set for each business control item in the risk management rules. For example, limits and warnings are set for the holding of self-owned positions of a single company and a single industry, as well as for the total credit exposure to a single customer, a single group, and a single country.

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.

The investment trust subsidiary of the Company has controlled limits and establish warning mechanisms for managing funds, the investment targets and the concentration risk of a single industry are closely monitored. The financial conditions and credit rating changes of bond issuers are also carefully observed to strengthen risk management for managed funds. In addition, concentration management measures such as credit rating standards and limits for the same subject are established for self-owned investment funds. Relevant meetings are regularly held for review purposes.

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 2022, 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 2022, relevant shareholders of government agencies totally hold around 27.81% 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.	NT\$140,000 thousand	September 30, 2016	Mr. Tsai and Mr. Wu	The third instance appeal was filed by the bank on November 7, 2022, and the third instance litigation process is currently underway.

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; On October 4, 2022, the second-instance court rendered a partial favorable judgment for the bank. On November 7, 2022, the bank filed a third-instance appeal against Tsai and Wu. Tsai also filed an appeal on the same date. Thus the amount at stake was changed to NT\$ 140,000 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. See Page 143 of the Company's 2022 Annual Report for more information on how the Company manages its information security in response to changes in the trends of information security risks faced by enterprises. The implementation status of our climate-related risk management is described as follows:

Mega Financial Holding Co., Ltd.

In response to the risk of climate change, Mega Holdings has incorporated emerging risks (including climate change risk) into the "Risk Management Policy and Guidance Principles" and has also added a "Climate Risk Management Guidelines" to enhance the climate risk management mechanism of the company and its subsidiaries. The Risk Management Department of Mega Holdings regularly reports climate change risk events to the Risk Management Committee and the Board of Directors. Every year, the company discloses climate change-related information in accordance with the TCFD framework and continuously improves its climate risk and opportunity assessment and response mechanisms.

Mega International Commercial Bank Co., Ltd.

Climate change has an increasingly significant impact on the world. To reduce GHG emissions and strengthen climate risk management, the Company has included the management of emerging risks (including climate change risks) in its "Risk Management Policy and Guidance Principles", and established the "Climate Risk Management Guidelines" taking progressive steps to incorporate climate change and related risk factors into its existing risk management mechanism to identify, assess, manage climate risks and establish management objectives to facilitate climate risk management.

Mega Bills Finance Co., Ltd.

The Climate Risk Management Guidelines to enhance the climate-related financial disclosures, reinforce our climate risk management mechanisms, and reduce the impact of climate change risks, thereby achieving sustainable development. Established the “High-Carbon Emission Industry/Subject Comparison Query” and “High-Carbon Emission Enterprise Investment Balance Calculator” for pre-investment assessment. The investment and credit limits and risk management goals for high-carbon emission industries or subjects have been established.

Mega Securities Co., Ltd.

To address the impact of climate change risks and achieve corporate sustainable development, the company is slowly integrating climate change risks into its existing risk management process; Subsidiary Mega International Investment services has been asked to take into consideration the impact of climate risks when assessing industries and individual stocks. We also stipulated that the proprietary trading and underwriting of securities held by emission-intensive industries shall not exceed 30% of their total investment.

Chung Kuo Insurance Co., Ltd.

The company has included climate change risks into its risk management policy in compliance with the Risk Management Policy and Guidance Principles of Mega Holdings, and established climate risk management guidelines in accordance with the regulatory authority's Guidelines for Financial Disclosure of Climate-Related Risks of Insurance Enterprise and the Climate Risk Management Guidelines of Mega Holdings. Later, the company will arrange matters related to the disclosure of climate risks in accordance with the Guidelines for Financial Disclosure of Climate-Related Risks of Insurance Enterprise and relevant regulations of Mega Holdings.

Mega International Investment Trust Co., Ltd.

Mega Holdings has incorporated ESG risks, climate change risks, and emerging risks into the “Risk Management Policy and Guidance Principles” and has also added a “Climate Risk Management Guidelines” to enhance financial disclosure information in the scope of climate risk and strengthen the climate risk management mechanism.

Mega Asset Management Co., Ltd.

In line with the group's ESG policy, the “Climate Risk Assessment Guidelines” have been added, and climate risk has been incorporated into the company's current business consideration.

Mega Venture Capital Co., Ltd.

The “Responsible Investment Operation Rules” have stipulated that the proportion of investment in highly sensitive industries or objects shall not exceed 30% of the total investment amount to control overall risk exposure, and this has been included in the annual risk management goals.

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

According to “Mega Financial Holding Co., Ltd.’s intellectual property rights management policy”, the right of the patent completed by employee associated with the work 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

(1) The Company has reported matters concerning patents received by the Group to the 23rd meeting of the Board of the 8th term on February 21, 2023. The Company established a trademark management plan in 2002 and established an intellectual property management system in 2018. In 2023, the Company will comply with amendments to intellectual property laws and strengthen its awareness and understanding of intellectual property protection. The patents acquired are as follows:

- A. Market risk assessment system
- B. Financial products of high-risk country system
- C. Warning system of corporate financials

(2) Mega Bank has implemented the Taiwan Intellectual Property Management System (TIPS) in 2022 and has passed the A-level verification of the TIPS system for the same year (valid until December 31, 2023).

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

January 31, 2023, Expressed in thousands of 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	2~5F, 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 5,333,500	Property insurance. Injury and health insurance approved by competent authority
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 Asset Management Co., Ltd.	12.05.2003	6F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 2,000,000	Urban renewal, creditor's right (monetary) of financial institution, real estate trading and leasing, and other business approved by competent authority
Mega Venture Capital Co., Ltd.	12.13.2005	7F, No. 91, Hengyang Road, Taipei, Taiwan	NTD 1,050,000	Venture capital investment
Mega Futures Co., Ltd.	07.29.1999	2F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 400,000	Futures brokerage and futures advisory services
Mega International Investment Services Co., Ltd.	11.20.1997	10F, No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan	NTD 50,000	Securities investment research and advisory
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
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, general purchasing resource business, credit card agents
ICBC Assets Management & Consulting Co., Ltd.	01.30.2003	8F, No. 100, Jilin Road, Taipei, Taiwan	NTD 20,000	Investment consulting, business administration consulting, venture capital management consulting
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
Ramlett Finance Holdings Inc.	12.30.1981	Avenida Balboa, Torre Davivienda, Piso 9, Oficina No. 9A-B, Panama	USD 20	Real estate investment
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 business includes deposits, loans, foreign exchange, and import/export bills

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 has involved in securities exchange supporting services. However, given the company has only one operating unit, in 2022, nearly 100% of the securities brokerage business is conducted by Mega Securities.

Both Mega Bills and Mega 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 businesses for Mega Bank. In 2022, 15.67% of the commercial papers guaranteed by Mega Bank is underwritten by itself and 55.8% is underwritten by Mega Bills.

8.1.6 Directors, Supervisors and Presidents of Affiliated Companies

January 31, 2023

Company	Title	Name	Shareholding	
			No. of Shares	%
Mega International Commercial Bank	Chairman	Chao-Shun Chang (Representative of Mega Financial Holding Co., Ltd.)	8,536,233,631	100
	Managing Director & President	Kuang-Hua Hu (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	Shin-Horng Chen (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Chao-Hung Kuo (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Yen-Te Wu (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Chih-Yang Cheng (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Chia-Chung Chen (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Chia-Chi Hsiao (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Cheng-Chiang Hsu (Representative of Mega Financial Holding Co., Ltd.)		
	Managing Supervisor	Sheng-Chang Liu (Representative of Mega Financial Holding Co., Ltd.)		
	Supervisor	Miao-Hsiang Chen (Representative of Mega Financial Holding Co., Ltd.)		
	Supervisor	Yu-ling Hung (Representative of Mega Financial Holding Co., Ltd.)		
Supervisor	Ming-Sung Kao (Representative of Mega Financial Holding Co., Ltd.)			
Supervisor	Yung-Cheng Yang (Representative of Mega Financial Holding Co., Ltd.)			
Mega Securities Co., Ltd.	Chairman	Pei-Chun Chen (Representative of Mega Financial Holding Co., Ltd.)	1,160,000,000	100
	Director & President	Ming-Tsung Wu (Representative of Mega Financial Holding Co., Ltd.)		
	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	Han-Yin Ting (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Chia-Lin Chang (Representative of Mega Financial Holding Co., Ltd.)		
	Director	Ing-Jun Kuo (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	Shueh-Yun Tsai (Representative of Mega Financial Holding Co., Ltd.)		



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	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.) Nian-Tzy Yeh (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.) 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 Independent Director Director Director Director Director Supervisor Supervisor Supervisor	Cheng-Te Liang (Representative of Mega Financial Holding Co., Ltd.) Ying-Hao Weng (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.) Chih-Hua Chiao (Representative of Mega Financial Holding Co., Ltd.) Fu-Fong Hsiao (Representative of Mega Financial Holding Co., Ltd.) Ping-Sen Liang (Representative of Mega Financial Holding Co., Ltd.) Lan-Jong An (Representative of Mega Financial Holding Co., Ltd.) Wang-Chung Ko (Representative of Mega Financial Holding Co., Ltd.) Jui-Yun Lin (Representative of Mega Financial Holding Co., Ltd.) Tsui Ting Ko (Representative of Mega Financial Holding Co., Ltd.) Yueh-O Huang (Representative of Mega Financial Holding Co., Ltd.)	533,350,000	100
Mega International Investment Trust Co., Ltd.	Chairman Director & President Director Director Director Director Supervisor Supervisor	Pei-Chun Chen (Representative of Mega Financial Holding Co., Ltd.) Ta-Chuan Huang (Representative of Mega Financial Holding Co., Ltd.) Kuang-Hua Hu (Representative of Mega Financial Holding Co., Ltd.) Meng-Hsueh Lin (Representative of Mega Financial Holding Co., Ltd.) Hui-Ling Yu (Representative of Mega Financial Holding Co., Ltd.) Hsiu-Ling Tsai (Representative of Mega Financial Holding Co., Ltd.) Ming-Chih Lu (Representative of Mega Financial Holding Co., Ltd.) Ping-Sen Liang (Representative of Mega Financial Holding Co., Ltd.) Chun-Yi Hou (Representative of Mega Financial Holding Co., Ltd.)	52,700,000	100
Mega Asset Management Co., Ltd.	Chairman Director & President Director Director Director Supervisor	Yun-Chien Lin (Representative of Mega Financial Holding Co., Ltd.) Long Hsing Liao (Representative of Mega Financial Holding Co., Ltd.) Yu-Mei Hsiao (Representative of Mega Financial Holding Co., Ltd.) Ming-Chih Lu (Representative of Mega Financial Holding Co., Ltd.) Chia-Lin Chang (Representative of Mega Financial Holding Co., Ltd.) Mei-Li Chao (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.) Hui-Wen Ni (Representative of Mega Financial Holding Co., Ltd.) Ching-Yi Li (Representative of Mega Financial Holding Co., Ltd.)	105,000,000	100
Mega Futures Co., Ltd.	Chairman Director & President Director Director Director Supervisor	Pei-Chun Chen (Representative of Mega Securities Co., Ltd.) Yung-Hung Ling (Representative of Mega Securities Co., Ltd.) Ming-Tsung Wu (Representative of Mega Securities Co., Ltd.) An-Huai Liu (Representative of Mega Securities Co., Ltd.) Yuan-Yu Chin (Representative of Mega Securities Co., Ltd.) *1 Yi-Yuan Wang (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.) Yi-Che Chen (Representative of Mega Securities Co., Ltd.)	5,000,000	100
Mega Management Consulting Co., Ltd.	Chairman Director Director Director Supervisor	Wen-Chung Lo (Representative of Mega International Commercial Bank) *2 Pi-Tien Chen (Representative of Mega International Commercial Bank) Yu Hui Huang (Representative of Mega International Commercial Bank) Jui-Yun Lin (Representative of Mega International Commercial Bank) Shin-Lan Teng (Representative of Mega International Commercial Bank)	1,000,000	100

Company	Title	Name	Shareholding	
			No. of Shares	%
China Products Trading Corp., Ltd.	Chairman Director Director Director Director	Yue-Gean Kuo(Representative of Mega International Commercial Bank)*3 Ping-Sen Liang (Representative of Mega International Commercial Bank) Shaw Hwa Su (Representative of Mega International Commercial Bank) Li-Fen Hung (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) King-Piao Huang (Representative of Mega International Commercial Bank) *4 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	Chien-Hua Lee	0	0
Win Card Co., Ltd.	Chairman Director & President Director Director Director Supervisor	Chao-Jung Chen (Representative of Yung-Shing Industries Co., Ltd.) Hsiu-Ling Tsai (Representative of Yung-Shing Industries Co., Ltd.) Chung-Hsiang Lin (Representative of Yung-Shing Industries Co., Ltd.) Chun-Yi Hou (Representative of Yung-Shing Industries Co., Ltd.) Pin Shao (Representative of Yung-Shing Industries Co., Ltd.) Yu-Jane Lo (Representative of Yung-Shing Industries Co., Ltd.)	200,000	99.56
ICBC Assets Management & Consulting Co., Ltd.	Chairman Director & President Director Director Supervisor	Tsuey-Ping Chang (Representative of Yung-Shing Industries Co.,Ltd.) Tzu-Chien Wang (Representative of Yung-Shing Industries Co., Ltd.) Shin-Lan Teng (Representative of Yung-Shing Industries Co., Ltd.) Te-Shao Chen (Representative of Yung-Shing Industries Co., Ltd.) Yung-Cheng Yeh (Representative of Yung-Shing Industries Co., Ltd.) *5	2,000,000	99.56
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
Mega International Commercial Bank Public Co., Ltd.	Chairman Director & President Director Director Director Director	Yu-Mei Hsiao (Representative of Mega International Commercial Bank) Chun-Yu Kuo(Representative of Mega International Commercial Bank) Ing-Jun Kuo (Representative of Mega International Commercial Bank) Wan-Ling Jwang (Representative of Mega International Commercial Bank) Ku- 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	Niramon Asavamane ChitboonTangdencai Thanawat Natipodhi	0	0

Note: 1.Mr. Cheng-Chun Shao resigned the director position on January 18, 2023. Mr. Yuan-Yu Chin was elected as the director on March 29, 2023.

2.Mega Management Consulting Co., Ltd. was fully re-elected on February 23, 2023.

3.Ms. Yue-Gean Kuo retired on March 1, 2023, and is now represented by one director to exercise the Chairman's duties.

4.Mr. King-Piao Huang took office on February 24, 2023, and Ms. Yue-Gean Kuo resigned on February 24, 2023.

5.Mr. Yung-Cheng Yeh took office on February 24, 2023, and Mr. Ming-Hung Yao resigned on February 24, 2023.



8.1.7 Operational Highlights of Affiliated Companies in 2022

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

Company	Paid-in Capital	Total Assets	Total Liabilities	Stockholders' Equity	Revenues (Net Revenue*)	Operating Profit (Profit Before Income Tax*)	Profit (After Tax)	Earnings per share (After Tax)
Mega International Commercial Bank	85,362,336	3,687,085,514	3,397,128,974	289,956,540	53,440,698*	26,734,372*	24,181,435	2.83
Mega Securities Co., Ltd.	11,600,000	55,715,197	38,883,067	16,832,130	3,900,601	611,319	603,229	0.52
Mega Bills Finance Co., Ltd.	13,114,411	245,396,163	210,212,366	35,183,797	4,227,066*	3,701,502*	3,040,283	2.32
Chung Kuo Insurance Co., Ltd.	4,420,500	26,679,334	26,666,579	12,755	6,034,608	(10,163,771)	(9,523,769)	(63.87)
Mega Asset Management Co., Ltd.	2,000,000	16,470,196	13,629,475	2,840,721	481,882	405,704	222,527	1.11
Mega Venture Capital Co., Ltd.	1,050,000	1,078,413	4,681	1,073,732	27,475	7,612	3,821	0.04
Mega International Investment Trust Co., Ltd.	527,000	927,367	64,183	863,184	359,581	93,247	74,006	1.40
Mega Futures Co., Ltd.	400,000	8,095,495	7,316,072	779,423	345,937	22,448	60,512	1.51
Mega International Investment Services Co., Ltd.	50,000	78,604	20,561	58,043	37,620	3,771	3,211	0.64
Mega Management & Consulting Corporation	10,000	87,523	12,375	75,148	57,697	42,890	36,078	36.08
China Products Trading Corp., Ltd.	5,000	49,494	29,728	19,766	0	(643)	1,417	14.17
Yung-Shing Industries Co., Ltd.	30,000	1,039,940	254,462	785,478	223,156	11,997	43,388	144.63
Win Card Co., Ltd.	20,000	57,747	15,188	42,559	132,662	9,302	7,728	38.64
ICBC Assets Management & Consulting Co., Ltd.	20,000	25,751	930	24,821	4,444	4,238	3,503	1.75
Cathay Investment & Warehousing Ltd.	30,705	27,442	416	27,026	1,153	(2,869)	(2,869)	(2,868.70)
Ramlett Finance Holdings Inc.	614	34,217	53,337	(19,120)	800	(6,742)	(6,742)	(4,494.84)
Mega International Commercial Bank Public Co., Ltd.	3,551,600	28,564,581	23,222,386	5,342,195	911,248*	787,302*	267,433	0.67

- Note: 1. China Products Trading Corp., Ltd. And Yung-Shing Industries Co., Ltd. have a par value of NT\$50 and NT\$100 per share, respectively
2. Cathay Investment & Warehousing Ltd and Ramlett Finance Holdings Inc. have their original currency in USD, with an exchange rate of @30.7050 for assets and liabilities, and an exchange rate of @29.8974 for profit and loss items.
3. Mega International Commercial Bank Public Co., Ltd. has its original currency in THB, with an exchange rate of @0.8879 for assets and liabilities, and an exchange rate of @0.8506 for profit and loss items.
4. Mega International Commercial Bank, Mega Bills Finance Co., Ltd., and Mega International Commercial Bank Public Co., Ltd. report net income and pre-tax net profit, while the rest of the companies report operating revenue and operating profit.

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

Esebang



Mega Financial Holding Co., Ltd.

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