



Mega Financial Holding Co., Ltd.

Annual Report 2023

---

## Spokesperson

Han-Yin Ting, Executive Vice President  
Email: [kellyding@megaholdings.com.tw](mailto:kellyding@megaholdings.com.tw)  
Tel: +886-2-2357-8888 ext. 116

## Deputy Spokesperson

Chia-Lin Chang, Vice President  
Email: [jlc@megaholdings.com.tw](mailto:jlc@megaholdings.com.tw)  
Tel: +886-2-2357-8888 ext. 800

## The Company and its subsidiaries:

### Mega Financial Holding Co., Ltd.

Address: 14-17F、20-21F, No. 123, Jhongsiao East Road,  
Sec.2, Taipei, Taiwan  
Tel:+886-2-2357-8888  
Website: <https://www.megaholdings.com.tw>

### Mega International Commercial Bank Co., Ltd.

Address: No. 100 Jilin Road, Taipei, Taiwan  
Tel:+886-2-2563-3156  
<https://www.megabank.com.tw>

### Mega Securities Co., Ltd.

Address: No. 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan  
Tel:+886-2-2327-8988  
<https://www.emega.com.tw>

### Mega Bills Finance Co., Ltd.

Address: 2~5F, No. 91, Hengyang Road, Taipei, Taiwan  
Tel:+886-2-2383-1616  
<https://www.megabills.com.tw>

### Chung Kuo Insurance Co., Ltd.

Address: No. 58, Sec. 1, Wuchang Street, Taipei, Taiwan  
Tel:886-2-2381-2727  
<https://www.cki.com.tw>

### Mega Asset Management Co., Ltd.

Address: 6F, No. 91, Hengyang Road, Taipei, Taiwan  
Tel:+886-2-6632-6789  
<https://www.megaamc.com.tw>

### Mega International Investment Trust Co., Ltd.

Address: 17F, No 167, Fu-Sin N. Road, Taipei, Taiwan  
Tel:+886-2-2175-8388  
<https://www.megafunds.com.tw>

### Mega Venture Capital Co., Ltd.

Address: 7F, No. 91, Hengyang Road, Taipei, Taiwan  
Tel:+886-2-2314-0878

## Stock Transfer Agent

Yuanta Securities, Agency Department of Stock Services  
Address: B1, No.210, Sec. 3, Chengde Rd., Taipei 103,  
Taiwan, R.O.C  
Tel: +886-2-2586-5859  
Website: <https://www.yuanta.com.tw>

## Credit Rating Agency

Taiwan Ratings Corp.  
Address: 49F, No. 7, Sec. 5, Shinyi Road, Taipei 110, Taiwan  
Tel: +886-2-8722-5800  
Moody's Investors Service Hong Kong Limited  
Address: 24/F One Pacific Place, 88 Queensway, Admiralty,  
Hong Kong  
Tel: +852-3758-1300

## Auditors for most recent financial report

Puo-Ju Kuo  
Chung-Hsi Lai  
PricewaterhouseCoopers Taiwan  
Address: 27F, No. 333, Sec. 1, Keelung Road, Taipei 110,  
Taiwan  
Tel: +886-2-2729-6666  
Website: <https://www.pwc.com/tw>

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

## Contents

Letter to Shareholders	2
Company Profile	16
2.1 Date of Incorporation	17
2.2 Company History	17
Corporate Governance Report	19
3.1 Organization	20
3.2 Directors, President, Executive Vice President, Senior Vice President, and Vice President of each department	22
3.3 Remuneration for Directors, President, Executive Vice President, and the employee remuneration distributed in 2023	36
3.4 Implementation of Corporate Governance	42
3.5 Information on External Auditor Fee	88
3.6 Changes of External Auditors	88
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	88
3.8 Disclosures of changes in the shareholding (equity transfers and pledges) of directors, managers, and those as required by Article 11 of the Regulations Governing the Holding by a Person or a Related Party of Voting Shares Over Certain Ratio in a Financial Holding Company	89
3.9 Information on top 10 shareholders by shareholding ratio who among themselves are related parties, spouses, or within the second degree of kinship	90
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	91
Capital Overview	92
4.1 Capital and Shares	93
4.2 Issuance of Corporate Bonds	96
4.3 Preferred Stock, Issuance of Depositary Receipts, Employee Stock Options, New Restricted Employee Shares	97
4.4 Mergers with or Acquisitions of Other Financial Institutions	97
4.5 Capital Utilization Plans and Execution Status	97
Operational Overview	99
5.1 Business Overview	100
5.2 Cross Selling Synergies	129
5.3 Market Overview	129
5.4 Human Resources	141
5.5 Corporate Responsibility and Ethical Conduct	144
5.6 Employees Average Welfare of Non-Supervisor Employees	145
5.7 Information Equipment	145
5.8 Information Security Management	148
5.9 Labor Relations	155
5.10 Important Contracts	157
Financial Information	158
6.1 Five-Year Financial Summary and Auditor's Opinions	159
6.2 Five-Year Financial Analysis	162
6.3 Audit Committee's Report	169
6.4 2023 Financial Report	170
6.5 Financial Difficulties of the Company and Affiliated Companies	289
Review of Financial Conditions, Operating Results, and Risk Management	290
7.1 Analysis of Financial Status	291
7.2 Analysis of Financial Performance	292
7.3 Analysis of Cash Flow	293
7.4 Influence from Major Capital Expenditures	293
7.5 Investment Strategies in the Past Year and Investment Plan for the Coming Year	293
7.6 Risk Management	296
7.7 Crisis Management and Response Mechanism	330
7.8 Other Significant Events	330
Special Disclosure	331
8.1 Affiliated Companies Information	332
8.2 Private placement of securities in the most recent year and current year up till the publication date of this annual report	337
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	337
8.4 Other supplementary notes, where applicable	337
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	337

# Letter to Shareholders



In 2023, the major economies around the world showed a steady move towards the recovery stage during the post-pandemic period. Under the background of rising interest rates by the central banks of various countries, global inflation started to ease, and the economy of the U.S. and some major emerging countries witnessed signs of growth, with major international organizations (IMF, OECD, The World Bank, and S&P Global) estimating the global economic growth rate falling in the range of 2.6% to 3.1% in 2023.

In 2023, the private consumption during the post-pandemic era in Taiwan saw a steady growth, which boosted the economic development. In addition, the active business opportunities arising from the application of artificial intelligence and other emerging technologies had improved export and investment confidence. According to the

Directorate General of Budget, Accounting and Statistics, Executive Yuan, Taiwan's annual economic growth rate was 1.31%. Looking forward to 2024, with the use of artificial intelligence and cloud computing to boost relevant supply chain demands, and the continuous expansion of business opportunities arising from the application of emerging technologies, Taiwan's exports and private investments are expected to increase. In addition, the continuous improvement in the employment market, the increase in the basic wage and the salary adjustment for the military, public and education sectors will be conducive to the increase in the household disposable income and the steady growth in private consumption. Major international organizations predicted that the economic growth rate of Taiwan will range from 2.69% to 3.70% in 2024.

The Group continuously provides all-inclusive financial services and refines its ESG and digital transformation development. With the continuous improvement, the Company was again selected as a constituent of the global sustainability indexes-DJSI Emerging Markets Index and the World Index in 2023, and was recognized by the FSC as a member of the "Sustainable Financial Pioneers Alliance". In addition, we have also been recognized by a number of sustainability assessments at home and abroad, including being consistently selected as a CDP leadership level, receiving the "Platinum Award



Chung-Dar Lei, Chairman of the Board

in the Sustainability Report Category” and the “Overall Performance Award” from the TCSA, receiving the “Healthy Workforce Sustainability Leading Enterprise-Outstanding Enterprise Award” from the Occupational Safety and Health Administration, MOL, and being awarded the highest level of certification of “Level 5+: Excellence” for the TCFD report by the BSI. Moreover, we also maintained the validity of ISO27001 Information Security Management System (ISMS)



Yu-Mei Hsiao, President

certification, which demonstrates the Company’s commitment to and emphasis on information security, service quality, and the continuity of its information business and our integration with the international information security management system.

Mega Bank has been deeply involved in the new southbound business and has been successful in lending to key national industries for a long period of time. In 2023, it was awarded the "Special Award for SMEs Credit" under the New Southbound Policy and the honor of outstanding bank for the "Six Core Strategic Industries Lending" by the FSC. Mega Securities continued to exert a positive impact, as shown by its inclusion in the Taiwan Stock Exchange Corporation’s list of companies with better institutional investor stewardship disclosure for three consecutive years. In addition to receiving high recognition for issuing Taiwan's first sustainability index-linked commercial paper, Mega Bills also won the "Social Inclusion Leadership Award" single performance award at the TCSA, making it the first bills company to win this honor.

In 2023, the Company's annual consolidated profit amounted to NT\$33,247 million, an increase of 81% from 2022, with an after-tax earnings per share of NT\$2.37. Among them, Mega Bank's profit amounted to NT\$31,025 million, an increase of 28% from 2022, due to an increase in core revenue and a rebound in financial operation revenue. Mega Securities’ profit amounted to NT\$2,003 million, an increase of 232% from 2022, due to an increase in brokerage fee income and dealing income. In addition, the profit of Mega Funds, Mega Asset Management and Mega Venture Capital also achieved their annual budget targets. Mega Bills was still the leading brokerage firm in terms of annual profit despite the impact of rising capital costs due to interest rate hikes. Chung Kuo Insurance's core business achieved solid performance despite the impact of the pandemic insurance policy. The operation result of the Company in 2023 are shown below:



## 1.1 Review of Business Operations in 2023

### 1.1.1 Changes in Financial Environment and Organization Structure

#### A. Change in Global and Domestic Financial Environment

The global financial market recovered amid a high inflation environment due to a sharp fall of raw materials prices from high levels that have caused high inflation in recent years, such as crude oil, agricultural products and metals prices, coupled with the appropriate tightening of monetary policy implemented by major central banks, such as the U.S. Federal Reserve, the European Central Bank and the Bank of England, which raised interest rates four times for a total of 1%, six times for a total of 2%, and five times for a total of 1.75% in 2023, respectively. The financial market was unexpectedly affected by the decline of global inflation, and investors have gradually begun to expect the shift in monetary policy by central banks. In addition, the lower possibility of an economic hard landing has further improved the investment sentiment in the financial stock market. The MSCI ACWI Index in U.S. dollars achieved a cumulative increase of 21.46% throughout the year.

With respect to the financial environment in Taiwan, major central banks continued to raise interest rates in the first half of 2023. However, given the slow decline of domestic inflation rate compared to the previous year, together with various risks faced by the economic outlook, the Central Bank of the Republic of China (Taiwan) kept the policy interest rate unchanged after the Board of Supervisors resolved to raise the policy interest rate by 0.125% in the first quarter of 2023 in order to maintain the steady development of the overall economy and finance. The discount rate was adjusted from 1.75% to 1.875% for the year. In terms of the foreign exchange market, the U.S. interest rate hike cycle, the record-high levels of international U.S. dollar and U.S. bond yields, and the large amounts of outward remittances of funds during the dividend payment season in the third quarter have resulted in the general depreciation of the New Taiwan dollar against the U.S. dollar in the first three quarters. However, due to the easing of U.S. inflation at the end of the year and the market's expectation of U.S. interest rate cuts, non-USD currencies generally recovered in line with the depreciation of U.S. dollar, leading to the narrowing of the depreciation of the New Taiwan dollar against the U.S. Dollar and closing at NT\$30.735 with a depreciation of NT\$0.027 or 0.09% for the year. During the same period, Taiwan's stock market benefited from factors such as the solid earnings performance of listed companies, the end of three consecutive years of overselling by foreign investors, and the continuous buying by domestic investors to close at 17,930.81, the second highest in history, up 26.83%. Looking forward to the coming year, the economy is expected to achieve better performance than that in 2023, driven by the end of monetary tightening in major economies, a gradual recovery of global terminal demand, and the continued solid growth of domestic demand.

#### B. Change in Organization Structure

As of the end of 2023, 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 2022.

## 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	2023	2022	Change (%)
Deposits (including due to Chunghwa Post Co., Ltd.)		2,895,738	2,924,052	( 0.97)
Loans, Import/export bills negotiated		2,075,709	2,087,539	( 0.57)
Corporate financing		1,539,586	1,531,941	0.50
Consumers financing (excluding credit card revolving loans)		536,123	555,598	( 3.51)
Foreign exchange business		711,430	906,391	( 21.51)
Securities purchased		935,849	955,622	( 2.07)
Long-term equity investments		21,714	21,157	2.63
Credit card revolving loans		1,752	1,733	1.10

- Note :1. All figures above are in average yearly basis, except foreign exchange business as in aggregation basis.  
 2. The amount of foreign exchange business declined in 2023 due to the high base in 2022. Taiwan's overall import and export volumes decreased in 2023, causing the import and export business to decline.  
 3. The non-performing loans outstanding at the end of 2023 amounted to NT\$3,636 million, representing a non-performing loan ratio of 0.17% and a bad debt coverage ratio of 985%.

### Mega Securities Co., Ltd.

Item	Year	2023	2022	Change (%)
Securities brokerage	Market share of brokerage	2.75%(Rank 10 <sup>th</sup> )	2.82%(Rank 10 <sup>th</sup> )	( 0.07)
	Market share of margin loan	5.84%( Rank 4 <sup>th</sup> )	5.47%( Rank 4 <sup>th</sup> )	0.37
Equity underwriting	Number of IPO lead managed	4(Rank 4 <sup>th</sup> )	4(Rank 4 <sup>st</sup> )	0.00
	Number of corporate bond issues lead managed	2(Rank 9 <sup>th</sup> )	7(Rank 4 <sup>th</sup> )	( 71.43)
Bond underwriting	Amount of corporate bond issues lead managed (NT\$ billion)	10.7(Rank 9 <sup>th</sup> )	12.1(Rank 8 <sup>th</sup> )	( 11.57)
	Number of warrants issued	1,337(Rank 11 <sup>th</sup> )	1,147(Rank 13 <sup>th</sup> )	16.56
New financial products	Amount of warrants issued (NT\$ billion)	7.0(Rank 12 <sup>th</sup> )	6.6(Rank 13 <sup>th</sup> )	6.06

- Note :1. It is the ranking among local securities peers in 2023.  
 2. The decline of the brokerage business was because the proportion of natural person transactions in 2023 was 66.43%, which was 0.73% lower than that in 2022, and the stock market was highly volatile. Most investors took a wait-and-see approach and reduced transactions.  
 3. The volume of bond underwriting business is determined by a comprehensive assessment of customers' demand and profitability. The decline in bond underwriting deals in 2023 compared with 2022 was due to changes in market interest rates, customer's capital needs and underwriting staffing.

### Mega Bills Finance Co., Ltd.

Units: NT\$ million

Item	Year	2023	2022	Change (%)
Underwriting and purchasing of bills		4,093,282	3,565,920	14.79
Underwriting amount of commercial paper issued for funding purpose (CP2)		3,968,022	3,413,513	16.24
Trading volume of bills		9,706,070	8,528,043	13.81
Trading volume of bonds		3,458,158	3,242,713	6.64
Average outstanding balance of guaranteed issues of commercial paper		168,081	175,776	( 4.38)

- Note: 1. The decrease of average outstanding balance of guaranteed issues of commercial paper in 2023 compared to 2022 is due to the decrease in statutory net worth compared with the previous year and the control of guaranteed balance.  
 2. The trading volume of bills in 2022 were originally compiled by the R.O.C. Bills Finance Association based on the reports of bills companies. The statistics included RP maturity amount. However, since April 2023, the announcement was changed to be made by the Taiwan Depository & Clearing Corporation, which did not include the RP maturity amount. Therefore, the 2022 data was revised for consistency in the basis of calculation.





## Chung Kuo Insurance Co., Ltd.

Unit: NT\$ million

Item \ Year	2023	2022	Change (%)
Direct written premiums	9,764	9,050	7.89
Reinsurance premiums	787	999	( 21.22)
Total	10,551	10,049	5.00

Note : The decline in reinsurance premium in 2023 compared to 2022 was mainly due to the reduction in the acceptance ratio for contracts with concentrated risks, poor performance or higher exposure to natural disasters when renewing contracts at the end of 2022.

## Mega International Investment Trust Co., Ltd.

Unit: NT\$ million

Item \ Year	2023	2022	Change (%)
Public funds under management	91,554	79,731	14.83
Private placement funds under management	6,709	6,420	4.50
Discretionary account	399	465	( 14.19)
Total	98,662	86,616	13.91

Note : The increase in the scale of public funds under management in 2023 compared with 2022 was mainly due to the issuance of 4 new funds in 2023; the decrease in scale of discretionary account was due to the redemption for the client's capital needs.

## Mega Asset Management Co., Ltd.

Unit: NT\$ million

Item \ Year	2023	2022	Change (%)
Service Income	352	454	( 22.47)
Gain from recovery of NPL purchased and the disposal of related collateral	59	23	156.52
Rental income	7	4	75.00
Interest income	1	1	0.00
Total	419	482	( 13.07)

Note : 1.The decline in service income was mainly due to the net decrease in the balance of advances as a result of the successive consolidation of a number of large urban renewal/unsafe and old building cases, the full repayment upon the completion of construction, as well as the fact that the new advances from existing and new development cases could not be covered in a short period of time in 2023.

2.The increase in gain from recovery of NPL purchased and the disposal of related collateral was mainly due to the NT\$56,090 thousand allocated by the court in the case of non-performing assets of Tung X Co. Ltd.

3.The increase in rental income was mainly due to the leasing of the newly acquired real estate on Zhongshan North Road since September 2022, and the re-leasing of the real estate in Neihu District, which was originally suspended in March 2022, in October 2022 after internal renovations.

## Mega Venture Capital Co., Ltd.

Unit: NT\$ million

Item \ Year	2023	2022	Change (%)
Drawdown of long term equity investment	207	163	26.99
Balance of long term equity investment	848	832	1.92

## 1.1.3 Budget Implementation Status

### A. The Company's 2023 budget is implemented as follows:

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

Item	Final accounting figure	Budget figure	Achievement Rate (%)
Revenues	34,064,600	27,839,391	122.36
Expenses and losses	903,789	966,868	93.48
Profit before tax from continuing operations	33,160,811	26,872,523	123.40
Profit	33,246,977	26,864,199	123.76
Earnings per share	2.37	1.83	129.51

Note : The figures are in unconsolidated basis.

### B. The subsidiaries' 2023 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.	35,290,381	26,875,297	131.31
Mega Securities Co., Ltd.	2,195,332	1,660,783	132.19
Mega Bills Finance Co., Ltd.	2,309,292	2,969,198	77.77
Chung Kuo Insurance Co., Ltd.	( 2,670,842)	275,537	-
Mega Asset Management Co., Ltd.	240,497	237,540	101.24
Mega Venture Capital Co., Ltd.	220,018	56,772	387.55
Mega International Investment Trust Co., Ltd.	114,566	87,205	131.38

Note : 1.The figures are in unconsolidated basis.

2.The annual budget achievement rate of Mega Bill was 77.77% in 2023, which was mainly due to the fact that the FED raised interest rates four times for a total of 1% in 2023, and the foreign currency RP interest rate rose accordingly, which was much higher than the budget costs, resulting in a yielding loss. In addition, due to the severe fluctuations of bond market yield rate and the losses in the valuation of holding positions, Mega Bill was unable to realize the budgeted disposal benefits, resulting in the profit before tax not reaching the budget target.

3.Chung Kuo Insurance suffered a loss in 2023, mainly due to the recognition of self-retained indemnities and provisions for the pandemic insurance policy, as well as an impairment loss on Hannover Rück reinsurance payments in 2023, resulting in the profit before tax not reaching the budget target.

## 1.1.4 Financial Results

The Company and its subsidiaries' consolidated profit from continuing operations before tax in 2023 amounts to NT\$37,047,965 thousand, an increase of NT\$15,903,664 thousand or 75.21% compared to 2022. The increase is mainly due to the below: net interest revenue decreased NT\$ 1,621,517 thousand; revenue other than interest increased NT\$22,893,784 thousand, which is contributed by the increase of gain on financial asset and liabilities at fair value through profit or loss and the increase of service fee revenue and commissions ; bad debts expense and provisions increased by NT\$ 1,541,345 thousand; operating expense increased by NT\$ 3,827,258 thousand. The Company and its subsidiaries' consolidated profit is NT\$ 33,246,977 thousand, an increase of NT\$14,912,019 thousand or 81.33%, compared to year 2022. The Company's consolidated ROA reached 0.79%, and consolidated ROE reached 10.46%. A breakdown of the financial results of the Company and its subsidiaries in 2023 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)	37,047,965	33,246,977	2.37	0.79	10.46
Mega FHC (Unconsolidated)	33,160,811	33,246,977	2.37	8.79	10.46
Mega International Commercial Bank Co., Ltd.	35,290,381	31,024,594	3.63	0.81	9.99
Mega Securities Co., Ltd.	2,195,332	2,002,610	1.73	2.78	11.04
Mega Bills Finance Co., Ltd.	2,309,292	1,920,230	1.46	0.73	5.07
Chung Kuo Insurance Co., Ltd.	( 2,670,842)	( 1,466,874)	( 2.90)	( 5.85)	( 64.39)
Mega Asset Management Co., Ltd.	240,497	192,417	0.96	1.48	6.78
Mega Venture Capital Co., Ltd.	220,018	219,074	2.09	18.08	18.54
Mega International Investment Trust Co., Ltd.	114,566	93,146	1.77	9.87	10.65

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

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

### 1.1.5 Research and Development

The Company and its subsidiaries' research and development progress in 2023 are summarized as follows:

- (1) The Company continues to introduce Group ESG and sustainability management systems by 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, and conduct impact identification and analysis of biodiversity (e.g., TNFD). Moreover, we continue to strengthen the information system, network structure and information security protection capabilities, maintain the validity of ISO 27001 certification, and keep abreast with international information security management systems.
- (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, Mega Bank has introduced and optimized the following new financial products and digital banking applications in 2023: introduction of the "FIDO" digital identity verification to solve the security concerns of customers' repeated input of accounts and passwords on different service platforms; implementation of the "travel ecosystem" service, to not only increase cross-business and cross-subsidiary business cooperation, but also facilitate cross-industry cooperation with travel platform operators; optimization of the "AIO All-inclusive Account Opening Integration Platform" function at the bank counter, and introduction of new functions such as trust financial management account opening and gold passbook account opening, in order to improve operational efficiency and enhance customer experience through the integration of the account opening process and digitization; launch of the functions of online application for increase in house mortgage loan and revolving loan renewal to enable existing customers to apply for loans online in a timely

manner through the platform, and also to sign the contract and go through relevant confirmation procedures upon loan approval online, with no restriction of time and location; enhancement in online credit loans application services, which enables the Bank to enquire about customers' latest annual income, property and labor insurance information through the Joint Credit Information Center after authorization online, effectively facilitating case review and optimizing customer experience; establishment of a credit investigation and review system to automatically process applications and filter out unacceptable cases through the system in order to reduce manual work and improve the approval efficiency; Introduction of SIM card verification to bank card opening operations, thereby eliminating the need for card readers, enhancing customer service experience and strengthening the identity authentication mechanism. While Mega Bank is investing in digital financial research and development, it is also actively applying for financial patent protection. As of the end of 2023, a total of 627 utility model patents and a total of 133 invention patents had been approved by the MOEA, totaling 760 patents, which ranked the highest among the government owned banks. In addition, a total of 39 utility model patents and 63 invention patents had been submitted for review.

- (3) Subsidiary Mega Securities was among the first batch of securities firms to provide open securities services when the Taiwan Depository & Clearing Corporation announced the official launch of the "Open Securities Public Information Inquiry" service in June 2023. In July, it launched the sub-account business and system. In addition, it developed the "E Stock Deposits" and "Mega GO" investment tool platforms, which won the "Best Product Category" award at the 2023 National Brand Yushan Award; completed the update of its new official website and set up a financial-friendly section, which is dedicated to providing physically and mentally challenged customers with warm and convenient services; issued Taiwan's first climate-related exchange traded note (ETN) – "Mega TPEX FactSet Semiconductor Climate Net Zero Preferred Return Index".
- (4) Subsidiary Mega Bills has established the revised department performance appraisal system, optimized the "self-prepared financial statements" system, continued to strengthen the information system and internal operation efficiency, optimized the online learning platform system, strengthened the implementation and transaction monitoring of anti-money laundering and counter terrorism financing operations, established the legal and regulatory management system, integrated the case information of regular customer examinations into the internal application system, continued to optimize the ESG risk assessment system, continued to improve the existing operational risk self-assessment system, and strengthened the risk management mechanism for various business operations.
- (5) To keep pace with diverse market operations and FinTech development and to satisfy the needs of corporations 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 was a total of 185 insurance products submitted in 2023. Among them, there were 132 items on file for recordation basis, and 53 items on simple file for recordation basis.



## 1.2 Business Plan for 2024

### 1.2.1 Operational Guidelines

- Secure existing business and diversify source of profits.
- Strengthen overseas presence and cultivate customer service.
- Fortify relations with institutional investors and increase information transparency.
- Strengthen the Group's financial and taxation control and improve its financial resilience.
- Monitor political, economic, and industrial changes and implement risk management mechanism.
- Comply regulations and complete information security and strengthen resilience and safe transformation.
- Implement information security management system and optimize the innovation of management services.
- Promote the Group's legal compliance and forge a culture of legal compliance.
- Create a friendly workplace and shape employee value.
- Integrate ESG strategies to maximize the value of sustainability.
- Establish corporate brand image and cultivate social influence.

### 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 2024 are as follows:

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

Business	Item	Budget for 2024
Banking	Deposits	2,910,467
	Loans	2,138,356
	Foreign exchange	728,199
Bill Finance	Underwriting and purchasing of bills	3,812,065
	Trading volume of bills and bonds	12,117,957
	Average outstanding balance of guaranteed issues of CP2	178,500
Securities	Market share of brokerage	3.15%
P&C Insurance	Premium income	10,638

### 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 the 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 in the way people bank, and the impact of COVID-19 in recent years, three virtual banks have been opened in Taiwan, further accelerating the popularization of digital banking.
- (2) Affected by global inflation and interest rate hikes, concerns about the economic outlook for 2024 have deepened. 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 exacerbate the fluctuations in the financial markets and exert an adverse impact on the stable development of the global economy.
- (3) Regarding strengthening virtual accounts applications by third-party payment operators, the FSC, in addition to supervising the Bankers Association of the Republic of China to compile 11 common patterns for inclusion in early warning indicators or internal operating standards to strengthen control, continues to supervise banks to implement audit requirements for third-party payment operators or other corporate accounts applying for virtual accounts.
- (4) In a financial market where financing channels are increasingly diversified, banks strive for domestic loan business at low interest rate and compete for non-guarantee CP underwriting business, hindering the business expansion of bills companies.
- (5) Services provided by the securities industry in Taiwan are similar under the regulation of the competent authorities, resulting in fierce price competition. Moreover, younger participants and the emergence of digitization have changed customers' expectations towards securities companies from simple fee standards to speed, information, convenience and the satisfaction of personal financial experience.
- (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	Nov. 23, 2023
	Moody's	A2	-	Stable	Sep. 23, 2023
Mega International Commercial Bank Co., Ltd.	Taiwan Ratings Corp.	twAAA	twA-1+	Stable	Oct. 27, 2023
	Moody's	A1	P-1	Stable	Oct. 18, 2023
	S & P	A+	A-1	Stable	Oct. 27, 2023
Mega Bills Finance Co., Ltd.	Taiwan Ratings Corp.	twAA+	twA-1+	Stable	Sep. 27, 2023
Mega Securities Co., Ltd.	Taiwan Ratings Corp.	twAA	twA-1+	Stable	Oct. 30, 2023
Chung Kuo Insurance Co., Ltd.	Taiwan Ratings Corp.	twAA	-	Stable	Nov. 7, 2023
	Moody's	A3	-	Negative	Aug. 23, 2023
	S & P	A-	-	Stable	Nov. 7, 2023

## 1.6 Rewards and Recognition

- (1) In January, 2023, Mega Financial Holdings was rated the A-Leadership Level of 2022 CDP Climate Change Questionnaire.
- (2) In March, 2023, Mega Bank won Wealth Magazine's 2023 Wealth Management Awards for the Best Wealth Management Team and Best Video Marketing as well as the Ministry of Economic Affairs' Financial Institutions and Manager Outstanding in Implementing Guaranteed Financing for SMEs-Credit Guarantee Golden Award.
- (3) In May, 2023, Mega Bank won the 2023 Best Consumer Loan Product Award in Taiwan in the Annual International Bank Rating by IBM, and once again won the 2023 Best Digital Credit Award in Taiwan in the Best Innovation Competition organized by GBFR.
- (4) In June, 2023, Mega Financial Holdings was listed as the top 5% of the 2022 Corporate Governance Evaluation jointly organized by the Taiwan Stock Exchange Corporation and the Taipei Exchange for the fourth time.
- (5) In June, 2023, Mega Bank participated in Taiwan Institute for Sustainable Energy (TAISE)'s 2023 Taiwan Sustainable Investment Awards for the first time, and was recognized by the Institutional Impact Bank Category - Model Award.
- (6) In July, 2023, Mega Bank was recognized by the FSC as a bank with outstanding performance in Lending to Six Core Strategic Industries, and ranked first in Taiwan's banking industry for Taiwan Accurate Health Industry and Participation in the National Financing and Guarantee Mechanism. It received the Special Award for Taiwan Accurate Health Industry and Special Award for Participation in the National Financing and Guarantee Mechanism, and won the Special Award for SMEs Credit Lending.
- (7) In July, 2023, Mega Securities was recognized by the FSC as one of the top 25% in terms of the Principles for Fair Customer Treatment for the third time and was also the only major brokerage firm to be listed for three times.

- (8) In August, 2023, Mega Bank received the Best Social Responsibility Award and the Best Insurance Professional Award at the Faith, Hope & Love Awards of Insurance held by the RMI Educational Foundation.
- (9) In August, 2023, Chung Kuo Insurance won the Gold Award of the Social Care Project Excellence Award and the Gold Award of the Policy Holder Service Projects Excellence Award at the Insurance Excellence Award held by Taiwan Insurance Institute.
- (10) In September, 2023, Mega Bank won three honors at the 2023 17th Wealth Management Bank and Securities Assessment hosted by Business Today magazine, namely the Best High-end Customer Service Award, the Best Risk Control Award and the Best Marketing Innovation Award. It also won three major awards in the 2023 Excellence Bank Rating for the Best Fair Customer Treatment, Best Foreign Exchange Transaction and Best Wealth Management Team.
- (11) In October, 2023, Mega Bank won the 2023 World Finance's Best Commercial Bank in Taiwan Award and Commercial Times' Digital Information Security Excellence Award.
- (12) In October, 2023, Mega Securities received awards in the Outstanding Enterprise Category and the Best Product Category at the 20th National Brand Yushan Award hosted by Republic of China National Enterprise Competitiveness Development Association. It was also awarded Taipei City's 2023 Silver Friendly Enterprise Certification for Middle-aged and Senior Citizens.
- (13) In November, 2023, Mega Financial Holdings was honored with the Corporate Sustainability Report Platinum Award and Taiwan's Top 100 Sustainability Exemplary Enterprises at the TCSA 2023 held by Taiwan Institute for Sustainable Energy (TAISE). In addition, Mega Bank won the Information Security Leadership Award in the Sustainable Individual Performance Awards, and won the Gender Equality Leadership Award with Mega Securities and Mega Funds. Mega Bills and Chung Kuo Insurance were recognized with the Social Inclusion Leadership Award.
- (14) In November, 2023, Mega Financial Holdings was recognized as an outstanding enterprise in the Healthy Workforce Sustainability Leading Enterprise organized by the Occupational Safety and Health Administration, MOL.
- (15) In November, 2023, Chung Kuo Insurance won the Information Governance Excellence Award - Privacy and Personal Information Management Excellence Award for its ISO 27701 personal data privacy information management system.
- (16) In November, 2023, Mega Securities was honored with the 2023 Gold Award for Happy Enterprise in Financial Management by 1111 Job Bank.
- (17) In December, 2023, Mega Securities was included in Taiwan Stock Exchange Corporation's list of companies with better institutional investor stewardship disclosure for the third time.
- (18) In December, 2023, Mega Bank participated in Commercial Times's 3rd Trust Award Diversified Trust Innovation Award and won three gold awards for the Best Trust Product Integration Innovation, Cross-Industry Collaboration and Best Real Estate Management Trust Innovation as well as the Best Sustainable Trust Innovation Award.





Looking forward to 2024, with the easing of global inflation, the end of interest rate hike cycle of central banks and better-than-expected global economic resilience, the Company will continue to leverage its various cross-subsi-dary platforms and refine its ESG and digital financial development, to continue to maximize shareholders' value under the rapidly changing financial environment towards the goal of becoming a regional financial group in Asia.

Best regards!

***Paul C.D. Lei***

Chung-Dar Lei  
Chairman of the Board

***Yu-Mei Hsiao***

Yu-Mei Hsiao  
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.
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.
September 22, 2021	Mega Securities Co, Ltd. made NT\$ 30 million capital injection in its subsidiary Mega International Investment Services Co., Ltd.
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.
June 9, 2023	The subsidiary Mega International Commercial Bank resolved to increase its capital by 1 billion Thai baht in its subsidiary Mega International Commercial Bank Public Co., Ltd..



# Corporate Governance Report



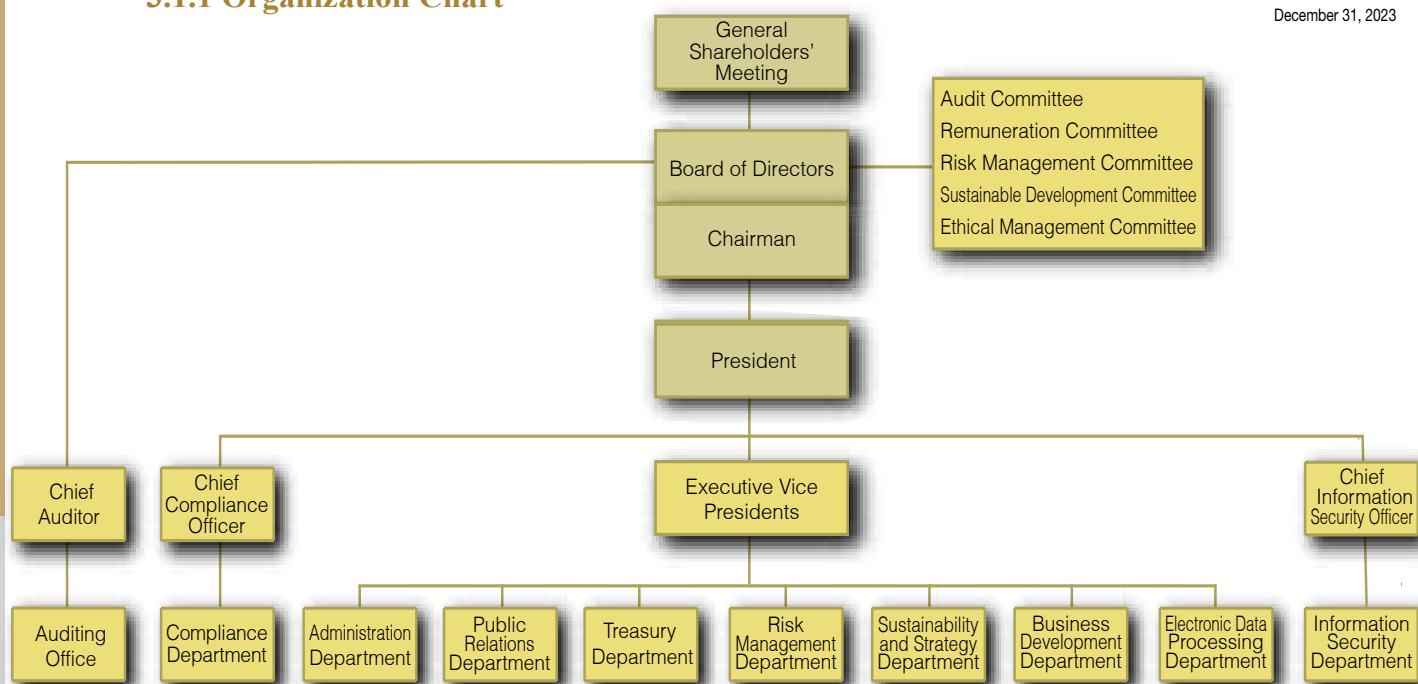
兆豐國際商業銀行

# Corporate Governance Report

## 3.1 Organization

### 3.1.1 Organization Chart

December 31, 2023



### Major Corporate Functions

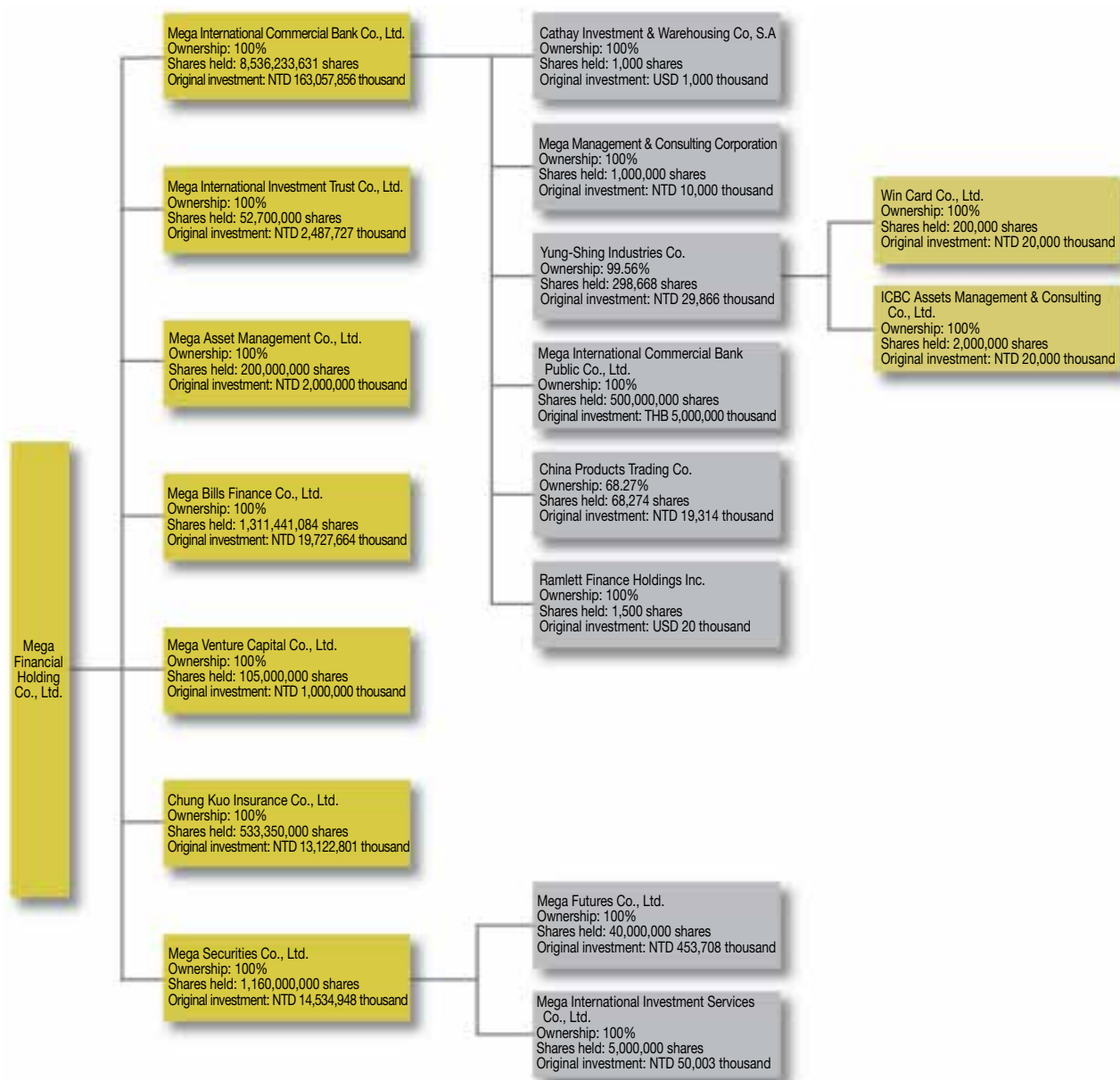
- **Auditing Office:** Planning and implementation of internal audit, examination of financial and business operation, internal control and legal compliance
- **Compliance Department:** Planning, management and implementation of legal compliance affairs; formulation and amendment of the group's overall 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
- **Sustainability and Strategy Department:** Planning of the Group's sustainable development strategy and formulation of annual plans and targets; planning of the Group's sustainable development roadmap and establishment of the Group's greenhouse gas inventory capability; planning of the Group's participation in sustainability ratings and awards of domestic and overseas organizations; matters related to the meetings of the Company's Sustainable Development Committee; tracking of and compliance with the sustainable regulations and international norms and initiatives of the competent authorities; preparation of sustainability reports, and management of matters related to assurance; other matters related to the Company's sustainable development strategy business



- **Public Relations Department:** Public relations matters concerning the Company’s media services and congressional liaison; coordination and management of the Company's corporate image and advertising; coordination and management of the Company's group branding, and management of the CI system; coordination and planning of the Company's group branding activities; coordination and planning of the Company's group volunteer services; organization of the meeting affairs of the Mega Charity Foundation; other matters related to the Company's public relations
- **Administration Department:** Planning and implementation of comprehensive administrative management systems; personnel administration, human resources development and labor relations maintenance; handling of shareholder affairs; company maintenance, general affairs, procurement operations and property management; occupational safety and health management; sending, receiving, correcting and managing of official documents; issuance, destruction and preservation of seals; handling of cashiers; planning and execution of ethical corporate management; management of intellectual property; handling of legal affairs; administrative matters of important personnel management of subsidiaries and appointment of directors and supervisors ; and other matters related to the company's administrative management

### 3.1.2 Affiliated Companies Chart

As of Dec. 31, 2023



# Corporate Governance Report

## 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 (Representative of the Ministry of Finance, R.O.C.)	R.O.C.	Chung-Dar Lei	Male 66-70	06/16/2023	3	06/16/2023	1,143,043,883	8.40	1,180,992,939	8.20	3,000 (self-owned)	0.00002 (self-owned)	0	0
President & Director (Representative of the Ministry of Finance, R.O.C.)	R.O.C.	Yu-Mei Hsiao	Female 56-60	06/21/2023	3	06/21/2023	1,143,043,883	8.40	1,180,992,939	8.20	223,560 (self-owned)	0.00155 (self-owned)	0	0
Director (Representative of the Ministry of Finance, R.O.C.)	R.O.C.	Pei-Chun Chen	Female 56-60	07/20/2021	3	07/01/2018	1,143,043,883	8.40	1,180,992,939	8.20	242,310 (self-owned) 62 (spouse)	0.00168 (self-owned) 0.00000 (spouse)	0	0
Director (Representative of the Ministry of Finance, R.O.C.)	R.O.C.	Yih Jiuan Wu	Female 61-65	07/20/2021	3	01/16/2021	1,143,043,883	8.40	1,180,992,939	8.20	0	0	0	0
Director (Representative of the Ministry of Finance, R.O.C.)	R.O.C.	Po-Cheng Chen	Male 56-60	01/17/2024	3	01/17/2024	1,143,043,883	8.40	1,180,992,939	8.20	0	0	0	0
Director (Representative of the Ministry of Finance, R.O.C.)	R.O.C.	I-Kan Chiu	Male 56-60	07/20/2021	3	07/20/2021	1,143,043,883	8.40	1,180,992,939	8.20	6,744 (self-owned)	0.00005 (self-owned)	0	0
Director (Representative of National Development Fund, Executive Yuan, R.O.C.)	R.O.C.	Keh-Her Shih	Male 51-55	07/20/2021	3	12/21/2020	830,973,202	6.11	891,568,452	6.19	0	0	0	0





March 31, 2024

Experience (education)	Positions concurrently held	Executives, directors or supervisors who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
Associate V.P., Researcher, Advisor of Central Bank Director, Central American Bank for Economic Integration (CABEI) General Director, Financial Bureau of Kaohsiung City Government Acting Chairman, Bank of Kaohsiung Chairman, Central Deposit Insurance Corporation Chairman of Taiwan Cooperative Financial Holding Co., Ltd. & Taiwan Cooperative Bank Co., Ltd. Chairman, Trust Association R.O.C Chairman, the Bankers Association of the R.O.C.	Chairman, Mega International Commercial Bank Chairman, Mega Charity Foundation Chairman, Mega Bank Cultural and Educational Foundation Director, Joint Credit Information Center Director, National Credit Card Center of R.O.C. Executive Director, the Central Bank of the Republic of China. Director, Taiwan Academy of Banking and Finance Director, Taipei Financial Center Corp. Director, Taiwan Capital Management Corporation Supervisor, Taiwan Capital Buffalo Fund Co., Ltd. Director, Taiwan Asset Management Corporation Vice Chairman, Taiwan Financial Services Roundtable Co.,Ltd Chairman, The Bankers Association of the R.O.C. Director, ROC-USA Business Council Director, Asian Bankers Association Supervisor, Taiwan External Trade Development Council	None	None	None	Note 1
PhD. in Economics, Cornell University, U.S.A.					
Deputy General Manager of London / New York / Chengdong Branch, General Manager of Gong-guan / Brisbane Branch, First Commercial Bank Chief Secretary / Executive Vice President of Mega Int'l Commercial Bank Co., Ltd. & Mega Financial Holding Co., Ltd. Chairman of Mega International Commercial Bank Public Co., Ltd.	President of Mega Financial Holding Co., Ltd. Managing Director of Mega International Commercial Bank Co., Ltd. Director of Mega Bills Finance Co., Ltd. Director of Mega Asset Management Co., Ltd. Vice Chairman of Mega Charity Foundation Director of Mega Bank Cultural and Educational Foundation	None	None	None	Note 1
M.A. in Finance, University of Illinois at Urbana-Champaign, U.S.A					
Recommended Specialist of Securities and Futures Management Committee; Deputy Manager of Da-Hwa Securities Co., Ltd.; Manager of Yuanta Core Pacific Securities Co., Ltd.; Vice President of PineBridge Investments Management Taiwan Ltd.; Legal Director of Prestige Law Firm; Chief Auditor / President of Mega Securities Co., Ltd.	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. Director of Taiwan Financial Services Roundtable Co.,Ltd	None	None	None	None
M.A. in Law, Boston University					
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	Director General of Department of Economic Research, Central Bank of the R.O.C. Supervisor of Taiwan Academy of Banking and Finance Committee member of National Income Statistics Committee of Directorate General of Budget, Accounting and Statistics, Executive Yuan	None	None	None	None
PhD. in Economics, Iowa State University , U.S.					
Chief / Senior Executive Officer / Deputy Director / Chief Secretary / Director, Taxation Administration, Ministry of Finance Director, National Treasury Administration, Ministry of Finance Deputy Director-general / National Taxation Bureau of the Southern Area, Ministry of Finance Director-General / Finance and Local Tax Bureau, Tainan City Director-General / National Taxation Bureau of Kaohsiung, Ministry of Finance Director-General, National Treasury Administration, Ministry of Finance Director, Mega Financial Holding Co., Ltd. Director, Mega Int'l Commercial Bank Co., Ltd. Supervisor of Taiwan Tobacco & Liquor Corporation	Director-General, National Treasury Administration, Ministry of Finance, R.O.C. Director of Mega International Commercial Bank Supervisor of Tainan City Cultural Foundation Director of China Tax Research Association	None	None	None	Note 1
M.A. in Public Finance, National Chengchi University					
Deputy Manager / Manager / Assistant Vice President and Director, Mega Int'l Commercial Bank Co., Ltd. President of Mega Int'l Commercial Bank Labor Union Member of Labor Funds Supervisory Committee Chairman / Vice Chairman / Managing Director of Taipei Confederation of Trade Unions Managing Director of Taiwan Confederation of Trade Unions Appraiser of labor condition of Labor Inspection Office of Department of Labor, Taipei City Government Member of Gender Equality Committee of Department of Labor, Taipei City Government	Assistant Vice President of General Affairs and Occupational Safety & Health Dept., Mega Int'l Commercial Bank Co., Ltd.	None	None	None	None
College degree in Finance and Taxation, Tamsui Oxford College					
Deputy Magistrate, Yunlin County Government; Deputy Secretary General, Executive Yuan Consultant, Executive Yuan; Political Deputy Minister, Ministry of Labor; Deputy Secretary General, Office of the President; Senior Secretary, Office of the President	Deputy Minister, National Development Council, Executive Yuan, R.O.C., Director of Yang Ming Marine Transport Corporation	None	None	None	None
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)					



# 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 (Representative of Chunghwa Post Co., Ltd.)	R.O.C.	Hong-Mo Wu	Male 66-70	07/20/2021	3	09/09/2019	490,778,910	3.60	517,633,693	3.59	0	0	0	0
Director (Representative of Bank of Taiwan)	R.O.C.	Hui-Chuan Chen	Female 61-65	01/07/2022	3	01/07/2022	334,951,379	2.46	377,876,300	2.62	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: Chairman Mr. Chung-Dar Lei took office on June 16, 2023, and the old incumbent Mr. Chao-Shun Chang resigned on May 26, 2023. Director Ms. Yu-Mei Hsiao took over on June 21, 2023, and the old incumbent Mr. Kuang-Hua Hu resigned on the same day. Director Mr. Po-Cheng Chen took over on Jan. 17, 2024, and the old incumbent Mr. Chia-Chi Hsiao resigned on Jan. 16, 2024.

Note 2: Director Mr. Chia-Chung Chen, the representative of the Ministry of Finance, resigned on July 1, 2023, and the vacancy left has yet to be assigned by the Ministry of Finance.



March 31, 2024

Experience (education)	Positions concurrently held	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 Aerropolis 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; Associate Dean, College of Social Sciences, NTU Supervisor of Chung-Hua Institution for Economic Research; 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.	Professor, Dept. of Economics, National Taiwan University (NTU) Associate Dean, College of Social Sciences, NTU Supervisor of Chung-Hua Institution for Economic Research	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 Supervisor, Taiwan Institution for Economic Research  Doctor of the Science of Law, School of Law, Stanford University, U. S. A.	Independent Director, Mytrex Health Technologies Inc., Managing Supervisor, Taiwan Institute of Economic Research Director, Taiwan Trust Association	None	None	None	None

# Corporate Governance Report

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

Dec. 31, 2023

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, 2023

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

Feb. 29, 2024

Name	Criteria	Professional qualification and experience	Status of Independency	Number of current positions as independent director of other public companies
Chung-Dar Lei (Chairman)		<p>Chairman Professionally qualified director of bank subsidiary Chairperson of Risk Management Committee</p> <p>The Chairman was used to be the chairman or director of many financial institutions such as the Central Bank of the R.O.C., Central American Bank for Economic Integration (CABEI), Bank of Kaohsiung, Central Deposit Insurance Corporation, and Taiwan Cooperative Financial Holding Co., Ltd. &amp; Taiwan Cooperative Bank Co., Ltd. He has served as the Chairman of the Company and Mega Bank and 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."</p> <p>Professional ability: Business management, leadership and decision-making, financial knowledge, international industry and economics, public finance and taxation, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Representative of juridical person director Ministry of Finance.</p> <p>Concurrently holds the position as the Chairman of subsidiary Mega International Commercial Bank Co., Ltd.</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>Yu-Mei Hsiao ( 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>The Director and President was used to be the executive managers of First Commercial Bank, Mega Financial Holdings, and Mega International Commercial Bank. She has served as the President of the Company and the managing director of Mega Bank and has accumulated over 10 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, ESG sustainability</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Representative of juridical person director Ministry of Finance.</p> <p>Concurrently holds the position as the President of the Company, managing director of subsidiary Mega International Commercial Bank Co., Ltd., Director of subsidiary Mega Bills Finance Co., Ltd., Director of subsidiary Mega Asset Management Co., Ltd.</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>Pei-Chun Chen ( Director )</p>	<p>Professionally qualified director of securities subsidiary Member of Risk Management Committee</p> <p>She was 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 7 years, and accumulated 30 years of working experience in securities industry, thus qualified with the professional qualification requirements of Article 9, Paragraph 1, Subparagraph 1 and Paragraph 10 (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>Representative of juridical person director Ministry of Finance.</p> <p>Concurrently holds the position as the Chairman of subsidiary Mega Securities Co., Ltd. and Mega Futures Co., Ltd.</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>
<p>Yih-Jiuan Wu ( Director )</p>	<p>Professionally qualified director of bank subsidiary</p> <p>The Director was 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>Representative of juridical person director Ministry of Finance.</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>

# Corporate Governance Report

<p>Po-Cheng Chen ( Director )</p>	<p>The Director is the Director-General of National Treasury Administration, Ministry of Finance, R.O.C. He has accumulated more than a dozen of 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, ESG sustainability.</p> <p>There are no matters related to Article 30 of the Company Act</p>	<p>Representative of juridical person director Ministry of Finance.</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>
<p>I-Kan Chiu ( Director )</p>	<p>The Director currently holds an position in occupational safety &amp; 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>Representative of juridical person director Ministry of Finance.</p> <p>None of the director's spouse, or relatives within the second degree of kinship are also the director.</p> <p>The director is an employee of subsidiary Mega International Commercial Bank.</p>	<p>0</p>
<p>Keh-Her Shih ( Director )</p>	<p>The Director 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>Representative of juridical person director National Development Fund, Executive Yuan, R.O.C.</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>
<p>Hong-Mo Wu ( Director )</p>	<p>The Director was used to be the executives of important government units such as Deputy Mayor of Kaohsiung City Government, Minister without Portfolio, Executive Yuan &amp; 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 Chungwa 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>Representative of juridical person director Chungwa Post Co., Ltd.</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>
<p>Hui-Chuan Chen ( Director )</p>	<p>The Director was 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>Representative of juridical person director Bank of Taiwan Co., Ltd.</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>



<p>Ying Wu ( Independent Director )</p>	<p>Professionally Qualified Natural-Person Director Chairperson of Audit Committee Remuneration Committee Member Ethical Management Committee Member</p> <p>The Director was 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>	<p>1</p>
<p>Chang- Ching Lin ( Independent Director )</p>	<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>	<p>1</p>

# Corporate Governance Report

<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.</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>	<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 and Paragraph 10 (Insurance) 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.</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>	<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.</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>	<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. Their nationalities are all R.O.C. Till the end of February, 2024, there was still one seat representing shareholder Ministry of Finance to be appointed. Currently, there are 14 seats of directors in position. 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: Yu-Mei Hsiao and I-Kan Chiu, account for 14% of the Board; There are seven female directors, accounting for 50% of the Board, which is better than the original target of 33%. There are one director between the ages of 40 and 49, five between 50 and 59, six between 60 and 69, and two between 70 to 79 years old. The average age is 61 years old, and the average term of office is 2.7 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 by having 80% of board seats filled by directors who meet the independency criteria. In 2023, 92.86% of our directors satisfied the independency criteria. The Chairman Chung-Dar Lei took office in June 2023, who till the end of 2023 has served 6 months. He does not concurrently serve as the Company's managerial officers since he took office, qualifying the independency criteria. Director Yu-Mei Hsiao 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 3.1 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.	Yu-Mei Hsiao	Female	05/06/2023	223,560	0.00	0	0.00	0	0.00
Executive Vice President, Chief Corporate Governance Officer, and Chief Information Security Officer	R.O.C.	Han-Yin Ting	Female	06/19/2023	68,283	0.00	0	0.00	0	0.00
Executive Vice President	R.O.C.	Yung-Chen Huang	Female	10/01/2023	129,082	0.00	0	0.00	0	0.00
Chief Auditor	R.O.C.	Ling-Chiun Lin	Female	03/20/2023	103,560	0.00	0	0.00	0	0.00
Chief Compliance Officer	R.O.C.	Yi-Ming Ko	Female	09/01/2022	230,908	0.00	0	0.00	0	0.00
Chief Secretary of the Board	R.O.C.	Jian-Pyng Lee	Male	03/1/2024	21,642	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Lan-Jong An	Male	10/01/2020	0	0.00	0	0.00	0	0.00

March 31, 2024

Experience (education)	Positions concurrently held	Managers who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
		Deputy General Manager of London / New York / Chengdong Branch, General Manager of Gong-guan / Brisbane Branch, First Commercial Bank Chief Secretary / Executive Vice President of Mega Int'l Commercial Bank Co., Ltd. & Mega Financial Holding Co., Ltd. Chairman of Mega International Commercial Bank Public Co., Ltd.  M.A. in Finance, University of Illinois at Urbana-Champaign, U.S.A.	General Manager of Mega Financial Holding Co., Ltd. Managing Director of Mega International Commercial Bank Co., Ltd. Director of Mega Bills Finance Co., Ltd. Director of Mega Asset Management Co., Ltd. Vice Chairman of Mega Charity Foundation Director of Mega Bank Cultural and Educational Foundation	None	
Assistant Vice President of Mega International Commercial Bank Co., Ltd. Secretary / Chief Secretary of the Board of Mega International Commercial Bank Co., Ltd. Chief Secretary of Mega Financial Holding Co., Ltd.  B.A. in Finance, National Taiwan University	Director of Mega Securities Co., Ltd. Director of Next Commercial Bank Co., Ltd.	None	None	None	Note 2
Vice President & General Manager of Yi-Lan Branch / Ta-An Branch / San-Chong Branch, Senior Vice President of Foreign Department, Chief Auditor, Senior Executive Vice President of Mega International Commercial Bank Co., Ltd.  M.A. in Economic, New York University	Senior Executive Vice President of Mega International Commercial Bank Co., Ltd. Supervisor of Mega Bills Finance Co., Ltd. Director of Mega Asset Management Co., Ltd. Director of Mega Bank Cultural and Educational Foundation Director of China Real Estate Management Co., Ltd. Supervisor of Overseas Credit Guarantee Fund	None	None	None	Note 3
Vice President of Legal Affairs and General Manager of Compliance Department of Mega International Commercial Bank.  B.A. in Law, National Taiwan University	–	None	None	None	Note 4
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.  Master in Law, Southern Methodist University	Chief Compliance Officer of Mega International Commercial Bank Co., Ltd. Supervisor of Mega Bills Finance Co., Ltd.	None	None	None	None
General Manager of East Neihu Branch / Neihu Branch / Dunnan Branch, Loan Sales Department, Corporate Banking Business Department of Mega International Commercial Bank Co., Ltd.  M.A. in Finance Management, Department of Finance, National Sun Yat-Sen University	Chief Secretary of the Board of Mega International Commercial Bank Co., Ltd. Director of Mega Bills Finance Co., Ltd.	None	None	None	Note 5
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



# 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.	Chia-Lin Chang	Female	08/01/2021	15,547	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Ing-Jun Kuo	Male	01/01/2022	10,000	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Hung Tseng	Male	02/01/2022	5,690	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Chien-An Chen	Male	03/01/2022	10,035	0.00	0	0.00	0	0.00
Vice President	R.O.C.	Mei-Li Chao	Female	07/01/2023	5,170	0.00	0	0.00	0	0.00
Acting Vice President	R.O.C.	Chia-Lin Huang	Female	09/01/2023	-	-	-	-	-	-
Acting Vice President	R.O.C.	Che-Kuang Liu	Male	01/01/2024	-	-	-	-	-	-

Note: 1. President Mr. Kuang-Hua Hu was designated to become the President of Mega Bank on May 26, 2023. On the same date, Executive Vice President Ms. Yu-Mei Hsiao was promoted as the President of the Company.

2. Executive Vice President Jui-Yun Lin was retired on June 19, 2023. On the same date, Chief Secretary of the Board Han-Yin Ting was promoted as the Executive Vice President of the Company.

3. Senior Executive Vice President of Mega International Commercial Bank, Ms. Yung-Chen Huang was designated as the Executive Vice President of the Company on Oct. 1, 2023.

4. 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.

5. Chief Secretary of the Board of Mega International Commercial Bank, Mr. Jian-Pyng Lee, was designated as Chief Secretary of the Board of the Company on March 1, 2024.

6. Acting Vice President of Treasury Department Ms. Mei-Li Chao became Vice President on July 1, 2023.

7. Ms. Chia-Lin Huang became Acting Vice President of Public Relations Department on September 1, 2023.

8. Vice President Mr. Ming-Chi Lu of Business Development Department retired on Jan. 1, 2024. Deputy Vice President Mr. Che-Kuang Liu became Acting Vice President on the same date.

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



March 31, 2024

Experience (education)	Positions concurrently held	Managers who are spouses or within two degrees of kinship			Note
		Title	Name	Relation	
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	Note 6
Senior Specialist / Deputy Vice President of Administration Department, and Senior Specialist of the Board of Mega Financial Holding Co., Ltd. Senior Specialist of the Board, Vice President & General Manager of Public Relations Office of Mega International Commercial Bank, Co., Ltd.  M.A. in Speech and Interpersonal Communication, New York University	Vice President & General Manager of Public Relations Office of Mega International Commercial Bank, Co., Ltd. General Manager of Mega Charity Foundation General Manager of Mega Bank Cultural and Educational Foundation	None	None	None	Note 7
Manager of Finance Department of Chiao Tung Bank Manager, Deputy Vice President of Business Development Department, Mega Financial Holding Co., Ltd.  PhD. in Economics, Nankai University	–	None	None	None	Note 8



## 3.3 Remuneration for Directors, President, Executive Vice Presidents, and the employee remuneration distributed in 2023

### 3.3.1 Remuneration of Directors and Independent Directors

Title	Name	Remuneration								Total compensation (a+b+c+d) and its ratio to profit (%)	
		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										
	Chung-Dar Lei ( Representative of Ministry of Finance, R.O.C. )										
	Chao-Shun Chang ( Representative of Ministry of Finance, R.O.C. )										
Director ( Representative of Ministry of Finance, R.O.C. )	Yu-Mei Hsiao										
	Kuang-Hua Hu										
	Yih-Jiuan Wu										
	Chia-Chung Chen										
	Chia-Chi Hsiao	0	11,964	0	1,318	166,760	166,760	2,266	5,314	169,026 /0.51	185,356 /0.56
	Pei-Chun Chen										
	I-Kan Chiu										
Director	National Development Fund										
	Representative: Keh-Her Shih										
Director	Chunghwa Post Co., Ltd.										
	Representative: Hong-Mo Wu										
Director	Bank of Taiwan										
	Representative: Hui-Chuan Chen										
Independent Director	Chang-Ching Lin										
	Ying Wu										
	Hung-Ju Chen	3,600	4,000	0	0	0	0	756	756	4,356 /0.01	4,756 /0.01
	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 Mr. Chao-Shun Chang resigned on May 26, 2023 and Mr. Kuang-Hua Hu acted as the proxy till June 15, 2023. Mr. Chung-Dar Lei succeeded the position on June 16, 2023. Mr. Kuang-Hua Hu was relieved from the position on June 21, 2023 and Ms. Yu-Mei Hsiao succeeded the position. Mr. Chia-Chung Chen resigned on July 1, 2023.

2. Compensation paid to company drivers for NT\$1,018 thousand is not included in Allowances (d). "Salary, bonuses, and allowances (e)" does not include compensation paid to company drivers for NT\$1,341 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									Total compensation (a+b+c+d) and its ratio to profit (%)	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				
				Cash	Stock	Cash	Stock			
7,715	10,132	101	101	0	0	406	0	176,842 /0.53	195,994 /0.59	679
0	0	0	0	0	0	0	0	4,356 /0.01	4,756 /0.01	0

### Directors' remuneration brackets

Bracket	Name of Directors			
	Total of (a+b+c+d)	All companies in the financial report	The Company	Total of (a+b+c+d+e+f+g)
	The Company		The Company	The parent company and all investee companies
Under NT\$ 1,000,000	Chung-Dar Lei, Chao-Shun Chang, Yu-Mei Hsiao, Kuang-Hua Hu, Yih-Jiuan Wu, Chia-Chi Hsiao, I-Kan Chiu, Keh-Her Shih, Hong-Mo Wu, Hui-Chuan Chen, Chang-Ching Lin, 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	Yu-Mei Hsiao, Kuang-Hua Hu, Yih-Jiuan Wu, Chia-Chi Hsiao, I-Kan Chiu, Keh-Her Shih, Hong-Mo Wu, Hui-Chuan Chen, Chang-Ching Lin, Hung-Ju Chen, Tsai-Jyh Chen, Chi-Chang Yu	Chung-Dar Lei, Chao-Shun Chang, Yih-Jiuan Wu, Chia-Chung Chen, Chia-Chi Hsiao, 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	Yih-Jiuan Wu, Chia-Chung Chen, Chia-Chi Hsiao, 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		Ying Wu
NT\$2,000,000 ~ NT\$3,500,000			Kuang-Hua Hu	I-Kan Chiu
NT\$3,500,000 ~ NT\$5,000,000		Chao-Shun Chang,	Yu-Mei Hsiao	Chao-Shun Chang, Yu-Mei Hsiao, Kuang-Hua Hu
NT\$5,000,000 ~ NT\$10,000,000		Chung-Dar Lei, Pei-Chun Chen		Chung-Dar Lei, Pei-Chun Chen
NT\$10,000,000 ~ NT\$15,000,000	National Development Fund, Chungghwa Post Co., Ltd., Bank of Taiwan	National Development Fund, Chungghwa Post Co., Ltd., Bank of Taiwan	National Development Fund, Chungghwa Post Co., Ltd., Bank of Taiwan	National Development Fund, Chungghwa Post Co., Ltd., Bank of Taiwan
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
NT\$100,000,000 or above	Ministry of Finance	Ministry of Finance	Ministry of Finance	Ministry of Finance
Total	21	21	21	21





### 3.3.2 Compensation of President and Executive Vice President

December 31, 2023; Unit: NT\$ thousands

Title	Name	Salary (a)		Severance pay (b)		Bonuses and allowances (c)		Employee remuneration (d)				Total compensation (a+b+c+d) and ratio to profit (%)		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	Stock				
President	Yu-Mei Hsiao														
	Kuang-Hua Hu														
	Han-Yin Ting														
Executive Vice President	Yung-Chen Huang														
	Jui-Yun Lin														
Chief Auditor	Yu-Mei Hsiao														
	Ling-Chiun Lin														
Chief Compliance Officer	Jui-Ying Tsai														
	Yi-Ming Ko														
	Total	10,051	15,301	27,107	27,221	9,199	13,711	1,867	0	3,215	0	48,224	59,448	323	0.18

Note: 1. Mr. Kuang-Hua Hu resigned on May 25, 2023 and Ms. Yu-Mei Hsiao succeeded the position on May 26, 2023. Chief Auditor Ms. Jui-Ying Tsai retired on March 20, 2023 and Ms. Ling-Chiun Lin succeeded the position. Executive Vice President Jui-Yun Lin retired on June 19, 2023 and Ms. Han-Yin Ting succeeded the position. Ms. Yung-Chen Huang became Executive Vice President since Oct. 1, 2023. Severance pay (B) includes retirement pay NT\$26,857 thousand. Compensation paid to company drivers totaled NT\$4,964 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	Yung-Chen Huang, Yi-Ming Ko	
NT\$ 1,000,000 ~ NT\$ 2,000,000		Yung-Chen Huang
NT\$ 2,000,000 ~ NT\$ 3,500,000	Kuang-Hua Hu, Han-Yin Ting	
NT\$ 3,500,000 ~ NT\$ 5,000,000	Ling-Chiun Lin	Kuang-Hua Hu, Ling-Chiun Lin
NT\$ 5,000,000 ~ NT\$ 10,000,000	Yu-Mei Hsiao	
NT\$10,000,000 ~ NT\$ 15,000,000	Jui-Ying Tsai	Jui-Ying Tsai
NT\$15,000,000 ~ NT\$ 30,000,000	Jui-Yun Lin	
NT\$30,000,000 ~ NT\$ 50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
NT\$ 100,000,000 or above		
Total	8	8

### 3.3.3 Employee Remuneration to Managerial Officers

Dec. 31, 2023 Unit: NT\$ thousands

Title	Name	Employee remuneration - in stock	Employee remuneration - in cash	Total	Ratio of total amount to Profit(%)
Executive Vice President	Han-Yin Ting				
Executive Vice President	Jui-Yun Lin				
Chief Auditor	Ling-Chiun Lin				
Chief Auditor	Jui-Ying Tsai				
Vice President	Ming-Chih Lu				
Vice President	Lan-Jong An				
Vice President	Chia-Lin Chang				
Vice President	Mei-Li Chao				
Total		0	4,795	4,795	0.01

Note: Per the Company's regulation, the former president Kuang-Hua Hu and president Yu-Mei Hsiao can't be paid with employee remuneration. Chief Compliance Officer Yi-Ming Ko, 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

	2022	2023	Analysis
By the Company	0.67%	0.66%	Total remuneration paid in 2023 by the Company and by all companies in the consolidated financial report increased slightly compared to 2022, which was primarily due to an increase in directors' compensation as a result of an increase in profit in 2023. However, total remuneration as a percentage of profit in 2023 decreased slightly compared to 2022, and was similar to the percentage in 2020 and 2021 in recent years. Therefore, it is still considered reasonable.
By all companies in the consolidated financial statements	0.83%	0.76%	



## 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 secured outstanding achievements in promoting ESG in 2023. In addition to being continuously selected as a constituent stock of the DJSI "Emerging and World Markets Dual Index" in international ratings and maintaining an A- leadership rating in the CDP Climate Change rating, the Company has also been selected as the "Top 5% in Corporate Governance Evaluation" by the Taiwan Stock Exchange, and was awarded the "Platinum Award in the Sustainability Reporting Category" and the "Top 100 Sustainability Exemplary Enterprises of Taiwan" by the TCSA, as well as the "Healthy Workforce Excellence Enterprise" by the Occupational Safety and Health Administration. Based on these achievements, the FSC invited the Company to join the "Sustainable Finance Pioneer Alliance" in the second half of the year and serve as the convener of the "Cross-department Consultation Working Group" to assist in the collection and consolidation of practical difficulties and suggestions from financial industry players in the areas of investing and financing forward-looking economic activity-related technologies and industries. The Company is among the two state owned financial holding company that is a member of the alliance, and its outstanding performance in sustainable development is well recognized.
- b. Total shareholder return: In 2023, the TSR is 32.85%, which is better compared to -10.18% in 2022 and 24.18% in 2021. For shareholders, the annual capital return is better compared to previous years.

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

The Company's unconsolidated profit for the year 2023 decreased by 81.33% compared to 2022. 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 increased by 80.80% and 65.14%, respectively, compared to 2022. 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 2023. 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	Chung-Dar Lei (Representative of Ministry of Finance)	8	0	100%	Succeeded on June 16,2023. Attendance required: 8.
Chairman	Chao-Shun Chang (Representative of Ministry of Finance)	6	0	100%	Resigned on May 26,2023. Attendance required: 6.
Director & President	Yu-Mei Hsiao (Representative of Ministry of Finance)	7	0	100%	Succeeded on June 21,2023. Attendance required: 7.
Director & President	Kuang-Hua Hu (Representative of Ministry of Finance)	7	0	100%	Resigned on June 21,2023. Attendance required: 7.
Director	Pei-Chun Chen (Representative of Ministry of Finance)	13	1	92.86%	
Director	Yih-Jiuan Wu (Representative of Ministry of Finance)	13	1	92.86%	
Director	Chia-Chi Hsiao (Representative of Ministry of Finance)	12	2	85.71%	Dismissed on Jan. 16, 2024. Attendance required: 14.
Director	Chia-Chung Chen (Representative of Ministry of Finance)	7	1	87.5%	Resigned on July 1,2023. Attendance required: 8.
Director	I-Kan Chiu (Representative of Ministry of Finance )	14	0	100%	
Director	Keh-Her Shih (Representative of National Development Fund, Executive Yuan)	8	6	57.14%	
Director	Hong-Mo Wu (Representative of Chunghwa Post Co., Ltd.)	12	2	85.71%	
Director	Hui-Chuan Chen (Representative of Bank of Taiwan)	13	1	92.86%	
Independent director	Ying Wu	13	1	92.86%	
Independent director	Chang-Ching Lin	13	1	92.86%	
Independent director	Hung-Ju Chen	14	0	100%	
Independent director	Tsai-Jyh Chen	14	0	100%	
Independent director	Chi-Chang Yu	14	0	100%	
Other items:					
1. If there is anything as below, the Company should state the date of the Board meeting, terms, content, all independent directors' opinion, and the Company's response and handling for the independent director's opinion:					
(1) Items related to Article 14-3 of the Securities and Exchange Act: This item is not applicable as the Company has set up an audit committee.					
(2) Items those where objected to by independent directors or subject to qualified opinion and recorded or declared in writing: NA.					

## 2. Recusals of Directors due to conflicts of interests in 2023:

Name of Directors	Proposals	Reason for recusals	Involvement in voting
Chairman Chao-Shun Chang, Director Kuang-Hua Hu, and Director I-Kan Chiu	Amendment to the implementation criteria for operating performance bonus of the subsidiary Mega Bank	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Kuang-Hua Hu	Evaluation of the compensation of the Company's managerial officers (including part-time) for the year 2023	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Kuang-Hua Hu, Chia-Chung Chen, and Pei-Chun Chen	Relieving the non-competition restrictions for the directors	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Chairman Chao-Shun Chang, Director Pei-Chun Chen, Kuang-Hua Hu, Chia-Chung Chen, Chia-Chi Hsiao, and Independent Director Ying Wu	Intended participation of the subsidiary Mega Securities in the auction of Taiwan Stock Exchange Corporation shares of the Taipei District Court	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Pei-Chun Chen	Amendment to the rules of employee remuneration and title of the subsidiary Mega Securities	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Kuang-Hua Hu, Pei-Chun Chen and I-Kan Chiu	Amendment to the Company's audit plan of 2023	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Chairman Chao-Shun Chang and Director Kuang-Hua Hu,	Changes in the Director and Chairman of the subsidiary Mega Bank	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Kuang-Hua Hu	President candidates of the Company and the Bank, and the appointment of a Director of Mega Bank	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Chairman Chung-Dar Lei and Director Kuang-Hua Hu	Appointment of the Director and planning of Chairman candidates of the subsidiary Mega Bank	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Pei-Chun Chen	Appointment of Mega Securities as the lead underwriter for the issuance of 2023 unsecured common corporate bonds by the Company	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Yu-Mei Hsiao	Application for a guarantee-free commercial promissory note limit from Mega Bills and application for an unsecured short-term borrowing limit from Yuanfa Bank	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Yu-Mei Hsiao	Proposal on the remuneration of the new managerial officer of the Company	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Chairman Chung-Dar Lei, Director Yu-Mei Hsiao, Chia-Chi Hsiao, and Independent Director Ying Wu	Intended subscription of private shares of Next Commercial Bank Co., Ltd. by the subsidiary Mega Bank	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Yu-Mei Hsiao	Matters related to the number of shares to be allotted to employees in the Company's cash capital increase by issuing new shares in 2023	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Yu-Mei Hsiao	The Company's intended implementation of a 4.5% salary increase and amendments to the salary standard table	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Chairman Chung-Dar Lei, Director Yu-Mei Hsiao, Chia-Chi Hsiao, Pei-Chun Chen, I-Kan Chiu, and Independent Director Ying Wu	Amendments to the related tables of salary and allowance rules of the Company's five subsidiaries Mega Bank, Mega Securities, Mega Bills, Chung Kuo Insurance and Mega Asset Management	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Yu-Mei Hsiao, Pei-Chun Chen and I-Kan Chiu	The Company's audit plan of 2024	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Hui-Chuan Chen and Pei-Chun Chen	Matters related to an underwriter organized by the underwriting syndicate for the Company's cash capital increase by issuing new shares in 2023	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Chairman Chung-Dar Lei and Director Pei-Chun Chen	Amendments to the Implementation Rules for Annual Assessment of Subsidiaries	The director(s) listed at left was(were) the stakeholders.	Recusals from discussion and voting
Director Yu-Mei Hsiao	Salary adjustment for the Company's managerial officers for the year 2024	The director(s) listed at left was(were) the stakeholders.	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 2023 the evaluation was conducted internally.

(1) In year 2023:

Brief on the result and evaluation of the Board in year 2023:

- Evaluation period: November 1, 2022 to October 31, 2023. (Continuation from previous year)
- Scope of evaluation: The overall Board of Directors, Board members and functional committees.
  1. The overall Board of Directors: Total 5 aspects including 45 evaluation indicators.
  2. Board members: Total 6 aspects including 23 evaluation indicators.
  3. Functional committees: Total 5 aspects including 24 evaluation indicators on the Audit Committee, the Remuneration Committee, and the 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 35th meeting of the 8th term of Board of Directors on December 28, 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:

- (1) The Board of Directors 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.
- (2) Board members: 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%.

(2) 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.
- 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."
- 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.

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 totaled 9 times in 2023.
- (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.

The Company's Audit Committee held 9 (A) meetings in 2023, with the following attendance:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Ying Wu	9	0	100%	
Independent Director	Chang-Ching Lin	9	0	100%	
Independent Director	Hung-Ju Chen	9	0	100%	
Independent Director	Tsai-Jyh Chen	9	0	100%	
Independent Director	Chi-Chang Yu	9	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 10, 2023	The 15 <sup>th</sup> meeting of the 4 <sup>th</sup> term	Reviews of the appointment of the external auditor of the 2023 financial statements	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
March 7, 2023	The 17 <sup>th</sup> meeting of the 4 <sup>th</sup> term	Review of the Company's 2022 consolidated financial report	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
March 7, 2023	The 17 <sup>th</sup> meeting of the 4 <sup>th</sup> term	Review of the 2022 Internal Control Statement	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
April 11, 2023	The 18 <sup>th</sup> meeting of the 4 <sup>th</sup> term	Review of the proposal of issuing new shares by capital increase out of earnings in 2022	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
April 11, 2023	The 18 <sup>th</sup> meeting of the 4 <sup>th</sup> term	Review of 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 11, 2023	The 18 <sup>th</sup> meeting of the 4 <sup>th</sup> term	Review of the amendments to the 2023 internal audit plan	N.A.	The wordings of the annual audit items added by the bank subsidiary were revised to "Supervision of overseas branches that have been punished by local competent authorities, or the improvement in inspection opinions has not met the requirements of local competent authorities for a long time." The remaining agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors
August 15, 2023	The 21 <sup>st</sup> meeting of the 4 <sup>th</sup> term	Review of the Company's 2023 Q2 financial report	N.A.	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
Oct. 3, 2023	The 22 <sup>nd</sup> meeting of the 4 <sup>th</sup> term	Review of the issuance of new shares for capital increase of the Company in 2023	N.A.	Agenda was passed as proposed with additional explanations from members and appropriate amendments to the attachments before submitted to the Board of Directors for consideration.	The proposal has been submitted to and approved by the Board of Directors.
Nov. 21, 2023	The 23 <sup>rd</sup> meeting of the 4 <sup>th</sup> term	Review of the amendments to the 2024 internal audit plan	N.A.	Agenda was passed as proposed with the key audit item (4) of Chung Kuo Insurance being amended to insurance product sales management operations.	The proposal has been submitted to and approved by the Board of Directors.

# Corporate Governance Report

- (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 (includes the communicated important items, methods, 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 and the status of corrections 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.

Date	Term/No. of the Meeting	Communication subjects	Communication result and responsive action
January 10, 2023	Symposium to review the Group's 2022 internal control system deficiencies	<p>Review of the Group's 2022 internal control system deficiencies. Comment from Independent Directors:</p> <ol style="list-style-type: none"> <li>1. The bank subsidiary should implement the four-eyes principle and related internal control points for ATM management, and include them in items of audits and self-inspections.</li> <li>2. The Phnom Penh branch of the bank subsidiary has been corrected by the financial inspection authority, and the Auditing Department should include this as an audit item.</li> <li>3. All subsidiaries are requested to review whether there is still an internal network that enables employees to use social media networks, which should be prohibited or regulated.</li> <li>4. It is recommended that all subsidiaries incorporate subsequent establishment of regulations into a comprehensive review and set up a reminder mechanism through the information system in order to minimize man-made negligence.</li> <li>5. If the Company encounters deficiencies that have been reported in internal audits and/or external inspections, it should be severely punished and the punishment should be announced internally to serve as a warning.</li> <li>6. The Chung Kuo Insurance subsidiary is requested to review the level of participants of the Risk Management Committee. In addition, for the Compliance Committee's meeting presiding level, currently only meetings of the bank subsidiary are presided over by the Chairman. It is recommended that other subsidiaries study the feasibility of having the Chairman preside over meetings referred to the Bank.</li> <li>7. If each subsidiary has a case in which a person involved in the case was severely punished twice or dismissed due to violation of the internal control system, the Company should report it to the financial holding company in accordance with the regulations.</li> <li>8. Participants of the "Insurance Product Management Group Meeting" and "Insurance Product Post-Sales Management Group Meeting" held by the Chung Kuo Insurance subsidiary must include top management at the Vice President level of the Compliance Department and the Risk Control Department.</li> </ol>	The meeting minute is reported to the Board of Director. A formal notice has been sent to subsidiaries to act accordingly.
January 10, 2023	The 15 <sup>th</sup> meeting of the 4 <sup>th</sup> term Audit Committee	<p>Regular report on the deficiencies discovered during special examinations to subsidiaries and the status of corrections. Comment from Independent Directors:</p> <ol style="list-style-type: none"> <li>1.The securities subsidiary should implement the managerial officer accountability system and truly conduct self-inspection.</li> <li>2.The senior management of the Chung Kuo Insurance subsidiary should truly assume management responsibilities, improve relevant internal control deficiencies, and adhere to risk management principles.</li> </ol>	<p>It is agreed and noted.</p> <p>A formal notice has been sent to Mega Securities and Chung Kuo Insurance subsidiary to operate correctly.</p>





March 7, 2023	The 17 <sup>th</sup> meeting of the 4 <sup>th</sup> term Audit Committee	Report on Auditing Office's operations in the second half of 2022.	It is agreed and noted with amendments to partial wordings of the Manila case of bank subsidiary.
		Comment from Independent Directors: Part of the reply to the Financial Examination Bureau, FSC regarding improvement measures for financial inspection deficiencies should be strengthened.	1. The amended wordings have been subsequently reported to the Broad of Directors. 2. The Chung Kuo Insurance subsidiary has been notified with a letter to follow the Committee's instructions when continuing report to the FSC on the improvement measures for financial inspection deficiencies.
		The U.S. Financial Supervisory Authority conducted a 2021 financial inspection of Mega Bank's New York Branch regarding the improvements of the deficiencies listed in the examination report.	It is agreed and noted with supervision to urge the New York Branch to implement the improvement measures.  The bank subsidiary has been notified with a letter to pay attention to the implementation.
		Review of 2022 Internal Control Statement.	It is passed and has reported to and passed by the Board of Directors.
April 11, 2023	The 18 <sup>th</sup> meeting of the 4 <sup>th</sup> term Audit Committee	Regular report on the deficiencies discovered during special audits for the Company and subsidiaries and the status of corrections. Comment from Independent Directors: 1. Please correct the improvement status of deficiencies and update the improvement schedule. 2. The unit under inspection please pay attention to the confidentiality of the approved information security self-inspection plan. 3. Please discuss the way to explain the improvement status of deficiencies.	It is agreed and noted. 1. It is amended and reported to the Board of Directors. 2. A formal notice has been sent to relevant units to operate accordingly. 3. It will be handled as instructed.
		Proposal of the amendments to the 2023 internal audit plan. Resolution: Amendments to the wordings of the audit items included in the audit plan.	It is amended and passed. The amended proposal has been reported to the Board of Directors.
July 11, 2023	The 20 <sup>th</sup> meeting of the 4 <sup>th</sup> 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. The amended proposal has been reported to the Board of Directors.
August 15, 2023	The 21 <sup>st</sup> meeting of the 4 <sup>th</sup> term Audit Committee	Report on Auditing Office's operations in the first half of 2023. Comment from Independent Directors: The Chung Kuo Insurance subsidiary should pay attention to controlling the total sales limit of high-risk products.	It is agreed and noted. A formal notice has been sent to Chung Kuo Insurance to operate accordingly.
October 3, 2023	The 22 <sup>nd</sup> meeting of the 4 <sup>th</sup> term Audit Committee	Regular report on the deficiencies discovered during special audits for the Company and the subsidiaries and the status of corrections.	It is agreed and noted.
November 21, 2023	The 23 <sup>rd</sup> meeting of the 4 <sup>th</sup> term Audit Committee	Report on evaluation results of subsidiaries internal audit units' performance in 2023.	It is agreed and noted.
		Proposal of the Company's audit plan of 2024. Resolution: Amendments to the audit items.	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 quarterly 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.

# Corporate Governance Report

Date	Term/No. of the Meeting	Communication subjects	Communication result and responsive action
March 7, 2023	The 17 <sup>th</sup> meeting of the 4 <sup>th</sup> term Audit Committee	<ol style="list-style-type: none"> <li>1. Report of auditing result of the 2022 consolidated financial statements and internal control.</li> <li>2. Explanation of the COVID-19 insurance indemnity reserve of the subsidiary Chung Kuo Insurance in 2022.</li> <li>3. Explanation of subsequent event of the subsidiary Chung Kuo Insurance for the year 2022. Audit plan for 2022 financial statements.</li> <li>4. Audit strategy, timeline and plan for 2023 financial statements.</li> <li>5. Update on indecency policy: Explanation on the impact of amendment on articles of IESBA Code regarding non-certifying service.</li> <li>6. Impacts from material laws, regulation and interpretive of the authority in connection with financial reports.</li> </ol>	<ol style="list-style-type: none"> <li>1. The 2022 consolidated financial statements have been approved by the audit committee and board of directors, and publicly disclosed to competent authority and filed.</li> <li>2. The explanation and opinion exchange for the questions raised by independent directors is done.</li> </ol>
May 16, 2023	The 19 <sup>th</sup> meeting of the 4 <sup>th</sup> term Audit Committee	<ol style="list-style-type: none"> <li>1. Report of reviewing result of the first quarter of 2023 consolidated financial report.</li> <li>2. Explanation of the COVID-19 insurance indemnity reserve of the subsidiary Chung Kuo Insurance of the first quarter of 2023.</li> <li>3. Reminder of changes in material laws, regulation and interpretive of the authority in connection with financial reports.</li> </ol>	<ol style="list-style-type: none"> <li>1. The first quarter of 2023 financial statements have been approved by the audit committee and board of directors, and publicly disclosed to competent authority and filed.</li> <li>2. The explanation and opinion exchange for the questions raised by independent directors is done.</li> </ol>
August 15, 2023	The 21 <sup>st</sup> meeting of the 4 <sup>th</sup> term Audit Committee	<ol style="list-style-type: none"> <li>1. Report of auditing result of the first half of 2023 consolidated financial statements and internal control.</li> <li>2. Explanation of the COVID-19 insurance indemnity reserve of the subsidiary Chung Kuo Insurance of the second quarter of 2023.</li> <li>3. Explanation of subsequent event of the Company and the bank subsidiary.</li> <li>4. Reminder of changes in material laws, regulation and interpretive of the authority in connection with financial reports.</li> </ol>	<ol style="list-style-type: none"> <li>1. The first half of 2023 financial statements have been approved by the audit committee and board of directors, and publicly disclosed to competent authority and filed.</li> <li>2. The explanation and opinion exchange for the questions raised by independent directors is done.</li> </ol>
November 21, 2023	The 23 <sup>rd</sup> meeting of the 4 <sup>th</sup> term Audit Committee	<ol style="list-style-type: none"> <li>1. Report of reviewing result of the third quarter of 2023 consolidated financial report.</li> <li>2. Explanation of the COVID-19 insurance indemnity reserve of the subsidiary Chung Kuo Insurance of the third quarter of 2023.</li> <li>3. Explanation of subsequent event of the Company.</li> <li>4. Reminder of changes in material laws, regulation and interpretive of the authority in connection with financial reports.</li> </ol>	<ol style="list-style-type: none"> <li>1. The third quarter of 2023 financial statements have been approved by the audit committee and board of directors, and publicly disclosed to competent authority and filed.</li> <li>2. The explanation and opinion exchange for the questions raised by independent directors is done.</li> </ol>
March 12, 2024	The 25 <sup>th</sup> meeting of the 4 <sup>th</sup> term Audit Committee	<ol style="list-style-type: none"> <li>1. Report of reviewing result of the 2023 consolidated financial report.</li> <li>2. Explanation of the COVID-19 insurance indemnity reserve of the subsidiary Chung Kuo Insurance in 2023.</li> <li>3. Audit strategy, timeline and plan for 2024 financial statements.</li> <li>4. Impacts from material laws, regulation and interpretive of the authority in connection with financial reports.</li> </ol>	<ol style="list-style-type: none"> <li>1. The 2023 consolidated financial statements have been approved by the audit committee and board of directors, and publicly disclosed to competent authority and filed.</li> <li>2. The explanation and opinion exchange for the questions raised by independent directors is done.</li> </ol>

### 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”



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

# Corporate Governance Report

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.)

V

Ms. Han-Yin Ting, Executive Vice President of the Company has been designated as the Chief Corporate Governance Officer at the 25th meeting of the 8th term of Board of Directors held on April 17, 2023. The designation has been effective since June 19, 2023. Ms. Ting has served as the managerial person of Board meeting unit for over 5 years of the Company, and has been acting as the Chief Corporate Governance Officer of Mega International Commercial Bank, 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 focus in 2023 is to assist the board of directors and shareholders' meetings with legal compliance matters regarding procedures and resolutions, and arrange for director training, etc. The Chief Corporate Governance Officer's 2023 training is listed as follows:

None

Date		Organizer	Course	Training Hours	Total Hours
From	To				
2023.02.10	2023.02.28	Mega Int'l Commercial Bank	Domestic and International Anti-Money Laundering and Counter Terrorism Financing Supervision Standards and Trends (Including the Latest Legal Changes of the U.S. OFAC)	2.0	61.78
2023.02.22	2023.03.17	Mega Int'l Commercial Bank	Information Security Awareness Training for 2023	1.1	
2023.03.06	2023.04.07	Mega Int'l Commercial Bank	Employee Confidentiality Training for the First Half of 2023	0.52	
2023.04.10	2023.04.28	Mega Int'l Commercial Bank	ESG Series - Gender Awareness Training	3.0	
2023.04.13	2023.04.13	Taiwan Academy of Banking and Finance	Practical Case Analysis on Criminal Liability of Directors and Supervisors	3.0	
2023.04.14	2023.05.14	Mega Int'l Commercial Bank	2023 information security protection training	0.65	
2023.04.28	2023.04.28	Securities and Futures Institute	Advanced Seminar on the Practice of Directors and Supervisors (Including Independent) and Corporate Governance Officer - Early Warning and Type Analysis of Corporate Financial Crisis	3.0	
2023.05.01	2023.05.31	Mega Int'l Commercial Bank	Introduction to the Financial Consumer Protection Act and Case Sharing	2.12	
2023.05.05	2023.05.31	Mega Int'l Commercial Bank	Training on Issues of Civil and Criminal Liability in relation to the Conduct of Bank Personnel	2.52	
2023.05.18	2023.05.29	Mega Int'l Commercial Bank	ESG Series - Climate Risk and Sustainable Finance	3.0	
2023.05.29	2023.05.29	Mega Int'l Commercial Bank	2023 Information Security Risks under the IoT and Digital Transformation	1.05	
2023.05.29	2023.05.29	Taiwan Securities Association	Climate Change Information Disclosure Seminar for the Securities Industry	3.0	
2023.06.01	2023.06.02	Mega Int'l Commercial Bank	2023 Financial Friendly Service Guidelines - Elderly and Accessibility	2.32	
2023.06.08	2023.06.08	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - Corporate Governance and Remuneration Committee Operation	3.0	
2023.06.29	2023.06.29	Mega Financial Holdings	Information Security Training for the First Half of 2023	1.5	
2023.08.07	2023.08.07	Taiwan Academy of Banking and Finance	2023 Advanced Course on the Principles for Fair Treatment of Customers and Implementation of Ethical Management for Directors and Senior Managerial Officers	2.0	
2023.08.09	2023.08.09	Securities and Futures Institute	Practical Advanced Seminar for Directors and Supervisors (Including Independent) and Corporate Governance Officer - Discussion on Employee and Director Remuneration Issues - Starting from the Amendment to Article 14 of the Securities and Exchange Act	3.0	
2023.09.05	2023.09.05	Mega Financial Holdings	2023 Legal Compliance Training	3.0	
2023.09.22	2023.09.22	Mega Financial Holdings	Training on "Prevention of Insider Trading, Ethical Management and Material Internal Information"	3.0	
2023.09.27	2023.09.27	Mega Int'l Commercial Bank	Seminar on Anti-money Laundering and Counter Terrorism Financing	2.0	
2023.09.27	2023.09.27	Taipei Foundation of Finance	Corporate Governance - Financial Friendly Service Guidelines	2.0	
2023.09.27	2023.09.27	Taipei Foundation of Finance	Corporate Governance - Information Security Awareness Training Course	1.0	
2023.10.06	2023.10.06	Mega Financial Holdings	Agile Leadership Workshop	4.0	
2023.10.17	2023.10.17	Mega Financial Holdings	Management Personnel Training - HBDI Communication Skills	3.5	
2023.11.15	2023.11.15	Deloitte Risk Advisory	Information Security Training for Directors and Supervisors of Mega Financial Holdings	3.0	
2023.11.24	2023.11.24	Mega Financial Holdings	Management Personnel Training - Leadership Skills	3.5	



<p>4. Has the company established a communication channel with its stakeholders (including but not limited to shareholders, employees, customers, etc.) and set up stakeholder section on company website? Also if the company replies properly the important CSR issues the stakeholders care?</p>	<p>V</p>	<p>Under the sustainability section of its official website, the Company sets up the dedicated section for stakeholders to facilitate communications and report to the Board of Directors once a year regarding the communication status with stakeholders. The communication channels are listed as below:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. With customers: Customer service and hotlines for filing complaints, and investment seminars, customer satisfaction survey, e-news and investment research reports.</li> <li>3. With shareholders/investors: Annual report, business report, Market Observation Post System, Company's website, shareholders' meeting, and institutional investors meeting.</li> <li>4. With the government and competent authority: Visits, official letters, phone calls, and online registration, among others.</li> <li>5. With suppliers: phone calls, emails, project communication meetings, sustainability self-evaluation survey, supplier general meeting, among others.</li> <li>6. With the media: press conferences, issuance of news letters or material information, participation in relevant evaluation.</li> <li>7. With the community/schools/nonprofit organizations: meetings, volunteer service, charity events, among others.</li> </ol>	<p>None</p>													
<p>5. Information disclosure (1) Has the company established a corporate website to disclose information regarding its financials, business and corporate governance status?</p>	<p>V</p>	<p>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.</p>	<p>None</p>													
<p>(2) Does the financial holding 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.?)</p>	<p>V</p>	<p>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 2023, aside from holding 3 online investor conferences and attending 5 investor roadshows hosted by foreign securities firms, the Company held 211 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.</p>	<p>None</p>													
<p>(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?</p>	<p>V</p>	<p>The quarterly consolidated financial reports of the Company are disclosed and registered before the deadline. The announcement and reporting deadlines and dates for the 2023 consolidated financial statements are as follows:</p> <table border="1" data-bbox="608 1615 1227 2027"> <thead> <tr> <th>Quarter</th> <th>Disclose and register deadline</th> <th>Date of disclose and register</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td>First quarter of 2023</td> <td rowspan="2">Within 60 days after end of the quarter (first quarter: Before May 29; Third quarter: Before November 29)</td> <td>May 24, 2023</td> <td rowspan="3">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>Third quarter of 2023</td> <td>November 28, 2023</td> </tr> <tr> <td>Second quarter of 2023</td> <td>Within 2 months after second quarter (Before August 31)</td> <td>August 30, 2023</td> </tr> </tbody> </table>	Quarter	Disclose and register deadline	Date of disclose and register	Note	First quarter of 2023	Within 60 days after end of the quarter (first quarter: Before May 29; Third quarter: Before November 29)	May 24, 2023	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 2023	November 28, 2023	Second quarter of 2023	Within 2 months after second quarter (Before August 31)	August 30, 2023	<p>None</p>
Quarter	Disclose and register deadline	Date of disclose and register	Note													
First quarter of 2023	Within 60 days after end of the quarter (first quarter: Before May 29; Third quarter: Before November 29)	May 24, 2023	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 2023		November 28, 2023														
Second quarter of 2023	Within 2 months after second quarter (Before August 31)	August 30, 2023														

# Corporate Governance Report

Quarter	Disclose and register deadline	Date of disclose and register	Note
Year 2023	Within 75 days after accounting year end (Before March 16)	March 12, 2024	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.
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 wellness, investor relations, rights of stakeholders	V	(1)Employee rights, employee wellness: Please refer to "Implementation of Sustainable Development" on page 59 and "Labor Relation" on page 155. (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 2023 Sustainability Report and page 59 of this annual report.	None
(2) Directors' training records	V	Please refer to page 54-55 for "Directors' training records in 2023" of this annual report.	None
(3) Implementation of risk management policies and risk measurement criteria	V	According to 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. 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. Respective risk management status is reported to the Risk Management Committee and Board of Directors on a regular basis.	None



(4) Implementation of consumer policy	V	Processing of personal information is managed according to requirements of the Personal Data Protection Act and Financial Holding Company Act. The Company's Client Data Processing Guidelines and the Group's Firewall Policy are also followed. No disclosure, referral, or exchange of client data by the Company would be carried out without an agreement signed by or written consent from the client, in accordance with relevant statutory requirements in force. Besides, the subsidiaries set up client hotlines to handle customer complaints in a timely manner.	None
(5) Purchase of duty insurance for directors and supervisors	V	The Company purchases duty insurance for directors, supervisors and key staff of the Group with an insurance coverage of US\$30 million every year. The 2023 insured amount, coverage, premium rate, and other major contents of the policy were submitted to the Board of Directors.	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 administrative expense) reached NT\$9,799 thousand in 2023.	None
7. The improvement status and unimproved items with prioritized reinforcement for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange	V	With regard to the 10th (2023) corporate governance evaluation results, those already improved and those pending improvements are as follows: (1) Improved items: 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 2023, Mega Bank introduced the Taiwan Intellectual Property Management System (TIPS) A level certification.	None
	V	(2) Unimproved items with prioritized reinforcement: a. Indicator 2.21 "Is the Corporate Governance Officer of the Company a full-time position, and will the Company explain the terms of reference and further training on the Company's website and in the annual report?": The Company's Corporate Governance Officer is appointed on a concurrent basis. In the future, the Company will actively evaluate the appointment on a full-time basis.	None

# Corporate Governance Report

## Directors' training records in 2023

Title	Name	Training Date		Organizer	Course	Training Hours
		From	To			
Chairman	Chung-Dar Lei	2023.09.04	2023.09.04	Financial Supervisory Commission	14th Taipei Corporate Governance Forum (Morning Session)	3
		2023.09.10	2023.09.17	Taiwan Academy of Banking and Finance	2023 Seminar for Overseas Division Managerial Officers, Legal Compliance Personnel and Internal Audit and Control Personnel	9
		2023.09.22	2023.09.22	Mega Financial Holding Co., Ltd.	Prevention of Insider Trading, Ethical Management and Material Internal Information	3
		2023.11.29	2023.11.29	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - Fintech Development Roadmap 2.0	3
Director & President	Yu-Mei Hsiao	2023.04.13	2023.04.13	Taiwan Insurance Institute	Green Innovative Business Models under Green Finance Action Plan 3.0	3
		2023.05.05	2023.05.05	Taiwan Corporate Governance Association	Corporate Governance Trends and Corporate Sustainable Development	3
		2023.07.07	2023.07.07	Taiwan Corporate Governance Association	AI Explosion: Technology Development and Application Opportunities of ChatGPT Chat Robot	3
		2023.07.18	2023.07.18	Taiwan Corporate Governance Association	Corporate Governance 3.0 "Sustainability Report" Practical Analysis	3
		2023.07.18	2023.07.18	Accounting Research and Development Foundation	2023 Transformational Finance and Sustainability Disclosure Seminar	3
		2023.08.09	2023.08.09	Securities & Futures Institute	Discussion on Employee and Director Remuneration Issues - Starting from the Amendment to Article 14 of the Securities and Exchange Act	3
		2023.08.16	2023.08.16	Taiwan Insurance Institute	New Mindset on Supervision under the Development of FinTech	3
		2023.09.04	2023.09.04	Financial Supervisory Commission	14th Taipei Corporate Governance Forum (Full-day Session)	6
		2023.09.22	2023.09.22	Mega Financial Holding Co., Ltd.	Prevention of Insider Trading, Ethical Management and Material Internal Information	3
		2023.09.13	2023.09.13	Securities & Futures Institute	Key Points Analysis on Corporate Governance Assessment to be Noted by Directors and Supervisors	3
		2023.10.04	2023.10.04	Taiwan Corporate Governance Association	How the Board of Directors Develop ESG Sustainable Governance Strategies	3
		2023.10.26	2023.10.26	Securities & Futures Institute	Shareholder's Meeting, Management Right and Equity Strategy	3
		2023.11.07	2023.11.07	Training institute, Minister of Finance	The Ministry of Finance's 2023 "Corporate Governance" Keynote Speech Training	3
		2023.11.07	2023.11.07	Taiwan Academy of Banking and Finance	Seminar on Financial Information Security and Resilience under the National Security Framework	2.1
		2023.11.15	2023.11.15	Mega Financial Holding Co., Ltd.	Information Security Training Course for Directors and Supervisors	3
		2023.11.30	2023.11.30	Corporate Operating and Sustainable Development Association	Legal Risk Management in Digital Transformation	3
		2023.12.05	2023.12.05	Taiwan Insurance Institute	New Trend of Green Finance	3
		2023.12.20	2023.12.20	Securities & Futures Institute	Principles for Ethical Management	3
		2023.12.21	2023.12.21	Securities & Futures Institute	How to Enhance the Credibility of Corporate Sustainability Report	3
		Director	Pei-Chun Chen	2023.07.12	2023.07.12	Greater China Financial and Economic Development Association
2023.10.11	2023.10.11			Greater China Financial and Economic Development Association	Enterprises' Competition for Talent: Discussion on Key Issues of Employee Reward Strategy	3





Director	Yih-Jiuan Wu	2023.06.30	2023.06/30	Securities & Futures Institute	Analysis of Corporate Financial Information and its Utilization for Decision Making	3
		2023.08.17	2023.08.17	Securities & Futures Institute	Brief Introduction and Case Analysis of Corporate Insider Short-term Trading	3
Director	Chia-Chi Hsiao	2023.06.09	2023.06.09	Taiwan Insurance Institute	Information Security Issues of the Metaverse (with ChatGPT Related Issues)	3
		2023.11.07	2023.11.07	Training institute, Minister of Finance	The Ministry of Finance's 2023 "Corporate Governance" Keynote Speech Training	3
Director	I-Kan Chiu	2023.06.05	2023.06.06	Ministry of Labor	Seminar on the Promotion of Labor Education in 2023	8
Director	Hui-Chuan Chen	2023.03.27	2023.03.27	Taipei Finance Research and Development Foundation	Low-carbon Transformation Pathway Planning - Carbon Rights and Carbon Pricing	3
		2023.07.05	2023.07.05	Independent Director Association Taiwan	How do Directors Fulfill the Duty of Loyalty and Duty of Care of a Good Administrator?	3
		2023.09.04	2023.09.04	Financial Supervisory Commission	14th Taipei Corporate Governance Forum (Afternoon Session)	3
		2023.10.24	2023.10.24	Independent Director Association Taiwan	(Post-pandemic) Risk Assessment of the Latest World Economic Trends and Response Measures	3
Director	Keh-Her Shih	2023.03.03	2023.03.03	Taiwan Corporate Governance Association	Analysis of Key Messages and Responsibilities in Annual Report: Directors' and Supervisors' Perspectives	3
		2023.03.17	2023.03.17	Taiwan Corporate Governance Association	How to Convene Board Meetings? Practical Sharing of Common Deficiencies in the Operation of Board Meetings of Listed Companies	3
		2023.11.15	2023.11.15	Mega Financial Holding Co., Ltd.	Information Security Training Course for Directors and Supervisors	3
Director	Hong-Mo Wu	2023.06.20	2023.06.20	Taiwan Academy of Banking and Finance	Important Information Security Standards and Compliance	3
		2023.06.30	2023.06.30	Taiwan Academy of Banking and Finance	Principles for Fair Treatment of Customers	3
		2023.10.26	2023.10.26	Taiwan Academy of Banking and Finance	Case Analysis on Anti-money Laundering and Counter Terrorism Financing	2
Independent Director	Ying Wu	2023.03.16	2023.03.16	Taiwan Academy of Banking and Finance	Corporate Social Responsibility and Sustainable Governance	3
		2023.07.13	2023.07.13	Taiwan Stock Exchange Corporation	Seminar on Sustainable Development Action Plan for Listed Companies	3
Independent Director	Chang-Ching Lin	2023.06.26 (Morning)	2023.06.26	Taiwan Corporate Governance Association	How to Convene Board Meetings? Practical Sharing of Common Deficiencies in the Operation of Board Meetings of Listed Companies	3
		2023.06.26 (Afternoon)	2023.06.26	Taiwan Corporate Governance Association	Risks and Opportunities arising from Climate Change Trends for Business Operations	3
Independent Director	Hung-Ju Chen	2023.03.02	2023.03.02	Greater China Financial and Economic Development Association	Business Strategies in the Digital Era (Webex Class Link)	3
		2023.03.21	2023.03.21	Greater China Financial and Economic Development Association	New Industrial ESG Challenges – Towards a Net-Zero Carbon World	3
Independent Director	Tsai-Jyh Chen	2023.07.28	2023.07.28	Securities & Futures Institute	The Real Value Created by Circular and Low-carbon Innovation - Understanding Circular Economy and Governance	3
		2023.08.24	2023.08.24	Securities & Futures Institute	Corporate Governance Trends and Corporate Sustainable Development	3
Independent Director	Chi-Chang Yu	2023.05.12	2023.05.12	Securities & Futures Institute	Trends and Challenges in International Financial Information Security Supervision	3
		2023.11.07	2023.11.07	Training institute, Minister of Finance	2023 "Corporate Governance" Keynote Speech Training	3
		2023.11.29	2023.11.29	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - Fintech Development Roadmap 2.0	3

## 3.4.5 Operation Status of the Remuneration Committee

### A. Members of the Remuneration Committee

December 31, 2023

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
----------------------	--------------	--	---	---

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 2023, the Committee held 6

(A)meetings with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) ( B/A )	Remarks
Chairperson	Chang-Ching Lin	6	0	100%	
Member	Ying Wu	6	0	100%	
Member	Hung-Ju Chen	6	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 10 <sup>th</sup> meeting of the 5 <sup>th</sup> term on March 7, 2023	Review of the 2022 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 11 <sup>th</sup> meeting of the 5 <sup>th</sup> term on April 11, 2023	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 12 <sup>th</sup> meeting of the 5 <sup>th</sup> term on June 2, 2023	Review of 2022 president's performance bonus, employee remuneration, and the performance bonus	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 13 <sup>th</sup> meeting of the 5 <sup>th</sup> term on July 11, 2023	Review of the new managerial person's remuneration of the Company	Agenda was passed as proposed.	The proposal has been submitted to and approved by the Board of Directors.
The 14 <sup>th</sup> meeting of the 5 <sup>th</sup> term on Nov. 14, 2023	Review of the proposal to raise 4.5% 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 15 <sup>th</sup> meeting of the 5 <sup>th</sup> term on Dec. 12, 2023	Review of the proposal to raise managerial officers' 2024 remuneration	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 Implementation of Sustainable Development

#### A. 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 set up "Sustainability and Strategy Department in September 2023 to promote Group ESG development and has formulated the "Sustainable Development Best Practice Guidance" and "Sustainable Development Policy" through Sustainable Development Committee. 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 11 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 Bills Finance, and Chung Kuo Insurance) are responsible for its management. Please refer to the Company's 2023 Sustainability Report or refer to the "Implementation of Sustainable Development" on page 59 of this annual 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. A total of 6 meetings were hold in 2023.	None
			3. The supervision status by the Board of Directors: The implementation status of the Group's ESG plans and goals in 2023 has been submitted to the Board of Directors in February 2024 to regularly supervise the implementation of the Group's sustainable development. The formulation of the Group's ESG plans and goals in 2024 was approved by the Board of Directors in November 2023, 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 2023 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 Bills 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

		<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 2023 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", "Regalutary 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 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"> <li>●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.</li> <li>●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. In 2023, the Company and the subsidiary Mega Bank, Mega Bills Finance, Mega Securities, and Chung Kuo Insurance (Mega Financial, Chi-Lin, Mega Heng-Yang, Mega Securities, and Mega Insurance Buildings) passed the continuance of ISO 50001.</li> <li>●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 GHG inventory and the scope 3 GHG inventory has expanded. In 2022 all domestic and oversea operation units join the GHG inventory with 100% coverage rate and passed the third party verification. In 2023 all domestic and oversea operation units join the GHG inventory with 100% coverage rate. It has passed the third-party verification in May 2024.</li> </ul>	<p>None</p>



<p>(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?</p>	V	<p>The Group has purchased renewable energy certificates since 2019. In 2022, 298 certificates were purchased from National Penghu University of Science and Technology. Till now thousands of certificates have been purchased. In 2023, the Company and Mega Bank, Mega Securities, Mega Bills Finance, and Chung Kuo Insurance have used a total of 2,145,000 kWh of green power.</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?</p>	V	<p>To cope with the risk trend, the Company has signed and 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 checks the risk and opportunity of climate change by TCFD guidelines and develop low carbon products and services.</p> <p>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 6 meetings in 2023 to discuss strategies and plans for responding to climate change issues, including setting up carbon reduction targets and introducing ISO Environmental Management Systems and etc., and reported the meeting minutes to the Board of Directors periodically.</p> <p>The risk and opportunities of climate change to the Company are as below:</p> <ol style="list-style-type: none"> <li>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.</li> <li>Climate related opportunities include the development of green financial products and improve digital financial services. In 2023, the Group invested a total of NT\$21.516 billion in green bonds to support the development of low-carbon industries.</li> </ol> <p>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.</p>	None																																	
<p>(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?</p>	V	<p>1. The statistics intensity, and data coverage in recent years:</p> <p>(1)Greenhouse gas emissions</p> <p>The greenhouse gas emissions in last two years (verified by third party)</p> <p style="text-align: right;">Unit: tons of CO<sub>2e</sub></p> <table border="1" data-bbox="635 1532 1230 1809"> <thead> <tr> <th>Item</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Direct GHG emission(scope 1)</td> <td>2,333.18</td> <td>1,940.07</td> </tr> <tr> <td>Energy indirect GHG emission(scope 2)</td> <td>17,851.20</td> <td>16,948.54</td> </tr> <tr> <td>Total amount of scope 1 and 2</td> <td>20,184.38</td> <td>18,888.61</td> </tr> <tr> <td>Intensity of Scope 1 and 2 emission (scope 1+2 emission amount/net revenue in millions)</td> <td>0.36</td> <td>0.24</td> </tr> <tr> <td>Other indirect GHG emission(scope 3)</td> <td>992,698.69</td> <td>8,947,657.43</td> </tr> <tr> <td>Domestic operation unit verified by the third party</td> <td>192</td> <td>192</td> </tr> <tr> <td>Coverage ratio of domestic operation unit verified by the third party</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table> <p>Note 1: Scope includes all domestic operation units of the Group. Note 2: Regarding information of density, please refer to 1-1-1 greenhouse gas inventory.</p> <p>(2)Water consumption</p> <p>Water consumption in last two years</p> <p style="text-align: right;">Unit: million liters</p> <table border="1" data-bbox="635 1962 1230 2047"> <thead> <tr> <th>Item</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Water consumption</td> <td>183.047</td> <td>194.491</td> </tr> <tr> <td>Water consumption per person</td> <td>0.02084</td> <td>0.02142</td> </tr> </tbody> </table> <p>Note: Scope includes all domestic operation units of the Group.</p>	Item	2022	2023	Direct GHG emission(scope 1)	2,333.18	1,940.07	Energy indirect GHG emission(scope 2)	17,851.20	16,948.54	Total amount of scope 1 and 2	20,184.38	18,888.61	Intensity of Scope 1 and 2 emission (scope 1+2 emission amount/net revenue in millions)	0.36	0.24	Other indirect GHG emission(scope 3)	992,698.69	8,947,657.43	Domestic operation unit verified by the third party	192	192	Coverage ratio of domestic operation unit verified by the third party	100%	100%	Item	2022	2023	Water consumption	183.047	194.491	Water consumption per person	0.02084	0.02142	None
Item	2022	2023																																		
Direct GHG emission(scope 1)	2,333.18	1,940.07																																		
Energy indirect GHG emission(scope 2)	17,851.20	16,948.54																																		
Total amount of scope 1 and 2	20,184.38	18,888.61																																		
Intensity of Scope 1 and 2 emission (scope 1+2 emission amount/net revenue in millions)	0.36	0.24																																		
Other indirect GHG emission(scope 3)	992,698.69	8,947,657.43																																		
Domestic operation unit verified by the third party	192	192																																		
Coverage ratio of domestic operation unit verified by the third party	100%	100%																																		
Item	2022	2023																																		
Water consumption	183.047	194.491																																		
Water consumption per person	0.02084	0.02142																																		

### (3)Waste amount

Waste amount in last two years

Unit: KG

Item	2022	2023
Paper containers, waste paper	175,533	191,405
Iron and aluminum cans	2,946	2,535
PET bottles, plastics	12,527	13,076
Batteries	222	128
Glass	1,822	1,493
Light bulbs	546	551
Total	193,596	209,188
Food wastes	49,713	43,470
General waste (non-recycle)	314,532	338,771

Note: the scope covers 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: The Company has formulated "Sustainable Development Policy," promoting carbon-reduction policy and through purchase of hybrid electric vehicle and use of green power to implement reduction of greenhouse gas emissions.

Short-term goal: To reduce scope 1 and 2 GHG emissions by 5.25% by 2023 with 2022 as the base year (the Company has reduced emissions by 4.1% in 2023 compared to 2022).

Mid-term goal: To reduce scope 1 and 2 GHG emissions by 42% by 2030 with 2022 as the base year.

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

(2) Water Consumption: The Company has formulated "Sustainable Development Policy," encouraging the priority to purchase equipment with water-saving labels (such as sensor faucets and two-stage flushing equipment, etc.) implementing water consumption management.

Short-term goal: To reduce water consumption by 1.5% by 2023 with 2020 as the base year (the water consumption in 2023 increased 0.2% 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: The Company has formulated "Sustainable Development Policy," promoting recycling and handling the waste properly.

Short-term goal: To reduce amount of waste by 2% by 2023 with 2022 as the base year.(The amount of waste increased by 6.0% in 2023 compared to 2022.)

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 was verified by SGS Taiwan in May 2023. The scope of verification included all operation units in Taiwan. In 2023, ISO 14064 was verified by DNV in May 2024, covering all domestic operation units. The oversea units of Mega Bank was verified by ARES in April 2024.

In addition, the Group's water consumption and waste amount in 2023 have passed the ISAE 3000 third party assurance by Deloitte & Touche.





<p>4. Public Welfare</p> <p>(1) Does the company comply with relevant laws and regulations, and the International Bill of Human Rights and adopt relevant management policies and procedure?</p>	V	<p>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.</p> <p>The human rights management measures in 2023 include Group employees due diligence on human rights, which is reported to the Sustainable Development Committee in November 2023; a total of 103,150 hours of employee education and training were provided (the average training hours per employee exceeded 10 hours).</p>	None
<p>(2) Does the Company set up and implement reasonable employee benefit (including compensation, annual leave, and other benefits) and reflect the operation performance or result in the employee compensation?</p>	V	<p>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 2023 salary raise situation of managerial and non-managerial employees is disclosed on MOPS. Besides the fixed 14-month salary (including the 2-month year-end bonus), performance bonus is distributed based on the budget fulfillment rate, EPS, ROA and ROE. In addition, employee remunerations are appropriated according to the Articles of Incorporation. If there is profit surplus in that year, 0.02% to 0.15% should be employee remunerations.</p> <p>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.</p> <p>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.</p>	None

# Corporate Governance Report

(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 (CO<sub>2</sub> 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 2023:

None

Items	Number of people	Total hours
Training for OHS managers	308	4,013
Fire manager training	223	1,344
First responder training	60	485

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 received the third-party verification. The coverage rate reached 87%.

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 2023

Item	Occurrence in 2023
Number of occupational injuries	62
Number of people injured	63
Percentage as total number of employee	0.7%

4.In order to avoid fire accidents, Mega Group has adopted various occupational safety and health management measures, including holding fire and disaster prevention training courses every six months, and through on-site operation drills to strengthen employees' ability to respond to emergency disasters. The number of people trained in fire prevention management in the year was 223, and the training hours were 1,344 hours. There were no fire incidents in the year.

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

V

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 2023, the total training hours of the Group is 632 thousand hours (65.4 hours per employee.)

None

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 2023
Managerial officer training program	Excellent employees in each operation unit, or middle and senior managerial officers	Number of person trained	19
		Training hours per employee	33
		Amount input (in NTD)	138,112
Elite training program	Excellent middle-level officers under age 45	Number of person trained	106
		Training hours per employee	28
		Amount input (in NTD)	195,304
Overseas talent training program	Potential expatriate who pass through the expatriate selection	Number of person trained	35
		Training hours per employee	33
		Amount input (in NTD)	49,325



<p>(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?</p>	V	<p>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.</p> <p>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.</p>	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	<ol style="list-style-type: none"> <li>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 2023, the Group reported no incidents involving violation of laws or the Guidelines/Statement.</li> <li>To strengthen supply chain management and promote supplier engagement, in 2023, 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.</li> <li>In 2024, 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.</li> </ol>	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	<ol style="list-style-type: none"> <li>The international report guideline adopted to make non-financial information report: The Company's 2023 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).</li> <li>The name of third verification party, verification items, scope, and the standards followed: The 2023 Sustainability Report has passed the ISAE 3000 CPA Assurance by Deloitte &amp; Touche. For detailed verification items and scope, please refer to the 2023 Sustainability Report.</li> </ol>	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 2023 ESG Implementation Results shown as below.</p>			

## 2023 ESG Implementation Results

Item	2023 Action Plans	2023 Implementation Results
Environmental Sustainability	<ol style="list-style-type: none"> <li>1. Complete ISO 14064 greenhouse gas inventory at all operating units worldwide and pass the verification by the independent third party.</li> <li>2. Continue to introduce ISO 14001 Environmental Management System and promote it to other domestic operation units.</li> <li>3. Continue to introduce ISO 50001 Energy Management System.</li> <li>4. Enhance the supplier management mechanism and make sure that suppliers sign the "Supplier Sustainability Statement".</li> <li>5. Prioritize the purchase of environmental friendly products and implement responsible procurement management.</li> </ol>	<ol style="list-style-type: none"> <li>1. In May 2023, the Group has passed the verification of greenhouse gas inventory by SGS Taiwan, an independent third party.</li> <li>2. Mega Group's 101 units in northern Taiwan has passed the ISO 14001 Environmental Management System verification (including renewal) before the fourth quarter of 2023.</li> <li>3. Self-owned Mega Financial, Chi-Lin, Heng-Yang, Mega Securities and Mega Insurance Buildings completed the renewal of ISO 50001 Energy Management System verification in the fourth quarter of 2023.</li> <li>4. The contract amount of the suppliers who signed the "Supplier Sustainability Statement" accounted for 74.67% of total contracts in 2023.</li> <li>5. The total green procurement amounted to a total of NT\$124 million or 3.84% of total procurement in 2023.</li> </ol>
Sustainable Finance	<ol style="list-style-type: none"> <li>1. Continue to introduce ISO 27001 Information Security Management System.</li> <li>2. Continue to promote "Taiwan Pay" mobile payment plan to accelerate the common use of mobile payment.</li> <li>3. Strengthen the lending to the "Six Core Strategic" industries.</li> <li>4. Continue to invest and underwrite green bonds.</li> <li>5. Continue to issue zero-carbon credit cards and obtain the "Carbon Footprint" and "Water Footprint" certification for credit cards.</li> </ol>	<ol style="list-style-type: none"> <li>1. Mega Financial Holdings, Mega Bank, Mega Securities and Chung Kuo Insurance passed the renewal of ISO 27001 in 2023.</li> <li>2. In 2023, Mega Bank continued to promote "Taiwan Pay" mobile payment, with a total of 2.28 million transactions and a total transaction amount of NT\$5.66 billion, representing a growth of 19% over last year.</li> <li>3. The balance of the loans business of Mega Group for top 11 sustainable industries at the end of 2023 was NT\$329.9 billion, accounting for approximately 12.88% of the total balance of domestic corporate loans at the end of the year.</li> <li>4. In 2023, the Group invested in domestic green bonds with a total of NT\$21.516 billion and underwrote domestic green bonds with a total of NT\$1.9 billion.</li> <li>5. Mega Bank credit cards obtained "ISO 14067 Carbon Footprint Certification", "ISO 14046 Water Footprint Certification" and a 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. Mega Bank issued 130,000 new cards throughout the year.</li> </ol>
Employee Care	<ol style="list-style-type: none"> <li>1. Continue to distribute marriage and childbirth subsidy.</li> <li>2. Encourage employees for further studies and continue to provide employee training.</li> <li>3. Encourage employees to take tests for finance-related professional certification or qualifications and continue to provide related subsidies.</li> <li>4. Continue to provide employee assistance project (EAP) to care employee's physical and mental health.</li> <li>5. Continue to outsource employee satisfaction and job performance research.</li> </ol>	<ol style="list-style-type: none"> <li>1. In 2023, the total marriage subsidy distributed by the Group was over NT\$4.1 million and childbirth subsidy was over NT\$16 million.</li> <li>2. In 2023, the total training hours per employee was 65.4 hours.</li> <li>3. In 2023, the Group subsidized the professional license of 1,096 individuals, paying over NT\$1.6 million in subsidies.</li> <li>4. In 2023, a total of 90 employees used the psychological consultation of the Group. Most of them consulted on issues involving interpersonal relations and stress in the workplace.</li> <li>5. In 2023, the average score of the employee engagement of the Company, the subsidiaries Mega Bank, Mega Securities, Mega Bills Finance, Chung Kuo Insurance and Mega Funds was 3.78.</li> </ol>
Social Prosperity	<ol style="list-style-type: none"> <li>1. Donate to domestic major accidents and assist subsequent medical care and life and social rebuilding.</li> <li>2. Sponsor related activities to promote art and culture and support local cultural and creative industries.</li> <li>3. Support the cultivation of sports talent in Taiwan, and sponsor activities and sports events to increase the sports atmosphere among the people.</li> <li>4. Organize and participate in beach cleaning activities.</li> <li>5. Plan for Group volunteering services.</li> </ol>	<ol style="list-style-type: none"> <li>1. The Group donated a total of NT\$4 million to Turkey through the "Disaster Relief Foundation" of Ministry of Health and Welfare in 2023.</li> <li>2. Mega Bank sponsored NT\$1.5 million for the "Lord Jiaqing and The Journey to Taiwan" stage show of Chen Ya Lan Taiwanese Opera Troupe to promote Taiwan traditional performing art.</li> <li>3. Mega Bank sponsored the "Merida • Mega Bank Changhua Classic 100K" cycling event in a total amount of NT\$1.2 million.</li> <li>4. In April 2023, employees of Mega Group went to the coastal surroundings near the Museum of Marine Science and Technology in Keelung City to carry out the "Environmental Beach Cleaning Activity", and collected over 100kg of waste.</li> <li>5. In 2023, the total number of volunteer hours of Group employees exceeded 2,800 hours.</li> </ol>



Corporate Governance	<ol style="list-style-type: none"> <li>1. Appoint a Corporate Governance Officer to strengthen support for Directors.</li> <li>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.</li> <li>3. Continue to hold ethical management training with completion rate of 95%.</li> <li>4. Continue to enhance legal compliance system and compliance training.</li> <li>5. Strengthen climate risk management and information disclosure.</li> </ol>	<ol style="list-style-type: none"> <li>1. Mega Financial Holdings and the subsidiaries (excluding venture capital) have appointed Chief Corporate Governance Officer since 2019 to provide more assistance to the directors.</li> <li>2. In 2023, all directors of the Company had a total of 165.1 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.</li> <li>3. In 2023, the total principle-of-conduct related training hours of the Group was 70,216 hours, with a completion rate over 95%.</li> <li>4. In 2023, the Group implemented complete legal compliance training for employees, directors and supervisors with completion rate of 100%.</li> <li>5. Mega Financial Holdings and Mega Bank issued TCFD report and obtained the highest level of "Level 5+: Excellence" by the BSI, a third-party verification organization.</li> </ol>
----------------------	--	--

## B. Climate-Related Information of listed companies

### (1) Climate related implementation

Item	Implementation status
1. Describe the Board of Directors' and management's oversight and governance of climate-related risks and opportunities.	<ol style="list-style-type: none"> <li>1. Board of Directors: The highest governance body for climate change related issues, with the "Risk Management Committee" and the "Sustainable Development Committee" responsible for the identification and management of climate change risks and opportunities.</li> <li>2. Management:               <ol style="list-style-type: none"> <li>(1)Risk Management Committee: Regularly supervise the effective implementation of the Group's climate risk management mechanism and report it to the Board of Directors. The Risk Management Department is responsible for evaluating the implementation status relate to climate risks.</li> <li>(2)Sustainable Development Committee: The "Environmental Sustainability Working Group" is responsible for the Group's green operating activities and environmental performance management, and the "Sustainable Finance Working Group" is responsible for the Group's green finance and low-carbon development strategies. The Sustainability Strategy Department is responsible for tracking ESG implementation on a regular basis.</li> </ol> </li> </ol>
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	<p>Mega has identified three major climate risks and opportunities, which are summarized as follows:</p> <ol style="list-style-type: none"> <li>1. Risks: High temperature operating costs (medium term), policyholder claims (medium term), financial losses caused by extreme events (long term). We have implemented energy conservation and carbon reduction, integrated underwriting and underwriting approval processes into climate change risk assessment, and introduced external climate databases and climate disaster models to capture climate risks and take relevant countermeasures to reduce the financial impact.</li> <li>2. Opportunities: Digital financial services (short term), low carbon transformation business opportunities (medium term), green finance product marketing (long term). We actively assist in promoting electronic transactions, setting green lending business goals, and encouraging investment or issuance of green products and other measures.</li> </ol>
3. Describe the financial impact of extreme weather events and transformation actions.	<ol style="list-style-type: none"> <li>1. Extreme climate events: It has been assessed that the impact on Mega is long-term and mainly includes real estate collateral (physical risk) and investment and financing customers (transformation risk).</li> <li>2. Transformation actions: Mega has used external climate databases and disaster models to truly capture physical risk exposures. We have also introduced the SBTi project to commit to the net-zero transformation of investment and financing customers. We will continue to rigorously assess the financial impact in the future.</li> </ol>
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<ol style="list-style-type: none"> <li>1. The "Risk Management Policies and Guidelines" of Mega Financial Holding stipulates that each subsidiary should, according to the characteristics of its industry, gradually incorporate into the existing risk management procedures the risks that may be brought about by climate change to the Company's businesses and finances. We also continue to evaluate the negative impacts of the aforementioned risks on the Group.</li> <li>2. In recent years, Mega has completed the amendments of the "Sustainable Development Best Practice Principles", "Sustainable Development Policy", "Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries" and "Guidelines for Divestment Management of the Coal and Non-traditional Oil and Gas Industry". We have strengthened our climate-related risk management by incorporating climate risk factors into our core businesses and operations.</li> </ol>

5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Scenario analysis: The SSP1-2.6 and SSP5-8.5 climate scenarios proposed in the AR6 assessment report of the United Nations Intergovernmental Panel on Climate Change (IPCC) are used to evaluate the financial impact of the value chain on the Group.
6. If there is a transformation plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transformation risks.	Mega has signed the SBTi commitment, officially joined the Partnership for Carbon Accounting Financials (PCAF), and followed the SBTi recommendations to conduct an inventory of carbon emissions from investment and financing portfolios and carbon reduction pathway planning, which includes the carbon reduction pathways and goals of scopes 1 and 2 and scope 3 investment and financing in 2030 and net-zero emissions in 2050. We have also set up investment and financing limits to strengthen the control of transformation risks.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be described.	Referring to the net zero scenario of the Network for Greening the Financial System (NGFS), the estimated carbon value in 2030 (approximately US\$142/ton) is used to evaluate and manage the carbon risks of investment and financing objects. In the future, we will continue to pay attention to changes in domestic and foreign carbon pricing mechanisms and make timely adjustments.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning schedule, and the progress achieved each year should be described. If carbon credits or T-RECs are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be described.	<ol style="list-style-type: none"> <li>Greenhouse gas emission scope: The scope is scopes 1 and 2 and scope 3 investment and financing.</li> <li>Planning schedule: Carbon reduction targets and carbon reduction pathways for scopes 1 and 2, and scope 3 investment and financing in 2030 have been set according to the SBT methodology. The targets have been submitted to the SBTi organization for review, and the review is expected to be completed in the first half of 2024.</li> <li>Carbon credits or T-RECs: Considering the unstable supply of T-RECs and soaring prices year by year, in order to achieve the Group's SBT target, the proportion of renewable electricity will be gradually increased in the power usage at the headquarters of financial holding and its subsidiaries from 2023. In 2023, Mega Group used a total of 2,145,000kWh of renewable electricity, which is expected to reduce 1,061.78 tons CO<sub>2</sub>e. In 2024, Mega Group's main headquarters building is expected to use more than 60% renewable electricity. It aims to use 100% renewable energy in its domestic operating sites in 2030 and 100% in its global operating sites in 2050.</li> </ol>
9. Greenhouse gas inventory and assurance status and reduction targets, strategies and concrete action plans (separately completed in 1-1 and 1-2).	Refer to 1-1 and 1-2 for descriptions.

## 1-1 Greenhouse gas inventory and assurance in last two years

### 1-1-1 Information on greenhouse gas inventory

Describe greenhouse gas emissions in last 2 years (tons CO<sub>2</sub>e), intensity (tons CO<sub>2</sub>e/NT\$million), and scope of data.

- In 2022, direct greenhouse gas emissions (scope 1) were 2,333.18 tons CO<sub>2</sub>e, with an intensity of 0.00004163 tons CO<sub>2</sub>e/NT\$1,000. Indirect energy emissions (scope 2) were 17,851.20 tons CO<sub>2</sub>e, with an intensity of 0.00031848 tons CO<sub>2</sub>e/NT\$1,000. Other indirect emissions (scope 3) were 992,666.95 tons CO<sub>2</sub>e. The scope of the data covers the domestic operation sites.
- In 2023, direct greenhouse gas emissions (scope 1) were 2,264.18 tons CO<sub>2</sub>e, with an intensity of 0.00002928 tons CO<sub>2</sub>e/NT\$1,000. Indirect energy emissions (scope 2) were 18,779.22 tons CO<sub>2</sub>e, with an intensity of 0.00024287 tons CO<sub>2</sub>e/NT\$1,000. Other indirect emissions (scope 3) were 8,947,787.52 tons CO<sub>2</sub>e. The scope of the data covers the domestic and oversea operation sites.

Note 1: Direct emissions (scope 1, that is, directly from emission sources owned or controlled by the Company), indirect energy emissions (scope 2, that is, indirect greenhouse gas emissions from the input of electricity, heat or steam) and other indirect emissions (scope 3, that is, emissions generated by Company activities, which are not indirect energy emissions, but come from emission sources owned or controlled by other companies).

Note 2: The coverage of direct emissions and indirect energy emissions data shall be based on the schedule specified in Article 4-1, Paragraph 2 of the "Procedures for the Preparation and Reporting of Sustainability Reports by Listed Companies" issued by the Taiwan Stock Exchange Corporation (hereinafter referred to as the "Procedures"). Information on other indirect emissions may be disclosed on a voluntary basis.

Note 3: Greenhouse gas inventory guidelines: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or turnover, but at least the data calculated in terms of turnover (NT\$ million) should be described.



## 1-1-2 Information on greenhouse gas assurance

Describe the assurance status in last 2 years, including assurance scope, assurance institution, assurance guidelines and assurance opinions.

1. Of the total greenhouse gas emissions disclosed in 2022, 1,012,851.33 tons CO<sub>2</sub>e were assured by the assurance institution using ISO 14064-3 guidelines, measured by the market basis.
2. Of the total greenhouse gas emissions disclosed in 2023, 8,968,830.92 tons CO<sub>2</sub>e were assured by the assurance institution using ISO 14064-3 guidelines, measured by the market basis.

Note 1: It should be completed in accordance with the schedule set forth in Article 4-1, Paragraph 3 of the Procedures.

Note 2: The assurance institution should comply with the relevant requirements for assurance institutions on sustainability reports stipulated by the Taiwan Stock Exchange Corporation and the Taipei Exchange.

Note 3: The disclosure content can be found in the Best Practice Reference Example on the website of the Taiwan Stock Exchange Corporation.

## 1-2 Greenhouse gas reduction targets, strategies and concrete action plans

Describe the base year for greenhouse gas reduction and the data, reduction targets, strategies, concrete action plans, and progress.

1. Base year for greenhouse gas reduction and the data: In the base year of 2022, scopes 1 and 2 greenhouse gas emissions amounted to 21,936.43 tons CO<sub>2</sub>e. In the base year of 2022, scope 3 investment and financing greenhouse gas emissions amounted to 5,383,460.85 tons CO<sub>2</sub>e. (PCAF methodology is adopted)
2. Reduction targets:
  - (1) Scope 1 and 2
    - A. Short-term goal: To reduce scopes 1 and 2 greenhouse gas emissions by 5.25% by 2023 with 2022 as the base year.
    - B. Mid-term goal: To reduce scopes 1 and 2 greenhouse gas emissions by 42% by 2030 with 2022 as the base year.
  - (2) Scope 3:
    - A. Investment reduction targets: proportion of investment position subjects with SBT targets increasing to 39.6% in the target year (2028) compared to the base year (2022).
    - B. Financing reduction targets:
      - (A) Electricity project financing: provide financing for renewable energy generation projects only by 2030;
      - (B) Electricity-related loans: 40.7% reduction in emission intensity of electricity generation related loans by 2030 compared to the base year (2022);
      - (C) Commercial real estate loans: 50% reduction in emission intensity of commercial real estate loans by 2030 compared to the base year (2022) from 2023 onwards;
      - (D) Long-term loans for companies in the service/commercial construction sector: 50% reduction in emission intensity of long-term loans for companies in the service/commercial construction sector by 2030 compared to the base year (2022);
      - (E) Corporate loan portfolio positions: 35% of credit customers of the corporate loan portfolio positions to complete SBT setup by 2028 compared to the base year (2022).
3. Concrete action plans:
  - (1) Encourage public transportation to reduce gasoline use. Adoption of eco-labeled cars, hybrid vehicles and electric motorcycles for the leasing of public vehicles.
  - (2) The number of hybrid vehicles purchased in 2023 reached 70% of the total number of vehicles purchased during the year, and it is planned to reach 100% of the total number of vehicles purchased during the year by 2026.
  - (3) Upgrade office lighting to LED energy-saving lamps and energy-saving ice water dispensers, and install sensor devices to automatically turn off the lighting.
  - (4) Control electricity consumption according to the power conservation plan implemented by Taiwan Power. Promote energy conservation through carbon reduction advocacy and education.
  - (5) Continue to strengthen sustainable (green) loan business.
  - (6) Assist customers to accelerate low-carbon transformation and continue to strengthen engagement with customers.
  - (7) Propose a priority list of engagement objects, set engagement targets, and establish a tracking mechanism; calculate the change in the engagement ratio and evaluate the achievement of the engagement targets.
  - (8) Set investment and financing limits for high-carbon-emission industries and gradually reduce the investment and financing portion of high-carbon-emission industries.
  - (9) Commitment to withdraw from coal-related industries.
    - A. There will be no new investment and financing in coal mining and non-traditional oil and gas industries.
    - B. No new investments will be made in power plants where coal-fired power generation accounts for more than 50%.
    - C. No more project financing for new coal-fired power plants.
    - D. Completely withdraw from investment and financing of coal-fired power plants by 2040 at the latest.
  - (10) Formulate guideline for divestment in the coal and non-traditional oil and gas industries, and ask investment and financing customers to propose low-carbon or sustainable transformation plans.
  - (11) Establish an SBT investment list, and include whether to join or commit to SBT into the pre-investment assessment mechanism.
4. Progress of reduction targets:
  - (1) A decrease of 4.07% in 2023 compared with the base year (2022).
  - (2) Investment positions: 19.14% of the investment positions in 2023 have completed SBT setting.
  - (3) Financing position (base year is 2022):
    - A. In 2023, electricity generation project financing, electricity generation-related loans, corporate long-term loans-service/commercial construction industry and corporate long-term loans (engagement method), etc., are all in line with the carbon reduction path goals.
    - B. Commercial real estate loan: the emission intensity in 2023 decreased by 5.85% compared with the base year.

Note 1: It should be handled in accordance with the timetable specified in Article 4-1, Item 4 of the guideline.

Note 2: The base year should be the year in which the review is completed based on the consolidated financial reporting. For example, according to the provisions of Article 4-1, Item 2 of the guideline, companies with a capital of more than NT\$10 billion should complete 2024 inventory review in 2025. Thus the base year is 2024. If the company has completed the review of the consolidated financial report in advance, the earlier year should be used as the base year. The data can be calculated as the average of a single year or several years.

Note 3: For disclosure content, please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

## 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
(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



Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
(2) Does the company set up dedicated unit under the board of directors in charge of promotion of the ethical corporate management and report the execution/supervision to the board of directors periodically (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
(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.  A total of 5 acts of unethical behaviors occurred in the subsidiaries in 2023, including 2 bank cases involving misappropriation of customer cash and illegal lending, 2 securities cases involving settlement and loan with customers, and 1 property insurance case involving senior managers who illegal write off business promotion fees. Relevant personnel have been punished in accordance with internal disciplinary regulations, and employee education, training and management, control and supervision measures have been strengthened.	None

# Corporate Governance Report

Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
(5) Does the company periodically provide internal or external training courses of ethics corporate management?	V		<p>The Company and its subsidiaries periodically organize ethical corporate management training. On September 22, 2023, an ethical management and insider trading prevention training was held with EVP Wei-Mao Hsu of KPMG Taiwan 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 2022.</p> <p>In 2023, a total of 9,147 employees participating in relevant internal and external ethical management training, completion rate of 99.5%, equivalent to 99.7% in 2022.</p>	None
<p>3.The channels for reporting and the operation.</p> <p>(1) Does the company set up specific reporting and reward system, convenient reporting channel and assign appropriate and dedicated unit to handle the case?</p>	V		<p>The Company's Guidelines for Handling of Whistle-Blowing clearly defines whistle-blowing incentive measures and reporting means as follows:</p> <p>(1)Hotline: (02)2395-6128</p> <p>(2)Email: law@megaholdings.com.tw or send to the legal compliance department at 14F, No.123, Sec. 2, Zhongxiao E. Rd, Taipei City.</p> <p>(3)Unit to handle whistle-blowing: Legal Compliance Department.</p>	None
(2) Does the company establish standard operation procedures for the investigation, following measures, and confidentiality mechanism?	V		<p>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 whistleblowers.</p>	None
(3) Does the company adopt protection measures of unfair treatment for whistle blowers?	V		<p>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 2023, there are total 7 cases filed in the Company. After investigation, there is 1 case established: The manager of securities subsidiary instructs the counter supervisor to evade inspection and assist the salesperson to change the customer's basic information without the customer's personal signature, and has been punished in accordance with internal disciplinary regulations. In 2023, there are total 8 cases filed in the Group. After investigation, there are 1 cases established: A colleague of the bank subsidiary uploaded internal computer screen footage to a personal social platform. The person who was reported has been warned in writing, and education, training and reminder measures for colleagues have been strengthened.</p>	None



Assessment	Implementation status			Discrepancies and its reasons
	Yes	No	Explanation	
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 2023 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, 2023 to December 31, 2023, 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 controls 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 : Chung-Dar Lei

President : Yu-Mei Hsiao

Chief Auditor : Ling-Chiun Lin

Chief Compliance Officer: Yi-Ming Ko

March 12, 2024



### Schedule: Internal Control Weaknesses and Improvement Plans

As of December 31, 2023

Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
<p><b>Mega International Commercial Bank</b></p> <p>1. Minsheng Branch failed to implement procedures to support power outages and conduct regular inspections for deficiencies in electrical equipment. The Financial Supervisory Commission (hereinafter referred to as the FSC) ordered corrections on January 3, 2023.</p>	<ol style="list-style-type: none"> <li>1. Strengthen training on power maintenance and handling of abnormal situations, and require domestic business units to install fixed generators or purchase mobile generators for use as backup during power outages.</li> <li>2. Clearly standardize the minimum operating requirements for domestic business units during power outages, and add regulations on the management, maintenance and control of electrical equipment, electromechanical accident notification procedures, contingency measures and regular drills.</li> <li>3. Domestic business units regularly test the status of electrical equipment, report to the headquarters unit through the Notes system to strengthen control, and include it in self-audit items for examination.</li> <li>4. A "branch emergency response group" has been established in the official communication software TEAMS to facilitate the headquarters unit to capture and assist domestic business units in handling emergencies in a timely manner.</li> </ol>	Improved by relevant measures.
<p>2. The failure to accurately handle the inspection and reporting of currency transactions above a certain amount was corrected by the FSC on January 17, 2023.</p>	<ol style="list-style-type: none"> <li>1. Add new control measures to the system and provide warnings to prevent reportable transaction data from being accidentally deleted.</li> <li>2. A new bank-wide production management report will be reviewed and tracked by the headquarters unit to ensure the accuracy of the</li> <li>3. Addition of the guidelines for modification, deletion and erroneous deletion of reporting information in the operation manual, which are incorporated into the operations related to the approval of statements.</li> <li>4. Addition of the content regarding the self-audit on anti-money laundering business of domestic business units to achieve the effect of self-examination.</li> </ol>	Improved by relevant measures.
<p>3. The failure to handle foreign currency cash exchange according to the internal standard operating procedures was corrected by the FSC on May 23, 2023.</p>	<ol style="list-style-type: none"> <li>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." Record the practical training videos to strengthen and promote.</li> <li>2. Arrange the "New Employee Orientation", "Ethical Management Training" and "Basic Deposit and Exchange Business Training" courses to strengthen the promotion of ethical management, compliance and self-discipline of employees, and foreign currency collection/payment (exchange) operations.</li> <li>3. Strengthen the control over weak points of the business units due to environmental space limitations at collection/payment counters: <ul style="list-style-type: none"> <li>● Installation of additional monitors with recording function.</li> <li>● Strengthen daily operation real-time monitoring and random checks of collection/payment surveillance videos.</li> <li>● 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.</li> </ul> </li> </ol>	Improved by relevant measures.

# Corporate Governance Report

Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
<p>4. Deficiencies in handling credit review, valuation, loan approval and post-loan management operations in the credit business.</p>	<ol style="list-style-type: none"> <li>1. Strengthen credit investigation operation quality                             <ul style="list-style-type: none"> <li>● Summarize the important persons in charge of credit accounts (such as actual operators, etc.) and the customers who have dealings with the Bank, and disclose them in the credit investigation report to improve the understanding of customers.</li> <li>● Strengthen control of the credit rating upgrade review mechanism for corporate customers.</li> </ul> </li> <li>2. Strengthen controls of collateral appraisal and assessment operations                             <ul style="list-style-type: none"> <li>● An "automated execution of homogeneous object price inquiry system" has been established to avoid overvaluation of collateral.</li> <li>● The valuation report of the external valuation company needs to be submitted to the headquarters unit for evaluation of its reasonableness, and an evaluation mechanism for the valuation firm has been established.</li> <li>● Strictly scrutinize the truthfulness of contract prices in sales and purchase cases.</li> </ul> </li> <li>3. Strengthen credit loan approval evaluation and review operations                             <ul style="list-style-type: none"> <li>● A "Checklist of Common Requirements for Corporate Banking Business Authorization by Domestic Branch Managerial Officers" has been formulated, and warnings for suspected violations of authorization have been added to the E-loan system.</li> <li>● Strengthen training on matters that should be paid attention to in loan approval evaluation and transfer review of credit cases.</li> <li>● The "Instructions for Correcting and Improving Operations of Major Breaches in Credit Cases Handled by Business Units" have been formulated to improve the credit management and correction tracking mechanism.</li> </ul> </li> <li>4. Implement the real estate real-price registration back-check mechanism to ensure that post-loan management operations such as the flow of funds and the source of repayment are examined.</li> </ol>	<p>Improved by relevant measures.</p>
<p>5. The failure to implement contractual guarantee procedures in the mortgage business.</p>	<ol style="list-style-type: none"> <li>1. Reiterate that credit handling personnel must implement contract signing and guarantee procedures and must not violate the Bank's operating standards.</li> <li>2. An online guarantee system for bank mortgage accounts has been established to encourage customers to apply for business online, which not only facilitates customers to avoid having to come to the bank to apply for mortgage loans, but also reduces operational negligence through the mechanism of dual verification or electronic signatures.</li> </ol>	<p>Improved by relevant measures.</p>
<p><b>Chung Kuo Insurance Co., Ltd.</b></p> <ol style="list-style-type: none"> <li>1. The following deficiencies were identified in pandemic prevention insurance operations:                             <ol style="list-style-type: none"> <li>(1) As of November 30, 2021, the insurance premium for the pandemic prevention insurance product 1.0 exceeded the estimated annual insurance premium income of the documents submitted for review on May 27, 2020. When an insurance product evaluation group meeting was held on December 6, 2021 to review the version 2.0 of the pandemic prevention insurance product, there were still no specific response and supporting measures for the warning value or sales limit, which was detrimental to risk control.</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>(1) At the insurance product evaluation group meeting, we will review the content of the documents submitted for review, correctly assess the product risks based on the characteristics of the products, set up the product sales limit warning and risk management mechanism, complete the reinsurance arrangement, and assess the adequacy of the premium rate, in order to implement the risk management of insurance products and ensure the solvency of the Company.</li> </ol>	<p>Improved by relevant measures.</p>



Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
<p>(2)According to the "Code of Practice for Risk Management in the Insurance Industry", insurance companies should identify catastrophic events based on product characteristics. This catastrophic event can be considered as major losses such as infectious diseases. However, the documents submitted for review for the pandemic prevention insurance product 2.0 on January 5, 2022 stated that "this product does not belong to a catastrophe risk product", and it does not explain the reference basis for setting the sales limit as well as the response and supporting measures when the warning value or sales limit is reached, which was detrimental to risk control.</p>	<p>(2)At the insurance product evaluation group meeting, we will examine the content of the documents submitted for review, set up sales limit and warning of each insurance product, assess the effectiveness of the risk management mechanism, and review the rate setting procedures for insurance products with less than 3 years of experience, in order to implement the risk management of insurance products.</p>	<p>Improved by relevant measures.</p>
<p>(3)The pandemic insurance product 2.0 reached the sales limit on March 2, 2022. However, the insurance product management group meeting held on March 25, 2022 stated that "the actual direct loss rates have not exceeded the actuarial assumptions, and the risk control is still appropriate. Therefore, the sale will be continued." "We are not aware of any significant adverse impact on the company's finance, business and solvency." It failed to fully disclose the information that the product had reached the sales limit, evaluate and analyze it, and take corresponding measures. It also failed to implement the functions of the product management team.</p>	<p>(3)Increase the frequency of meetings of the post-sales management committee and the number of presentations to the Board of Directors of the "Report on the Overall Assessment of the Impact on the Company's Finances, Business and Solvency after the Sale of Insurance Products". In view of the fact that the sales of insurance products have reached the warning value, the impact on the Company's solvency will be carefully verified and evaluated, and the post-sale management of insurance products will be implemented.</p>	<p>Improved by relevant measures.</p>
<p>(4)When the pandemic insurance product 2.0 product development and market strategy meeting was held on January 12, 2022, and the pandemic prevention product sales status and product conversion meeting was held on April 11, 2022, the sales limit had already exceeded the value stipulated in the documents submitted for review on January 5, 2022. However, senior managerial officers still decided to increase the sales limit and continue sales without considering the Company's risk-taking ability, which exerted a significant negative impact on the Company's finances.</p>	<p>(4)At the post-sales management committee meeting, the tracking status of insurance product sales limit will be truly reviewed. If the warning value or sales limit is reached, it will be proposed whether to continue the sales assessment, analyze and evaluate the impact on the Company's solvency, and submit the meeting minutes to the Board of Directors meeting for report.</p>	<p>Improved by relevant measures.</p>
<p>(5)The pandemic insurance product sales status and product conversion meeting held on April 14, 2022 decided to stop receiving pandemic prevention insurance products 1.0 and 2.0 from 5:00 pm on April 15, 2022. However, after checking the suspension time, the policy was still open to employees of certain channels for insurance purchase (renewal) without considering the loss limit as stipulated in the reinsurance conditions, resulting in an increase in the amount of retained losses. On January 19, 2023, the FSC imposed a fine of NT\$1,800,000 for violating the relevant provisions of the Insurance Act.</p>	<p>(5)When an insurance product reaches the sales warning value, a post-sales management committee meeting will be convened to discuss whether to continue the sale, and the meeting minutes will be submitted to the Board of Directors meeting for report.</p>	<p>Improved by relevant measures.</p>

# Corporate Governance Report

Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
<p>2.The company's supervisor violated the company's internal rules and regulations on budgeting and expenses approval, as well as the rules on avoidance of benefits and interested party transactions.</p>	<p>1. Amend the "Instructions for Controlling Operating Expenses" to strengthen the expense budgeting and application review procedures:</p> <ul style="list-style-type: none"> <li>(1)The preparation of the project budget should be signed and reported in advance.</li> <li>(2)For non-routine or non-special budget items, if the amount differs by more than 20% compared to the same period last year, a variance analysis should be performed.</li> <li>(3)Expenses for non-business promotion purposes should not be included.</li> <li>(4)The Finance and Administration Department's project expense write-off procedures have been enhanced to include a review of reasonableness by the unit's compliance officer for mutual control.</li> <li>(5)It is expressly stipulated that except for entertainment expenses and travel expenses, individuals are not allowed to apply for the preparation of budgets for operating expenses.</li> <li>(6)The Company is responsible for explaining the reasonableness of the expenses under the "Others" expense account.</li> </ul> <p>2. Amend the "Rules for the Control of Transactions Other Than Lending to Interested Parties" to specify that, except for the exemptions listed therein, the relevant control operations should be carried out in accordance with the provisions.</p>	<p>Improved by relevant measures.</p>
<p><b>Mega Securities Co., Ltd.</b></p> <p>1.It is found that the company's brokerage trading business personnel surnamed Liu XX (hereinafter referred to as Liu) had a blank power of attorney signed by the clients, accepted clients orders through social media software (Line) in violation of regulations, and had borrowing and lending transactions with clients, which violated the securities management laws and regulations. The managerial officer and counter supervisors of the Yonghe branch had insufficient business sensitivity and failed to pay professional attention to the unusual transactions of the non face-to-face transactions between Liu and the clients, which violated the securities management laws and regulations. On February 17, 2023, the FSC imposed a fine of NT\$480,000 and ordered the company to suspend the execution of business by Liu for one year.</p>	<ul style="list-style-type: none"> <li>(1)On July 29, 2022, it was once again announced that the reviewed FSC common deficiencies of securities firms, reminding and requiring employees to pay attention to relevant regulations and comply with them, so as to prevent employees from being punished due to operational negligence.</li> <li>(2)The self-audit personnel of the branch conducted weekly checks on its business counters, delivery counters, managerial officer's office, and lockers in accordance with the internal control system (CA-11210).</li> <li>(3)Strengthened face-to-face entrustment inspection measures and implement them for three consecutive months from September 1, 2022.</li> <li>(4)Compared and verified the same IP for securities trading.</li> <li>(5)Verified the case in which the internal personnel's account match the same communication address, E-mail address and IP address as their clients.</li> <li>(6)Implemented the internal personnel trading conflict of interest prevention mechanism.</li> <li>(7)In order to strengthen the second line of defense function, the Compliance Committee was established on September 29, 2022. The Company also formulated "Legal Compliance Testing Operating Procedures" to track the improvement of adjudication cases and review whether the internal management measures of each unit are reasonable and effective in reducing legal compliance risks.</li> <li>(8)It was announced on August 10, 2022 that 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.</li> <li>(9)Based on the details of Liu's violation as stated in the ruling, the managerial officer and the counter supervisor at the time failed to fulfill their professional duty of care. A personnel review meeting was held on February 20, 2023, and each of the then three supervisors was punished with one minor warning in accordance with the Company's regulations. The result of the discussion on punishment of the relevant defaulters was reported to the FSC on March 9, 2023.</li> </ul>	<p>Improved by relevant measures.</p>





Items to be reinforced	Improvement Measures	Estimated Completion Time of Improvement
<p>2. It is found that the Hsinchu Branch's brokerage trading business personnel surnamed Lin XX (hereinafter referred to as Lin) had custody of settlements on behalf of the client, handed settlement services, and had borrowing and lending with the client during the period of February 11, 2022 to February 10, 2023, which violated the securities management laws and regulations. On October 26, 2023, the FSC imposed a fine of NT\$240,000 and ordered the company to suspend the execution of business by Lin for three months.</p>	<p>(1) From June 7, 2023 to June 20, 2023, the self-audit personnel of the Hsinchu Branch checked two customer call recordings each of two salespersons in the branch every day on a sampling basis. The branch managerial officer conducted a daily sampling of one to three salespersons to check whether there was any violation of the regulations by conducting goodwill and caring interviews with one to two of their customers.</p> <p>(2) Since Lin's account once triggered the anti-money laundering high-risk list, in subsequent similar cases when an employee's account triggers the Group's anti-money laundering high-risk list, a letter will be sent to financial holding to apply for information review. After approval, a letter will be sent to the Bank to request the provision of the relevant information of the employee's account, so as to facilitate the checking of the employee's non-compliance with the rules and regulations.</p> <p>(3) Lin had been issued one major warning in accordance with the Employee Rewards and Punishment Measures, which was announced on June 27, 2023. In accordance with a letter from the Taiwan Stock Exchange Corporation, Lin has been suspended from executing business from June 6, 2023 for 6 months, and in accordance with the disciplinary decision, Lin will cease to perform his duties for 3 months from December 6, 2023 to March 5, 2024.</p> <p>(4) The branch managerial officer Su○○ was warned and punished for the lack of supervision and inadequate supervision, which was announced on June 9, 2023.</p>	<p>Improved by relevant measures.</p>
<p>3. The Taipei Exchange conducted a routine inspection on Mega Securities from October 20 to October 31, 2023, and found that the company's manufacturer connected to the springboard machine using RDP (Remote Desktop Protocol). Although the company's personnel applied for permission and restricted the fixed IP connection of the manufacturer through the firewall, the connection login did not adopt multi-factor authentication in accordance with the regulations. It was found to have violated the standard specification CC-17020 (2) 7 of the securities firm's internal control system "When logging into the system with an account through the Internet, a multi-factor authentication mechanism should be adopted".</p>	<p>Feasible solutions have been studied, and it is planned to purchase multi-factor authentication products for use by IT vendors.</p>	<p>Scheduled to be done before the end of March, 2024.</p>

**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. 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 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, 2022, and the original operation risk accrual ratio will be restored from the next month.

2. 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.
3. The FSC conducted a general business inspection from February 16, 2022 from March 9, 2022 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 Liu violated securities related regulations, and also the managers and counter supervisors of the company's Yonghe branch showed insufficient business sensitivity and failed to pay due professional attention to Liu 's unusual transactions. A fine of NT\$480,000 was imposed. Mega Securities was therefore ordered to suspend the execution of business by Liu for one year.

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

- a. The improvement measures for the inspection opinions have been discussed and approved by the Board of Directors of Mega Securities on September 29, October 31, and December 21, 2022, and the proposed improvement measures and related internal control systems will be continued and implemented.
- b. Based on the details of Liu XX's violation as stated in the ruling, Mega Securities held the managerial officer and the counter supervisor at the time responsible for failing to fulfill their professional duty of care. A personnel review meeting was held on February 20, 2023, and each of the then three supervisors was punished with one minor warning in accordance with the Company's regulations. The result of the discussion on punishment of the relevant defaulters was reported to the FSC.
- c. In order to strengthen the second line of defense function, Mega Securities established the Compliance Committee on September 29, 2022. The Company also formulated "Legal Compliance Testing Operating Procedures" to track the improvement of adjudication cases and review whether the internal management measures of each unit are reasonable and effective in reducing legal compliance risks.

4. Taiwan Stock Exchange conducted an audit on Hsinchu Branch on May 2, 2023 to May 3, 2023. It was found that the Hsinchu Branch's brokerage trading business personnel surnamed Lin XX (hereinafter referred to as Lin) had custody of settlements on behalf of the client, handed settlement services, and had borrowing and lending with the client during the period of February 11, 2022 to February 10, 2023, which violated the securities management laws and regulations. The FSC imposed a fine of NT\$240,000 and ordered the company to suspend the execution of business by Lin for three months.

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

- a. Mega Securities prepared a report on improvement and preventive measures for the previously disclosed deficiencies, and added the previously disclosed deficiencies as an internal audit item for daily case processing for 10 consecutive business days, which were reported to the Taiwan Stock Exchange on July 7, 2023 for record.
- b. Since Lin XX's account once triggered the anti-money laundering high-risk list, in subsequent similar cases when an employee's account triggers the Group's anti-money laundering high-risk list, a letter will be sent by Mega Securities to financial holding parent company to apply for information review. After approval, a letter will be sent to the Bank to request the provision of the relevant information of the employee's account, so as to facilitate the checking of the employee's non-compliance with the rules and regulations.
- c. The penalty for the personnel: Lin XX had been issued one major warning by Mega Securities in accordance with the Employee Rewards and Punishment Measures, which was announced on June 27, 2023. In accordance with a letter from the Taiwan Stock Exchange Corporation, Lin has been suspended from executing business from June 6, 2023 for 6 months, and in accordance with the disciplinary decision, Lin will cease to perform his duties for 3 months from December 6, 2023 to March 5, 2024. The implementation status was reported to the FSC for record. The branch managerial officer was warned and punished for the lack of supervision and inadequate supervision, which was announced on June 9, 2023 as a warning.

### III. Chung Kuo Insurance Co., Ltd.

1. The FSC has a verdict on March 15, 2022 regarding Chung Kuo Insurance's violation of the Insurance Act. A fine of NT\$1.2 million was imposed according to Article 171-1, Paragraph 4 of the Insurance Act, and corrective measures were requested in accordance with Article 149, Paragraph 1 of the same Act.
  - a. The company was fined NT\$600,000 for not complying with the Insurance Act. When handling automobile extended warranty insurance underwriting, the underwriting and control policies were not implemented, and premiums were not calculated according to the rates submitted for insurance products for review.
  - b. The company was fined NT\$600,000 for not complying with the Insurance Act. When handling auto insurance claims, it was found that some policies failed to refund other unexpired insurance premiums in accordance with the policy terms after handling total loss compensation.
  - c. The company omitted to file a record of interested parties in the transactions, which posed a threat to sound business management. Therefore, correction was requested.

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

- a.(a)The internal operating standards have been revised to clearly define the underwriting management and control in response to high loss rates, and all units are required to follow them.



- (b)The premium has been calculated based on the product submission rate and the calculation and assessment records have been retained.
  - b.(a)Refund has been processed in accordance with regulations.
    - (b)Monthly production reports have been produced to track the management and control of unexpired insurance refunds for total loss cases.
    - (c)It has been incorporated into internal operating standards to facilitate compliance by all units.
  - c.(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.
2. 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.
- (1)As of November 30, 2021, the insurance premium for the pandemic prevention insurance product 1.0 exceeded the estimated annual insurance premium income of the documents submitted for review on May 27, 2020. When an insurance product evaluation group meeting was held on December 6, 2021 to review the version 2.0 of the pandemic prevention insurance product, there were still no specific response and supporting measures for the warning value or sales limit, which was detrimental to risk control.
  - (2)According to the "Code of Practice for Risk Management in the Insurance Industry", insurance companies should identify catastrophic events based on product characteristics. This catastrophic event can be considered as major losses such as infectious diseases. However, the documents submitted for review for the pandemic prevention insurance product 2.0 on January 5, 2022 stated that "this product does not belong to a catastrophe risk product", and it does not explain the reference basis for setting the sales limit as well as the response and supporting measures when the warning value or sales limit is reached, which was detrimental to risk control.
  - (3)The pandemic insurance product 2.0 reached the sales limit on March 2, 2022. However, the insurance product management group meeting held on March 25, 2022 stated that "the actual direct loss rates have not exceeded the actuarial assumptions, and the risk control is still appropriate. Therefore, the sale will be continued." "We are not aware of any significant adverse impact on the Company's finance, business and solvency." It failed to fully disclose the information that the product had reached the sales limit, evaluate and analyze it, and take corresponding measures. It also failed to implement the functions of the product management team.
  - (4)When the pandemic prevention insurance product 2.0 product development and market strategy meeting was held on January 12, 2022, and the pandemic prevention product sales status and product conversion meeting was held on April 11, 2022, the sales limit had already exceeded the value stipulated in the documents submitted for review on January 5, 2022. However, senior managerial officers still decided to increase the sales limit and continue sales without considering the Company's risk-taking ability, which exerted a significant negative impact on the Company's finances.

(5) The pandemic prevention product sales status and product conversion meeting held on April 14, 2022 decided to stop receiving pandemic prevention insurance products 1.0 and 2.0 from 5:00 pm on April 15, 2022. However, after checking the suspension time, the policy was still open to employees of certain channels for insurance purchase (renewal) without considering the loss limit as stipulated in the reinsurance conditions, resulting in an increase in the amount of retained losses.

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

- a. At the insurance product evaluation group meeting, we will review the content of the documents submitted for review, correctly assess the product risks based on the characteristics of the products, set up the product sales limit warning and risk management mechanism, complete the reinsurance arrangement, and assess the adequacy of the premium rate, in order to implement the risk management of insurance products and ensure the solvency of the Company.
- b. At the insurance product evaluation group meeting, we will examine the content of the documents submitted for review, set up sales limit and warning of each insurance product, assess the effectiveness of the risk management mechanism, and review the rate setting procedures for insurance products with less than 3 years of experience, in order to implement the risk management of insurance products.
- c. Increase the frequency of meetings of the post-sales management committee and the number of presentations to the Board of Directors of the "Report on the Overall Assessment of the Impact on the Company's Finances, Business and Solvency after the Sale of Insurance Products".  
In view of the fact that the sales of insurance products have reached the warning value, the impact on the Company's solvency will be carefully verified and evaluated, and the post-sale management of insurance products will be implemented.
- d. At the post-sales management committee meeting, the tracking status of insurance product sales limit will be truly reviewed. If the warning value or sales limit is reached, it will be proposed whether to continue the sales assessment, analyze and evaluate the impact on the Company's solvency, and submit the meeting minutes to the Board of Directors meeting for report.
- e. When an insurance product reaches the sales warning value, a post-sales management committee meeting will be convened to discuss whether to continue the sale, and the meeting minutes will be submitted to the Board of Directors meeting for report.

## C. Deficiencies corrected by FSC:

### I. Mega International Commercial Bank

1. 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. Strengthen education and training on power maintenance or abnormal situation handling, and require domestic business units to install fixed generators or purchase mobile generators as backup for power outages.
- b. Clearly standardize the minimum operating requirements for domestic business units during power outages, and add regulations on the management, maintenance and control of electrical equipment, electromechanical accident reporting procedures, contingency measures and regular drills.



- c. Domestic units regularly test the status of electrical equipment, report to the headquarters unit through the Notes system to strengthen control, and include it in self-assessment items.
  - d. The official communication software TEAMS has established a "branch emergency response group" to facilitate the head office units to grasp and assist domestic business units in handling emergencies in a timely manner.
2. 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. Add new control measures to the system and provide warnings to prevent reportable transaction data from being accidentally deleted.
  - b. Add a new production line-wide management report, which will be reviewed and tracked by the headquarters unit to ensure the accuracy of the reported information.
  - c. The operation manual adds operation guidelines for modifying, deleting and mistakenly deleting declaration information, and includes operation details related to sign-off reports.
  - d. Revise the content of self-examination work papers on money laundering prevention and control business of domestic business units to achieve the effect of self-examination.
3. Mega Bank Taoyuan International Airport Branch had deficiencies related to bank staff misappropriation of customer funds, which were likely to impede sound operations. On May 23, 2023, the FSC corrected in accordance with the provisions of Article 61-1, Paragraph 1 of the Banking Law.

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

- a. Reiterate that when accepting foreign currency cash, be sure to follow "the counting/checking machine should be placed in a position where "customers can personally inspect the counting/checking process and the amount display screen of the money checking machine"" and record a practical teaching video to strengthen it. Propaganda.
- b. Conduct courses such as "New Member Workshop", "Integrity Management Education and Training", "Basic Deposit and Exchange Business Workshop", etc., to strengthen the promotion of honest management, employee compliance with laws and self-discipline, and Taiwan and foreign currency receipt and payment (exchange) operations. focus.
- c. Strengthen the management and control weaknesses of business units due to environmental space limitations of redemption points:
  - (a) Add a monitor with recording function.
  - (b) Strengthen real-time monitoring of daily operations and spot-check collection surveillance video tapes.
  - (c) Self-assessment items strengthen the review of the standard procedures for cash collection and payment in simple remittance business, and the implementation of cash return operations at the end of the day.

## II. Mega Securities Co., Ltd.

- 1. The Taiwan Stock Exchange Corporation conducted an audit of Mega Securities Datong Branch on October 4, 2022 and found the following deficiency, which was corrected by the FSC on May 3, 2023 in accordance with Article 65 of the Securities and Exchange Act.

- a. Zeng XX, the former salesperson of Mega Securities Datong Branch, accepted a client's discretionary entrustment in December 2019, and Tao XX, the then branch managerial officer, actively covered up Zeng XX's violation of the law, which indicated that there are deficiencies in the implementation of the Company's internal control system, in violation of Article 2, Paragraph 2 and Article 37, Paragraph 5 of the Regulations Governing Securities Firms.
- b. Mega Securities violated Article 4, Paragraph 1, Subparagraph 4 and Paragraph 2 of the Regulations Governing Securities Firms by failing to report to the FSC or the Taiwan Stock Exchange in accordance with the regulations when it discovered the abovementioned irregularities.

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

- a. Mega Securities prepared a report on improvement and preventive measures for the previously disclosed deficiencies, and added the previously disclosed deficiencies as an internal audit item for daily case processing for 10 consecutive business days, which were reported to the Taiwan Stock Exchange in writing on November 23, 2022 for record.
  - b. Mega Securities clearly defined the reporting procedures for cases of employees violating securities laws and regulations in accordance with the provisions of Article 4, Paragraph 1, Subparagraph 4 of the Regulations Governing Securities Firms, and implemented the procedures after discussion and approval at the 2022 2nd regular Compliance Committee meeting held on December 16, 2022.
  - c. Mega Securities approved the removal of Zeng XX on March 12, 2020, and reported to the Board of Directors meeting on March 18, 2020. After discussion and approval, the then managerial officer Tao XX was dismissed and the appointment was terminated.
2. Same as those under the section headed fines imposed, correction, or punishment by FSC for violating laws and regulations - Mega Securities case 3.
  3. Same as those under the section headed fines imposed, correction, or punishment by FSC for violating laws and regulations - Mega Securities case 4.

### III. Chung Kuo Insurance Co., Ltd..

Same as those under the section headed fines imposed, correction, or punishment by FSC for violating laws and regulations - Chung Kuo Insurance case 1.

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

E. Matters regarding the provisions of Article 2 of the FSC's Measures for Public Announcement of Major Punishment Measures for Violations of Financial Laws and Regulations: Same under fines imposed, correction, or punishment by FSC for violating laws and regulations – Mega Bank case

F. 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.

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

## 3.4.12 Major Resolutions of Shareholders' Meeting and Board Meetings in 2023

### A. Important resolution of 2023 shareholders' meeting:





a. Approved the 2022 Business Report and Financial Statements

Implementation status: The 2022 Business Report and Financial Statements have been filed with FSC on June 29, 2023.

b. Approved the 2022 earning distribution proposal

Implementation status: The meeting resolved to pay cash dividend of \$1.24 per share totaled NT\$17,285,376,282 and stock dividend of \$0.08 per share with an aggregate amount of NT\$1,115,185,560. The dividend record date, which was approved by the Board of Directors, was set on August 18, 2023, and the dividend was paid on September 15, 2023.

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 July 6, 2023 by the letter No. 1120218758 for reference, and was approved by the Ministry of Economic Affairs the modification registration on July 14, 2023 by the letter No. 11230131360. Relevant announcement was made on the Company's website.

d. Relieved the restriction on directors' non-competition of the 8th term of Board of Directors Implementation status: Important information has been published on June 16, 2023.

## B. Important resolution of the Board meetings held in 2023

Meeting date	No. of meeting and terms	Agenda and resolution
January 31, 2023	The 22 <sup>nd</sup> meeting of the 8 <sup>th</sup> term	Approved the engagement of the external auditor for 2023 financial statements.
March 14, 2023	The 24 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved the 2022 consolidated financial statements, 2022 internal control statement, agenda of convening of the 2023 general shareholders' meeting, and allocation of 2022 employees' and directors' compensation.
April 17, 2023	The 25 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved the 2022 Business Report, 2022 annual surplus distribution and the transfer of surplus to capital increase and the issuance of new shares, amendments to the 2023 internal audit plan, and the successor of the Corporate Governance Officer and the Chief Information Security Officer of the Company.
May 23, 2023	The 26 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved the consolidated financial report for the first quarter of 2023, and the reassignment of Director of the subsidiary Mega Bank.
May 25, 2023	The 27 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved Director Mr. Kuang-Hua Hu to act as the Chairman of the Company and its subsidiary Mega Bank, the successor of the President of the Company and its subsidiary Mega Bank, and the reassignment of the Managing Director of the subsidiary Mega Bank.
June 16, 2023	The 28 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved the election of Director Mr. Chung-Dar Lei as the Chairman of the Company, and the reassignment of Director of the subsidiary Mega Bank.
July 25, 2023	The 30 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved the record date for the 2022 earning distribution.
August 22, 2023	The 31 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved 2023 Q2 consolidated financial statements.
October 24, 2023	The 33 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved the issuance of new shares for capital increase of the Company in 2023.
November 28, 2023	The 34 <sup>th</sup> meeting of the 8 <sup>th</sup> term	Approved the Company's 2023 Q3 consolidated financial statements and the 2024 audit plan.
December 28, 2023	The 35 <sup>th</sup> meeting of the 8 <sup>th</sup> term	The budget target of 2024, the reassignment of Supervisor of the subsidiary Mega Securities, the reassignment of Director and Supervisor of Mega Bills Finance, the reassignment of Director of Mega Asset Management.

**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 2023: 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 2023 and till the annual report date:**

Title	Name	Assuming office date	Resigning date	Reasons of resignation or dismissal
Chairman	Chao-Shun Chang	Sep. 2, 2016	May 26, 2023	Resign
President	Kuang-Hua Hu	Feb. 7, 2018	May 26, 2023	Reassignment

## 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, 2023~ December 31, 2023	2,235	1,017	3,252	1. Tax certification services fee NT\$548,000. 2. English financial report translation fee NT\$200,000. 3. Issuance of new shares by capital increase out of earnings fee NT\$ 99,000. 4. Issuance of new shares by cash increase fee NT\$126,000. 5. The fee of NT\$20 ,000 for reviewing the salary information declaration of full-time employees who are not in supervisory positions. 6. The fee for issuing ordinary corporate bonds NT\$24,000.

**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 (equity transfers and pledges) of directors, managers, and those as required by Article 11 of the Regulations Governing the Holding by a Person or a Related Party of Voting Shares Over Certain Ratio in a Financial Holding Company

#### 3.8.1 Changes in Shareholding

Unit: Share

Title	Name	In 2023		In 2024 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: Chung-Dar Lei (Note 1)	9,372,959 3,000	0 0	0 0	0 0
	Ministry of Finance, R.O.C. Representative: Yu-Mei Hsiao (Note 2)	9,372,959 9,101	0 0	0 9,459	0 0
	Ministry of Finance, R.O.C. Representative: Pei-Chun Chen	9,372,959 60,873	0 0	0 4,943	0 0
	Ministry of Finance, R.O.C. Representative: Yih-Juan Wu	9,372,959 0	0 0	0 0	0 0
	Ministry of Finance, R.O.C. Representative: Po-Cheng Chen (Note 3)	9,372,959 0	0 0	0 0	0 0
	Ministry of Finance, R.O.C. Representative: I-Kan Chiu	9,372,959 8	0 0	0 5,711	0 0
	The National Development Fund, Executive Yuan, R.O.C. Representative: Keh-Her Shih	6,813,980 0	0 0	33,006,940 0	0 0
	Chunghwa Post Co., Ltd. Representative: Hong-Mo Wu	4,024,387 0	0 0	10,560,924 0	0 0
	Bank of Taiwan Co., Ltd. Representative: Hui-Chuan Chen	2,746,601 0	0 0	31,804,536 0	0 0
President	Yu-Mei Hsiao (Note 4)	9,101	0	9,459	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	Han-Yin Ting (Note 5)	492	0	6,291	0
Executive Vice President	Yung-Chen Huang (Note 6)	0	0	12,429	0
Chief Auditor	Ling-Chiu Lin (Note 7)	782	0	5,000	0
Chief Compliance Officer	Yi-Ming Ko	1,787	0	5,690	0
Chief Secretary of the Board	Jian-Pyng Lee (Note 8)	0	0	0	0
Vice President	Lan-Jong An	0	0	0	0
Vice President	Chia-Lin Chang	82	0	5,215	0
Vice President	Ing-Jun Kuo	0	0	10,000	0
Vice President	Hung Tseng	0	0	5,690	0
Vice President	Chien-An Chen	0	0	10,000	0
Vice President	Mei-Li Chao (Note 9)	1	0	5,003	0

# Corporate Governance Report

Note:

1. Chairman Mr. Chung-Dar Lei took office on June 16, 2023, and the old incumbent Mr. Chao-Shun Chang resigned on May 26, 2023.
2. Director Ms. Yu-Mei Hsiao took over on June 21, 2023, and the old incumbent Mr. Kuang-Hua Hu resigned on the same day.
3. Director Mr. Po-Cheng Chen took over on Jan. 17, 2024, and the old incumbent Mr. Chia-Chi Hsiao resigned on Jan. 16, 2024.
4. President Mr. Kuang-Hua Hu Chen was designated to become the President of Mega Bank on May 26, 2023. On the same date, Executive Vice President Ms. Yu-Mei Hsiao was promoted as the President of the Company.
5. Executive Vice President Jui-Yun Lin was retired on June 19, 2023. On the same date, Chief Secretary of the Board Han-Yin Ting was promoted as the Executive Vice President of the Company.
6. Senior Executive Vice President of Mega International Commercial Bank, Ms. Yung-Chen Huang was designated as the Executive Vice President of the Company on Oct. 1, 2023.
7. 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.
8. Chief Secretary of the Board of Mega International Commercial Bank, Mr. Jian-Pyng Lee, was designated as Chief Secretary of the Board of the Company on March 1, 2024.
9. Acting Vice President of Treasury Department Ms. Mei-Li Chao became Vice President on July 1, 2023.
10. Director Mr. Chia-Chung Chen, the representative of the Ministry of Finance, resigned on July 1, 2023, and the vacancy left has yet to be assigned by the Ministry of Finance.

## 3.8.2 Shares Trading with Related Parties: None.

## 3.8.3 Shares Pledge with Related Parties: None.

## 3.9 Information on top 10 shareholders by shareholding ratio who among themselves are related parties, spouses, or within the second degree of kinship

As of April 23, 2024

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)	1,180,992,939	8.20	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)	891,568,452	6.19	0	0	0	0	None	None	None
Chunghwa Post Co., Ltd. (Representative: Hong-Mo Wu)	517,633,693	3.59	0	0	0	0	None	None	None
Cathay Life Insurance Co., Ltd (Representative: Ming-Ho Hsiung)	396,608,645	2.75	0	0	0	0	None	None	None
Bank of Taiwan Co., Ltd. (Representative: Jye-Cherng Lyu)	377,876,300	2.62	0	0	0	0	Ministry of Finance	The sole shareholder of parent company Taiwan Financial Holding Co., Ltd.	None
Taiwan Life Insurance Co., Ltd. (Representative: Tai-Ke Cheng)	316,919,301	2.20	0	0	0	0	None	None	None
Citibank Taiwan in custody for the government of Singapore	288,106,658	2.00	0	0	0	0	None	None	None
New Labor Pension Fund (Representative: Yu-Ching Su)	266,498,787	1.85	0	0	0	0	None	None	None
Pou Chen Corporation (Representative: Lu-Min Chan)	202,221,727	1.40	0	0	0	0	None	None	None
Taiwan Tobacco & Liquor Corporation (Representative: Yen-Che Ting)	187,174,685	1.30	0	0	0	0	Ministry of Finance	The sole shareholder of Taiwan Tobacco & Liquor Corporation	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, 2023; 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	0	0	8,536,233,631	100
Mega Securities Co., Ltd.	1,160,000,000	100	0	0	1,160,000,000	100
Mega Bills Finance Co., Ltd.	1,311,441,084	100	0	0	1,311,441,084	100
Chung Kuo Insurance Co., Ltd.	533,350,000	100	0	0	533,350,000	100
Mega International Investment Trust Co., Ltd.	52,700,000	100	0	0	52,700,000	100
Mega Asset Management Co., Ltd.	200,000,000	100	0	0	200,000,000	100
Mega Venture Capital Co., Ltd.	105,000,000	100	0	0	105,000,000	100
Mega International Commercial Bank Public Co., Ltd.	0	0	500,000,000	100	500,000,000	100
Mega International Investment Services Co., Ltd.	0	0	5,000,000	100	5,000,000	100
Mega Futures Co., Ltd.	0	0	40,000,000	100	40,000,000	100
Cathay Investment & Warehousing S.A	0	0	1,000	100	1,000	100
Mega Management & Consulting Co., Ltd.	0	0	1,000,000	100	1,000,000	100
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	260,217,000	26.02	260,217,000	26.02
Ramlett Finance Holdings Inc.	0	0	1,500	100	1,500	100
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	14,180,550	20.08	14,180,550	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 April 30, 2024

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
Aug. 2023	10	22,000,000,000	220,000,000,000	14,051,338,138	140,513,381,380	Increase of NT\$1,115,185,560 capital through earnings capitalization	Note 5
Dec. 2023	10	22,000,000,000	220,000,000,000	14,401,338,138	144,013,381,380	Increase of NT\$ 3,500,000,000 capital of common stock for cash	Note 6

- 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.  
 5. The capital increase was approved by the Financial Supervisory Commission on July 20, 2023.  
 6. The capital increase was approved by the letter No. 1120360388 dated November 22, 2023 issued by the Financial Supervisory Commission.

As of April 30, 2024

Type of stock	Authorized capital			Remark
	Issued shares (Note)	Unissued shares	Total	
Common stock	14,401,338,138	7,598,661,862	22,000,000,000	

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

### 4.1.2 Shareholder Structure

As of April 23, 2024

Type of shareholders	Government agencies	Financial institutions	Other juridical persons	Natural persons	Foreign institutions & natural persons	Total
Number of shareholders	11	28	1,285	522,067	1,116	524,507
Shareholding (shares)	2,783,183,027	2,066,186,354	2,040,936,856	2,941,924,500	4,569,107,401	14,401,338,138
Percentage (%)	19.33	14.35	14.17	20.43	31.72	100

### 4.1.3 Distribution Profile of Share Ownership

Par value per share: NT\$10 As of April 23, 2024

Shareholder ownership (Unit: Share)	Number of shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	151,518	38,119,094	0.26
1,000 ~ 5,000	249,621	504,407,739	3.50
5,001 ~ 10,000	60,037	400,811,108	2.78
10,001 ~ 15,000	26,612	311,032,588	2.16
15,001 ~ 20,000	9,283	159,024,911	1.10
20,001 ~ 30,000	10,871	258,082,242	1.79
30,001 ~ 40,000	4,970	169,009,019	1.17
40,001 ~ 50,000	2,728	120,929,915	0.84
50,001 ~ 100,000	5,070	341,321,928	2.37
100,001 ~ 200,000	2,178	284,650,416	1.98
200,001 ~ 400,000	779	208,413,626	1.45
400,001 ~ 600,000	202	99,783,357	0.69
600,001 ~ 800,000	97	67,539,918	0.47
800,001 ~ 1,000,000	68	60,765,046	0.42
1,000,001 or above	473	11,377,447,231	79.02
Total	524,507	14,401,338,138	100.00

## 4.1.4 Major Shareholders

As of April 23, 2024

Name of shareholder	Number of common shares	Percentage of shareholding (%)	Percentage of voting rights (%)
Ministry of Finance, R.O.C.	1,180,992,939	8.20	9.12
National Development Fund, Executive Yuan, R.O.C.	891,568,452	6.19	6.88
Chunghwa Post Co., Ltd.	517,633,693	3.59	4.00
Cathay Life Insurance Co., Ltd	396,608,645	2.75	3.06
Bank of Taiwan Co., Ltd.	377,876,300	2.62	2.92
Taiwan Life Insurance Co., Ltd.	316,919,301	2.20	2.45
Citibank Taiwan in custody for the government of Singapore	288,106,658	2.00	2.22
New Labor Pension Fund	266,498,787	1.85	2.06
Pou Chen Corporation	202,221,727	1.40	1.56
Taiwan Tobacco & Liquor Corporation	187,174,685	1.30	1.44
Taishin Bank in custody for Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	170,004,800	1.18	1.31
Old Labor Pension Fund	165,319,455	1.15	1.28
Citibank Taiwan in custody for Investment account of Norges Bank	164,497,527	1.14	1.27
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds	158,222,612	1.10	1.22
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	153,378,815	1.07	1.18

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

Unit: NTS

Item	Year	Year			
		2023	2022	As of March 31, 2024(Note 8)	
Market price per share (Note 1)	High	40.60	45.40	41.00	
	Low	30.05	28.40	37.30	
	Average	36.45	35.88	39.08	
Net worth per share (Note 2)	Before distribution	23.83	21.51	25.11	
	After distribution	Note 9	20.27	–	
Earnings per share	The weighted average of outstanding shares (in thousands of shares)	14,051,338	13,939,820	14,305,184	
	Earnings per share (Note 3)	Before adjustment	2.37	1.32	0.80
		After adjustment	Note 9	1.30	–
Dividends per share	Cash dividends	Note 9	1.24	–	
	Stock dividends	EPS	Note 9	0.08	–
		Capital surplus	Note 9	–	–
	Cumulative undistributed dividends (Note 4)	N.A.	N.A.	–	
Investment return analysis	PE ratio (Note 5)	15.27	26.94	–	
	Price-dividend ratio (Note 6)	Note 9	28.68	–	
	Cash dividend yield (%) (Note 7)	Note 9	3.49	–	

\* 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.

9. The proposal for distribution of 2023 profits will be submitted to the annual shareholders' meeting in 2024.





## 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 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. However, the percentage of cash dividend and stock dividend may be adjusted by resolution at a shareholders' meeting.

### B. Proposed Distribution of 2023 Profits

It is proposed to submit to the Company's annual shareholders' meeting in 2024 for its approval of distribution of NT\$ 21,602,007,207 cash dividends, which is NT\$ 1.5 per share, and distribution of NT\$ 4,320,401,440 stock dividends, which is NT\$ 0.3 per share.

## 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 2023 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 2023

The remuneration of employees and directors of the Company in 2023 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 12, 2024, the Company's Board of Directors approved a cash distribution of NTD 25,347,508 for employees' remuneration and NTD 166,759,926 for directors' remuneration for 2023. The sum of the two amounts is NTD 933,518 more than the estimated amount on the account. This was due to the estimation difference and will be adjusted and recorded in 2024. 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 2022 allotted NT\$ 13,406,184 and NT\$ 91,385,027 in accordance with the resolutions of the Board of Directors, which was NT\$ 498,377 less than the estimated amount on the account, and was due to estimation difference. It has been adjusted and recorded in 2023. 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 2023 and up to publication date of this annual report in 2024.

## 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	



Corporate bond category	112-1 unsecured corporate bonds A	112-2 unsecured corporate bonds B	112-3 unsecured corporate bonds C
Issuance (handling) status	August 24 2023		
Denomination	NT\$ 1 million		
Issuance and trading place	Taipei Exchange		
Issue price	At 100% of face value		
Issue size	NT\$ 1.2 billion	NT\$ 6.6 billion	NT\$ 2.2 billion
Coupon rate	Fixed rate 1.50%	Fixed rate 1.60%	Fixed rate 1.64%
Maturity	3 years Due August 24, 2026	5 years Due August 24, 2028	7 years Due August 24, 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; Puo-Ju Kuo, CPA		
Method of repayment	Full repayment at maturity date		
Outstanding principal	NT\$ 1.2 billion	NT\$ 6.6 billion	NT\$ 2.2 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

Increase capital of common stock for cash in 2023:

#### 4.5.1 Project content

- The approval date and document number by the Financial Supervisory Commission: The letter No.1120360388 dated November 22, 2023.
- Total required funds for the project: NT\$ 11.55 billion.
- The source of funds: Increase capital of 350,000,000 shares of common stock for cash, which par value is NT\$ 10 per share, and the total raised amount is NT\$ 11.55 billion, which issue price is NT\$ 33 per share.

# Capital Overview

## 4.5.2 Execution status

Unit: NT\$ thousand

Project items	Estimated completion date	Total required amount	Execution status as of March 31, 2024
Reinvestment -Chung Kuo Insurance ( Note 1 )	2024Q2	4,500,000	Unexecuted
Pay off debts	2024Q1	6,000,000	Fully finished
Enrich working capital and Strengthen financial structure ( Note 2 )	2024Q1	1,050,000	Fully finished
<b>Total</b>		<b>11,550,000</b>	

Note: 1. Please refer to P.294 for the operational Overview of Chung Kuo Insurance Co., Ltd.

2. The benefits of the capital increase are apparent. Based on the self-prepared financial statement at the end of March 2024, the Capital Adequacy Ratio of the Company has been increased from 122.86% at the end of 2023 to 127.94%. The Double Leverage Ratio and Debt-To-Equity Ratio of the Company have been also separately decreased from 120.05% to 115.89% and from 20.99% to 17.83%.



# Operational Overview



# Operational Overview

## 5.1 Business Overview

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

### 5.1.1 Business Scope

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

##### 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	2023		2022	
		Amount	%	Amount	%
Investment income from equity investments accounted for by the equity method		33,981,072	99.75	18,602,819	99.58
Other operating revenue		83,528	0.25	77,295	0.42
Total		34,064,600	100.00	18,680,114	100.00

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

#### Mega International Commercial Bank Co., Ltd.

##### A. Major business

- 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
- 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, credit card services, and life insurance agency business.
- 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
- 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.
- 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
- Other business approved by the competent authority



## B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2023		2022	
		Amount	%	Amount	%
Net interest revenue		36,580,393	53.20	36,238,906	67.81
Net revenue other than interest		32,182,138	46.80	17,201,792	32.19
Net service fee revenue and commission		7,437,831	10.82	6,777,530	12.68
Gains on financial assets and liabilities at fair value through profit or loss		19,438,278	28.27	4,809,158	9.00
Realized gain on financial assets at fair value through other comprehensive income		1,929,566	2.81	2,344,156	4.39
Benefit/loss arising from derecognition of financial assets measured at amortized cost		2	0.00	( 38,867)	( 0.07)
Foreign exchange gains		2,435,219	3.54	2,563,818	4.80
Impairment losses on assets		( 66,481)	( 0.10)	127,770	0.24
Share of profit of associates and joint ventures accounted for using equity method		574,103	0.83	136,279	0.25
Net other revenue other than interest income		433,620	0.63	481,948	0.90
Net revenue		68,762,531	100.00	53,440,698	100.00

## C. New products and services planned for the future

The bank is the first bank in Taiwan to introduce the "FIDO" digital identity verification to solve the security concerns of customers' repeated input of accounts and passwords on different service platforms. The bank have also established a credit investigation and review system to automatically process applications and filter out unacceptable cases through the system in order to reduce manual work. In addition, in line with the trends of technology development and digital financial transformation, the bank will continue to optimize the functions of the AIO all-round account opening integration platform to create better consumer experiences. The bank will use smart financial AI technology to build various data models for credit cards to assist in business decisions. In the future, the bank 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 Co., Ltd.

#### A. Major business

##### 1. Business activities

- a. Entrusted with trading securities in the centralized trading market.
- b. Entrusted with trading securities at the business premises of a securities firm.
- c. Trade securities in the centralized trading market.
- d. Trade securities at the business premises of a securities firm.
- e. Underwrite securities.
- f. Agency for stock affairs.
- g. Margin trading and short-selling services
- h. Entrusted to trade foreign securities.
- i. Auxiliary business for futures trading.
- j. Engage in futures proprietary business.



# Operational Overview

- k. Trust for nondiscretionary individually managed money.
- l. Trust for nondiscretionary individually managed securities.
- m. Trust securities lending business with nondiscretionary individually managed securities.
- n. Other businesses approved by the competent authority.

## B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2023		2022	
		Amount	%	Amount	%
Brokerage business		4,099,992	63.13	3,679,193	88.09
Underwriting business		749,669	11.54	282,688	6.77
Proprietary trading business		1,427,903	21.99	( 58,122)	( 1.39)
Others		217,058	3.34	272,993	6.53
Total revenue		6,494,622	100.00	4,176,752	100.00

## C. New products and services planned for the future

The company evaluates and undertakes products in a timely manner in accordance with the opening policies of the competent authorities and the group planning of Mega Holdings; at the same time, it measures business development and customer needs, provides financial management services and products, and continues to build or optimize related system platforms. The company is committed to the balanced development of each product line and diversified product services, and improves operating performance and customer satisfaction by strengthening and upgrading information systems and services.

The new financial products or businesses planned to be developed in 2024 are mainly as follows:

1. According to the capital market blueprint promoted by the FSC, it is planned to open a foreign currency business allowing securities brokers to accept a client's request to trade foreign securities. The Company is preparing for the establishment of the sub-brokerage financing business and the lending business of overseas securities in accordance with the progress of the competent authority.
2. According to the plan of the Taipei Exchange, it is planned to add FCN (Fixed Coupon Note) products and STN (Structured Traded Notes) business linked to multiple domestic stocks. Among them, the STN business is planned to issue 3x leveraged (SN3) products linked to a single equity object (e.g. TSMC, 0050).
3. The Taiwan Futures Exchange launched a customized contract trading platform - Taiwan Index Options and Mini-Taiwan Index Futures on January 22, 2024, providing market participants with a channel to apply for customized contract listings. The subsidiary Mega Futures is the first operator in the futures market to apply for a customized Mini-Taiwan Index Futures contract. It will cooperate with the Futures Exchange to discuss expanding the application to stock futures in 2024, providing investors with more diversified customized products.
4. In line with Mega Bank's financial FIDO service plan, we will integrate the application for various securities financial services to enhance customers' safe and convenient financial service experiences.

## Mega Bills Finance Co., Ltd.

### A. Major business



OUR VISION—To Become Asia Regional Financial Group



- a. Bills Business: certification, underwriting, brokerage and proprietary trading of short-term bills (including USD-denominated instruments), guarantee or endorsement of commercial paper.
- b. 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.
- c. Equity investment business
- d. Others

## B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2023		2022	
		Amount	%	Amount	%
Bill business		4,117,332	57.69	3,161,098	52.38
Bond business		2,688,593	37.67	2,080,648	34.48
Equity Investments		167,107	2.34	116,082	1.92
Others		164,134	2.31	676,606	11.22
Total revenue		7,137,166	100.00	6,034,434	100.00

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

### Chung Kuo Insurance Co., Ltd.

#### A. Major business

- 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	2023		2022	
		Amount	%	Amount	%
Fire insurance premium		2,605,585	26.69	2,150,359	23.76
Marine cargo insurance premium		320,914	3.29	314,568	3.48
Marine hull insurance premium		766,052	7.85	633,638	7.00
Automobile insurance premium		3,957,995	40.54	3,593,800	39.71
Aviation insurance premium		112,458	1.15	100,391	1.11
Engineering insurance premium		452,778	4.64	355,349	3.93
Accident insurance premium		657,277	6.73	589,638	6.52
Health insurance premium		53,433	0.55	505,789	5.59
Other insurance premium		837,092	8.57	806,651	8.91
Total direct written premium income		9,763,583	100.00	9,050,182	100.00
Inward reinsurance premium income		786,917	-	998,954	-
Total		10,550,499	-	10,049,136	-

## C. New products and services planned for the future

- a. Additional clause for household comprehensive insurance residential key locks of Chung Kuo Insurance.

- b. Additional clause for temporary storage of Chung Kuo Insurance.
- c. Additional clause for commercial fire insurance machinery breakdown of Chung Kuo Insurance.
- d. Electric vehicle comprehensive insurance of Chung Kuo Insurance.
- e. Additional clause for increased coverage for automobile insurance automobile parts and accessories of Chung Kuo Insurance.
- f. Additional clause for automobile insurance traffic accident transfer fee of Chung Kuo Insurance.
- g. Driver's liability insurance (car body, third party, passenger) of Chung Kuo Insurance.
- h. Additional clause related to new cruise travel comprehensive insurance of Chung Kuo Insurance.
- i. New overseas sudden illness and injury medical expense insurance for individuals of Chung Kuo Insurance.
- j. Additional clause for rerouting to unscheduled airports fees of Chung Kuo Insurance.
- k. Additional clause for losses due to unauthorized use of credit cards during the trip of Chung Kuo Insurance.
- l. Additional clause for flight delay replacement or exemption from partial claim documents of new overseas travel inconvenience insurance of Chung Kuo Insurance.
- m. Additional clause for accommodation insurance for waiting for repatriation during overseas travel of Chung Kuo Insurance.
- n. Overseas study and work comprehensive insurance of Chung Kuo Insurance.
- o. E-Hospitalization medical expense insurance (pay-as-you-go type) of Chung Kuo Insurance.
- p. E-Hospitalization medical daily health insurance of Chung Kuo Insurance.
- q. Warm cancer death insurance of Chung Kuo Insurance
- r. Additional clause for Commercial General Liability Insurance

## Mega International Investment Trust Co., Ltd.

### 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	2023		2022	
		Amount	%	Amount	%
Public issued funds		397,080	97.90	349,838	97.29
Private equity funds		7,367	1.82	8,157	2.27
Discretionary account		1,134	0.28	1,585	0.44
Total		405,581	100.00	359,580	100.00

### C. New products and services planned for the future

New public issued funds to be issued in 2024 are as follows:

- a. Multi-asset funds: In pursuit of long-term total investment returns, the funds optimize the investment portfolio through flexible allocation of multiple types of assets, including stock options, investment grade bonds and convertible bonds.
- b. ETFs: Discuss with index companies to develop trend-based products, including dividends and bonds.



## Mega Asset Management Co., Ltd.

### A. Major business

- a. 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
- b. Real estate related business: trade, lease, development and sale/lease, brokerage, urban renewal, investment consulting, management consulting, etc.
- c. 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	2023		2022	
		Amount	%	Amount	%
Service income		351,655	84.09	453,612	94.13
Net proceeds from disposal of purchased NPL and Gain on sale of collaterals		59,079	14.13	22,659	4.70
Rental income		6,633	1.59	4,228	0.88
Interest income		799	0.19	1,383	0.29
Net profits from disposal of investment properties		-	-	-	-
Total		418,166	100.00	481,882	100.00

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

## Mega Venture Capital Co., Ltd.

### A. Major business

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

### B. Revenue Breakdown

Unit: NT\$1,000

Item	Year	2023		2022	
		Amount	%	Amount	%
Revenue from disposal of long-term securities investment		106,840	37	52,633	192
Dividend income		27,280	9	24,994	91
Director's or supervisor's remuneration income		0	0	0	0
Financial assets and liabilities at fair value through profit or loss		159,267	54	( 50,152)	( 183)
Total		293,387	100	27,475	100

### C. New products and services planned for the future

Mega Management & Consulting Corporation is one of the management consulting companies appointed by the "Entrusted Investment Management Plan for Strengthening Investment in Small and Medium-sized Enterprises" handled by the Small and Medium Enterprises Division of the Ministry of Economic Affairs. Mega Venture Capital's future investment in small and medium-sized enterprises can be matched with the Ministry of Economic Affairs' small and medium-sized enterprises fund to increase fund utilization. In addition, Mega Venture Capital will cooperate with government policies to set up angel funds to support new industries, provide working capital for the development of new ventures and provide relevant guidance.

## 5.1.2 Operating Policies in 2024

### The Company

#### 1. Secure existing business and diversify source of profits

- (1) Integrate resources to deepen joint marketing and strengthen cooperation in government-owned entities
- (2) Actively strengthen the development of securities business and create a second profit engine
- (3) Enhance the business of non-bank subsidiaries and establish a diversified profit structure
- (4) Develop digital transformation financial services and strengthen customer brand recognition
- (5) Consolidate existing corporate finance businesses and create the best interests of shareholders
- (6) Continue to expand the consumer finance management business and innovate the operating growth model
- (7) Effectively allocate capital investment portfolios and conduct financial operations flexibly
- (8) Be careful to guard against the downside risk of the global economy and 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. 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

#### 4. 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) Supervise group internal control mechanism and effectively put into practice

#### 5. 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

#### **6. 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 simply process and increase efficiency

#### **7. Comply regulations and refine information security and strengthen resilience and safely implement transformation**

- (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

#### **8. Create a friendly workplace and shape employee value**

- (1) Enrich green operations and protect a sustainable environment
- (2) Promote workplace health and improve work efficiency
- (3) Practice social responsibilities and enhance the group's image
- (4) Follow internal controls and establish a culture of integrity

#### **9. 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

#### **10. Establish corporate brand image and strengthen social influence**

- (1) Actively manage media relations and cultivate positive interactions with the media
- (2) Maintain smooth external communication and participate in financial policy discussions
- (3) Shape the group's brand image and create value that benefits stakeholders
- (4) Actively integrate the group's resources and give full play to its core financial functions
- (5) Coordinate the energy of the group's volunteers and implement corporate social responsibilities

#### **11. Strengthen the Group's financial and taxation control and improve the Group's financial resilience**

- (1) Align with the lowest tax burden in the world and fulfill our responsibilities as a global citizen
- (2) Plan for a balanced dividend policy and take into account both shareholders and stability
- (3) Pay attention to global economic trends and improve capital utilization efficiency
- (4) Control the Group's operating expenses and optimize the quality of the Group's expenses



## Mega International Commercial Bank Co., Ltd.

1. Enhance the momentum of the corporate banking business and drive integrated marketing to strengthen the core business niche
2. Develop diversified and digitalized consumer banking business based on customer needs
3. Adopt differentiated management for overseas operations, cultivate overseas markets and enhance operational performance
4. Promote digital transformation and financial ecosystem and develop AI intelligent financial innovation services
5. Enhance the performance of financial operations and create stable investment income
6. Ensure the effectiveness of internal control and legal compliance systems and shape a corporate culture of honest management
7. Improve risk control mechanisms and strengthen the identification, assessment and management of climate risks
8. Implement ESG sustainable financial policies and exert positive influence to promote social prosperity

## Mega Securities Co., Ltd.

1. Improve client structure and increase brokerage market share
2. Develop wealth management and increase recurring income
3. Develop diversified case sources and increase underwriting scale
4. Develop long short strategies and improve operational performance
5. Promote digital transformation and enhance the safety of information and communications
6. Implement the three lines of defense and strengthen corporate management
7. Emphasize employee training and inherit professional skills
8. Utilize Group resources and develop cross selling strengths
9. Combine financial expertise and pursue sustainable development

## Mega Bills Finance Co., Ltd.

### 1. Bill Business

- (1) Continue to focus on the operations and financial standing of customers and keep track of industrial prospects and funds allocation capabilities as they are the criteria for making decisions about loans and credit
- (2) Adjust borrower structure, develop non-real estate client base to expand bill sources and increase bill revenue in order to maintain market share
- (3) Promote responsible credit business and provide financing services for low carbon transformation and green energy industry in accordance with government regulations
- (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 bills portfolio and expand the interest margin of bill issuance and trading
- (5) Maintain relationships with financial institutions and expand general corporate customers with stable and low capital costs to improve capital utilization efficiency and reduce capital dispatch costs



## 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
- (3) Strengthen the development of credit accounts and future customers to undertake secondary transactions of foreign currency bonds, expand the foreign currency funds of domestic financial institutions, establish diversified and stable sources 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
- (4) Invest in convertible corporate bonds and exchange-traded fixed income assets with good credit rating to increase returns
- (5) Continue to focus on sustainable finance issues and implement responsible investment practices, while maintaining appropriate positions in green bonds under cost-effective considerations
- (6) Manage foreign currency and NT\$ 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 Co., Ltd.

1. To promote profit and market position, review and adjust the business structure on a rolling basis, deepen the Group's cross-selling capability, and improve the business penetration rate
2. Stabilize large commercial insurance business and actively pursue high-quality personal insurance business. Develop green energy and environmental protection insurance products in line with ESG policies and continue to increase the electronic policy conversion rate
3. Deepen the existing channels of business and promote the core insurance business; continue to develop channels and balance channel development
4. Optimize internal and external digital platforms for digitalization need
5. Strengthen the promotion efforts according to audience types through cross-industry collaboration in online platforms and social media and deepen the corporate brand image

6. Adjust asset allocation to improve the capital efficiency
7. Cooperate with government policies and the financial holding parent company's planning to establish various energy-saving and carbon-reducing measures to pursue the company's sustainable development
8. Introduce process automation and improve the Company's operational efficiency
9. Reinforce the internal control of the Company, implement compliance training, and strengthen the regulatory change management mechanism
10. Enhance the insurance professional capabilities and image of employees, and cultivate and increase all-round and digital talents
11. Establish the company's digital culture, continue to promote information security and personal privacy security certification, and enhance employees' information security awareness

## Mega International Investment Trust Co., Ltd.

1. Formulate mainstream investment strategies and develop innovative products in line with the trends
2. Improve fund operation performance and promote regular fixed-amount investments
3. Expand the discretionary business and secure opportunities for institutional discretionary account operations
4. Continue to reinforce the strength of the research team and enhance market awareness and confidence
5. Strengthen the core and cyber security systems to lay the foundation for the Company's FinTech development
6. Continuously publicize legal changes and deficiencies to strengthen employees' legal compliance awareness

## Mega Asset Management Co., Ltd.

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. Participate in the utilization of idle assets of the holding company and other brother companies and strengthen the cooperation with bank and bills brother companies.
4. Actively participate in the bidding of investment real estate, and cooperate with other companies in the collection of existing bad debt cases in a hope to create recovery benefits

## Mega Venture Capital Co., Ltd.

1. Capture industry trends and cultivate core industries
2. Strengthen short- and long-term investment advantages and build up channels
3. Strengthen investment in domestic and overseas Taiwan businessmen returning to Taiwan and be listed
4. Strengthen ties with domestic venture capital peers to increase the source of investment cases
5. Strengthen cooperation with Mega Securities and Mega Bank to promote the investment business in line with the ESG policy of Mega Financial Holding
6. Enhance due diligence capabilities to minimize investment losses and pay attention to risk management and post-investment management





## 5.1.3 Industry Overview

### A. International and Domestic Financial Environment

#### International Economic and Financial Environment

The OECD estimated that the global economic growth rate in 2023 would be 2.9%, 0.4 % lower than that in 2022, reflecting the effects of monetary tightening policies in major countries. Inflation is still high, and its cooling is slow. At a time of weak demand for commodities and de-stocking in the supply chain, the downturn in the manufacturing sector is more pronounced. Due to the close relationship between international trade and the manufacturing sector, the OECD estimated that the global trade growth rate would drop from 5.2% in 2022 to 1.1% in 2023, which was higher than the slowdown in economic growth rate. However, the performance of the service industry in most countries was relatively resilient, reflecting the continued recovery of related demand for accommodation, catering, sightseeing and tourism after the pandemic prevention and control measures in various countries are lifted. The United Nations World Tourism Organization (UNWTO) estimated that the number of global international tourists would increase by more than 30% in 2023, which had recovered to the level of 90% in 2019.

The U.S. Fed continued to raise interest rates. From January to July 2023, it raised interest rates 4 times for a total of 1%, and a total of 5.25% since March 2022, with the policy interest rate of 5.25%~5.5%. The intensity of monetary tightening and the higher-than expected interest rates at the beginning of the year reflected the slow easing of inflation and the resilience of the labor market. The Fed would maintain a hawkish attitude until November 2023 and would not easily relax the tightening policy. Subsequently, the Fed did not release a dovish message at the monetary policy meeting in December 2023 and relax its expectations for interest rate cuts in 2024 until the easing of inflation and labor market tension at the end of the year.

#### Domestic Economic and Financial Environment

With respect to the domestic economy, Taiwan's economic growth rate was 0.11% in the first three quarters of 2023, with private consumption increasing by 9.47% annually, which contributed 4.28 % to economic growth. This reflected the effects of the lifting of pandemic prevention control, a stable job market, and the policy of cash for everyone, with service-type consumption being more active in particular. Fixed investment decreased by 7.23% year-on-year, reflecting the poor end demand caused by global monetary tightening policy, which caused export-oriented manufacturers to suspend investment. Construction investment declined due to the cautious promotion of real estate projects by developers and destocking. The overall capital made a negative contribution of 2.98% to economic growth. In terms of imports and exports, exports fell by nearly 6.95% in the first three quarters due to the weak demand for goods from the United States, Europe and China. However, imports also declined due to the decrease in intermediate goods and capital goods. After offsetting the two, net external demand made a negative contribution of 1.35% to economic growth. Monthly data for the fourth quarter of 2023 showed a slight improvement in the export and manufacturing sectors, while the service sector, which is dominated by domestic demand, remained relatively stable. Coupled with the lower base period in the fourth quarter of 2022, the Directorate General of Budget, Accounting and Statistics and the Central Bank of the Republic of China (Taiwan) estimated in November and December that the economic growth rate for 2023 would be 1.42% and 1.4%.

In terms of interest rates, the Central Bank of the Republic of China (Taiwan) raised interest rates by 0.125% in March 2023, bringing the discount rate to 1.875%. It has raised interest rates by a total of 0.75% since March 2022 and has since kept interest rates unchanged, mainly due to the easing of inflationary pressure in Taiwan, the more severe-than-expected slowdown in economic growth, the negative output gap, and the

downward trend of business outlook. However, it did not release a dovish message easily. In addition, since the interest rate hike by the central bank in March 2023, the overnight index average fluctuated between 0.68% and 0.69% from April to December of the same year.

In terms of exchange rates, the NTD against USD showed a V-shaped reversal in the first quarter of 2023, rising from NT\$30.7 at the beginning of the year to nearly NT\$29.7 in early February and then depreciating again. This was mainly due to the resilience of the U.S. economy, and the market's expectation that the interest rate hike by the Federal Reserve Board might be adjusted upward and lead to the strengthening of the USD. From early March to mid-June, NTD against USD mostly fluctuated around NT\$30.65. Since then, due to the U.S. Fed's hawkish forward guidance, the international USD and U.S. treasury yield continued to hit record highs. The dividend distribution season in the third quarter resulted in a larger amount of foreign capital outward remittances. Together with the weak trade momentum, the NTD gradually depreciated against the USD to NT\$32.5 by the end of October 2023. Later, due to the easing of inflation and labor market tension at the end of the year, the market became more optimistic about interest rate cuts. Non-USD currency generally rebounded as the USD weakened. The NTD gradually appreciated against the USD to NT\$30.74 at the end of 2023. In total, the average exchange rate of the NTD against the USD in 2023 was 31.15, which was a depreciation of about 4.4% compared to 29.78 in 2022.

## 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 order to maintain the momentum of innovation and continue to improve and deepen the existing achievements in the FinTech development, the FSC, after reviewing the FinTech development policies promoted in recent years, their implementation results, possible directions for improvement, and opinions from the industry and the academia, announced the "FinTech Development Roadmap (2.0)" on August 15, 2023, hoping to achieve a more inclusive, fair, sustainable and international FinTech ecosystem through a total of 65 specific initiatives in four major aspects, namely, "optimizing the FinTech legal system and policies", "deepening consulting resources and talent cultivation", "promoting FinTech technologies and applications", and "enhancing financial inclusion and the prevalence of digital finance".
3. In order to encourage financial institutions to make good use of technology, focus on responsible innovation, apply trustworthy AI, and develop financial services that are more relevant to the needs of the people, the FSC announced the "Core Principles and Policies for Promoting the Use of AI in the Financial Industry" on October 17, 2023, and formulated the draft of the "Guidelines for the Use of AI in the Financial Industry" with reference to relevant guidelines documents issued by governments around the world and international organizations. The FSC solicited external opinions on the Guidelines for 60 days from December 28, 2023. The above draft is mainly divided into general provisions and six major chapters. The general provisions mainly describe common matters such as AI-related definitions, AI system life cycle, risk assessment framework, risk-based implementation of core principles, supervision



and management of third-party operators, etc. The six chapters explain the key points that the financial industry should pay attention to and the measures that can be taken based on the AI life cycle and assessed risks when implementing the six core principles, including the purposes, main concepts, as well as precautions, implementation methods or measures to be taken of each principle.

### 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, thus it's difficult to increase of interest margin. In response to the international interest rate hike trend, the Central Bank of the Republic of China (Taiwan) also followed up with interest rate hikes for a total of 0.75%. Although the interest rate hike environment is conducive to the increase in the interest rate spreads of the banking industry, rising borrowing costs and downward revisions to the global economy have suppressed the borrowing demand of customers. The falling loan-to-deposit ratio and rising deposit costs exerted a negative impact on the net interest income on deposits and lending of the banking industry.

#### 2. The development of Fintech changes the customers' pattern

By October 2023, the number of domestic bank branches was 3,390, lower than previous number around 3,400. Also the number of branch application and approval reached new low. 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

At the beginning of 2023, the U.S. labor market and economy were resilient, and inflation remained high. Although the Fed slowed down the pace of interest rate hikes, the number of interest rate hikes was still higher than market expectations. In addition, the ongoing Russian-Ukrainian war and the Israeli-Palestinian war caused tension in the Middle East and severe fluctuations in crude oil prices. Taiwan's strong demand for tourism and other entertainment services after the pandemic in 2023 drove up related price increases, causing inflation to cool less than expected. Affected by global inflation and interest rate hikes, concerns about the economic outlook for 2024 have deepened, especially in European countries. If the degree and timing of the cooling of inflation are not as expected, it may aggravate the financial market turbulence, which will not be conducive to the stable development of the global economy.

### Securities industry

#### 1. Taiwan's financial market underwent challenges such as high global inflation, climate change, as well as international political and economic situations, and has demonstrated resilience and steady progress.

The number of listed companies reached 1,813 at the end of 2023, an increase of 83 from three years ago (the end of 2020). The total market value of listed stocks reached NT\$56.84 trillion, setting a new high in market value at the end of the year. International funds have returned significantly, and domestic investors have continued to participate in the stock market. The number of investors opening accounts has reached 12.51 million, with 53% of the people holding trading accounts. The number of overall market traders has reached a record high of 5.64 million, with the stock turnover ratio of as high as 121.2%. In 2023, the average daily volume of Taiwan stocks amounted to NT\$359 billion, an increase of NT\$53.8 billion (or 17.63%) from NT\$305.2 billion in the previous year. In December 2023, the balance of financing

amounted to NT\$330.5 billion, an increase of NT\$103.1 billion (or 45.34%) from the same period in 2022, indicating that domestic investors maintained their enthusiasm for investing in the stock market and were more optimistic about the future trend of Taiwan's stock market compared to last year. Department of Accounting and Statistics, Executive Yuan announced that the economic growth rate in 2024 will be 3.35%, an increase of 1.93% from 1.42% in 2023. It is expected that the development of the securities industry will have sufficient growth momentum.

2. As the competent authorities continue to assist in revitalizing Taiwan's stock market and increasing the diverse channels for petite bourgeoisie to participate in the capital market, it is obvious that younger groups are more engaged in the securities market. Since the opening of the intraday odd lot trading system from October 2020 to 2023, the number of odd-lot trading accounts increased from 320,000 to 1.13 million, representing a growth rate of 258%. Among them, the largest growth rate was among those aged under 30, the percentage of which increased from 21.10% to 27.79%. The number of accounts opened by those aged between 20 to 30 exceeded 50% of the age group in 2023, demonstrating that the young group is a must-win for securities companies to develop their business.
3. In addition, in order to assist investors in long-term investment in the stock market and strengthen asset allocation, the competent authorities have opened up regular fixed-amount investments in stocks and ETFs since 2017. Due to loosened regulations, the concept of diversified investment among investors has become widely accepted. The number of people using regular fixed-amount debits has increased rapidly, pushing up the average daily trading volume of ETFs, which has increased by 10 times over the past 10 years. In addition, the FSC has loosened the scope of trust business of securities firms, which will facilitate securities firms to develop wealth management business and design products that are more in line with the market demand. In the future, the services of the securities industry will focus on customer needs towards product diversification and balanced business development.

## Bills Finance Industry

1. There are 8 dedicated bills finance companies in Taiwan, and three of which are subsidiaries of financial holding company. Besides there are 32 banks and 4 security companies which also run bills business. As of the end of 2023, commercial papers outstanding of the whole market reached NT\$3,000.9 billion, increased by 16% compared to NT\$2,584.8 billion in 2022.
2. In 2023, total bond market trading volume was NT\$12.8114 trillion, increase 2.93% versus 2022 of NT\$ 12.4471 trillion.

## Non-Life Insurance Industry

1. At the end of December 2023, 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 97.1% of the industry's total premium income. The market share of foreign non-life insurance companies' branches in Taiwan accounts for only about 2.9%.
2. The overall signed premium income of the domestic property insurance market continued to grow. In 2023, except for health insurance, which decreased compared with the same period in 2022, premiums of all other types of insurance increased. The largest increase was in automobile insurance. In terms of the business proportion of each insurance type, the highest proportion of premium income in the overall market in 2023 was automobile insurance, with a business proportion of 51.35%, followed by fire



insurance (including natural disaster insurance) with 16.49%, and other insurance with 12.24%, making it the top three major insurance companies.

3. 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 2023, there were a total of 38 domestic investment trust companies, managing a total of 1,032 mutual funds with a business scale of NT\$6.74 trillion; managing a total of 76 private equity funds with a business scale of NT\$32.6 billion; and managing a total of 633 discretionary contracts with a business scale of NT\$2.89 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 expedite social and economic development, resulting in a multi-win situation. It was later revised on October 5, 2023, adding that asset management companies may (1) be entrusted with consultation, management and consulting services in accordance with the Urban Renewal Act, the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, etc.; (2) serve as parties entering agreements on the provision in urban renewal cases under government guidance. However, the provisions stipulating that financial holding companies (banks) should establish a specific supervision and management mechanism on their reinvestment in AMC have been added to strengthen the management of AMC's operating risks.

### Venture Capital Industry

According to the data provided by the Taiwan Venture Capital Association, as of the end of June 2023, there were a total of 303 domestic venture capital firms.

According to the 2022 Annual Report (released in 2023) provided by the Venture Capital Association, based on the analysis of the total investment amount of venture capital companies in the industry, due to the rise of international environmental awareness and government policy support, the total investment amount in green energy and environmental protection industries has jumped to the 1st ranking, with the electronics industry, information industry, biotechnology (including new drugs and medical materials) and service industries ranking second to fifth respectively. If ranked by the number of investment cases, the biotechnology industry still ranks first, followed by the electronics industry, information industry, manufacturing and service industries.

## 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 2022 and 2023 were NT\$6,417 thousand and NT\$7,134 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) The PCAF methodology was adopted to calculate the scope 3 financed emissions, and the SBT methodology was used to set the Group's specific carbon reduction targets and pathways.
  - (6) 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. Conduct biodiversity (e.g., TNFD) impact identification and analysis for operating sites, investment and financing customers and suppliers.
6. Set up quantitative indicators of climate and nature risk
7. Implement SBT carbon reduction targets.
8. Use international IPCC AR6 climate scenarios (such as SSP1-2.6, SSP5-8.5) to conduct physical and transformation risk assessments.
9. Follow ISSB's recommendations to introduce IFRS S2 climate-related disclosures in the TCFD report.
10. Continue to optimize the information system and network architecture, reinforce cyber security protection capability, complete ISO 27001:2022 new information security management systems transition, and obtain international certifications.
11. Provide a customer experience-oriented platform and develop technological innovation to establish a financial ecosystem and diversified payment channels.
12. Expected R&D expense in 2024 (including employee training and professional services) will be NT\$37,829 thousand.

### Mega International Commercial Bank Co., Ltd.

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

1. The Bank's R&D expenses incurred in 2022 and 2023 are NT\$858,144 and NT\$928,113, respectively, mainly for purchase of professional publications, electronic data base, and publishing of Mega Bank Monthly.



2. The achievements of R&D are as follows:

- (1) The Bank published the Mega Bank Monthly, which includes monographs and articles covering the latest international and domestic economic and financial news and is made public periodically on the bank's website.
- (2) The Bank periodically and non-periodically provide research reports about international and domestic economic and financial development.
- (3) In line with the trends of technology development and digital financial transformation, the Bank 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, the Bank also uses data analysis technologies to ascertain customer preferences and insights, so as to optimize product designs and processes.

### 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.
3. Expected R&D expense in 2024 will be NT\$1,288 thousand.

## Mega Securities Company

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

1. The Company's new products were planned by respective business units and executed through upgrade or adjustment of hardware or software by the IT Department, thus no R&D expenses were incurred.
2. The achievements of R&D are as follows:
  - (1) On June 29, 2023, Taiwan Depository & Clearing Corporation announced the launch of a public information enquiry service built by Financial Information Service Co., Ltd. On the "Open Securities API Platform". The Company was among the first batch of securities firms to provide open securities services.
  - (2) Cooperated with the FSC to establish the "Financial Cyber Security Action Plan Implementation Form" and implemented various information security programs in accordance with the regulations.
    - Obtained ISO27001 (information security management) core system certification (including all front-end systems related to customers) in July 2023, and maintained the validity of the original certification (2023.7.12-2025.10.31).
    - Completed the construction of log server in October 2023 to centralize Log control.
  - (3) Established certificate optimization project (WebCA) on August 31, 2023 to adjust the current cumbersome QR code certificate application process to a smoother and more intuitive application process.
  - (4) Cooperated with Mega Bank to provide customers with the application scenario planning of the Fast Identity Online (FIDO) using mobile devices.
  - (5) Developed the "E Stock Deposits" and "Mega GO" investment tool platforms, which won the "Best Product Category" award at the 2023 National Brand Yushan Award.

## 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. In line with Mega Bank's financial FIDO service plan, the company will integrate the application for various securities financial services to enhance customers' safe and convenient financial service experiences.
3. Functions of various information systems will be continuously established or upgraded.

## Mega Bills Finance Co., Ltd.

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

The company's R&D expenses incurred in 2022 and 2023 are NT\$1,645 thousand and NT\$1,844 thousand, respectively, mainly for employee training. The achievements of R&D are as follows:

#### 1. 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.

#### 2. In 2023

- (1) Upgraded the core system mainframe integration system to improve operational efficiency and facilitate digital development.
- (2) Introduced the "Financial Report Identification System" and used OCR technology to convert paper financial report text into digital data and transfer it to the credit investigation system.
- (3) Planned to construct a E-loan credit investigation process management system to provide effective management of the credit investigation process, enabling the relevant personnel to quickly review the cases and keep abreast of the latest processing situation, thereby enhancing operating efficiency and saving paper.
- (4) Optimized the online learning platform system to enhance learning functions and benefits.
- (5) Established a legal and regulatory system to collect external laws and track internal regulations, reducing human errors and improving efficiency.
- (6) Continuously improved ESG-related systems to support green industries and promote sustainable social development.





## B. Future R&D Projects

1. Continue to develop the E-loan credit investigation process management system to improve operational efficiency and support remote work.
2. Establish a transaction and control system related to mortgage backed securities (MBS), expanded business scope under the premise of security, and increased yields and sources of profits.
3. Replace cyber security equipment such as remote backup firewalls and switches used in operating network equipment to prevent cyber security vulnerabilities and strengthen cyber security capabilities.
4. Replace data disk cabinets and uninterruptible power supply systems in response to the storage of big data required for system digital transformation or development and maintain power stability for computer room equipment.
5. The R&D expenses in 2024 are estimated at NT\$1,800 thousand.

## Chung Kuo Insurance Co., Ltd.

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

The company's R&D expenses incurred in 2022 and 2023 are NT\$7,261 thousand and NT\$6,918 thousand, respectively. The R&D achievements are as follows:

#### 1. 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. Relevant functions include "compulsory insurance inter-company allocation cases", "compulsory insurance cross-confirmation", "compulsory insurance liability sharing cases" and "discretionary insurance inter-company reimbursement cases". The first three had been completed with peers in 2023, and the fourth is expected to be completed in 2024.

#### 2. Electronic policy delivery/reissue mechanism

The company send electronic policy files or download link directly to the policyholder's email or mobile phone. Policyholders do not need to register and log in to the official website to download the files, simplifying the process for policyholders to obtain electronic policies. At the same time, an electronic policy reissue page has also been built on the official website to enable policyholders to apply for reissue online without the need to apply manually on paper. This not only shortens customers' waiting time, but also reduces internal manual work and management costs.

#### 3. Introduction of financial FIDO

Cooperated with Financial Holding to introduce financial FIDO (Financial Fast Identity Online) to enable users who bind mobile devices and biometrics to conduct secure identify verification. It is mainly used for identity verification before registration, login and insurance purchase of online members, and is a verification method with higher security than the OTP (One Time Password) mechanism.

#### 4. Process automation

Since the introduction of process automation (RPA) in 2021, it has assisted the company in completing a number of routine and regular operations, including "daily online banking details download", "fleet business quotation" and "data logging of pandemic insurance claim cases", etc. Other application scenarios will continue to be introduced in the future, such as "auto insurance renewal policy printing", "renewal case risk list verification" and "insurance system stability testing", etc.

## B. Future R&D Projects

The development in 2024 will 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 2024 is NT\$12,700 thousand.

### Mega International Investment Trust Co., Ltd.

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

##### 1. Research and development expenses

The company's R&D expenses incurred in 2022 and 2023 are NT\$8,140 thousand and NT\$11,587 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 Global Cosmic Technology Fund, Mega Continental Semiconductor ETF Fund, Mega Taiwan Wafer Manufacturing ETF Fund, and Mega Singapore Exchange Real Estate Income Fund. Mega Taiwan Industrial Leader Stock Deposits Equal Weight ETF Fund, Mega Japan Advantage Multi-Asset Fund, Mega Taiwan ESG Sustainable High Dividend Equal Weight ETF Fund, and Mega Global Bond ETF Strategy Income Portfolio Fund.

## B. Future R&D Projects

The company will issue two to three funds each year to increase the breadth of its products. Small investment and internet transaction platform will also be promoted. The R&D expenses for the year 2024 is estimated at NT\$10,537 thousand.

### Mega Asset Management Co., Ltd.

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

The company's R&D expenses incurred in 2022 and 2023 are NT\$937 thousand and NT\$1,732 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, the company continues 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 2024 is estimated at NT\$1,664 thousand.

### Mega Venture Capital Co., Ltd.

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

The company's R&D expenses incurred in 2022 and 2023 are NT\$247 thousand and NT\$479 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 2024 is estimated at NT\$481 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 2024 operating policies as shown on page 106 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. Continue to recruit financial specialist through multiple channels to enrich the team that serves high-end customer groups and increase production capacity. Invest resources in talent cultivation, increase the number of CFP certificate holders, and demonstrate the image of financial management professional 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. Continue to conduct financial-friendly training for financial specialist, and provide customers with investment knowledge through digital platforms to implement consumer protection and fair treatment of customers, and strengthen the professional image of investment advisors.
4. Continue to optimize the digitization of investment and financial products, use digital services to improve service efficiency and customer convenience, and improve customer satisfaction, while implementing the net-zero carbon reduction and global ESG sustainability.
5. Through the integration of virtual and real channels and social media, an omni-channel marketing mechanism is provided. Also apply for wealth management-related awards to establish brand trust and reputation.
6. 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. Provide efficient and professional real estate related trust business opportunities by coping with the government to promote urban renewal, old housing reconstruction, major public construction, and cooperating with loan business side.
4. Enhance interaction with investment trust, securities, venture capital, insurance companies and financial holding groups to strive for high-quality fund ( including ETF), foreign capital, venture capital, discretionary investment, and investment link insurance custody business to expand the scale of custody.

### **B. Long-term Business Development Plans**

#### **Wealth management and insurance business**

1. Implement the spirit of RBA and refine and optimize various inspection and monitoring procedures for the financial management business.
2. Continue to cultivate high-end wealth management talents and enhance the ability to research and design financial products.
3. Continue to hold ESG financial management forums and sustainable finance courses to promote ESG concepts. In addition to pursuing business interests, we encourage and educate investors and the general public to use financial management to respond to and participate in the sustainable management of enterprises, the environment and the society.
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.

## **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. 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 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.



2. 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.
3. Collaborate with business units to cultivate high-quality customer groups, plan trust services based on consumer banking/corporate banking business needs, and create added value, in order to expand the overall contribution of customers.
4. Keep abreast of information related to the innovative development of financial products, optimize the custodial workflow and strengthen professional talent cultivation, so as to enhance service efficiency and strengthen competitive advantages.
5. In line with the purpose of supporting industries and accelerating industry innovation and value-add, provide comprehensive investment management and trust services to strengthen the company's entrusted position in the National Development Fund's venture capital project.

### 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. Develop diversified case sources and increase underwriting scale
4. Develop long short strategies and improve operational performance
5. Promote digital transformation and enhance the safety of information and communications
6. Implement the three lines of defense and strengthen corporate management
7. Emphasize employee training and inherit professional skills
8. Utilize Group resources and develop cross selling strengths
9. Combine financial expertise and pursue sustainable development.

#### B. Long-term Business Development Plans

1. Finance and business:
  - Strengthen the efficiency of capital utilization and increase the Group's share of profit-making share.
  - Identify opportunities to relocate Taiwanese businesses. and understand the demand for overseas Taiwanese businesses to return and be listed in Taiwan.
  - Strengthen the efficiency of Group co-selling, develop corporate wholesale business and increase the share of securities counter.
  - Develop financial management business and increase the number of effective customers.
2. Internal procedures:
  - Improve corporate governance standards and pursue sustainable development.
  - Improve the company's operating efficiency, optimize operations and increase returns.
  - Strengthen risk control mechanisms and implement compliance with internal and external laws and regulations.
  - Strengthen the company's information security and increase investment in cybersecurity protection.
3. Learning and growth:
  - Motivate and enhance employee value, train and increase employee capabilities.
  - 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 low carbon transformation, green, and non-real estate business, actively strive for the underwriting business of bank transferable certificates of deposit, other guaranteed and without guaranteed notes with a certain interest rate spread, and strive to host or participate in syndicated loan business and jointly underwrite.
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. Appropriately control the positions and risk profile of NTD or FCY bonds in order to achieve both risk avoidance and yield enhancement objectives.
5. Position shares that offer good credibility and yield and increase shares of equity trading position. Search for good quality CB and CBAS.
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, improve the effectiveness of customer name verification and case management efficiency, and organize AML/CFT testing and risk management training .
8. Continuously strengthen the efficiency of information systems and internal operations, build report management and accounting standardization operating platforms to improve operational efficiency, and strengthen information security protection measures and employee security education and training to reduce information security threats.
9. Continue to promote green and environmentally friendly paperless meeting systems, paperless core report management systems, electronic documents and leave/overtime application systems to save the consumption of earth's resources and fulfill corporate social responsibility.

### B. Long-term Business Development Plans

1. Expand asset scale and increase business income.
2. Consolidate the advantages of corporate finance and deepen the group's cross-selling.
3. Improve corporate governance standards and pursue sustainable development.
4. Improve operating efficiency, optimize operations and increase remuneration.
5. Strengthen risk control and implement compliance with internal and external laws.
6. Protect intellectual property and strengthen investment in digital information.
7. Incentivize and enhance employee value and cultivate and increase digital talents.
8. Establish a digital culture and encourage R&D and innovation.

## 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. Finance and business:
  - Enhance the company's market position and deepen joint marketing effectiveness.
  - Establish commercial insurance business and expand personal insurance business.
  - Deeply expand indicator channels and strengthen integrated marketing planning.
  - Integrated internal and external digital platforms and strengthen cross-industry cooperation alliances.
  - Adjust asset allocation and improve the capital efficiency.
2. Internal procedures:
  - Increase corporate governance standards and pursue sustainable development at the company level.
  - Improve business efficiency and invest in digital information.
  - Reinforce the risk control of the company and implement compliance inside and outside of the company.
3. Learning and growth:
  - Motivate increased employee value and foster more digital talents.
  - 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. Take into account the balanced development of active and conservative products, and stabilize the scale of operating assets under management and profit growth.
2. Formulate mainstream investment strategies, keep abreast with the investment environment, and develop innovative products in line with the trends.
3. Use multi-asset funds or bond ETFs as the main axis for the development of income products.
4. Steadily expand the full discretionary business and appeal for long-term stable absolute returns.
5. Expand banking and securities sales channels, and deepen cooperation through the strategic cooperation model of strong funds.
6. Invest in digital media and audio-visual promotion to develop the younger generation customers and expand the customer base.
7. Continue to carry out information system replacement to lay the foundation for the Company's FinTech development.

## B. Long-term Business Development Plans

1. Search for strategic sales partners to promote products in long term.
2. Continuously enhance the research team's professional capabilities in researching new products and global markets.
3. Steadily develop the discretionary business, seek long-term stable returns, and secure the government fund discretionary operation business.
4. Explore the blue ocean market and cooperate with foreign asset management and investment consulting companies to provide more diverse investment options.
5. Implement promotion and training on new laws and regulations and deficiencies in the industry to strengthen employees' legal compliance awareness.
6. Encourage employees to participate in external training to develop diverse learning areas and new skills.

### Mega Asset Management Co., Ltd.

#### A. Short-term Business Development Plans

1. Follow the operating principles promulgated by the FSC, assist in the consolidation of debts and advance payments for reconstruction of real estate that poses public safety concerns, such as dilapidated buildings and sea sand houses, on an entrusted basis or in accordance with the Urban Renewal Ordinance and Dangerous Old Reconstruction Ordinance, and collect service income to create stable profit for the company.
2. Continue to invest in the real estate from foreclosure or from government auction, and prioritize real estate with fixed rental yields, with a view to leasing them out as soon as possible after obtaining ownership in order to generate more income. Sell real estate which has been held for years for capital gains.

#### B. Long-term Business Development Plans

1. For real estate targets with development potential, bid in an entrusted manner to receive service fees, or acquire and dispose of in a timely manner to create profits.
2. Plan a relatively suitable and beneficial development method for the acquired land and real estate, and also wait for opportunities to serve as implementers of urban renewal or reconstruction and inject funds to increase long-term profit momentum.

### 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. Due to the rapid changes in the industry, in addition to the technology industry, cooperate with the government's six core strategic industries to strengthen efforts in areas including information and digital industry, cyber security excellence industry, Taiwan precision health industry, renewable electricity and renewable energy industry, national defense and strategy industry and strategic stockpile industry. In addition, in line with the Group's policies, introduce an ESG assessment mechanism to the process of selecting high-quality investment targets in the future.



3. Cope with government funds to strengthen investment in small and medium-sized enterprises, strategic manufacturing business, strategic service business, etc to improve enterprise productivity and industrial added value.
4. Provide angel funds to support the startup industry in accordance with government policies, provide working capital for startup development and provide related counseling.

#### 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.

## 5.2 Cross Selling Synergies

In 2023, our subsidiary companies achieved a total of NT\$1.380 billion in cross-industry and joint sales with other subsidiaries, an increase of 23.86% compared to 2022, achieving 122.68% of the internal target. The main items are described as follows:

1. Through other subsidiary channels, Mega Bank increased its credit card issuance by 8,567 cards in 2023, with joint marketing rates for card issuance and circulation of 8.77% and 6.76%, respectively. Due to stock market fluctuations, securities delivery deposits reached NT\$30.298 billion, a decline of 0.12% from 2022. Joint marketing benefits was NT\$333 million, an increase of 57.48% from NT\$211 million in 2022.
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 2023; the bank's referral ratio for securities brokers decreased from 7.71% in 2022 to 7.31% in 2023. 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\$82 million, an increase of 8.17% from NT\$76 million in 2022.
3. Affected by an increase Central Bank's interest rate, in 2023, Mega Bills Finance Company underwrote NT\$83.366 billion in commercial promissory notes guaranteed by Mega Bank, a decrease of 28.92% from NT\$117.277 billion in 2022.
4. Through cross-industry and joint sales with other subsidiaries, Chung Kuo Insurance Company increased its premium income by NT\$813 million in 2023, an increase of 20.13% from NT\$676 million in 2022; through cross-industry and joint sales with other subsidiaries, premium income accounted for a ratio of domestic signed premium income for that company increased from 8.29% in 2022 to 9.30% in 2023.
5. Through other subsidiary channels for sales, Mega International Investment Trust's average fund balance in 2023 was NT\$33.378 billion, a decline of 10.53% from NT\$37.305 billion in 2022; due to global interest rate hike cycle, the company's fund sales and average fund balance ratios increased from 23.72% and decreased from 49.17% in 2022, respectively, to 26.16% and 41.62% in 2023; joint marketing benefits were NT\$137 million, an increase of 2.75% from NT\$133 million in 2022.

## 5.3 Market Overview

There are fifteen financial holding corporations in Taiwan by the end of 2023. 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 2023, the economies of various countries weakened under the adverse effects of tightening policies and high inflation, especially in Europe. The number of corporate bankruptcies was the most serious among advanced countries, resulting in losses for the overseas branches of domestic banks in Europe. In addition, overseas operations faced more severe challenges due to the weaker-than-expected economic recovery and continued interest rate cuts of China after the pandemic, as well as the rising pressure on the U.S. commercial real estate market. However, the profitability of the branches in the new southbound countries continued to grow in line with the shift in the regional supply chain and policy support in recent years. Looking forward, OECD and other major organizations estimate that the U.S. and European economies will remain relatively weak in 2024, reflecting that the effects of tightening policies have not yet fully emerged. In addition, China's economy is still adversely affected by the continued correction of the housing market. Therefore, the momentum of the global economy still needs to be improved. However, with the easing of inflation, major central banks are expected to moderately cut interest rates in the second half of the year, increasing the chance of a soft landing for the economy.

### B. Future Market Supply and Demand

1. For loan businesses, domestic banks' loans outstanding reached NT\$35.6772 trillion by the end of 2023, grew by 4.9% compared with the end of 2022, which grew the lowest in recent years, reflecting the economic downturn, which dampened demand for loans. Among them, loans to private sector, including private enterprises and individuals, accounted for 93.5% of all loans, loans outstanding increased by 5.3%, and loans to state-owned enterprises grew by 7.0%, partly offset by a decrease in loans to government agencies. 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 loans outstanding at the end of 2023 was NT\$11.7671 trillion, an increase of 6.4% from the end of 2022. Among them, housing loans accounted for 85.3%, an increase of 7.0% from the end of 2022. The growth was slower than that in the past four years amid weakening buying sentiment in the housing market. However, the growth of housing loan picked up in the second half of the year as a result of the new preferential mortgage policy for young adults to support owner-occupier demand.



Car loans surged 13.2%, reflecting the strong buying momentum in the auto market. In addition, the construction loans outstanding at the end of 2023 was NT\$3,225.8 billion, an increase of 4.1% from the end of 2022. The obvious slowdown in growth reflected the fact that construction companies became more cautious in launching projects. Looking forward, as the central bank will not cut interest rates in the short term and maintain overall prudent policies, together with the implementation of the amended House Tax Act from July 2024, housing loans are expected to maintain moderate growth and construction companies will remain cautious in launching projects.

- At the end of 2023, there were 58.12 million credit cards in circulation in Taiwan, an increase of 3.3% from the end of 2022. However, the growth rate of valid cards was 6.1%, causing the proportion of valid cards to increase slightly to 65.0%. In addition, the amount of overseas credit card spending in 2023 was NT\$460.1 billion, exceeding year 2019 level, reflecting the impact of the surge in the number of people traveling abroad after the lifting of the lockdown. In addition, at the end of 2023, the revolving credit balance of credit cards was NT\$106.2 billion, with little change in the past three years.

### C. Business targets

Item	2024 targets
Average outstanding of deposits (in million NTD)	2,910,467
Average outstanding of loans (in million NTD)	2,138,356
Foreign exchange business undertaken (in million USD)	728,199

### D. Positive and Negative Factors Influencing Banks' Future Operations

#### Positive Factors

- Domestic and foreign central banks will keep interest rates at high levels for a longer period of time. As new or renewed loan rates gradually reflect higher interest rates, bank interest income is expected to increase. In addition, the completion of the cycle of interest rate rises by major central banks will help mitigate financial market volatility.
- The Central Bank of the Republic of China (Taiwan) mentioned that even if inflation drops below 2%, it may keep the interest rates at a higher level if it is still higher than that in previous years. In addition, as the U.S. economy continues to show resilience recently, the U.S. Fed has also discussed whether the neutral interest rate has risen. The long-term low interest rate situation in the past may have changed, which may help improve bank operations.
- At the end of 2023, the non performing loan ratio of domestic banks was 0.14%, and the coverage ratio was 968.74%, which are both at relatively good levels, indicating that domestic banks still have sound risk-taking ability and capital adequacy in the face of changes in the global economic and financial environment.

#### Negative Factors

- Major international institutions generally expect that the global economy will still be relatively weak in 2024. Even if the risk of recession has been reduced, concerns about a hard landing of the economy have not been completely mitigated. If the divergence in the performance of the manufacturing industry and the service industry does not improve, it will be detrimental to Taiwan's economic performance, which is mainly based on export sales.

2. Inflation in various countries still needs to continue to cool towards the central bank's target, so that the central bank can have room to implement moderate interest rate cuts. The recent severe fluctuations in financial markets have mostly occurred when the market's expectations for monetary policy are different from the views of major central banks. This partly reflects the fact that supply-side factors have made inflation even more difficult to predict in recent years. For example, geopolitics and climate change will have an indirect impact on the inflationary pressure. If the easing of inflation falls short of expectations again, it may increase financial market instability.
3. Affected by the sharp increase in interest rates by central banks of various countries, the interest burden of households and enterprises has increased significantly. The number of bankrupt companies in advanced countries has increased significantly compared with previous years, especially in European countries. The continuous rise in government and private debt financing costs may affect debt sustainability, which will in turn aggravate financial market turbulence, and be detrimental to the stable development of the global economy.

## 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. There are 43 business units in north, central, and south Taiwan.

### 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. It is expected that the competent authorities will continue to improve the issuance and trading system in the future, invigorate the domestic capital market, and the Association will actively strive for securities firms to handle transitional financing business, open up the foreign currency financing business/lending business of securities firms to re-entrust foreign securities, and activate the loan business, diversify the use of account funds, promote the diversification of listed products, and establish a mechanism for allocating business risks to the account...etc. The various liberalization and loosening policies and sound industrial development policies which can help securities firms get rid of the normal market price-cutting competition and develop differentiated business models. Securities Industrial development will become sounder and more stable.
2. Regarding demand, there is an obvious trend of younger participants in the securities market. The demand for financial products is diverse and extensive. Coupled with the popularization of financial management concepts among young people and the rise of electronic transactions, securities firms need to continue to improve digital services and provide various financial products to meet customer needs and maintain market competitiveness.
3. Looking to the future, with the guidance and assistance of the competent authorities, the securities industry still has considerable room for growth. The company will continue to improve its product innovation capabilities and competitiveness to create a win-win-win situation for customers, securities firms and the overall market.



### C. Business targets

Item	2024 targets
Market share of securities brokerage	3.15%

### D. Positive and Negative Factors Influencing Future Operations

#### Positive Factors

1. 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.
2. 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.
3. The popularization of investment concepts among investors is conducive to the development and sales of diversified products, increasing revenue from wealth management services.
4. Young people and petty bourgeoisie actively participate in the stock market, injecting momentum and becoming the main direction for developing potential customers in the future.
5. 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.
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. 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.
2. 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.
3. Price-cutting competition for homogeneous services in the securities industry is not conducive to stabilizing fee income.
4. 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.
5. The proportion of trading volume of foreign investor is high, and local securities brokers lack the advantage of developing foreign customers.
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

In 2023, the secondary market bill selling rate continued to rise due to the continuation of the interest rate hike cycle, and the overall bill interest spread continued to narrow. However, the primary market CP2 underwriting amount of the entire ticket industry in 2023 was NT\$13.309896 trillion, an increase of NT\$1.232832 trillion (10.2%) from 2022. The primary market CP2 underwriting amount of Mega Bills was NT\$3.968028 trillion, with a market share of 29.81%; in 2023, the total secondary market transaction volume of the bill secondary industry was NT\$34.616815 trillion, and the secondary market transaction volume of Mega Bills was NT\$9.70607 trillion, with a market share of 28.04%, the performance of various bills business is stable and maintains the first place in the bill industry.

Looking ahead to the future, the inflation issue in various countries will stabilize in 2024. However, the timing and extent of interest rate cuts are highly uncertain, and corporate credit risk will still be at a high level. A prudent strategy will be adopted in order to maintain risk management and asset quality in the credit business. Regarding credit positions, limited by net worth and capital adequacy ratio, it is expected that the business will have limited room for growth in 2024. As for the coupon spread, as the interest rates in the primary and secondary markets are affected by competition among peers and bank, it hinders the increase of interest rates for some high-quality customers. The maintenance of the spreads will face greater challenges.

### (2) Bonds market

In 2023, many central banks, led by the U.S. Fed, continued to implement tightening monetary policies. Although commodity prices have fallen due to cooling global demand, service prices and housing prices remained high due to rigidity, resulting in inflation not yet falling to the Fed's target area. The 10-year U.S. treasury yield once exceeded 5.00%, hitting a new high in the past 16 years. After the meeting in December, the FOMC stated that the tightening cycle may have ended. The market interpreted that the Fed's stance had turned dovish. Treasury yield fell, and interest rates dropped significantly. However, due to the repeated fluctuations in various economic data, the U.S. treasury yield was still in a pattern of increased fluctuations. Due to relatively mild inflation, the Central Bank of the Republic of China (Taiwan) raised interest rates to a smaller degree, and the trend of the NTD bond yield was mainly influenced by the U.S. bond yield. As the economy is still in the doldrums and inflation data remains unstable, the central bank will maintain a moderately tight monetary policy, the demand for bond replenishment in the overall bond market will still exist, and the NTD bond yield will fluctuate within a range.

Looking to the future, bond yield volatility will remain high, and the RP costs is not likely to decrease rapidly in the short term, leading to a yielding profit loss of foreign-currency bonds and an increase in capital deployment pressure. In the future, in response to market conditions and changes in yields, the Company will buy the positions with better yielding, and actively explore diversified and stable funding sources to enhance the overall yield of bond positions.





### (3) Equity investment business

Benefiting from the surge in demand for AI servers in 2023, Taiwan's electronics stocks achieved outstanding operating results, and the weighted index of Taiwan's stocks has risen steadily. Looking forward to 2024, the U.S. Fed has released a message on interest rate cuts to guide market expectations. Changes in employment and economic growth will receive more attention. As the supply chain continues to regulate inventories, the launch of new AI-related products and the restart of demand-side shipments will provide new momentum for business operations. However, considering that Taiwan stocks have been at a relatively high level in recent years, uncertainties such as the U.S.-China confrontation, China's economic growth, cross-strait political and economic changes, and international geopolitical conflicts will still bring turbulence to the market. The market volatility will bring challenges to operations as investors are sensitive to the news.

### C. Business targets

Units: NT\$ million

Item	2024 targets
Underwriting and purchasing of bills	3,812,065
Underwriting amount of commercial paper issued for funding purpose (CP2)	3,664,957
Trading volume of bills	8,933,863
Trading volume of bonds	3,184,094
Repo outstanding balance of bills and bonds	233,809
Average outstanding balance of guaranteed issues of commercial paper	178,500

### D. Positive and Negative Factors Influencing Future Operations

#### Positive Factors

1. It is expected that the U.S. Fed will start interest rate cuts in 2024, and bond yielding spreads are expected to widen.
2. With the development of financial technology, internal operations continue to be optimized to enhance organizational efficiency.
3. The abundant resources of the Mega Holdings Group allow for highly integrated marketing of products and services, which is beneficial for business expansion.
4. As competent authorities' issue ESG-related policies, sustainable finance can be combined with credit and investment businesses to further diversify market risks.

#### Negative Factors

1. 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.
2. The Central Bank continues to selectively control credit, further restricts the inflow of funds into the real estate industry, and implements new laws on equalization of land rights. The real estate industry faces downward risks and affects the development of new businesses.
3. Resilient U.S. labor market, as well as global economic and inflation uncertainties due to increased geopolitical risks will affect the timing of the U.S. Fed's decision on interest rate cuts.

## 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) For the property and casualty insurance market, despite the slowdown in economic activities, the "General Description on Taiwan 2050 Net-Zero Emission Pathway and Strategy" will provide a net-zero trajectory and action path, promote technology, research and innovation in key areas, guide the green transformation of the industries, and provide other business opportunities, such as green energy industry insurance (engineering insurance, property insurance and liability insurance) and electric vehicle exclusive insurance. Taiwan has also entered into an aging society, stimulating the demand for the development of suitable insurance products for this group of people.
- (2) In addition to being affected by domestic government economic policies and industrial factors, international reinsurers have become more cautious in underwriting and reinsurance rates due to losses in property insurance claims as a result of natural disasters caused by global climate change or rising liability insurance claims due to economic factors. However, it has also caused the domestic insurance industry to reduce the price-cutting competition in the past for large-scale commercial insurance that relies on reinsurance support. There have been instances of slow rate increases and even significant premium increases for business with poor loss experience.

### C. Business targets

Unit: NT\$ thousand

Item	2024 targets
Insurance premiums	9,988,855
Reinsurance premiums	648,830
Total	10,637,685

### 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. Public accident liability insurance, information security insurance, agricultural insurance, product liability insurance, directors and supervisors liability insurance, etc. are all types of insurance that the government has spared no effort to promote in recent years.
3. After the epidemic, there is a explosive growth in overseas tourism, which will help promote products such as travel insurance (comprehensive) insurance business and attract potential customers to buy.
4. As Taiwan heads toward an aging society, the trend will facilitate the development of insurance products for senior citizens, injuries, and disabilities.



5. In recent years, the pandemic and the emergence of digital technology have accelerated the use of online insurance sales models, and digital and social media have increased business opportunities.

#### Negative Factors

1. Natural disasters and major incidents around the world have occurred frequently in recent years, and catastrophe risk losses continue to affect the performance of international reinsurance companies, resulting in an increased cost of catastrophe reinsurance and relative increase in risk retention.
2. Due to the impact of the war between Ukraine and Russia, the reinsurance premium quotes for cyber insurance, banking comprehensive insurance, and directors and supervisor's liability insurance have increased, which will affect the willingness of enterprises to purchase insurance.
3. Auto insurance has been affected by the increasing public awareness of claims, price inflation and wage increases year by year, resulting in a significant increase in the average payout.

### 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. Sustainable development of enterprises is currently an important international trend. In recent years, the FSC has actively promoted important policies such as "Green Finance Action Plan 3.0" and "Sustainable Development Transformation Strategy for the Securities and Futures Industry", hoping to lead the industry towards sustainable development through financial and asset management companies in terms of investment, financing, and financial commodities, in order to demonstrate Taiwan's determination to move toward a net-zero carbon emission and sustainability. In addition to successively issuing ESG-related products and utilizing actual capital to support the sustainable development of enterprises, investment trust companies have also incorporated internal control mechanisms such as investment processes and risk management into ESG considerations, and adopt engagement and other due diligence actions to promote the sustainability of invested enterprises. In the future, we will also gradually disclose the inventory and assurance information of carbon emissions according to the legal schedule and planning to build and improve Taiwan's ESG data system.
2. In 2023, the scale of the domestic fund market witnessed a significant growth, with the growth scale reaching NT\$1.88 trillion or 38.70%, representing a growth rate of nearly 40%. Among them, the scale of ETFs increased by NT\$1.52 trillion, accounting for 81% of the overall market growth, showing that ETF products have become the mainstream investment of people in Taiwan. The number of ETFs of each type was 227, and the differences among ETFs were gradually shrinking. Therefore, some companies have also begun to promote the development of active and multi-asset ETF products. The competent authorities have also begun to review a variety of information, including the regulatory background of active ETFs in Europe and the U.S, the advantages and disadvantages of liberalization measures, product design, information disclosure standards, and even the impact of interaction between active and passive products in the market, etc., before making a decision on the development trend of such products.

## C. Business targets

Units: NT\$ million

Item	2024 targets
Public funds under management	87,014
Private placement funds under management	6,747
Discretionary account	3,439

## D. Positive and Negative Factors Influencing Future Operations

### Positive Factors

1. Laws and policies are getting more open, including relaxing the investment scope and restrictions of funds, and entrusted external institution to review application, increasing the opportunities for new products and investment operations of securities investment trust companies.
2. The FSC continues to promote relevant laws and regulations, including fraud prevention, financial consumer rights protection, and information security, etc., to urge financial industry players to improve corporate governance culture, establish a friendly environment, and enhance the relationship between companies and consumers.
3. Fintech applications are becoming more and more extensive, helping to improve the efficiency and quality of financial services.
4. Continue to work closely with other brother 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.

### Negative Factors

1. Recently, affected by real estate regulation, the U.S.-China technology war, and the relocation of industrial supply chains, corporate profits and private consumption have declined simultaneously in the Chinese market, resulting in a weak performance of the Chinese stock market compared with the stock markets of other major countries. Two flagship funds in China of the investment trust subsidiary were also affected by the market, with downward revisions of net value and size of the funds. The investment trust subsidiary will continue to communicate with consultants on the fund investment strategy, adjust and reduce the A-share position, invest in other mature overseas markets, and optimize the allocation of A-share industries to reduce the potential risk impact of real estate and finance to provide more stable performance returns. It will also continue to communicate with investors to use long-term investment as a financial plan.
2. Illegal activities related to electronic fraud or money laundering will continue to evolve due to the rapid advancement of digital technology. In addition to strengthening internal training, investment control procedures and cyber security management, Mega Investment Trust will also maintain close contact with investors, fully disclose product information and promote relevant preventive measures, strengthen internal training, so as to improve corporate governance, treat customers fairly, and reduce fraud and other illegal actions.



### 5.3.6 Assets Management Industry

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

Operations of Mega Asset Management is mainly in Taiwan.

#### B. Future Market Supply and Demand

1. The asset quality of Taiwanese banks has improved and the NPL ratio is low. (According to FSC, the NPL of overall domestic banks is 0.14%.) Thus, the source of suitable investments or auction cases is few, causing fierce market competition.
2. The government is promoting urban renewal and old building rebuilt policies. The real estate companies develop aggressively and integrate suitable targets for urban renewal or old building rebuilt. Due to the large number of old buildings that are eligible for urban renewal (according to statistics from the Ministry of Interior, in the third quarter of 2023, there were more than 4.83 million old houses in the country that were over 30 years old).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	2024 targets
Average balance of advances in asset service business	11,032
Average balance of investment properties	1,153

#### D. Positive and Negative Factors Influencing Future Operations

##### Positive Factors

1. Related regulations (Urban Renewal Act and Old and Dangerous Buildings Improvement Act) have been revised successively toward beneficial direction for urban renewal, 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 and efficiency of integration.
2. The population density in Taipei and New Taipei City is high, and most of the houses are old buildings (according to statistics from the Ministry of Interior, in the third quarter of 2023, there were around 650 thousand and 830 thousand old houses in Taipei and New Taipei city, respectively, that were over 30 years old.) The urban renewal and old and dangerous buildings reconstruction in response to living safety are conducive to business development.

##### Negative Factors

1. 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 issuance of non-guaranteed commercial promissory notes is limited to three times the net worth. In addition to unfavorable capital deployment, financial costs also increase, and profits decline due to compression of interest spreads.

## 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	2024 targets
long-term investment amount	150
Stock selling income	461

### 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 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	2022	2023	Current year as of Mar. 31, 2024
Number of Employees	Mega FHC	69	83	86
	Mega Int'l Commercial Bank	6,712	6,894	6,854
	Mega Bills Finance	223	216	214
	Mega Securities	1,495	1,520	1,523
	Chung Kuo Insurance	896	865	859
	Mega Int'l Investment Trust	91	97	98
	Mega Asset Management	25	27	26
	Total	9,511	9,702	9,660
Average Age	Mega FHC	46.08	44.45	44.45
	Mega Int'l Commercial Bank	40.90	41.02	41.06
	Mega Bills Finance	44.47	44.32	44.29
	Mega Securities	46.68	46.64	46.72
	Chung Kuo Insurance	41.80	42.60	42.60
	Mega Int'l Investment Trust	43.77	43.84	44.09
	Mega Asset Management	47.00	48.00	48.00
Average Years of Services	Mega FHC	10.26	8.71	8.63
	Mega Int'l Commercial Bank	13.77	13.65	13.69
	Mega Bills Finance	14.68	14.24	14.25
	Mega Securities	13.23	13.33	13.40
	Chung Kuo Insurance	11.00	11.90	11.90
	Mega Int'l Investment Trust	7.51	7.16	7.47
	Mega Asset Management	10.08	10.92	11.44

# Operational Overview

## Academic background

Item		Year	2022	2023	Current year as of Mar. 31, 2024
Doctoral Degree	Mega FHC		2.90%	2.41%	2.33%
	Mega Int'l Commercial Bank		0.04%	0.07%	0.07%
	Mega Bills Finance		0.00%	0.00%	0.00%
	Mega Securities		0.07%	0.13%	0.13%
	Chung Kuo Insurance		0.22%	0.23%	0.23%
	Mega Int'l Investment Trust		2.20%	0.00%	0.00%
	Mega Asset Management		0.00%	0.00%	0.00%
Master's Degree	Mega FHC		53.62%	50.61%	52.33%
	Mega Int'l Commercial Bank		27.18%	27.40%	27.49%
	Mega Bills Finance		54.71%	57.41%	57.01%
	Mega Securities		12.71%	12.83%	13.07%
	Chung Kuo Insurance		12.61%	13.41%	13.62%
	Mega Int'l Investment Trust		37.36%	37.11%	36.73%
	Mega Asset Management		32.00%	29.63%	30.77%
Bachelor's Degree	Mega FHC		42.03%	44.58%	43.02%
	Mega Int'l Commercial Bank		70.43%	70.47%	70.37%
	Mega Bills Finance		43.95%	42.13%	42.52%
	Mega Securities		73.91%	74.80%	74.66%
	Chung Kuo Insurance		81.70%	80.81%	80.91%
	Mega Int'l Investment Trust		60.44%	62.89%	63.27%
	Mega Asset Management		68.00%	70.37%	69.23%
High School	Mega FHC		0.00%	1.20%	1.16%
	Mega Int'l Commercial Bank		2.19%	1.94%	1.96%
	Mega Bills Finance		1.35%	0.46%	0.47%
	Mega Securities		13.31%	12.24%	12.15%
	Chung Kuo Insurance		5.36%	5.55%	5.24%
	Mega Int'l Investment Trust		0.00%	0.00%	0.00%
	Mega Asset Management		0.00%	0.00%	0.00%
Below high school	Mega FHC		1.45%	1.20%	1.16%
	Mega Int'l Commercial Bank		0.16%	0.12%	0.11%
	Mega Bills Finance		0.00%	0.00%	0.00%
	Mega Securities		0.00%	0.00%	0.00%
	Chung Kuo Insurance		0.11%	0.00%	0.00%
	Mega Int'l Investment Trust		0.00%	0.00%	0.00%
	Mega Asset Management		0.00%	0.00%	0.00%





## Professional Certificates Held by Employees

Unit: Number of person

Item	Year	2022	2023	Current year as of Mar. 31, 2024
Trust personnel		5,846	6,190	6,186
Bank internal controller		4,658	4,823	4,806
Junior credit personnel		2,408	2,496	2,489
Advanced credit personnel		70	67	68
Junior foreign exchange personnel		3,653	3,822	3,817
Bills finance personnel		380	396	400
Bond personnel		261	259	257
Stock affairs personnel		208	202	201
Life insurance representative		5,939	6,268	6,277
Life insurance broker		5	1	3
Life insurance agent		12	12	11
Investment-linked insurance sales agent		2,106	2,216	2,202
Non-life insurance broker		10	10	11
Non-life insurance agent		13	13	15
Non-life insurance representative		4,256	4,463	4,447
Non-life insurance assessor		130	130	82
Non-life insurance claim adjuster		103	103	57
Securities specialist		2,309	2,415	2,420
Senior securities specialist		2,637	2,709	2,714
Securities margin trading specialist		383	380	381
Securities investment specialist		1,637	1,703	1,711
Securities analyst		112	109	108
Futures commission specialist		135	123	122
Futures brokerage specialist		2,049	2,117	2,415
Futures analyst		17	15	15
Certified public accountant (Domestic)		39	37	36
Certified public accountant (Foreign)		6	6	6
Professional and Technical Personnel Examinations -Attorney		26	29	28
Certified Management Accountant (CMA)		0	0	0
Financial Risk Manager (FRM)		46	44	44
Certified financial planning personnel		1,915	1,943	1,923
Certified financial planner (CFP)		151	172	175
CFA(level1)		60	65	64
CFA(Level2)		22	22	22
CFA(Level3)		7	8	8
USA CBA		0	0	0
Certified internal auditor		12	12	12
Actuary (Domestic)		2	3	2
CAMS		3,049	2,985	2,965
CAMS (English edition)		136	135	133
CFSA		2	2	2
CISA		3	4	4

## 5.5 Corporate Responsibility and Ethical Conduct

### 1. Promotion of sustainable development (Please refer to page 59 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 as 2023 Dow Jones Sustainability Index (DJSI) Emerging Markets Index and World Index Constituent Stock, as well as the CDP Climate Change Questionnaire A - Leader Rating in two consecutive years. In terms of domestic rating, it was honored with the 2023 TCSA "Sustainability Comprehensive Performance Award" for the top 100 sustainable companies in Taiwan, the "Sustainability Report Award" Platinum Award, and 6 sustainability individual performance awards, the most in the government owned peers. It was recognized as the outstanding "Healthy Labor Sustainability Pilot Enterprise" by the Ministry of Labor, and Mega Bank was also awarded the 2023 National Occupational Safety and Health Award by the Ministry of Labor. Mega Financial Holdings has been selected as a constituent of the Taiwan Stock Exchange's "TWSE Corporate Governance 100 Index", the "Taiwan Employment Creation 99 Index", the "Taiwan HC 100 Index", and the "Taiwan Index Plus Corporation FTSE4Good TIP Taiwan ESG Index" for many years, and has been invited to participate in the FSC's "Sustainable Finance Movers and Shakers Alliance" in 2023, demonstrating its 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 "Principles for Ethical Management", "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 2023, the Company had never had transactions with any party with a history of dishonest behaviors. The group has accepted a total of 2 cases reported and established, one of the cases involved the managerial officer of a securities subsidiary instructing the counter supervisor to avoid inspection and assisted the salesperson in accepting changes to basic customer information not signed by the customer himself, which was penalized in accordance with internal disciplinary regulations. Another case involved a colleague of a bank subsidiary uploading an internal computer screen to a personal social platform. The person reported was given a written warning. Employee training and reminder measures have been strengthened.



## 5.6 Employee Average Welfare of Non-Supervisor Employees

Unit: Persons ; NT\$ thousand

	2022	2023	Difference
Number of non-supervisor employees	7,754	7,902	148
Non-supervisor employees 'annual average salary	1,432	1,562	130
Non-supervisor employees 'annual median salary	1,173	1,304	131

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's computer systems. And the major operating systems are UNIX, Microsoft Windows and those dedicated OS running on IBM Mainframe, IBM AS/400. With adopting CISCO as the network system, we have established Group's communication 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

#### 1. Mega International Commercial Bank Co., Ltd.

In order to ensure the stability and safety of business operations, in 2024 the company will continue to strengthen digital service capabilities, optimize application system architecture, operational processes, strengthen information security, infrastructure and system stability, and plan to implement the following projects:

- (1) Core transformation - process middle center construction project.
- (2) Core transformation - customer life cycle management system construction project.
- (3) Core transformation - customer AI labeling project.
- (4) Core transformation-related projects - monitoring middle center.
- (5) Data self-service construction project.
- (6) Linux version upgrade and management optimization project for digital financial services common platform.
- (7) Recording system upgrade project.
- (8) BTT system upgrade project.
- (9) Automatic passbook entry machine centralized management system platform upgrade project.
- (10) Domestic/overseas SWIFT series product improvement project.
- (11) Personnel system - personnel basic information change operation improvement project.
- (12) Personnel system - assessment, promotion, retirement and compensation operation improvement project.
- (13) API verification and authorization server construction project.

- (14) Application of middle center read/write separation mechanism project.
- (15) RPA citizen development and promotion project.
- (16) Electronic statement system - comprehensive statement optimization project.
- (17) Financial information statement return and self-collection processing system construction project.
- (18) The third phase expansion project of the REG regulatory statement reporting system.
- (19) ATM visually impaired voice function procurement project.
- (20) Branch caller machine upgrade project.
- (21) Information security orchestration, automation and response platform (SOAR) construction project.
- (22) Zero Trust Architecture (ZTA) introduction project - identity verification mechanism.
- (23) Firewall policy analysis and management tools overseas expansion project.
- (24) SOC deepening construction hardware replacement project.
- (25) Advanced Persistent Threat (APT) device replacement project.
- (26) Authority management server (ISE) replacement project.
- (27) Core firewall FirePower EoL replacement project.
- (28) IBM POWER8 host replacement project\_second phase.
- (29) IBM mainframe testing environment disk drive replacement project.
- (30) IBM mainframe testing environment cloud construction project.
- (31) Data Hub (D.H) Trinity expansion project.
- (32) AS/400 New York branch system backup mechanism optimization project.

## 2. Mega Securities Co., Ltd.

- (1) Build MOB diversion.
- (2) A new ESG section has been added to the official website.
- (3) LINE@upgrade to 2.0.
- (4) Build API backup.
- (5) Network equipment replacement and new purchase.
- (6) Procurement of information security-related equipment.

## 3. Mega Bills Finance Co., Ltd.

- (1) Strengthen information security equipment and operations.
- (2) Replace the firewall equipment in the remote backup center.
- (3) Replace the disk cabinet used by the virtual server.
- (4) Replacement operation use network equipment.
- (5) Replace the company's personal computers.
- (6) Replace UPS uninterruptible power supply system of the headquarters and branch office.

## 4. Chung Kuo Insurance Co., Ltd.

- (1) Build a new fire and ocean insurance core system.
- (2) Oracle DB host update and replacement.
- (3) Firewall update and replacement.
- (4) SAN switches update and replacement.
- (5) Syslog and DBAudit trace systems update and expansion.

#### 5. Mega International Investment Trust Co., Ltd.

- (1) Outsource the development of the new core system.
- (2) Build a new online trading 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.

#### 6. Mega Asset Management Co., Ltd.

- (1) Information security related system procurement.
- (2) Server host replacement.
- (3) VMWARE virtual environment system server update.
- (4) Continue to strengthen information security and improve equipment and services to achieve the goal of uninterrupted business operation.

#### 7. Maga Venture Capital Co., Ltd.

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, 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 Co., Ltd.

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 Co., Ltd.

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 Co., Ltd.

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 Co., Ltd.

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 Co., Ltd.

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 dedicated managerial officer and employees 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 Co., Ltd.

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 Co., Ltd.

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 to assure the safety of data, system, equipment, and internet network. The company examines its information security policy irregularly each year to amend relevant regulation in time.

## B. Information Security Management Measures

### Mega Financial Holding Co., Ltd.

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. The Company and its subsidiaries have not only completed information security related regulations, strengthened system protection, and carried out deeper and broader information security defense in depth to cope with the financial security threats brought by digital transformation and emerging technologies, but also coordinated the establishment of a joint information security defense system (CSIRT) and drill mechanism to conduct joint information security defense with various subsidiaries; in addition, the Company actively seek to establish joint defense partnerships with external parties. Except for joining the financial joint defense system to improve organizational information security response and protection, the Company also signed an information security cooperation memorandum with the Investigation Bureau of the Ministry of Justice in 2023, through the co-work between the public and private sectors, to strengthen the overall organizational resilience and strive to pursue absolute protection of customer rights and financial stability.

Regarding the changes in online threats and risks brought about by technological development, the Company continues to review and confirm the appropriateness of relevant regulations and measures, establishes a complete network and computer security protection system, and establishes a source code scanning and detection mechanism; in order to strengthen information security In terms of monitoring and defense, the Company established a SOC (Information Security Control Center) in 2022 to detect, report and handle information security risk events early through 7x24 continuous monitoring. Entrust professional information security vendors to perform penetration tests every year to check the resilience and risk status of the information security environment, and regularly conduct system vulnerability scanning and repair, social engineering drills and information security education and training, and handle information security incident notifications every year for network attacks. and contingency drills, and continuous operations drills are held every six months to ensure the appropriateness and effectiveness of information security and network risk control.

Also, to ensure the information asset of the Company is soundly protected, it continues to implement and enhance the information security management system to ensure the confidentiality, availability and integrity of information assets. 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 Co., Ltd.

1. In order to standardize and internationalize the information security system and incorporate it into the bank's internal culture, the information security management system was introduced in 2015 and obtained the ISO27001 international information security certification (valid from July 15, 2021 to July 15, 2024). Since then, it has passed the verification every year in accordance with the requirements of international organizations. In 2023, the scope of verification has increased to ChengChung buildings, and the re-examination work has been completed by SGS external verification unit. The license continues to be valid. In addition, in order to test the resilience and risk status of the information security environment, we regularly entrust professional information security vendors to perform penetration tests and various information security assessment tests every year. The bank also conduct penetration tests on the external networks of overseas branches and external service websites by itself.
2. To promptly assess and grasp various risks (information technology risks, operational risks, money laundering prevention risks, etc.) in response to changes in the financial environment, legal regulations, etc., the risk-based internal audit system (RBIA) regularly monitors risk indicators. It also handles information security incident notifications and response drills for cyber attacks.
3. 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.
4. 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.
5. In order to evaluate the Bank's vertical defense capability and key asset protection capability, the "Red Teaming" was used as the core to extend the "Information Security Attack and Defense Drill (Red Team vs. Blue Team)" project, in which the blue team information security vendors developed information security incident response playbook (IR Playbook) and acted as defense consultants, and then the red team information security professional team carried out the actual tests to enhance the Bank's ability to respond to a new type of attack model by means of the attack and defense drill, in order to reduce the impact of the security incident on the Bank, and to verify the effectiveness of the system control measures.
6. For the U.S. regional branches with high supervision intensity by the head office and overseas local competent authorities, the Cybersecurity Risk Assessment Operation (CAT) has been completed. In 2023, the Cybersecurity Risk Assessment Operation (CAT) continues to be promoted to Canadian regional branches, Thailand subsidiary, Manila Branch, Labuan Branch, Yangon Branch, and other overseas branches.

## Mega Securities Co., Ltd.

1. The company's core system has imported information security management system and obtained SGS ISO 27001 certification. Third-party re-certification is organized every year to keep the certificates valid. (valid from July 12, 2023 to Oct. 31, 2025).
2. The operation continuous management system has been introduced to the core system, which obtained SGS ISO 22301 certification in 2023 (validity period from December 28, 2023 to December 27, 2026). Third-party (BSI) re-certification is organized every year to keep the certificates valid.



3. Vulnerability scanning and penetration tests are conducted on systems and web pages every six months.
4. 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.
5. Establish IDS/IPS (intrusion detection and prevention system) and SOC (information security monitoring center) to enhance information security monitoring and defense.
6. The company installs source code testing software and third-party management programs.
7. 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 Co., Ltd.

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 Co., Ltd.

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, 2023 to October 31, 2025) and the privacy information management system (ISO27701:2019, valid from June 12, 2023 to October 31, 2025). 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. Internal ISMS Audit is conducted semi-annually. 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 implements ISMS and continue to strengthen information security management to ensure the confidentiality, availability and integrity of information assets. Prioritize and strengthen the security management and control of each network gateway, centralize the track records of each information security gateway and server track records for report analysis and alerts, and outsource SOC for 24-hour information security monitoring.
6. The company conducts quarterly information security and maintenance meeting discussions and conducts annual ongoing operations/information security/personal information incident drills.
7. The company conducts social engineering email drills and conduct information security education training twice a year. All employees must complete at least 3 hours of information security promotion courses every year, and information security personnel must complete at least 15 hours of information security professional courses every year.
8. The company renews information security insurance every year.

## Mega International Investment Trust Co., Ltd.

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. All employees receive social engineering drills and information security education and training. Information security managers and information security personnel attend professional information security courses every year.
3. Review and update the information system regularly, enable firewalls and anti-virus mechanisms, and set up network firewalls and application program firewalls.
4. Establish a 7x24 information security and threat detection management (SOC) service to proactively identify information security vulnerabilities.
5. All existing information and communication security equipment have signed maintenance contracts to timely perform necessary updates or upgrades of software and hardware.
6. Vulnerability scanning, social engineering drills, and penetration tests are carried out twice every year.

## Mega Asset Management Co., Ltd.

1. The company regularly conducts drills on ongoing operations, information security, and personal information incidents every year.
2. The company strengthens personal data protection and prevent data leakage.
3. The company conducts host vulnerability scanning and penetration testing every six months, and improves server host protection capabilities.
4. The company conducts social engineering drills every six months and regularly conducts information security education and training to enhance colleagues’ information security awareness.
5. In response to the development of information technology, the company continues to review potential risks and loopholes in the information infrastructure, and strengthen and improve it in a timely manner.

## C. Cyber Security Incidents

In 2023, 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. Also, the Company sets up an employee shareholding trust and compensate employees participating in shareholding trusts NT\$1,000 monthly. 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 three 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 to make employees happy to work in a good working environment and give feedback to the company.

#### 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. After retirement at the age of 60 or above, monthly pension or lump sum pension can be claimed.

#### 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\$ 80,313 thousand in 2023, accounting for 0.37%, 0.24% and 0.10% of the Company's consolidated employee welfare expenses, operating expenses and profit, respectively. The total number of training hours was 623,298.1.

## 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

- (1) The Company entered into a collective bargaining agreement with the labor unions of Mega Financial Holdings and its subsidiary. There are a total of 20 articles in the agreement, which have been reached after 23 meetings between the two parties. The agreement was submitted to and passed at the 31st meeting of the 7th Board of Directors of the Company on December 22, 2020, and was formally signed on February 26, 2021 to date. This agreement is valid for three years, and should be renewed or a new agreement should be entered into three months prior to the expiration date. Before a new agreement is entered into, the original agreement should continue to be valid. The content of the agreement is determined based on the “Taipei City Collective Bargaining Agreement Example” published by the Department of Labor, Taipei City Government.
- (2) The Company is in the process of negotiating a collective bargaining agreement with the corporate labor union of Mega Financial Holdings and has not yet signed an agreement.
- (3) The subsidiary Mega Bank entered into a collective bargaining agreement with its labor union. There are a total of 38 articles in the agreement, which have been reached after 14 meetings between the two parties. The agreement was submitted to and passed at the 42nd meeting of the 11th Board of Directors of the Company on December 28, 2005 of Mega Bank, and was signed by Mega International Commercial Bank Co., Ltd. and Taipei City Mega International Commercial Bank Co., Ltd. Industrial Labor Union. In addition, Mega Bank passed the amendment to the collective bargaining agreement at the 49th meeting of the 11th Board of Directors on June 22, 2006. The main amendments included part of the text in the general provisions and the revision to the definition of preferential deposit interest rates for pensions. The two parties signed the amended agreement on June 22, 2006 to date. This agreement is valid for three years, and should be renewed or a new agreement should be entered into three months prior to the expiration date. Before a new agreement is submitted to the supervisor, the original agreement should continue to be valid. Those who retire in accordance with the retirement provisions of this agreement should be provided with deposit interest rates for pensions that are better than those stipulated in the Labor Standards Act in order to take care of the retirement life of the employees.

## B. Loss on labor-management disputes:

1. Till the date of publishing this annual report, there is no loss or potential loss due to labor-management disputes for the Company.
2. The Company’s subsidiary which suffered a loss due to labor-management disputes.

Company	Mega Bills Finance Co., Ltd.
Labor-management disputes	One request to confirm the existence of an employment relationship
Loss incurred	Mediation was established on 2023.12.4, and the mediation amount was NT\$136,001.
Respond measures	A settlement has been reached and issues related to labor relations will continue to be handled prudently.



### 3. There are a few labor regulation violations from the subsidiary level as follows:

Item number	CKI
Sanction date	2023.6.2
Case number	Taipei City Government Labor Letter No. 11260089171
Violation of:	Labor Standards Act Article 38, Paragraph 4
Violation details	Failure to pay compensation for the unused days of annual leave when the labor contract is terminated in accordance with the law
Penalty	Fine of NT\$20,000
Remedy	A review mechanism has been added to ensure the correctness of operations, and system management functions will be optimized to avoid human errors.

## 5.10 Important Contracts

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 and Auditor's Opinions

### 6.1.1 Condensed Consolidated Balance Sheet

Unit: NT\$1,000

Item	Year				
	2023.12.31	2022.12.31	2021.12.31	2020.12.31	2019.12.31
Cash and cash equivalents, due from the Central Bank and call loans to banks, net	691,446,009	530,328,029	582,160,503	494,892,806	633,642,673
Financial assets at fair value through profit or loss	228,463,860	204,901,889	202,834,657	228,608,073	208,313,130
Financial assets at fair value through other comprehensive income	557,265,509	524,826,590	543,790,346	560,779,813	536,232,599
Investments in debt instruments at amortized cost, net	616,356,587	565,528,607	648,132,418	534,327,284	275,214,156
Securities purchased under resell agreements	5,444,959	618,306	949,170	950,137	3,584,364
Receivables, net	92,724,481	86,258,656	96,630,962	89,970,775	99,308,276
Current tax assets	15,357	329,712	331,977	379,014	483,744
Assets classified as held for sale	0	12,380	15,813	15,813	276,900
Loans discounted, net	2,133,342,011	2,079,441,292	2,037,354,980	1,889,958,222	1,873,677,834
Reinsurance contract assets, net	13,846,853	16,592,224	4,990,018	5,170,035	3,984,617
Investments accounted for using equity method	5,774,751	4,938,289	5,449,161	5,519,229	3,115,829
Other financial assets, net	6,347,532	7,673,288	6,095,575	5,134,375	7,418,321
Investment property, net	2,023,611	1,542,390	1,341,321	1,111,518	1,025,375
Property and equipment, net	22,044,685	21,636,818	21,670,526	21,950,817	22,080,894
Right-of-use assets, net	2,072,607	1,903,487	1,854,439	1,837,841	1,777,500
Intangible assets, net	1,410,325	1,318,844	1,017,030	960,918	610,731
Deferred income tax assets	7,222,920	6,999,467	6,505,527	5,629,637	5,801,886
Other assets, net	8,963,136	6,137,079	7,140,436	9,180,225	6,998,951
<b>Total assets</b>	<b>4,394,765,193</b>	<b>4,060,987,347</b>	<b>4,168,264,859</b>	<b>3,856,376,532</b>	<b>3,683,547,780</b>
Deposits from the Central Bank and banks	634,098,237	417,271,579	385,049,995	405,296,111	420,833,162
Due to the Central Bank and banks	2,870,805	3,250,380	46,890,696	20,363,979	21,161,321
Financial liabilities at fair value through profit or loss	25,587,296	21,447,467	19,344,092	20,934,933	22,115,709
Securities sold under repurchase agreements	282,478,905	252,342,653	225,056,762	269,355,119	259,192,262
Commercial paper issued	40,385,793	22,637,681	32,917,848	22,392,125	19,963,897
Payables	97,890,226	73,475,048	84,963,858	89,502,574	75,207,489
Current tax liabilities	10,532,725	10,752,028	12,298,301	11,007,264	9,149,946
Deposits and remittances	2,853,818,393	2,847,366,547	2,959,789,704	2,613,890,191	2,459,457,135
Bonds payable	30,500,000	20,000,000	6,000,000	18,000,000	12,000,000
Other borrowings	11,947,112	17,348,000	1,260,000	338,028	3,464,909
Provisions	29,133,623	33,053,040	29,941,604	30,059,406	28,110,114
Other financial liabilities	24,483,927	23,542,283	12,453,364	13,160,602	15,818,346
Lease liabilities	2,134,168	1,956,726	1,903,356	1,881,625	1,801,315
Deferred income tax liabilities	2,767,687	2,480,569	2,635,979	3,370,193	3,164,054
Other liabilities	10,325,208	14,253,893	19,360,417	10,235,422	8,046,873
<b>Total liabilities</b>	<b>4,058,954,105</b>	<b>3,761,177,894</b>	<b>3,839,865,976</b>	<b>3,529,787,572</b>	<b>3,359,486,532</b>
	Before distribution	3,761,177,894	3,839,865,976	3,529,787,572	3,359,486,532
	After distribution	Note 1	3,778,463,270	3,551,275,294	3,382,606,233
Equity attributable to owners of parent	335,811,088	299,809,453	328,398,883	326,588,960	324,061,248
Common stock	141,904,776	139,398,196	135,998,240	135,998,240	135,998,240
Capital surplus	68,502,384	68,194,233	68,194,233	68,194,233	68,194,233
Retained earnings	122,260,989	107,542,620	113,046,484	108,207,754	107,511,364
	Before distribution	107,542,620	113,046,484	108,207,754	107,511,364
	After distribution	Note 1	89,142,058	86,720,032	84,391,663
Other equity interest	3,142,939	(15,325,596)	11,159,926	14,188,733	12,357,411
Non-controlling interest	0	0	0	0	0
<b>Total Equity</b>	<b>335,811,088</b>	<b>299,809,453</b>	<b>328,398,883</b>	<b>326,588,960</b>	<b>324,061,248</b>
	Before distribution	299,809,453	328,398,883	326,588,960	324,061,248
	After distribution	Note 1	282,524,077	309,359,129	300,941,547

Note 1: The distribution of 2023 profits is to be recognized by annual shareholders' meeting in 2024.

Note 2: As of the publication date of this annual report, no financial information of 2024 had been audited or reviewed by CPAs.

## 6.1.2 Condensed Unconsolidated Balance Sheet

Unit: NT\$1,000

Item	Year	2023.12.31	2022.12.31	2021.12.31	2020.12.31	2019.12.31
		Cash and cash equivalents	2,422,607	203,919	81,200	58,854
Financial assets at fair value through profit or loss	2,435,101	2,622,808	2,042,180	2,278,091	2,687,373	
Receivables, net	0	270	5	0	0	
Current tax assets	0	319,360	319,360	319,360	1,582,395	
Investments accounted for using equity method, net	400,707,265	346,718,173	371,979,622	364,965,483	358,254,779	
Other financial assets	100	100	100	100	100	
Investment property, net	126,549	128,060	129,572	131,083	132,593	
Property and equipment, net	574,545	578,819	586,865	588,220	593,195	
Right-of-use assets, net	2,896	4,637	4,706	3,066	3,267	
Deferred income tax assets	9,325	7,010	7,793	6,629	9,651	
Other assets, net	11,624	6,174	5,184	4,300	6,474	
<b>Total assets</b>	<b>406,290,012</b>	<b>350,589,330</b>	<b>375,156,587</b>	<b>368,355,186</b>	<b>363,357,301</b>	
Commercial paper issued, net	21,491,177	12,233,984	15,043,990	11,483,855	13,338,100	
Payables	28,493,488	26,966,886	25,502,346	23,753,085	23,220,100	
Current tax liabilities	1,079,173	1,084,681	1,160,137	1,476,085	1,256,310	
Bonds payable	15,000,000	5,000,000	5,000,000	5,000,000	0	
Other borrowings	4,390,000	5,400,000	0	0	1,400,000	
Provisions	13,259	31,174	37,554	33,969	74,076	
Lease liabilities	2,896	4,651	4,770	3,080	3,278	
Other liabilities	8,931	58,501	8,907	16,152	4,189	
Total liabilities	Before distribution	70,478,924	50,779,877	46,757,704	41,766,226	39,296,053
	After distribution	Note 1	68,065,253	65,797,458	63,253,948	62,415,754
Common stock	141,904,776	139,398,196	135,988,240	135,988,240	135,988,240	
Capital surplus	68,502,384	68,194,233	68,194,233	68,194,233	68,194,233	
Retained earnings	Before distribution	122,260,989	107,542,620	113,046,484	108,207,754	107,511,364
	After distribution	Note 1	89,142,058	90,606,774	86,720,032	84,391,663
Other equity interest	3,142,939	( 15,325,596)	11,159,926	14,188,733	12,357,411	
Total Equity	Before distribution	335,811,088	299,809,453	328,398,883	326,588,960	324,061,248
	After distribution	Note 1	282,524,077	309,359,129	305,101,238	300,941,547

Note 1: The distribution of 2023 profit is to be recognized by annual shareholders' meeting in 2024.

Note 2: As of the publication date of this annual report, no financial information of 2024 had been audited or reviewed by CPAs.

### 6.1.3 Condensed Consolidated Income Statement

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

Item	Year	2023	2022	2021	2020	2019
Interest income		117,567,630	69,936,167	42,796,556	49,724,053	71,681,244
Less: interest expense		( 81,506,053)	( 32,253,073)	( 10,328,211)	( 18,173,179)	( 36,614,396)
Net interest revenue		36,061,577	37,683,094	32,468,345	31,550,874	35,066,848
Net revenue other than interest		41,260,343	18,366,559	27,762,501	29,259,048	30,208,014
Net revenue		77,321,920	56,049,653	60,230,846	60,809,922	65,274,862
Bad debts expense, commitment, and guarantee liability provisions		( 9,114,960)	( 2,876,572)	( 1,904,434)	( 2,151,568)	( 687,183)
Net change in provisions for insurance liabilities		2,339,213	( 2,357,830)	( 64,520)	( 227,160)	( 34,968)
Operating expenses		( 33,498,208)	( 29,670,950)	( 29,605,479)	( 29,100,556)	( 30,898,437)
Profit from continuing operations before tax		37,047,965	21,144,301	28,656,413	29,330,638	33,654,274
Income tax expense		( 3,800,988)	( 2,809,343)	( 2,925,343)	( 4,312,670)	( 4,699,474)
Profit for the year		33,246,977	18,334,958	25,731,070	25,017,968	28,954,800
Total other comprehensive income (after income tax)		18,340,489	( 27,884,634)	( 2,433,425)	629,445	3,982,425
Total comprehensive income		51,587,466	( 9,549,676)	23,297,645	25,647,413	32,937,225
Profit attributable to owners of parent		33,246,977	18,334,958	25,731,070	25,017,968	28,956,244
Loss attributable to non-controlling interests		0	0	0	0	( 1,444)
Comprehensive income attributable to owners of parent		51,587,466	( 9,549,676)	23,297,645	25,647,413	32,938,669
Comprehensive income attributable to non-controlling interests		0	0	0	0	( 1,444)
Earnings per share (EPS)		2.37	1.32	1.89	1.84	2.13

Note : As of the publication date of this annual report, no financial information of 2024 had been audited or reviewed by CPA.

### 6.1.4 Condensed Unconsolidated Income Statement

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

Item	Year	2023	2022	2021	2020	2019
Share of profit of associates and joint ventures accounted for using equity method		33,981,072	18,602,819	25,601,093	25,470,382	29,345,776
Other revenues		83,528	77,295	74,338	118,320	158,590
Operating expenses		( 508,639)	( 375,242)	( 386,968)	( 403,919)	( 412,436)
Other expenses and losses		( 395,150)	( 133,156)	( 57,991)	( 65,046)	( 60,937)
Profit from continuing operations before tax		33,160,811	18,171,716	25,230,472	25,119,737	29,030,993
Income tax (expense) benefit		86,166	163,242	500,598	( 101,769)	( 74,749)
Profit for the year		33,246,977	18,334,958	25,731,070	25,017,968	28,956,244
Other comprehensive loss for the period, net of tax		18,340,489	( 27,884,634)	( 2,433,425)	629,445	3,982,425
Total comprehensive income for the period		51,587,466	( 9,549,676)	23,297,645	25,647,413	32,938,669
Earnings per share		2.37	1.32	1.89	1.84	2.13

Note : As of the publication date of this annual report, no financial information of 2024 had been audited or reviewed by CPA.

## 6.1.5 Independent Auditors' Name and Opinion

Year	CPA Firm	CPA's Name	Auditing Opinion
2023	PricewaterhouseCoopers, Taiwan	Puo-Ju Kuo, Chung-Hsi Lai	Unqualified 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

## 6.2 Five-Year Financial Analysis

Item		Year	2023	2022	2021	2020	2019
Operating ability	Total assets turnover (times)		0.02	0.01	0.02	0.02	0.02
	Loans to deposits ratio of bank subsidiary (%)		76.12	73.88	69.43	73.24	77.23
	NPL ratio of bank subsidiary (%)		0.17	0.16	0.26	0.21	0.14
	NPL ratio of bills finance subsidiary (%)		0.00	0.01	0.00	0.00	0.00
	Average operating revenue per employee of the Group (NT\$1,000)		7,721	5,728	6,278	6,289	6,676
	Average profit per employee (NT\$1,000)		3,320	1,874	2,682	2,587	2,962
Profitability	Return on total assets (%)		0.79	0.45	0.64	0.66	0.80
	Return on equity (%)		10.46	5.84	7.86	7.69	9.07
	Profit margin (%)		43.00	32.71	42.72	41.14	44.36
	Earnings per share (NT\$)		2.37	1.32	1.89	1.84	2.13
Financial structure (%)	Ratio of liabilities to assets		92.36	92.62	92.12	91.53	91.20
	Ratio of liabilities to net worth		1,208.70	1,254.52	1,169.27	1,080.80	1,036.68
	FHC's double leverage ratio		120.05	116.52	113.89	112.45	111.38
	The financial ratio set by FHC Act §41		-	-	-	-	-
Leverage ratio (%)	Operating leverage ratio		1.25	1.35	1.12	1.13	1.06
	FHC's financial leverage ratio		1.01	1.01	1.00	1.00	1.00
Growth rates (%)	Growth rate of assets		8.22	( 2.57)	8.09	4.69	3.99
	Growth rate of profit		75.21	( 26.21)	( 2.30)	( 12.85)	8.28
Cash flow (%)	Cash flow ratio		2.36	8.29	11.44	Note 2	11.69
	Cash flow adequacy ratio		248.61	216.98	288.64	218.10	234.15
	Cash flow coverage ratio		Note 2	Note 2	Note 2	Note 2	Note 2
Operating scale (%)	Market share of assets		5.63	5.49	5.87	5.86	6.13
	Market share of net worth		6.64	7.16	6.27	6.66	7.29
	Market share of deposits of bank subsidiary		4.80	5.03	5.66	5.35	5.50
	Market Share of loans of bank subsidiary		5.13	5.20	5.52	5.47	5.72



Capital adequacy ratio (%)	Capital adequacy ratio of each subsidiary calculated according to its own industry regulations (%)					
	Mega International Commercial Bank Co., Ltd.	15.32	14.31	14.14	14.04	13.92
	Mega Securities Co., Ltd.	349.43	459.16	406.95	363.03	447.81
	Mega Bills Finance Co., Ltd.	14.09	13.56	13.41	13.21	13.58
	Chung Kuo Insurance Co., Ltd.	368.32	(8.80)	624.90	683.99	720.14
	Eligible capital of each subsidiary (in NTD thousands)					
	Mega International Commercial Bank Co., Ltd.	364,122,369	327,326,084	312,007,199	302,458,804	299,282,941
	Mega Securities Co., Ltd.	16,066,658	14,309,410	16,062,236	14,117,338	13,024,144
	Mega Bills Finance Co., Ltd.	39,210,773	34,036,972	39,029,515	38,990,116	36,622,230
	Chung Kuo Insurance Co., Ltd.	4,086,838	( 98,702)	8,126,520	7,467,330	7,189,577
	Mega Asset Management Co., Ltd.	2,832,657	2,840,721	2,850,035	2,779,978	2,753,530
	Mega Venture Capital Co., Ltd.	1,289,397	1,073,732	1,101,889	829,781	761,477
	Mega Int'l Investment Trust Co., Ltd.	886,492	863,184	859,618	849,740	845,920
	Group's net eligible capital	356,306,963	326,247,530	335,519,331	328,305,711	324,651,590
	Statutory capital requirement ( in NTD thousands)					
	Mega International Commercial Bank Co., Ltd.	249,568,660	240,201,897	231,637,103	226,191,970	225,757,313
	Mega Securities Co., Ltd.	6,896,886	4,674,698	5,920,502	5,833,059	4,362,605
	Mega Bills Finance Co., Ltd.	22,263,271	20,075,622	23,280,331	23,605,607	21,575,707
	Chung Kuo Insurance Co., Ltd.	2,219,198	2,242,744	2,600,920	2,183,448	1,996,730
	Mega Asset Management Co., Ltd.	4,767,008	8,235,098	7,508,712	7,157,783	5,823,786
	Mega Venture Capital Co., Ltd.	672,469	539,207	563,060	415,739	380,772
	Mega Int'l Investment Trust Co., Ltd.	479,746	463,684	473,668	463,009	470,897
	Group's total statutory capital requirement	290,009,008	279,769,702	274,748,539	268,852,024	264,121,493
	Group capital adequacy ratio (%)	122.86	116.61	122.12	122.11	122.92
	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 (%)					
		1,322.65	1,271.43	1,190.48	970.31	968.98

Analysis of over 20% change in last two years :

1. The total asset turnover increased by 34% and average operating revenue per employee of the Group increased by 35%, which are mainly due to the increase in net revenue.
2. NPL ratio of bills finance subsidiary decreased by 100%, which is mainly due to the decrease in the amount of overdue credit.
3. Average profit per employee increased by 77%, return on total assets increased by 76%, return on equity increased by 79%, the profit margin increased by 31%, and the earnings per share increased by 80%, which are mainly due to the increase in profits.
4. The growth rate of assets turned from negative to positive, which is mainly due to the increase in cash and cash equivalents, deposits with the central bank and interbank lending, as well as discounts and loans.
5. The growth rate of profit turned from negative to positive, which is mainly due to the increase in profit from financial assets and liabilities measured at fair value through profit and loss, and the reduction in losses from pandemic insurance policies.
6. The cash flow ratio decreased by 72%, which is mainly due to the decrease in net cash inflow from operating activities.

Note 1: As of the publication date of this annual report, no financial information of 2024 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, 2023 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			Qisda Corporation	5,947,576	1.77
Central Bank of the Republic of China (Taiwan)	324,737,112	96.69	Winbond Electronics Corporation	5,810,102	1.73
Taiwan Power Company	84,552,591	25.18	J-M MANUFACTURING COMPANY INC.	5,762,235	1.72
Ministry of Finance	78,456,727	23.36	Huang Hsiang Construction	5,692,800	1.70
CPC Corporation, Taiwan	74,147,386	22.08	U-Ming Marine Transport Corporation	5,687,144	1.69
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	72,545,583	21.60	Asia Cement Corporation	5,657,217	1.68
Taiwan High Speed Rail Corporation	44,456,918	13.24	CSBC Corporation, Taiwan	5,603,178	1.67
UNITED STATES TREASURY DEPT	25,257,450	7.52	China Steel Corporation	5,549,125	1.65
Taiwan Semiconductor Manufacturing Company Limited	22,305,608	6.64	Formosa Plastics Corporation	5,524,200	1.64
Taiwan Mobile Co., Ltd.	17,338,630	5.16	Taoyuan International Airport Corporation	5,500,000	1.64
Taiwan Cement Corporation	12,939,312	3.85	Gogoro Network (Cayman), Taiwan Branch	5,276,401	1.57
Nan Ya Plastics Corporation	12,770,213	3.80	COMMONWEALTH BANK OF AUSTRALIA	5,139,356	1.53
Chailease Finance Co., Ltd.	12,580,292	3.75	Jun Investment International Co., Ltd.	5,079,073	1.51
YFG SHOPPING CENTRES PTY LTD ATF THE FU	12,073,577	3.59	CHOW TAI FOOK ENTERPRISES LIMITED	5,035,730	1.50
Highwealth Construction Corp.	11,582,797	3.45	Formosa Petrochemical Corporation	4,767,503	1.42
Hotai Finance Co., Ltd.	11,232,355	3.34	Innox Corporation	4,740,957	1.41
Hon Hai Precision Industry Co., Ltd.	10,162,806	3.03	Ruentex Development Co., Ltd.	4,728,769	1.41
Quanta Computer Inc.	9,936,225	2.96	Tatung Co.	4,708,405	1.40
China Petrochemical Development Corporation	9,842,370	2.93	Uni-President Enterprises Corp.	4,656,495	1.39
Synnex Technology International Corp.	9,827,876	2.93	Wintech Microelectronics Co., Ltd.	4,651,110	1.38
CTCI Corporation	9,532,710	2.84	Cheng Loong Corporation	4,648,894	1.38
Far EasTone Telecommunications Co., Ltd.	9,396,393	2.80	Formosa Chemicals & Fibre Corp.	4,609,018	1.37
Wistron Corporation	9,104,463	2.71	Chang Chun Investment Co., Ltd.	4,565,515	1.36
NAN YA PLASTICS CORPORATION AMERICA	8,946,427	2.66	Yeashin Inter. Development Co., Ltd.	4,482,248	1.33
Yulon Finance Corporation	8,402,627	2.50	Dafu Media Co., Ltd.	4,424,208	1.32
Yuan Lih Constructions Co Ltd.	8,374,642	2.49	King's Town Construction Co., Ltd.	4,408,030	1.31
Advanced Semiconductor Engineering, Inc	8,286,704	2.47	FORMOSA HA TINH (CAYMAN) LIMITED	4,404,159	1.31
NATIONAL AUSTRALIA BANK LTD.	7,949,475	2.37	Taipei Fubon Commercial Bank Co., Ltd.	4,367,050	1.30
Huei Hong Investment Co., Ltd.	7,707,341	2.29	THE EXPORT-IMPORT BANK OF KOREA	4,333,758	1.29
Cathay Financial Holdings Co., Ltd.	7,664,657	2.28	Taipei City Debt Service Fund Time-Deposit Dedicated Account of Taipei City Government Department of Finance	4,234,741	1.26
King Yuan Electronics Co., Ltd.	7,625,301	2.27	Farglory Dome Co., Ltd.	4,163,119	1.24
RELIANCE INDUSTRIES LIMITED	7,381,186	2.20	SAKAI DISPLAY PRODUCTS CORPORATION	4,139,791	1.23
WESTPAC BANKING CORPORATION SYDNEY	7,376,589	2.20	Yuanta Securities Co., Ltd.	4,115,633	1.23
Shinshin Credit Corporation	7,263,531	2.16	SAN MIGUEL CORPORATION	4,081,903	1.22
Grand River D. Limited	7,074,828	2.11	Der Chao Construction Co., Ltd.	4,000,860	1.19
Farglory Land Development Co., Ltd.	6,762,600	2.01	Continental Holdings Corporation	3,994,538	1.19
Rich Development Construction Co., Ltd.	6,751,820	2.01	Mayfull Corporation	3,991,970	1.19
Run Long Construction Co., Ltd.	6,479,356	1.93	Delpha Construction	3,905,070	1.16
Powerchip Semiconductor Manufacturing Corporation	6,429,437	1.91	Mizuho Bank, Ltd., Taipei Branch	3,879,728	1.16
Ruen Hua Dyeing & Weaving Co., Ltd.	6,304,424	1.88	AU Optronics Corp.	3,873,607	1.15
Pegatron Corporation	6,266,802	1.87	COMMONWEALTH BANK OF AUSTRALIA SYD	3,850,647	1.15
Fubon Financial Holding Co., Ltd.	6,231,006	1.86	Farglory Free Trade Zone Co., Ltd.	3,844,630	1.14
Kinsus Interconnect Technology Corp.	6,210,319	1.85	Upc Technology Corporation	3,832,630	1.14
United Microelectronics Corp.	6,082,204	1.81	Powertech Technology Inc.	3,804,527	1.13
Li Ming Development Construction Co., Ltd.	5,966,177	1.78	PHU MY HUNG DEVELOPMENT CORPORATION	3,772,384	1.12
Fina Finance & Trading Co., Ltd.	5,959,835	1.77	Barclays Bank, Taipei Branch	3,686,707	1.10

# 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 (%)
Lih Pao Construction Co., Ltd.	3,674,164	1.09	Huang○○	11,073,913	3.30
Ruen Chen Investment Holding	3,648,000	1.09	Kuo○○	10,739,663	3.20
Sumitomo Mitsui Banking Corporation, Taipei Branch	3,632,426	1.08	Chen○○	10,681,884	3.18
Chinese Maritime Transport Ltd.	3,620,977	1.08	Hsu○○	10,633,151	3.17
Cathay Real Estate Development Co., Ltd.	3,601,755	1.07	Wu○○	10,283,884	3.06
Taiyuan Assets Co., Ltd.	3,595,000	1.07	Kuo○○	10,031,540	2.99
YFY Inc.	3,592,306	1.07	Huang○○	9,893,283	2.95
Waverley Logistics Limited, Taiwan Branch	3,571,900	1.06	Wu○○	9,698,284	2.89
Yageo Corporation	3,568,789	1.06	Yang○○	9,575,283	2.85
Powerchip Investment Holding Corporation	3,556,285	1.06	Hsu○○	9,551,362	2.84
Hong Pu Real Estate Development Co., Ltd.	3,498,242	1.04	Tsai○○	9,472,549	2.82
Yieh United Steel Corporation	3,466,532	1.03	Chien○○	8,924,694	2.66
Emirates NBD Bank PJSC	3,449,134	1.03	Miao○○	8,760,715	2.61
Hung Ching Development & Construction Co., Ltd.	3,419,600	1.02	Li○○	8,628,382	2.57
SUNWORLD DYNASTY US HOLDINGS LLC	3,418,486	1.02	Sun○○	8,468,185	2.52
Central Investment Co., Ltd.	3,399,575	1.01	Wu○○	8,161,677	2.43
Jsl Construction & Development Co., Ltd.	3,385,846	1.01	Chang○○	7,635,337	2.27
JVP INVESTMENT INC.	3,359,857	1.00	Lin○○	7,483,815	2.23
KOOKMIN BANK CO. LTD.	3,325,160	0.99	Liu○○	6,766,124	2.01
Chicony Electronics Co., Ltd.	3,322,550	0.99	Chiu○○	6,479,356	1.93
Pi Chiang Co Ltd.	3,294,821	0.98	Chen○○	6,464,398	1.92
Fong Yi Construction Co., Ltd.	3,278,048	0.98	Chen○○	6,267,802	1.87
ADATA Technology Co., Ltd.	3,270,322	0.97	Li○○	6,260,923	1.86
VISA INC.	3,269,174	0.97	Lin○○	5,788,554	1.72
Cheng Uei Precision Industry Co., Ltd.	3,264,936	0.97	Chen○○	5,551,712	1.65
Far Eastern New Century Corporation	3,256,917	0.97	Chen○○	5,551,086	1.65
THE KINGDOM OF SAUDI ARABIA MINISTRY OF	3,231,819	0.96	Teng○○	5,525,489	1.65
GREENCOMPASS MARINE S.A.	3,230,657	0.96	Lin○○	5,373,150	1.60
Dragon Steel Corporation	3,230,464	0.96	Lin○○	5,013,000	1.49
Yi Tai Investment Co., Ltd.	3,206,000	0.95	Li○○	4,832,695	1.44
Siliconware Precision Industries Co., Ltd.	3,152,941	0.94	Yang○○	4,768,170	1.42
Tung Chi Capital Co., Ltd.	3,113,880	0.93	Hou○○	4,742,337	1.41
Kai Tai Fung International Company Limited	3,111,000	0.93	Tsu○○	4,688,490	1.40
WPG Holdings Limited	3,108,514	0.93	Lan○○	4,633,272	1.38
Yun Peng Development Co., Ltd.	3,077,184	0.92	Chan○○	4,615,200	1.37
Jut Land Development Company Limited	3,055,400	0.91	Liu○○	4,504,866	1.34
RIDERWOOD USA INC	3,033,403	0.90	Chiao○○	4,471,821	1.33
Sigurd Microelectronics Corp.	3,022,366	0.90	Lin○○	4,350,016	1.30
Macronix International Co., Ltd.	3,022,164	0.90	Huang○○	4,295,070	1.28
Oriental Petrochemical (Taiwan) Co., Ltd.	3,017,095	0.90	Chen○○	4,273,906	1.27
HIMAX TECHNOLOGIES INC.	3,004,649	0.89	Wu○○	4,151,975	1.24
China Bills Finance Corporation	3,003,134	0.89	Chiang○○	4,138,447	1.23
2. Principal, his /her spouse, blood relatives within the second degree, and enterprises in which the principal or spouse is the responsible person			Li○○	4,116,876	1.23
Hung○○	44,676,067	13.30	Liu○○	4,021,348	1.20
Chang○○	44,460,872	13.24	Chen○○	4,018,970	1.20
Tsai○○	31,797,662	9.47	Cheng○○	4,016,000	1.20
Tsai○○	28,898,149	8.60	Yeh○○	3,879,515	1.16
Hsu○○	25,493,251	7.59	Ju○○	3,856,434	1.15
Cheng○○	18,143,618	5.40	Chen○○	3,734,192	1.11
Li○○	14,384,724	4.28	Yeh○○	3,693,316	1.10
Chen○○	13,962,595	4.16	Huang○○	3,692,761	1.10
Huang○○	13,173,966	3.92	Lin○○	3,650,265	1.09
F○○	12,091,205	3.60	Lin○○	3,650,191	1.09
Lan○○	11,574,341	3.45	Su○○	3,649,733	1.09
			Tsao○○	3,644,417	1.09
			Huang○○	3,616,724	1.08
			Kao○○	3,603,077	1.07
			Chen○○	3,512,622	1.05
			Lin○○	3,453,428	1.03





Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)	Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage of net Worth of the Company (%)
Chang○○	3,362,593	1.00	FOXCONN (FAR EAST) L	15,418,780	4.59
Wu○○	3,349,652	1.00	Advantec Enterprise Co., Ltd.	14,269,937	4.25
Chen○○	3,334,301	0.99	Nanya Technology Corporation	13,398,701	3.99
Chang○○	3,327,235	0.99	Feng Shehg Enterprise Company	13,348,062	3.97
Chou○○	3,225,644	0.96	BenQ Corporation	13,074,295	3.89
Cheng○○	3,210,330	0.96	Foxsemicon Integrated Technology Inc.	12,998,550	3.87
Huang○○	3,120,860	0.93	TRONDAGE ENTERPRISES	12,955,396	3.86
Yu○○	3,105,860	0.92	Pegatron Corporation	12,776,393	3.80
Su○○	3,053,299	0.91	Advanced Semiconductor Engineering, Inc	12,126,038	3.61
Chou○○	3,026,613	0.90	Ase Test, Inc.	12,011,805	3.58
3. Same affiliated enterprises			AU Optronics Corp.	11,755,328	3.50
Taiwan Power Company	84,739,920	25.23	Ennoconn Corporation	11,753,023	3.50
GPC Corporation, Taiwan	74,613,268	22.22	China Petrochemical Development Corporation	11,606,106	3.46
Formosa Plastics Corporation	41,692,397	12.41	CTCI Corporation	11,449,270	3.41
Formosa Chemicals & Fibre Corp.	41,054,116	12.22	Yieh Phui Enterprise Co., Ltd.	11,425,581	3.40
Nan Ya Plastics Corporation	39,803,181	11.85	Yieh Phui Enterprise Co., Ltd.	11,418,582	3.40
Formosa Petrochemical Corporation	39,733,645	11.83	CTCI-HDEC (Chungli) Corporation	11,191,052	3.33
U-Ming Marine Transport Corporation	38,718,384	11.53	WPG Holdings Limited	11,079,294	3.30
Far Eastern New Century Corporation	37,302,151	11.11	Rich Development Construction Co., Ltd.	11,070,893	3.30
Taiwan Mobile Co., Ltd.	37,073,364	11.04	Yieh United Steel Corporation	11,045,724	3.29
Asia Cement Corporation	36,394,490	10.84	Eliter International Corporation	10,906,175	3.25
Everest Textile Co., Ltd.	36,314,230	10.81	Li Ching Co., Ltd.	10,747,963	3.20
Far Eastern Department Store Co., Ltd.	36,310,609	10.81	Lextar Electronics Corp.	10,586,297	3.15
Oriental Union Chemical Corp.	36,299,647	10.81	Lealea Enterprise Co., Ltd.	10,526,458	3.13
Ruentex Xing Co., Ltd.	34,580,776	10.30	COMPET TEAM TECH LTD	10,454,694	3.11
Huei Hong Investment Co., Ltd.	33,705,081	10.04	Chaintech Technology Corporation	10,414,740	3.10
CHAILEASE HOLDING CO	32,846,664	9.78	Chuan Lian Enterprise Co., Ltd.	10,344,341	3.08
Tien Ying Energy Co., Ltd.	29,383,640	8.75	Wistron Corporation	10,185,491	3.03
Chailease Finance Co., Ltd.	29,107,690	8.67	Shinkong Synthetic Fibers Corp.	10,142,388	3.02
Ruentex Development Co., Ltd.	28,432,310	8.47	Quanta Computer Inc.	10,122,191	3.01
Chailease Auto Rental Co., Ltd.	27,797,109	8.28	King's Town Construction Co., Ltd.	10,043,367	2.99
Ruen Chen Investment Holding	27,776,249	8.27	Lealea Hotels & Resorts Co., Ltd.	10,039,345	2.99
Ren Ying Industrial Co., Ltd.	26,283,280	7.83	EBN Technology Corporation	10,021,667	2.98
Chailease Resources Technology Co., Ltd.	25,502,919	7.59	Lealea Enterprise Co., Ltd.	10,008,345	2.98
Taiwan Semiconductor Manufacturing Company Limited	25,462,373	7.58	YFY Inc.	9,877,532	2.94
Grand Pacific Investment & Development Co., Ltd.	25,440,903	7.57	Unimicron Technology Corp.	9,735,984	2.90
Ching Shih Ban Investment Co., Ltd.	25,353,397	7.55	Chia Chun Investment Co., Ltd.	9,564,574	2.85
Highwealth Construction Corp.	23,498,897	7.00	HDEC Corporation	9,204,883	2.74
Yulon Finance Corporation	20,783,423	6.19	President Securities Corporation	9,087,302	2.71
Tai Yuen Textile Co., Ltd.	20,483,582	6.10	Walsin Lihwa Corporation	8,980,189	2.67
China Steel Corporation	20,417,594	6.08	NAN YA PLASTICS CORP	8,946,427	2.66
Yulon Motor Co., Ltd.	20,283,659	6.04	Perfection Forest Development Enterprise Co., Ltd.	8,796,424	2.62
Upc Technology Corporation	19,797,590	5.89	Masterlink Securities Corp.	8,783,502	2.62
Cathay Power Inc.	19,711,949	5.87	Uni-President Enterprises Corp.	8,737,828	2.60
Linde Lienhwa Industrial Gases Co., Ltd.	19,450,196	5.79	RELIANCE INDUSTRIES	8,547,444	2.54
Lien Hwa Industrial Holdings Corporation	19,357,797	5.76	USI Inc.	8,526,220	2.54
Taiwan Cement Corporation	19,093,893	5.69	Yieh Mau Corp.	8,451,133	2.52
Taiwan Transport & Storage Corp.	19,002,893	5.66	Chow Tai Fook Enterprises Limited	8,309,873	2.47
International CSRC Investment Holdings Co., Ltd.	18,576,078	5.53	Continental Holdings Corporation	8,232,745	2.45
Cathay Financial Holdings Co., Ltd.	18,167,366	5.41	Amaran Biotechnology Inc.	7,900,596	2.35
Onyx Ta-Ho Environmental Services Co., Ltd.	18,038,262	5.37	Shin Foong Specialty & Applied Materials Co Ltd.	7,887,555	2.35
Farglory Land Development Co., LTD.	16,901,274	5.03	Darfon Electronics Corp	7,882,218	2.35
ASIA SERMKIJ LEASING	16,784,220	5.00	Tatung Co.	7,718,815	2.30
Hon Hai Precision Industry Co., Ltd.	16,060,070	4.78	AMIS QUEEN S.A.	7,713,149	2.30
Hotai Finance Co., Ltd.	15,979,783	4.76	King Yuan Electronics Co., Ltd.	7,625,301	2.27
			Chinese Maritime Transport Ltd.	7,536,095	2.24

# 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	7,434,721	2.21	Innolux Corporation	4,862,023	1.45
Winbond Electronics Corporation	7,315,078	2.18	GIO Optoelectronics Corp.	4,801,763	1.43
Grand River D. Limited	7,074,828	2.11	Morrihan International Corp.	4,781,110	1.42
E-Da Development Corp.	7,045,592	2.10	An Hei Construction Co., Ltd.	4,634,000	1.38
Grace Hospitality Management Co., Ltd.	6,915,582	2.06	Yun Peng Development Co., Ltd.	4,388,835	1.31
Jiarui Development Co., Ltd.	6,818,215	2.03	China Airlines Ltd.	4,378,518	1.30
Cheng Loong Corporation	6,630,136	1.97	Epoque Corporation	4,187,451	1.25
Yageo Corporation	6,596,552	1.96	KB PRASAC BANK PLC	4,103,379	1.22
Clevo Co.	6,553,901	1.95	Cosmos Hotels & Resorts	4,053,500	1.21
CTBC Finance Co., Ltd.	6,523,348	1.94	Fabulous Cultural & Creative Enterprise Co., Ltd.	4,046,183	1.20
Jun Investment International Co., Ltd.	6,461,677	1.92	Der Chao Construction Co., Ltd.	4,000,860	1.19
Powerchip Semiconductor Manufacturing Corporation	6,429,437	1.91	Ardentec Corporation	3,975,460	1.18
Benq Materials Corp.	6,361,780	1.89	Starlux Airlines Co., Ltd.	3,949,143	1.18
Evergreen Marine Corporation (Taiwan) Ltd.	6,344,310	1.89	CCIC CDIB International Corp.	3,864,666	1.15
Kinpo Electronics, Inc.	6,336,567	1.89	Shin Ruenn Development Co., Ltd.	3,833,599	1.14
SIO INTERNATIONAL HO	6,308,791	1.88	Everlasting Cable TV Co., Ltd.	3,822,360	1.14
QS Control Corp.	6,235,767	1.86	Powertech Technology Inc.	3,804,536	1.13
Polis International Development Co., Ltd.	6,220,800	1.85	SinoPac Financial Holdings Co., Ltd.	3,791,463	1.13
United Microelectronics Corp.	6,211,363	1.85	Hsin Chia Po Development Company Limited	3,751,051	1.12
Cheng Uei Precision Industry Co., Ltd.	6,188,037	1.84	Unicorn Marine Agency Co.,Ltd	3,744,078	1.11
Ching Kuan Investment Co., Ltd.	6,143,365	1.83	Sigurd Microelectronics Corp.	3,722,326	1.11
CSBC Corporation, Taiwan	6,106,489	1.82	Uni Airways Corporation	3,672,802	1.09
Weblink International Inc.	6,082,141	1.81	IBF Venture Capital Co., Ltd.	3,660,986	1.09
Compal Electronics, Inc.	6,063,236	1.81	XAVI Technologies Corporation	3,629,550	1.08
Alpha Networks Inc.	6,039,735	1.80	CAL-COMP TECHNOLOGY(	3,622,444	1.08
STUDIO A Inc.	5,991,055	1.78	Taiyuan Assets Co., Ltd.	3,595,000	1.07
Chiu Wei Power Company	5,984,201	1.78	Taiwan Glass Industry Corp.	3,576,486	1.06
Li Ming Development Construction Co., Ltd.	5,966,177	1.78	Powerchip Investment Holding Corporation	3,556,285	1.06
Dafu Media Co., Ltd.	5,900,647	1.76	Taiwan Cogeneration Corp.	3,503,129	1.04
Phu Yung An Corporation	5,876,760	1.75	Hiyes Development Corporation Ltd.	3,483,595	1.04
SAN MIGUEL CORPORATI	5,831,290	1.74	Hsiang Ho Fishery Co., Ltd.	3,463,318	1.03
J-M MANUFACTURING CO	5,762,235	1.72	CHIN YIN PTY LTD ATF	3,447,581	1.03
HO CHU Investment Co., Ltd.	5,681,504	1.69	Konglin Construction & Manufacturing Co., Ltd.	3,419,110	1.02
CTBC Financial Holding Co., Ltd.	5,667,108	1.69	Hiyes Corporation Ltd.	3,411,195	1.02
MACQUARIE GROUP LTD.	5,546,038	1.65	Glorystone Inc.	3,410,346	1.02
Jih Sun Formosa Auto Leasing Co., Ltd.	5,521,497	1.64	Siliconware Precision Industries Co., Ltd.	3,385,929	1.01
Gogoro Inc.	5,516,401	1.64	Chicony Electronics Co., Ltd.	3,380,423	1.01
Central Investment Co., Ltd.	5,489,575	1.63	Chin Yu Tai Co., Ltd.	3,368,995	1.00
Ima Foods Corporation	5,469,429	1.63	Pa Wang Restaurant Co., Ltd.	3,365,931	1.00
Mayfull Logistics Corporation	5,446,715	1.62	Yi Jinn Industrial Co., Ltd.	3,359,837	1.00
Yi Kao Investment Co., Ltd.	5,441,876	1.62	Silitech Technology Corporation Ltd.	3,332,678	0.99
International Bills Finance Corporation	5,427,887	1.62	ADATA Technology Co., Ltd.	3,320,322	0.99
Tsai Lueh Investment Co., Ltd.	5,389,788	1.60	Hung Hsi Investment Co., Ltd.	3,316,549	0.99
Arcadyan Technology Corporation	5,388,541	1.60	Hengshang Investment Co., Ltd.	3,274,721	0.98
Hsu Tai Investment Ltd.	5,387,633	1.60	Quinmax International Co., Ltd.	3,174,114	0.95
Zhongtai Hotel Co., Ltd.	5,373,150	1.60	QMI Industrial Co., Ltd.	3,170,226	0.94
Elitegroup Computer Systems EU B.V.	5,346,934	1.59	Gwo Uei Metals Industry Co., Ltd.	3,140,299	0.94
Daxin Materials Corp.	5,346,279	1.59	ADLINK Technology, Inc.	3,116,006	0.93
Radium Life Tech Co., Ltd.	5,339,393	1.59	Chailease International Leasing Company Limited	3,052,195	0.91
Yeashin Inter. Development Co., Ltd	5,336,838	1.59	Taiwan Tea Corporation	3,047,577	0.91
Macquarie Group Limited	5,123,562	1.53	Himax Technologies, Inc.	3,030,649	0.90
Sino Horizon Holdings Limited	5,077,340	1.51	Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	3,028,585	0.90
Jsl Construction & Development Co., Ltd.	5,048,490	1.50	Wonderful Assets Co., Ltd.	3,008,186	0.90
Taishin Leasing & Financing Co., Ltd.	5,019,110	1.49			
Pou Chen Corporation	5,017,529	1.49			



## 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 2023 consolidated financial statements, audited by CPA Kou, Po-Ju and Lai, Chung-Hsi of PricewaterhouseCoopers, Taiwan, 2023 business report and the proposal for distribution of 2023 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:

2024 Annual General Shareholders' Meeting

Mega Financial Holding Co., Ltd.

Chairman of the Audit Committee: Wu, Ying

Date : April 23, 2024



## 6.4 2023 Financial Report

### INDEPENDENT AUDITORS' 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, 2023 and 2022, 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 the Mega Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of 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 Mega Group's 2023 consolidated financial statements. 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.

Key audit matters for the Mega Group's 2023 consolidated financial statements 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 \$2,169,518,741 thousand and \$36,176,730 thousand, respectively, as at December 31, 2023, 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, 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 impairment assessment of 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 for 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 \$8,833,656 thousand and financial assets at fair value through other comprehensive income amounting to \$20,518,988 thousand as at December 31, 2023.

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. Sampled and ascertained whether the measurement methodology used by the management is commonly used by the industry.
3. Sampled and 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, 2023, subsidiary CKI's claims reserve and ceded claims reserve was \$4,926,671 thousand and \$2,162,698 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.

#### **Impairment assessment of claims recoverable from reinsurers and due from reinsurers and ceding companies**

##### Description

For the accounting policy of impairment assessment of claims recoverable from reinsurers and due from reinsurers and ceding companies, please refer to Note 4(26); for accounting estimates and assumption uncertainty of claims recoverable from reinsurers and due from reinsurers and ceding companies, please refer to Note 5(5); for details on claims recoverable from reinsurers and due from reinsurers and ceding companies, please refer Note 6(9).



CKI's impairment of claims recoverable from reinsurers and due from reinsurers and ceding companies is assessed by the risk control department in accordance with IFRS 4, 'Insurance contracts' and taken into consideration the relevant requirements under the Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises. The management primarily considered objective evidence and reasonable and supportable information about past events and current conditions and also took into consideration the relevant laws and regulations on provisions for allowance for bad debts to measure the provisions for impairment of claims recoverable from reinsurers and due from reinsurers and ceding companies. As of December 31, 2023, CKI's allowance for impairment of claims recoverable from reinsurers and due from reinsurers and ceding companies was \$2,504,894 thousand. Since the amount of impairment of claims recoverable from reinsurers and due from reinsurers and ceding companies was material and the calculation method and assumptions involve the professional judgment of management and contain a high degree of uncertainty, we have included the impairment assessment of claims recoverable from reinsurers and due from reinsurers and ceding companies 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 impairment assessment of claims recoverable from reinsurers and due from reinsurers and ceding companies. Also, on a sampling basis tested the effectiveness of internal controls for the calculation of impairment.
2. Sampled and inspected whether there were differences between the numbers referred to claims recoverable from reinsurers and due from reinsurers and ceding companies and the carrying amount in order to confirm the accuracy and completeness.
3. Obtained the information considered by the management to support the objective evidence of impairment and assessed the reasonableness of significant parameters such as the recovery ratio, ceded reinsurance ratio and credit rating of reinsurers.

#### ***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.

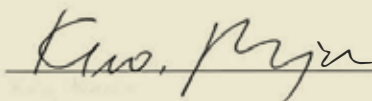
As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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.

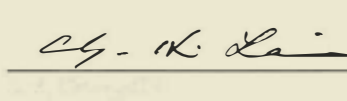
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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  
For and on behalf of PricewaterhouseCoopers, Taiwan  
March 12, 2024



Lai, Chung-Hsi

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, 2023, DECEMBER 31, 2022 AND JANUARY 1, 2022  
(Expressed in thousands of New Taiwan dollars)

Items	Notes	December 31, 2023		(Reclassified) December 31, 2022		(Reclassified) January 1, 2022		
		Amount	%	Amount	%	Amount	%	
<b>Assets</b>								
11000	Cash and cash equivalents, net	6(1)(2) and 11	\$ 139,031,498	3	\$ 88,545,616	2	\$ 99,493,395	2
11500	Due from the Central Bank and call loans to banks, net	6(1)(2) and 11	552,414,511	13	441,782,413	11	482,667,108	12
12000	Financial assets at fair value through profit or loss	6(3), 11 and 12	228,463,860	5	204,901,889	5	202,834,657	5
12150	Financial assets at fair value through other comprehensive income	6(4), 11 and 12	557,265,509	13	524,826,590	13	543,790,346	13
12200	Investments in debt instruments at amortized cost, net	6(5) and 12	616,356,587	14	565,528,607	14	648,132,418	16
12500	Securities purchased under resell agreements		5,444,959	-	618,306	-	949,170	-
13000	Receivables, net	6(6)	92,724,481	2	86,258,656	2	96,630,962	2
13200	Current tax assets		15,357	-	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	2,133,342,011	49	2,079,441,292	51	2,037,354,980	49
13700	Reinsurance contract assets, net	6(9)	13,846,853	-	16,592,224	1	4,990,018	-
15000	Investments accounted for using equity method	6(10)	5,774,751	-	4,938,289	-	5,449,161	-
15500	Other financial assets, net	6(11) and 12	6,347,532	-	7,673,288	-	6,095,575	-
18000	Investment property, net	6(14) and 12	2,023,611	-	1,542,390	-	1,341,321	-
18500	Property and equipment, net	6(15) and 12	22,044,685	1	21,779,506	1	21,670,526	1
18600	Right-of-use assets, net	6(12)	2,072,607	-	1,903,487	-	1,854,439	-
19000	Intangible assets, net		1,410,325	-	1,318,844	-	1,017,030	-
19300	Deferred income tax assets	6(41)	7,222,920	-	6,999,467	-	6,505,527	-
19500	Other assets, net	6(16) and 12	8,963,136	-	5,994,391	-	7,140,436	-
	<b>Total Assets</b>		<b>\$4,394,765,193</b>	<b>100</b>	<b>\$4,060,987,347</b>	<b>100</b>	<b>\$4,168,264,859</b>	<b>100</b>
<b>Liabilities</b>								
21000	Deposits from the Central Bank and banks	6(17)(18) and 11	\$ 634,098,237	14	\$ 417,271,579	10	\$ 404,651,718	10
21500	Due to the Central Bank and banks	6(17)(18)	2,870,805	-	3,250,380	-	27,288,973	1
22000	Financial liabilities at fair value through profit or loss	6(19)	25,587,296	1	21,447,467	1	19,344,092	1
22500	Securities sold under repurchase agreements	6(3)(4)(5)(20) and 11	282,478,905	6	252,342,653	6	225,056,762	5
22600	Commercial paper issued, net	6(21)(43) and 11	40,385,793	1	22,637,681	1	32,917,848	1
23000	Payables	6(22)	97,890,226	2	73,475,048	2	84,963,858	2
23200	Current tax liabilities		10,532,725	-	10,752,028	-	12,298,301	-
23500	Deposits and remittances	6(23)	2,853,818,393	65	2,847,366,547	70	2,959,789,704	71
24000	Bonds payable	6(24)	30,500,000	1	20,000,000	1	6,000,000	-
24400	Other borrowings	6(25)	11,947,112	-	17,348,000	-	1,260,000	-
24600	Provisions	6(26)	29,133,623	1	33,053,040	1	29,941,604	1
25500	Other financial liabilities	6(27)	24,483,927	1	23,542,283	1	12,453,364	-
26000	Lease liabilities	6(12)	2,134,168	-	1,956,726	-	1,903,356	-
29300	Deferred income tax liabilities	6(41)	2,767,687	-	2,480,569	-	2,635,979	-
29500	Other liabilities	6(28)	10,325,208	-	14,253,893	-	19,360,417	-
	<b>Total Liabilities</b>		<b>4,058,954,105</b>	<b>92</b>	<b>3,761,177,894</b>	<b>93</b>	<b>3,839,865,976</b>	<b>92</b>
<b>Equity</b>								
<b>Equity attributable to owners of parent</b>								
<b>Capital</b>								
31101	Common stock	6(29)	140,513,382	3	139,398,196	3	135,998,240	3
31111	Advance receipts for capital stock	6(29)	1,391,394	-	-	-	-	-
31500	Capital surplus	6(29)	68,502,384	2	68,194,233	2	68,194,233	2
<b>Retained earnings</b>								
32001	Legal reserve	6(29)	47,670,164	1	45,976,579	1	43,343,934	1
32003	Special reserve	6(29)	16,163,964	-	2,538,952	-	2,538,952	-
32011	Unappropriated earnings	6(30)	58,426,861	1	59,027,089	1	67,163,598	2
<b>Other equity interest</b>								
32500	Other equity interest	6(31)	3,142,939	1	( 15,325,596)	-	11,159,926	-
	<b>Total Equity</b>		<b>335,811,088</b>	<b>8</b>	<b>299,809,453</b>	<b>7</b>	<b>328,398,883</b>	<b>8</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$4,394,765,193</b>	<b>100</b>	<b>\$4,060,987,347</b>	<b>100</b>	<b>\$4,168,264,859</b>	<b>100</b>

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, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31				Change percentage (%)
			2023		2022		
			Amount	%	Amount	%	
41000	Interest income	6(32) and 11	\$ 117,567,630	152	\$ 69,936,167	125	68
51000	Less: interest expense	6(32) and 11	( 81,506,053 )	( 105 )	( 32,253,073 )	( 58 )	153
	Net interest revenue		36,061,577	47	37,683,094	67	( 4 )
	Net revenue other than interest						
49800	Net service fee revenue and commissions	6(33)	11,363,742	15	10,335,499	19	10
49810	Net insurance revenue		( 644,882 )	( 1 )	( 5,811,266 )	( 10 )	( 89 )
49820	Gain on financial assets and liabilities at fair value through profit or loss	6(34) and 11	24,070,387	31	6,121,167	11	293
49825	Gain on investment property	6(14)	22,370	-	21,378	-	5
49835	Realized gain on financial assets at fair value through other comprehensive income	6(35)	2,735,588	3	3,563,995	6	( 23 )
49850	Gain (loss) arising from derecognition of financial assets measured at amortized cost	6(5)(8) and 8	2	-	( 38,867 )	-	( 100 )
49870	Foreign exchange gains		2,529,540	3	2,789,496	5	( 9 )
49890	Share of loss of associates and joint ventures accounted for using equity method	6(10)	( 78,454 )	-	( 127,282 )	-	( 38 )
49898	Gain on reclassification under the overlay approach	6(31)	1,948	-	5,502	-	( 65 )
49900	Net other revenue other than interest income	6(37)	1,340,640	2	1,367,072	2	( 2 )
45000	Reversal of impairment loss (impairment loss) on assets	6(36)	( 80,538 )	-	139,865	-	( 158 )
	Net revenue		77,321,920	100	56,049,653	100	38
58100	Bad debts expense, commitment and guarantee liability provision	6(6)(8)(9)(11)	( 9,114,960 )	( 12 )	( 2,876,572 )	( 5 )	217
58300	Net change in provisions for insurance liabilities	6(26)	2,339,213	3	( 2,357,830 )	( 4 )	( 199 )
	Operating expenses						
58501	Employee benefit expenses	6(38)	( 21,787,288 )	( 28 )	( 19,586,824 )	( 35 )	11
58503	Depreciation and amortization expense	6(39)	( 2,394,946 )	( 3 )	( 2,251,673 )	( 4 )	6
58599	Other general and administrative expenses	6(40)	( 9,315,974 )	( 12 )	( 7,832,453 )	( 14 )	19
	Total operating expenses		( 33,498,208 )	( 43 )	( 29,670,950 )	( 53 )	13
61000	<b>Profit from continuing operations before tax</b>		37,047,965	48	21,144,301	38	75
61003	Income tax expense	6(41)	( 3,800,988 )	( 5 )	( 2,809,343 )	( 5 )	35
69000	<b>Net profit</b>		\$ 33,246,977	43	\$ 18,334,958	33	81
	<b>Components of other comprehensive income that will not be reclassified to profit or loss, net of tax</b>						
69561	Gain on remeasurement of defined benefit plan	6(26)	( 1,244,307 )	( 2 )	2,033,496	3	( 161 )
69563	Share of other comprehensive income (loss) 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)	12,406	-	( 12,896 )	-	( 196 )
69567	Revaluation gain (loss) on investments in equity instruments measured at fair value through other comprehensive income	6(31)	13,775,733	18	( 6,167,416 )	( 11 )	( 323 )
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(41)	248,861	-	( 406,699 )	( 1 )	( 161 )
	<b>Components of other comprehensive income that will be reclassified to profit or loss, net of tax</b>						
69571	Exchange differences on translation	6(31)	129,882	-	2,889,689	5	( 96 )
69575	Share of other comprehensive income (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)	319,760	1	( 154,098 )	-	( 308 )
69585	Revaluation loss from investments in debt instruments measured at fair value through other comprehensive income	6(31)	5,413,166	7	( 26,931,923 )	( 48 )	( 120 )
69587	(Reversal of impairment loss) impairment loss from investments in debt instruments measured at fair value through other comprehensive income	6(31)	51,080	-	( 102,741 )	-	( 150 )
69590	Other comprehensive loss on reclassification under the overlay approach	6(31)	( 1,948 )	-	( 5,502 )	-	( 65 )
69579	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(31)(41)	( 364,144 )	-	973,456	2	( 137 )
69500	<b>Other comprehensive income (loss)</b>		\$ 18,340,489	24	( \$ 27,884,634 )	( 50 )	( 166 )
69700	<b>Total comprehensive income (loss)</b>		\$ 51,587,466	67	( \$ 9,549,676 )	( 17 )	( 640 )
	Profit attributable to:						
69901	Owners of parent		\$ 33,246,977	43	\$ 18,334,958	33	81
	Comprehensive income (loss) attributable to:						
69951	Owners of parent		\$ 51,587,466	67	( \$ 9,549,676 )	( 17 )	( 640 )
	Earnings per share						
70000	Basic and diluted earnings per share (in dollars)	6(42)	\$ 2.37		\$ 1.30		

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, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	(Reclassified) 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 37,047,965	\$ 21,144,301
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(39)	1,638,778	1,605,544
Amortization expense	6(39)	756,168	646,129
Bad debts expense, commitment and guarantee liability provision		9,114,960	2,876,572
Interest expense	6(32)	81,506,053	32,253,073
Interest income	6(32)	( 117,567,630)	( 69,936,167)
Dividend income	6(34)(35)	( 3,574,438)	( 4,308,202)
Net change in provisions for insurance liabilities		( 2,339,213)	2,357,830
Share-based payment transaction	6(29)	302,219	-
Share of loss of associates and joint ventures accounted for using equity method	6(10)	78,454	127,282
Gain on disposal of property and equipment	6(37)	( 30,106)	( 834)
Gain on disposal of assets classified as held for sale	6(8)	( 100,888)	-
Impairment loss (reversal of impairment loss) on assets	6(36)	80,538	( 139,865)
Profit reclassified by applying overlay approach		( 1,948)	( 5,502)
Changes in operating assets and liabilities			
Changes in operating assets			
Increase in due from Central Bank and call loans to other banks		( 140,919,312)	78,959,678
Increase in financial assets at fair value through profit or loss		( 23,561,971)	( 2,067,232)
Increase in financial assets at fair value through other comprehensive income		( 13,301,100)	( 14,032,842)
(Increase) decrease in investments in debt instruments measured at amortized cost		( 50,858,808)	82,630,934
Increase in receivables		( 5,075,039)	15,035,229
Increase in discounts and loans		( 60,757,805)	( 44,977,291)
Decrease (increase) in reinsurance contract assets		2,745,371	( 11,602,206)
Decrease (increase) in other financial assets		1,322,194	( 1,574,933)
(Increase) decrease in other assets		( 2,980,952)	1,235,637
Changes in operating liabilities			
Increase in deposits from the Central Bank and banks		216,826,658	12,619,861
Increase in financial liabilities at fair value through profit or loss		4,139,829	2,103,375
Increase in bills and bonds purchased under resale agreements		30,136,252	27,285,891
Increase in payables		17,553,043	( 16,690,288)
Decrease in deposits and remittances		6,451,846	( 112,423,157)
Increase in other financial liabilities		941,644	11,088,919
(Decrease) increase in liabilities reserve		( 2,861,706)	2,928,302
(Decrease) increase in other liabilities		1,413,621	( 7,353,413)
Cash (outflow) inflow generated from operations		( 11,875,323)	9,786,625
Interest received		113,978,441	65,166,608
Cash dividend received		3,647,732	4,480,409
Interest paid		( 76,446,644)	( 29,029,347)
Income tax paid		( 3,757,554)	( 4,435,944)
Net cash flows from operating activities		25,546,652	45,968,351
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investments accounted for using equity method		( \$ 755,563)	\$ -
Proceeds from capital reduction of investments accounted for using equity method		69,844	43,350
Proceeds from disposal of assets classified as held for sale	6(8)	113,268	-
Acquisition of property and equipment	6(15)	( 1,351,894)	( 1,225,806)
Proceeds from disposal of property and equipment		46,331	1,257
Acquisition of intangible assets		( 822,385)	( 1,021,684)
Acquisition of investment properties	6(14)	( 489,109)	( 105,295)
Net cash flows used in investing activities		( 3,189,508)	( 2,308,178)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in due to the Central Bank and banks		( 379,575)	( 24,038,593)
Increase (decrease) in commercial papers payable	6(43)	17,770,000	( 10,264,000)
Proceeds from issuing bonds	6(43)	10,000,000	-
Proceeds from issuing bank notes payable	6(43)	1,500,000	14,000,000
Repayments of bank notes payable	6(43)	( 1,000,000)	-
(Decrease) increase in other borrowings	6(43)	( 5,400,888)	16,088,000
Increase in guarantee deposits received		( 5,340,763)	2,210,151
Proceeds from issuing shares	6(29)	1,391,394	-
Payment of lease liabilities	6(43)	( 695,541)	( 564,246)
Cash dividends paid		( 15,504,538)	( 17,078,169)
Net cash flows from (used in) financing activities		2,340,089	( 19,646,857)
Effect of exchange rate changes		328,062	2,782,483
Net increase in cash and cash equivalents, net		25,025,295	26,795,799
Cash and cash equivalents, net at beginning of year		435,380,396	408,584,597
Cash and cash equivalents, net at end of year		\$ 460,405,691	\$ 435,380,396
The components of cash and cash equivalents			
Cash and cash equivalents reported in the statement of financial position	6(1)	\$ 139,031,498	\$ 88,545,616
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	6(2)	315,929,234	346,216,474
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7		5,444,959	618,306
Cash and cash equivalents at end of reporting period		\$ 460,405,691	\$ 435,380,396

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, 2023 AND 2022  
 (Expressed in thousands of New Taiwan dollars)

	Notes	Capital		
		Common stock	Advance receipts for capital stock	Capital surplus
<b>For the year ended December 31, 2022</b>				
Equity at beginning of year		\$ 135,998,240	\$ -	\$ 68,194,233
Profit		-	-	-
Other comprehensive income (loss)	6(31)	-	-	-
Total comprehensive income (loss)		-	-	-
Earnings distribution for 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		<u>\$ 139,398,196</u>	<u>\$ -</u>	<u>\$ 68,194,233</u>
<b>For the year ended December 31, 2023</b>				
Equity at beginning of year		\$ 139,398,196	\$ -	\$ 68,194,233
Profit		-	-	-
Other comprehensive income (loss)	6(31)	-	-	-
Total comprehensive income (loss)		-	-	-
Earnings distribution for 2022				
Legal reserve	6(30)	-	-	-
Special reserve	6(30)	-	-	-
Cash dividends	6(30)	1,115,186	-	-
Stock dividends	6(30)	-	-	-
Issue of shares	6(29)	-	1,391,394	-
Share-based payments	6(29)	-	-	308,151
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(4)	-	-	-
Equity at end of year		<u>\$ 140,513,382</u>	<u>\$ 1,391,394</u>	<u>\$ 68,502,384</u>

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
\$ 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>	
\$ 45,976,579	\$ 2,538,952	\$ 59,027,089	(\$ 2,366,042)	(\$ 12,943,670)	\$ 1,649	(\$ 17,533)	\$ 299,809,453	
-	-	33,246,977	-	-	-	-	33,246,977	
-	-	( 995,446)	138,417	19,197,030	( 1,948)	2,436	18,340,489	
-	-	32,251,531	138,417	19,197,030	( 1,948)	2,436	51,587,466	
1,693,585	-	( 1,693,585)	-	-	-	-	-	
-	13,625,012	( 13,625,012)	-	-	-	-	-	
-	-	( 17,285,376)	-	-	-	-	( 17,285,376)	
-	-	( 1,115,186)	-	-	-	-	-	
-	-	-	-	-	-	-	1,391,394	
-	-	-	-	-	-	-	308,151	
-	-	867,400	-	( 867,400)	-	-	-	
<u>\$ 47,670,164</u>	<u>\$ 16,163,964</u>	<u>\$ 58,426,861</u>	<u>(\$ 2,227,625)</u>	<u>(\$ 5,385,960)</u>	<u>(\$ 299)</u>	<u>(\$ 15,097)</u>	<u>\$ 335,811,088</u>	

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
 (Expressed in thousands of New Taiwan dollars)

## 1. ORGANIZATION AND OPERATIONS

- (1) CTB Financial Holding Co., Ltd. was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.), and was formed by Chiao Tung Bank Co., Ltd. (“CTB”) and International Securities Co., Ltd. (“IS”) through a share swap on February 4, 2002 pursuant to the Financial Holding Company Act and other related laws. The Company’s shares have been publicly traded on the Taiwan Stock Exchange since February 4, 2002. On August 22, 2002, the Company further acquired Chung Hsing Bills Finance Corporation and Barits Securities Co., Ltd. (“BS”) (which later merged with IS on January 31, 2003, with IS being the surviving entity and was later renamed Barits International Securities Co., Ltd. (“BIS”) as one of the subsidiaries of the Company through a second share swap. On December 31, 2002, the Company also acquired 100% equity stock in both International Commercial Bank of China (“ICBC”), an investee of the Company originally accounted for by the equity method with a 28% equity interest, and Chung Kuo Insurance Co., Ltd. (“CKI”) through a further share swap and changed its name from CTB Financial Holding Co., Ltd. to Mega Financial Holding Co., Ltd. (the “Company”). During the period from 2003 to 2005, the Company had made investments in Mega Asset Management Co., Ltd. (“MAM”), Mega Investment Trust Co., Ltd. (“MITC”), Mega Life Insurance Agency Co., Ltd. (“MLIAC”) and Mega CTB Venture Capital Co., Ltd. (“Mega CTB Venture Capital”). On May 23, 2006, International Investment Trust Co., Ltd. (“IIT”) was acquired by the Company and ICBC through cash injection of capital.
- (2) In order to expand the economic scale of its business operations, two of the Company’s subsidiaries, CTB and ICBC, entered into a merger agreement, effective from August 21, 2006, which is to be implemented by way of “absorption”, with CTB being the dissolving bank and ICBC, later renamed Mega International Commercial Bank Co., Ltd. (“MICB”) being the surviving bank. In addition, IIT and MITC entered into a merger agreement, with MITC as the dissolving company and IIT simultaneously renamed Mega International Investment Trust Co., Ltd., (“MITC”) being the surviving company, effective from September 17, 2007.
- (3) The Company’s subsidiary-MICB merged with the subsidiary-MLIAC due to Group 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 10,015 and 9,786 as of December 31, 2023 and 2022, 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 12, 2024.

## 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”) Accounting Standards 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 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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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.

#### A. Amendments to IAS 12, ‘International tax reform - pillar two model rules’

The amendments give companies temporary relief from accounting for deferred income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). An entity shall neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

### (2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Mega Group



New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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
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 21, 'Lack of exchangeability'	January 1, 2025

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 MATERIAL 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, 2023	December 31, 2022	
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, 2023	December 31, 2022	
MICB	Mega Management Consulting Corporation	100.00	100.00	Investment consulting, corporate management consulting and venture investment management consulting
MICB	Cathay Investment & Warehousing Ltd.	100.00	100.00	Real estate investments
MICB	Ramlett Finance Holdings INC.	100.00	100.00	Real estate investments
MICB	Yung Shing Industries Co.	99.56	99.56	Agency of manpower and printing, packaging service
MICB	China Products Trading Company	68.27	68.27	Investments in products businesses, storage businesses and other businesses
Yung Shing Industries Co.	Win Card Co., Ltd.	100.00	100.00	Corporate management consulting, data processing business, general advertising services, general merchandise, credit card agency services, overdue accounts receivable management 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, the Mega Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The 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 the 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 provision:

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

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

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

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions should be 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 subsidiary, CKI, 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 the subsidiary, CKI, 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 subsidiary, CKI, assesses the agreements under the deposit accounting given that the objective insurance risks of reinsurance agreements are not transferred to the reinsured.

C. The subsidiary, CKI, 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. In Accordance with IFRS 4 and the requirements of the 'Guidelines for Handling

Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises', 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 Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

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.

### (5) Impairment of reinsurance claims and payment receivables and reinsurance transaction receivables

Impairment of reinsurance claims and payment receivables and reinsurance transaction receivables is assessed and recognized based on the aging analysis and objective evidence on overall reinsurance claims and payment receivables and reinsurance transaction receivables in accordance with IFRS4 and taking into consideration the requirements of the 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'. Regarding the reinsurance claims and payment receivables and reinsurance transaction receivables arising from epidemic prevention insurance, the Mega Group is still in negotiation with reinsurers.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents, net

	December 31, 2023	(Reclassified) December 31, 2022	(Reclassified) January 1, 2022
Cash on hand and petty cash	\$ 20,026,820	\$ 19,189,239	\$ 16,008,741
Bank deposits	3,429,057	3,144,525	5,737,514
Cash equivalents	1,719,298	1,117,409	1,132,996
Checks for clearance	273,248	488,564	375,969
Due from banks (note)	113,583,075	64,605,910	76,238,187
Subtotal	139,031,498	88,545,647	99,493,407
Less: Allowance for doubtful accounts—due from banks	-	( 31)	( 12)
Total	\$ 139,031,498	\$ 88,545,616	\$ 99,493,395

Note: As overseas banks and domestic banks have different definitions for the nature of transactions of inter-bank funds transfers, the Mega Group reclassified the relevant transactions and recorded them under a consistent line item. As of December 31, 2022 and January 1 2022, the amounts reclassified from cash and cash equivalents to due from the Central Bank and call loans to banks were \$25,116,690 and \$41,124,913, respectively.

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, 2023	(Reclassified) December 31, 2022	(Reclassified) January 1, 2022
Reserve for deposits—category A	\$ 20,837,559	\$ 2,466,169	\$ 7,975,610
Reserve for deposits—category B	58,401,149	57,475,970	56,709,890
Reserve for deposits—general	291	291	262
Reserve for deposits—foreign currency	859,042	908,399	898,188
Deposits of overseas branches with foreign Central Banks	237,629,748	235,904,064	207,041,474
Interbank settlement fund of Fund Center	16,017,381	16,019,065	19,931,695
Call loans to banks and bank overdrafts (note)	218,669,341	128,854,965	189,056,625
Interbank trade financing	-	153,525	1,053,937
Subtotal	552,414,511	441,782,448	482,667,681
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	\$ 552,414,511	\$ 441,782,413	\$ 482,667,108

Note: Refer to Note 6(1) for details of accounting reclassifications.

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, 2023, December 31, 2022 and January 1 2022, 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 \$315,929,234, \$346,216,474 and \$308,142,032, 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, 2023	December 31, 2022
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
Stocks	\$ 19,332,585	\$ 16,945,689
Commercial papers	134,559,534	118,801,929
Beneficiary certificates	675,656	1,151,802
Negotiable certificates of deposits	10,948,000	10,136,900
Corporate bonds	11,229,525	15,332,252
Government bonds	2,382,921	1,337,751
Financial bonds	6,264,993	3,033,402
Derivative instruments	9,575,491	6,605,779
Other securities	27,256	14,376
Convertible corporate bond	26,851,032	29,107,732
Subtotal	221,846,993	202,467,612
Valuation adjustment	6,616,867	2,434,277
Total	\$ 228,463,860	\$ 204,901,889

A. Gain or loss on financial assets mandatorily measured at fair value through profit or loss for the years ended December 31, 2023 and 2022 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, 2023 and 2022.

C. As of December 31, 2023 and 2022, financial assets at fair value through profit or loss undertaken for repurchase agreements were \$120,122,583 and \$111,137,457, respectively.

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

	December 31, 2023	December 31, 2022
<u>Financial assets mandatorily measured at fair value through profit or loss</u>		
Beneficiary certificates	\$ 65,536	\$ 65,536
Valuation adjustment	( 299)	1,649
<b>Total</b>	<b>\$ 65,237</b>	<b>\$ 67,185</b>

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,	
	2023	2022
Profit or loss recognized in accordance with IFRS 9	\$ 799	(\$ 249,984)
Less: Profit or loss that would have been recognized under IAS 39	2,747	( 244,482)
<b>Profit or loss from adopting reclassification under the overlay approach</b>	<b>(\$ 1,948)</b>	<b>(\$ 5,502)</b>

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

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

	December 31, 2023	December 31, 2022
<b>Debt instruments</b>		
Government bonds	\$ 107,914,074	\$ 114,553,447
Financial bonds	115,668,691	113,321,963
Corporate bonds	222,526,078	203,771,265
Bank's certificates of deposits	11,500,417	13,596,154
Securitized assets	59,819,666	65,302,277
<b>Subtotal</b>	<b>517,428,926</b>	<b>510,545,106</b>
Valuation adjustment	( 19,769,908)	( 25,588,160)
<b>Debt instruments, net</b>	<b>497,659,018</b>	<b>484,956,946</b>
<b>Equity instruments</b>		
Stocks	34,871,897	28,045,096
Beneficiary certificates	302,258	302,258
<b>Subtotal</b>	<b>35,174,155</b>	<b>28,347,354</b>
Valuation adjustment	24,432,336	11,522,290
<b>Equity instruments, net</b>	<b>59,606,491</b>	<b>39,869,644</b>
<b>Total</b>	<b>\$ 557,265,509</b>	<b>\$ 524,826,590</b>

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 were all the carrying amounts of these assets at December 31, 2023 and 2022.

B. The subsidiaries-MICB, 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, for adjusting investment portfolios, and for risk control considerations. The fair value of the equity investments sold amounted to \$9,196,854, \$981,515 and \$6,461,582 and resulted in cumulative gains on disposal amounting to \$247,082, \$515,407 and \$120,781, respectively.

Also, since the investee, Ability I Venture Capital Corporation, negotiated with major shareholders or their designated third parties to buy back the equity held by shareholders in response to shareholders' requests on the return of capital, the subsidiary-MICB disposed all of its shares on May 5, 2023 and recognized a loss on disposal of \$5,531. Furthermore, as the investee, Grand Cathay Venture Capital III Co., Ltd. (Grand Cathay Venture Capital), has completed the dissolution and liquidation processes and distributed residual assets, the subsidiary-MICB recognized a loss on disposal of \$7,648 for the year ended December 31, 2023 after writing off the balance of investment in Grand Cathay Venture Capital. Furthermore, as the investee, Euro Venture Capital Co., Ltd. (Euro Venture Capital), has completed the dissolution and liquidation processes and distributed residual assets, the subsidiary-MICB recognized a loss on disposal of \$4,405 for the year ended December 31, 2023 after writing off the balance of investment in Euro Venture Capital.

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 were \$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 to accelerate the capital recovery, and gains on disposal has been recognized in the amount of \$761. 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.

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,	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 13,775,733)	(\$ 6,167,416)
Cumulative (gain) loss reclassified to retained earnings due to derecognition	\$ 865,686	\$ 3,024,106
Dividend income recognized in profit or loss		
Held at end of year	\$ 2,349,210	\$ 2,470,031
Derecognised during the year	429,369	1,009,935
	\$ 2,778,579	\$ 3,479,966
<u>Debt instruments at fair value through other comprehensive income</u>		
Dividend income recognized in profit or loss	\$ 5,370,175	(\$ 26,847,894)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to (reversal of) impairment recognition	\$ 51,080	(\$ 102,741)
Reclassified due to derecognition	42,991	( 84,029)
	\$ 94,071	(\$ 186,770)
Interest income recognised in profit or loss	\$ 12,130,501	\$ 7,728,565

D. Please refer to Note 12 for details of the aforementioned financial assets pledged as collaterals as of December 31, 2023 and 2022.

E. As of December 31, 2023 and 2022, financial assets at fair value through other comprehensive income undertaken for repurchase agreements were \$161,117,240 and \$135,995,463, respectively.

F. Information relating to the accumulated impairment movements for the years ended December 31, 2023 and 2022 is provided in Note 8(3).

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

H. Shareholders of Core Pacific City Company Limited 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, 2023	December 31, 2022
Central Bank's certificates of deposits	\$ 319,217,884	\$ 341,307,444
Bank's certificates of deposits	7,836,605	5,643,324
Financial bonds	49,220,541	39,408,474
Government bonds	26,344,028	20,085,423
Corporate bonds	11,683,690	8,105,364
Commercial papers	202,126,441	151,020,379
Subtotal	616,429,189	565,570,408
Less: Accumulated impairment	( 72,602)	( 41,801)
Total	\$ 616,356,587	\$ 565,528,607

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

	For the years ended December 31,	
	2023	2022
Interest income	\$ 9,505,164	\$ 4,463,724
(Impairment loss) reversal of impairment loss	( 30,828)	27,123
Loss on disposal	-	( 27,245)
Total	\$ 9,474,336	\$ 4,463,602

B. For the years ended December 31, 2023 and 2022, the Mega Group sold its investments in debt instruments for capital management purpose, resulting to a loss on disposal amounting to \$0 and \$27,245, respectively.

C. Please refer to Note 12 for details of the aforementioned financial assets pledged as collaterals as of December 31, 2023 and 2022.

D. As of December 31, 2023 and 2022, investments in debt instruments at amortized cost undertaken for repurchase agreements were \$447,398 and \$355,068, respectively.

E. Please refer to Note 8(3) for the movement information on accumulated impairment loss for the years ended December 31, 2023 and 2022.

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

(6) Receivables, net

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 10,506,001	\$ 17,976,262
Factoring receivable	11,550,235	15,333,425
Notes receivable	188,720	203,428
Accrued income and interest	15,267,640	11,420,173
Acceptances receivable	3,929,168	5,474,966
Insurance receivable	418,354	565,763
Recovery of accounts receivable	22,020,253	13,164,408
Purchase of obligor receivable for acting as assignee	1,186	39,249
Credit card receivables	39,754	36,724
Receivable accounts for settlement	8,903,214	9,908,440
Net exchange clearing receivable	18,523,221	9,476,440
Other receivables	944,196	5,211
Subtotal	1,364,105	4,203,209
Less: Allowance for bad debts	93,656,047	87,807,698
Less: Allowance for bad debts	( 931,566)	( 1,549,042)
Receivables, net	\$ 92,724,481	\$ 86,258,656

A. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2023 and 2022.

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, 2023	December 31, 2022
Property and equipment	\$ -	\$ 12,380

Note: The aforementioned assets held for sale were sold on March 23, 2023 and June 27, 2023 for the transaction prices, net of necessary transaction costs, of \$22,277 and \$90,991, respectively and gains on disposal of assets held for sale of \$10,117 and \$90,771 were recognized, respectively, recorded under net other revenue other than interest income.

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, 2023	December 31, 2022
Bills and notes discounted	\$ 78,235	\$ 55,235
Overdrafts	931,141	1,595,730
Short-term loans	580,077,018	536,789,033
Medium-term loans	880,959,875	858,820,483
Long-term loans	699,781,895	703,355,213
Import/export bills negotiated	4,458,892	7,258,294
Loans transferred to non-accrual loans	3,231,685	3,389,473
Subtotal	2,169,518,741	2,111,263,461
Less: Allowance for bad debts	( 36,176,730)	( 31,822,169)
Loans, net	\$ 2,133,342,011	\$ 2,079,441,292

A. As of December 31, 2023 and 2022, the amounts reclassified from non-performing loans to overdue loans were \$3,231,685 and \$3,389,473, including interest receivable of \$59,944 and \$33,776, 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 gain (loss) amounted to \$2 and (\$11,622) for the years ended December 31, 2023 and 2022, respectively.

C. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2023 and 2022.

D. The amounts of recovery of write-off for the years ended December 31, 2023 and 2022 were \$811,038 and \$716,039, 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, 2023	December 31, 2022
Claims recoverable from reinsurers	\$ 615,860	\$ 6,680,720
Due from reinsurers and ceding companies	5,168,847	2,837,634
Overdue reinsurance		
-Claims recoverable from reinsurers	42,578	290
-Due from reinsurers and ceding companies	6,114,152	18,841
Less: Allowance for bad debts	( 2,504,894)	( 86,195)
Subtotal	9,436,543	9,451,290
Reinsurance reserve assets		
-Ceded unearned premium reserve	2,247,125	2,042,112
-Ceded claim reserve	2,162,698	4,173,392
-Ceded premium deficiency reserve	-	924,772
-Ceded liability reserve	487	658
Subtotal	4,410,310	7,140,934
Total	\$ 13,846,853	\$ 16,592,224

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

	For the years ended December 31,	
	2023	2022
Balance at the beginning of the period	\$ 86,195	\$ 11,726
Provision for impairment loss	2,418,699	74,493
Foreign currency translation adjustments	-	( 24)
Balance at the end of period	\$ 2,504,894	\$ 86,195

(10) Investments accounted for using equity method

Individually Immaterial Associates	December 31, 2023		December 31, 2022	
	Amount	Percentage of Shareholding	Amount	Percentage of Shareholding
Mega Management Consulting Corporation	\$ 80,634	100.00	\$ 54,835	100.00
Cathay Investment & Warehousing Ltd.	28,461	100.00	29,801	100.00
Ramlett Finance Holdings INC.	-	100.00	-	100.00
Yung Shing Industries Co.	703,556	100.00	704,944	99.56
China Products Trading Company	27,733	99.56	27,819	68.27
Next Commercial Bank Co., LTD. (Note 1)	2,423,420	68.27	1,915,792	25.10
An Feng Enterprise Co., Ltd.	13,911	26.02	13,228	25.00
Taiwan Bills Finance Corporation	1,957,201	25.00	1,601,428	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	53,473	22.22	49,406	22.22
Mega Growth Venture Capital Co., Ltd.	133,528	20.08	205,401	20.08
China Real Estate Management Co., Ltd.	184,127	16.65	188,581	16.65
Universal Venture Capital Investment Corporation	168,707	11.84	147,054	11.84
Total	\$ 5,774,751		\$ 4,938,289	

Note 1: 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)C.

For the years ended December 31, 2023 and 2022, the subsidiary-MICB recognized investment loss amounting to \$251,438 and \$251,809, based on Next bank's unreviewed financial statements. As of December 31, 2023 and 2022, from the acquisition date of investment, the accumulated investment losses recognized were \$843,379 and \$591,941, respectively.

Note 2: The subsidiary's investment in Mega Growth Venture Capital Co., Ltd. has been resolved to reduce capital amounting to \$215,900 and \$347,853 by the Board of Directors on May 31, 2022 and June 8, 2023, which was approved by the FSC on August 26, 2022 and July 26, 2023, respectively, and shareholding ratio remains the same after the capital reduction.

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

	For the years ended December 31,	
	2023	2022
Loss for the period	(\$ 78,454)	(\$ 127,282)
Other comprehensive income (loss) (after income tax)	332,166	( 166,994)
Total comprehensive income (loss)	\$ 253,712	(\$ 294,276)

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 Mega Group's investments accounted for using the equity method as of December 31, 2023 and 2022 have not been pledged or provided as collateral.

# Financial Information

## (11) Other financial assets, net

	December 31, 2023	December 31, 2022
Exchange bills negotiated	\$ 673	\$ 1,011
Purchase of obligor receivable	375	638
Non-accrual loans transferred from accounts other than loans	31,594	29,458
Pledged time deposits	200,100	400,100
Customer margin account	5,695,539	6,917,295
Security lending deposits	-	35,657
Call loan to security brokers	153,455	-
Others	275,845	309,728
Subtotal	6,357,581	7,693,887
Less: Allowance for bad debts-exchange bills negotiated	( 7)	( 10)
Allowance for bad debts-non-accrual loans transferred from accounts other than loans	( 10,042)	( 20,589)
Total	\$ 6,347,532	\$ 7,673,288

A. Please refer to Note 12 for details of the aforementioned financial assets pledged as collaterals as of December 31, 2023 and 2022.

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, 2023		December 31, 2022	
	Carrying amount		Carrying amount	
Land and land improvements	\$	432,253	\$	454,842
Buildings and auxiliary		1,508,394		1,320,832
Equipment		131,908		127,767
Other equipment		52		46
Total	\$	2,072,607	\$	1,903,487

	For the years ended December 31,			
	2023	2022		
	Depreciation expense			
Land and land improvements	\$	25,402	\$	25,239
Buildings and auxiliary		489,707		481,471
Equipment		63,980		61,753
Other equipment		91		105
Total	\$	579,180	\$	568,568

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

	For the years ended December 31,			
	2023	2022		
<u>Items affecting profit or loss</u>				
Interest expense on lease liabilities	\$	26,515	\$	22,713
Expense on short-term lease contracts		16,008		17,838
Expense on leases of low-value assets		6,945		6,438
<u>Other disclosures</u>				
Addition of right-of-use assets	\$	872,983	\$	622,214
Cash outflow for leases		745,009		611,235

## (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, 2023 and 2022, the Mega Group recognized rental income in the amounts of \$157,532 and \$163,714, respectively, based on the operating lease agreement, of which rental income arising from variable lease payments amounted to \$14,637 and \$1,698, respectively.

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

	December 31, 2023		December 31, 2022	
Within 1 year	\$	225,724	\$	232,176
1-2 years		156,484		200,890
2-3 years		122,784		127,572
3-4 years		65,555		97,426
4-5 years		48,939		36,398
After 5 years		87,467		61,478
Total	\$	706,953	\$	755,940

(14) Investment property, net

January 1, 2023	Land and land improvements	Buildings and structures	Total
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>
For the year ended December 31, 2023			
January 1, 2023	\$ 1,298,794	\$ 243,596	\$ 1,542,390
Additions	488,889	220	489,109
Depreciation expense	-	( 7,894)	( 7,894)
Foreign exchange differences	-	6	6
December 31, 2023	<u>\$ 1,787,683</u>	<u>\$ 235,928</u>	<u>\$ 2,023,611</u>
December 31, 2023			
Cost	\$ 1,787,683	\$ 397,870	\$ 2,185,553
Accumulated depreciation	-	( 161,942)	( 161,942)
	<u>\$ 1,787,683</u>	<u>\$ 235,928</u>	<u>\$ 2,023,611</u>

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>

A. The fair values of the investment property held by the Mega Group as of December 31, 2023 and 2022 were \$6,043,537 and \$5,346,748, 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, 2023 and 2022, Level 2 within the fair value hierarchy were \$4,458,282 and \$4,267,882, respectively, and Level 3 within the fair value hierarchy were \$1,585,255 and \$1,078,866, respectively.

# Financial Information

B. Rental income from the lease of the investment property for the years ended December 31, 2023 and 2022 were \$22,370 and \$21,378, respectively; direct operating expenses incident to current rental income from investment property were \$4,471 and \$5,097, respectively.

C. Please refer to Note 12 for details of the aforementioned investment property pledged as collaterals as of December 31, 2023 and 2022.

## (15) Property and equipment, net

	Land and land improvements	Buildings	Equipment	Leasehold improvements	Construction in progress and Prepayments for equipment	Total
January 1, 2023						
Cost	\$ 14,556,967	\$ 13,163,487	\$ 8,048,410	\$ 250,805	\$ 162,677	\$ 36,182,346
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	\$ 162,677	\$ 21,779,506
For the year ended December 31, 2023						
January 1, 2023	\$ 14,466,292	\$ 5,177,612	\$ 1,941,837	\$ 31,088	\$ 162,677	\$ 21,779,506
Additions	14,466,292	66,199	770,529	675	514,491	1,351,894
Disposals	( 3,400)	( 10,883)	( 1,942)	-	-	( 16,225)
Transfers	-	142,792	114,308	-	( 283,866)	( 26,766)
Depreciation expense	-	( 290,189)	( 752,508)	( 9,007)	-	( 1,051,704)
Reversal of impairment (Note)	1,925	3,205	-	-	-	5,130
Foreign exchange differences	1,175	1,202	772	-	( 299)	2,850
December 31, 2023	\$ 14,465,992	\$ 5,089,938	\$ 2,072,996	\$ 22,756	\$ 393,003	\$ 22,044,685
December 31, 2023						
Cost	\$ 14,554,742	\$ 13,263,269	\$ 8,728,308	\$ 251,480	\$ 393,003	\$ 37,190,802
Accumulated depreciation	-	( 8,129,556)	( 6,655,312)	( 228,724)	-	( 15,013,592)
Accumulated impairment	( 88,750)	( 43,775)	-	-	-	( 132,525)
Total	\$ 14,465,992	\$ 5,089,938	\$ 2,072,996	\$ 22,756	\$ 393,003	\$ 22,044,685
January 1, 2022						
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	245,636	1,268,760
Disposals	-	-	( 320)	( 103)	-	( 423)
Transfers	( 114,294)	( 1,811)	36,797	7,665	( 106,623)	( 178,266)
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	-	( 76)	24,849
December 31, 2022	\$ 14,466,292	\$ 5,177,612	\$ 1,941,837	\$ 31,088	\$ 162,677	\$ 21,779,506
December 31, 2022						
Cost	\$ 14,556,967	\$ 13,163,487	\$ 8,048,410	\$ 250,805	\$ 162,677	\$ 36,182,346
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	\$ 162,677	\$ 21,779,506

Note : The amounts of impairment and reversal of property and equipment held by the Mega Group 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, 2023 and 2022.

(16) Other assets, net

	December 31, 2023	December 31, 2022
Prepayments	\$ 436,272	\$ 541,187
Refundable deposits	5,791,800	2,743,791
Guarantee deposits held for operation and funds for security settlements	1,070,272	1,058,649
Temporary payments	1,524,230	1,631,187
Others	140,562	162,265
<b>Total</b>	<b>\$ 8,963,136</b>	<b>\$ 6,137,079</b>

Please refer to Note 12 for details of the aforementioned other assets pledged as collaterals as of December 31, 2023 and 2022.

(17) Deposits from the Central Bank and banks

	December 31, 2023	(Reclassified) December 31, 2022	(Reclassified) January 1, 2022
Call loans from banks (note)	\$ 182,313,981	\$ 180,695,233	\$ 182,306,628
Deposits from Chungghwa Post	99,511,478	20,193	25,674
Overdrafts on banks	304,888	1,806,669	4,475,195
Deposits from the banks (note)	60,560,769	48,450,709	56,407,839
Deposits from the Central Bank	291,407,121	186,298,775	161,436,382
<b>Total</b>	<b>\$ 634,098,237</b>	<b>\$ 417,271,579</b>	<b>\$ 404,651,718</b>

Note : As overseas banks and domestic banks have different definitions for the nature of transactions of inter-bank funds transfers, the Company and subsidiaries reclassified the relevant transactions and recorded them under a consistent line item. As of December 31, 2022, and January 1, 2022, the amounts reclassified from deposits from the Central Bank and banks to due to the Central Bank and banks were \$0 and \$19,601,723, respectively.

(18) Due to the Central Bank and banks

	December 31, 2023	(Reclassified) December 31, 2022	(Reclassified) January 1, 2022
Due to the Central Bank	\$ 2,870,805	\$ 3,219,692	\$ 3,200,153
Other dues to the Central Bank	-	-	17,177,070
Call loan from other banks (note)	-	30,688	6,911,750
<b>Total</b>	<b>\$ 2,870,805</b>	<b>\$ 3,250,380</b>	<b>\$ 27,288,973</b>

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

	December 31, 2023	December 31, 2022
<b>Financial liabilities held for trading</b>		
Derivative instruments	\$ 7,264,296	\$ 4,294,237
Liabilities on sale of borrowed securities	-	26,792
Issuance of call (put) warrants	322,387	111,573
Others	27,184	94,941
<b>Subtotal</b>	<b>7,613,867</b>	<b>4,527,543</b>
<b>Financial liabilities designated at fair value through profit or loss</b>		
Financial bonds	19,875,936	19,101,375
Valuation adjustment	( 1,902,507)	( 2,181,451)
<b>Subtotal</b>	<b>17,973,429</b>	<b>16,919,924</b>
<b>Total</b>	<b>\$ 25,587,296</b>	<b>\$ 21,447,467</b>

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, 2023 and 2022, 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, 2023	December 31, 2022
Short-term bills	\$ 109,354,132	\$ 104,266,716
Bonds	173,124,773	148,075,937
<b>Total</b>	<b>\$ 282,478,905</b>	<b>\$ 252,342,653</b>

# Financial Information

## (21) Commercial papers issued, net

	December 31, 2023	December 31, 2022
Domestic commercial papers	\$ 40,435,000	\$ 22,665,000
Less: Unamortized discount	( 49,207)	( 27,319)
Net	\$ 40,385,793	\$ 22,637,681
Interest rate ranges (%)	0.60%~1.55%	0.59%~1.80%

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

## (22) Payables

	December 31, 2023	December 31, 2022
Notes and accounts payable	\$ 14,559,211	\$ 4,676,528
Settlement amounts payable	18,946,733	9,505,745
Accrued expenses	8,544,853	7,001,155
Interest payable	10,108,648	5,027,351
Dividends payable	33,822,853	32,440,118
Acceptances	4,019,945	5,544,091
Collections for others	1,109,341	1,161,647
Due to reinsurers and ceding companies	1,162,854	1,301,691
Securities financing refundable deposits	1,344,888	2,277,149
Deposits payable for securities financing	1,588,441	2,081,603
Other payables	2,682,459	2,457,970
Total	\$ 97,890,226	\$ 73,475,048

## (23) Deposits and remittances

	December 31, 2023	December 31, 2022
Checking account deposits	\$ 40,364,523	\$ 36,019,573
Demand deposits	765,826,885	835,191,326
Time deposits	1,076,020,368	1,047,337,829
Demand savings deposits	596,792,370	589,548,600
Time savings deposits	367,246,053	329,980,218
Negotiable certificates of deposits	455,100	546,900
Remittances	7,113,094	8,742,101
Total	\$ 2,853,818,393	\$ 2,847,366,547

## (24) Bonds payable

	December 31, 2023	December 31, 2022
Financial bonds	\$ 15,500,000	\$ 15,000,000
Corporate bonds	15,000,000	5,000,000
Total	\$ 30,500,000	\$ 20,000,000

Corporate bonds issued by the Company were as follows:

Name of bond (Note 1)	Issuing period	Interest rate	Total issued amount	December 31, 2023	December 31, 2022
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
112-1 unsecured corporate bonds A	2023.08.24-2026.08.24	1.50%	1,200,000	1,200,000	-
112-1 unsecured corporate bonds B	2023.08.24-2028.08.24	1.60%	6,600,000	6,600,000	-
112-1 unsecured corporate bonds C	2023.08.24-2030.08.24	1.64%	2,200,000	2,200,000	-
Total				\$ 15,000,000	\$ 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, 2023	December 31, 2022
109-1 Development financial bond (Note 3)	2020.03.11-2023.03.11	0.60%	\$ 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	1,500,000
111-4 Development financial bond (Note 4)	2022.10.07-2029.10.07	1.82%	4,700,000	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	1,500,000
111-6 Development financial bond (Note 4)	2022.11.22-2030.11.22	2.18%	3,900,000	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	2,400,000
112-1 Development financial bond (Note 3)	2023.03.21-2028.03.21	1.40%	1,500,000	1,500,000	-
<b>Total</b>				<b>\$ 15,500,000</b>	<b>\$ 15,000,000</b>

(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, 2023	December 31, 2022
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	13,300
111-3 Development financial bond (Note 3) (Note 6)	2022.07.05-2027.07.05	Note 8	6,500	6,500	6,500
<b>Total</b>				<b>\$ 513,800</b>	<b>\$ 513,800</b>

(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, 2023 and 2022, the unpaid balance of financial bonds issued by the subsidiary-MICB amounted to US\$513,800 thousand, and US\$513,800 thousand; and NT\$15.5 billion and NT\$15 billion, respectively. As of December 31, 2023 and 2022, the financial bonds are general bonds of US\$513,800 thousand and 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, 2023		December 31, 2022	
	Balance	Interest rate ranges	Balance	Interest rate ranges
Credit borrowings	\$ 8,021,382	1.52%~6.08%	\$ 13,348,000	1.28%~1.96%
Secured borrowings (Note)	3,925,730	1.75%	4,000,000	1.50%~1.63%
<b>Total</b>	<b>\$ 11,947,112</b>		<b>\$ 17,348,000</b>	

Note: The Company and its subsidiaries pledged its self-used properties and investment properties as collateral for the secured borrowings as of December 31, 2023.

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.

On May 24, 2023, the Board of Directors of the subsidiary-CKI resolved to renew bank loans and other short-term loans with financial institutions, totalling about \$8 billion. The contract has been approved and renewed by financial institutions in August and September 2023, respectively, and the renewal amount was \$7.926 billion.

#### (26) Provisions

	December 31, 2023	December 31, 2022
Insurance liabilities	\$ 10,701,095	\$ 15,646,429
Liabilities reserve for employee benefits	13,386,032	12,301,828
Reserve for guarantee liabilities	4,840,029	4,954,715
Provisions for loan commitments	182,446	131,941
Other provisions	24,021	18,127
<b>Total</b>	<b>\$ 29,133,623</b>	<b>\$ 33,053,040</b>

A. Details of reserves for insurance liabilities as of December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Reserve for unearned premiums	\$ 5,140,036	\$ 4,810,520
Reserve for outstanding losses	4,926,671	8,393,815
Reserve for catastrophic losses	632,978	599,747
Deficiency reserve	760	1,841,464
Liability reserve	650	883
<b>Total</b>	<b>\$ 10,701,095</b>	<b>\$ 15,646,429</b>

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

	For the year ended December 31, 2023		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 4,810,520	\$ 2,042,112	\$ 2,768,408
Provision	5,140,036	2,247,125	2,892,911
Recovery	( 4,810,520)	( 2,042,112)	( 2,768,408)
<b>Balance at the end of the year</b>	<b>\$ 5,140,036</b>	<b>\$ 2,247,125</b>	<b>\$ 2,892,911</b>

	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)
<b>Balance at the end of the year</b>	<b>\$ 4,810,520</b>	<b>\$ 2,042,112</b>	<b>\$ 2,768,408</b>

(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, 2023	December 31, 2022
Claims reported but not paid	\$ 3,401,302	\$ 3,047,459
Claims incurred but not reported	1,525,369	1,140,119
	<b>\$ 4,926,671</b>	<b>\$ 4,187,578</b>

b. Detail of ceded claim reserve:

	December 31, 2023	December 31, 2022
Claims reported but not paid	\$ 1,538,445	\$ 1,706,478
Claims incurred but not reported	624,253	409,933
	<b>\$ 2,162,698</b>	<b>\$ 2,116,411</b>

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

	For the year ended December 31, 2023		
	Total	Ceded	Net
Balance at the beginning of the year	\$ 8,393,815	\$ 4,173,392	\$ 4,220,423
Provision	4,926,671	2,162,698	2,763,973
Recovery	( 8,393,815)	( 4,173,392)	( 4,220,423)
<b>Balance at the end of the year</b>	<b>\$ 4,926,671</b>	<b>\$ 2,162,698</b>	<b>\$ 2,763,973</b>

	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)
<b>Balance at the end of the year</b>	<b>\$ 8,393,815</b>	<b>\$ 4,173,392</b>	<b>\$ 4,220,423</b>

(C) Changes in special reserve are as follows:

	For the year ended December 31, 2023		
	Compulsory insurance	Others	Total
Balance at the beginning of the period	\$ 279,890	\$ 319,857	\$ 599,747
Net change	33,231	-	33,231
Balance at the end of the period	\$ 313,121	\$ 319,857	\$ 632,978

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

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 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 (in dollars) 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, 2023			
	Net income	Earnings per share(Note)	Special reserve	Equity
Applicable amount	(\$ 1,466,874)	(\$ 2.90)	\$ 632,978	\$ 4,543,536
Non-applicable amount	( 1,466,874)	( 2.90)	313,121	4,799,422
Affected amount	\$ -	\$ -	\$ 319,857	(\$ 255,886)

	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)

Note: For the years ended December 31, 2023 and 2022, 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, 2023		
	Total	Ceded	Net
Balance at the beginning of the period	\$ 1,841,464	\$ 924,772	\$ 916,692
Provision	760	-	760
Recovery	(1,841,464)	(924,772)	(916,692)
Balance at the end of the period	\$ 760	\$ -	\$ 760

	For the year ended December 31, 2022		
	Total	Ceded	Net
Balance at the beginning of the period	\$ 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 period	\$ 1,841,464	\$ 924,772	\$ 916,692

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

	For the year ended December 31, 2023		
	Total	Ceded	Net
Balance at the beginning of the period	\$ 883	\$ 658	\$ 225
Provision	650	487	163
Recovery	(883)	(658)	(225)
Balance at the end of the period	\$ 650	\$ 487	\$ 163

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

B. Liabilities reserve for employee benefits are as follows:

	December 31, 2023	December 31, 2022
Recognized in consolidated balance sheet:		
- Defined benefit plans	\$ 7,398,330	\$ 6,360,845
- Employee preferential savings plans	5,987,702	5,940,983
Total	\$ 13,386,032	\$ 12,301,828

(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 10.822% 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, 2023 and 2022 were \$467,802 and \$479,357, respectively.

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 6,615,424	\$ 15,924,318
Fair value of plan assets	(9,233,737)	(9,579,826)
Net defined benefit liability	\$ 7,381,687	\$ 6,344,492

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, 2023			
Balance at January 1	\$ 15,924,318	(\$ 9,579,826)	\$ 8,681,805
Current service cost	365,329	-	440,542
Interest expense (income)	259,881	(157,768)	38,516
	<u>16,549,528</u>	<u>(9,737,594)</u>	<u>9,160,801</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(40,198)	(40,198)
Change in financial assumptions	1,314,530	-	1,314,530
Experience adjustments	(28,441)	(1,584)	(30,025)
	<u>1,286,089</u>	<u>(41,782)</u>	<u>1,244,307</u>
Pension fund contribution	(679)	(595,223)	(595,902)
Paid pension	(1,219,682)	1,140,862	(78,820)
Exchange difference	168	-	168
Balance at December 31	<u>\$ 16,615,424</u>	<u>(\$ 9,233,737)</u>	<u>\$ 7,381,687</u>

	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	(42,345)	38,454
	<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 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>

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, 2023 and 2022 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,	
	2023	2022
Discount rate	1.20%~1.30%	1.15%~1.85%
Future salary increases	1.25%~3.88%	1.25%~3.22%

For the years ended December 31, 2023 and 2022, 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, 2023				
Effect on present value of defined benefit obligation	(\$ 334,051)	\$ 344,806	\$ 333,771	(\$ 325,182)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 319,828)	\$ 330,198	(\$ 322,878)	(\$ 314,408)

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 \$475,264 for defined benefit plan in 2024.

(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,	
	2023	2022
Present value of defined benefit obligations	\$ 5,987,702	\$ 5,940,983
Less: employee preferential savings fair value of plan assets	-	-
	\$ 5,987,702	\$ 5,940,983

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, 2023			
Balance at January 1	\$ 5,940,983	\$ -	\$ 5,940,983
Interest expense	227,197	-	227,197
	6,168,180	-	6,168,180
Remeasurements:			
Change in demographic assumptions	252,325	-	252,325
Experience adjustments	630,305	-	630,305
	882,630	-	882,630
Pension fund contribution	-	( 1,063,108)	( 1,063,108)
Paid pension	( 1,063,108)	1,063,108	-
Balance at December 31	\$ 5,987,702	\$ -	\$ 5,987,702

	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
	<u>6,217,610</u>	<u>-</u>	<u>6,217,610</u>
Remeasurements:			
Change in demographic assumptions	132,731	-	132,731
Experience adjustments	644,960	-	644,960
	<u>777,691</u>	<u>-</u>	<u>777,691</u>
Pension fund contribution	-	( 1,054,318)	( 1,054,318)
Paid pension	( 1,054,318)	1,054,318	-
Balance at December 31	<u>\$ 5,940,983</u>	<u>\$ -</u>	<u>\$ 5,940,983</u>

c. Actuarial assumptions are as follows:

	2023	2022
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, 2023				
Effect on present value of defined benefit obligation	<u>(\$ 125,660)</u>	<u>\$ 130,571</u>	<u>(\$ 29,873)</u>	<u>\$ 29,873</u>
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>

Subsidiary-MICB recognized employee benefit expenses of \$1,438,564 and \$1,317,376 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 were \$317,058 and \$303,767, respectively.

Pursuant to relevant government regulations in the country where the entity operates, local staff of MICB's overseas subsidiaries, recognized pension expenses of \$34,937 and \$29,385 applying defined contribution plans for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

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, 2023	December 31, 2022
Principal received on structured instruments	\$ 17,800,997	\$ 16,323,624
Appropriated loan fund	1,003,067	312,226
Futures traders' equity	5,674,377	6,906,433
Equity for each customer in the account	5,486	-
Total	<u>\$ 24,483,927</u>	<u>\$ 23,542,283</u>

## (28) Other liabilities

	December 31, 2023	December 31, 2022
Deposits received	\$ 3,684,103	\$ 9,024,866
Advance receipt	1,880,602	1,933,831
Receipts under custody from customers' security subscription	183,107	441,762
Other liabilities to be settled	468,889	447,480
Temporary receipts and suspense accounts	3,495,120	1,862,038
Others	613,387	543,916
<b>Total</b>	<b>\$ 10,325,208</b>	<b>\$ 14,253,893</b>

## (29) Equity

### A. Common stock

As of December 31, 2023, the Company's authorized capital was \$220,000,000. The Company's issued capital was \$140,513,382, consisting of 14,051,338 thousand shares, with a par value of \$10 dollars per share.

The Company decided to increase capital from retained earnings amounted to \$1,115,186 through issuing 111,519 thousand new shares, with a par value of \$10 dollars per share, as resolved by the Board of Directors on April 17, 2023 and by the shareholders' meeting on June 16, 2023. The capital increase has been approved by the FSC. The effective date of the capital increase is August 18, 2023. After the capital increased, the Company's authorized capital and issued capital were \$220,000,000 and \$140,513,382, respectively, with outstanding of 14,051,338 thousand shares, at par value of \$10 dollars per share.

The Company decided to increase capital from retained earnings amounted to \$3,399,956 through issuing 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. The capital increase has been approved by the FSC. The effective date of the capital increase is August 19, 2022. After the capital increased, the Company's authorized capital and issued capital were \$220,000,000 and \$139,398,196, respectively, with outstanding of 13,939,820 thousand shares, at par value of \$10 dollars per share.

On October 24, 2023, the Company's Board of Directors resolved to increase capital by issuing 350,000 thousand ordinary shares with par value of \$10 (in dollars), totaling \$3,500,000, which is used for recapitalizing in the subsidiary-CKI, repayment of debt, boosting the company's working capital and strengthening financial structure. The cash capital increase was approved under the Financial-Supervisory-Securities-Corporate letter No.1120360388 dated November 22, 2023, and the subscription price was \$33 dollars per share. As of December 31, 2023, proceeds from capital increase amounting to \$1,391,394 have been collected, and the record date was set on January 26, 2024. Please refer to Note 15 for details.

### B. Capital surplus

(A) The sources and details of capital surplus of the Company are as follows:

	December 31, 2023	December 31, 2022
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)	917,670	609,519
	<b>\$ 68,502,384</b>	<b>\$ 68,194,233</b>

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

(B) As of December 31, 2023, 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) Share-based payments.

For the year ended December 31, 2023, in accordance with Company Act Article 267, paragraph 1, the Company increased capital by issuing new shares and reserved 15% of the total number of issued shares for employee preemption of the Company and its subsidiaries.

a. As of December 31, 2023, the share-based payment transactions of the Company and its subsidiaries were as follows:

Type of arrangement	Grant date	Quantity granted (in thousand shares)	Vesting conditions
Cash capital increase reserved for employee	December 4, 2023	52,500	Vested immediately

b. Capital surplus arising from share-based payment transactions amounted to \$308,151.

### 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 and may distribute special dividends. In principle, 30% ~ 100% of the total amount of the remaining earnings plus prior year's unappropriated earnings may be appropriated as dividends. The Board of Directors may present a proposal of earnings distribution based on the principle and submit it to the shareholders' meeting for resolution of distribution. 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. However, the distribution ratio between cash dividends and stock dividends may be adjusted by the resolution of the shareholders' meeting.

B. The Company's earning distributions for 2022 and 2021 were resolved at the Board meetings on April 17, 2023 and April 26, 2022, respectively, and were approved by the stockholders at the stockholders' meeting dated June 16, 2023 and June 17, 2022. Details of the earnings appropriation for 2022 and 2021 are set forth below:

	2022 earnings		2021 earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 1,693,585		\$ 2,632,645	
Special reserve	13,625,012		-	
Cash dividends	17,285,376	\$ 1.24	19,039,754	\$ 1.40
Stock dividends	1,115,186	0.08	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, 2023	(\$ 2,366,042)	(\$ 12,943,670)	\$ 1,649	(\$ 17,533)	(\$15,325,596)
Financial assets at fair value through other comprehensive income					
Evaluation adjustment in the period	-	19,145,908	-	-	19,145,908
Changes in accumulated impairments in the period	-	51,080	-	-	51,080
Realized gain and loss in the period	-	( 824,409)	-	-	( 824,409)
Translation gain and loss on the financial statements of foreign operating entities in the period	129,882	-	-	-	129,882
Share of the other comprehensive income of associates and joint ventures accounted for using equity method in the period	8,535	321,195	-	2,436	332,166
Other comprehensive income on reclassification using overlay approach	-	-	( 1,948)	-	( 1,948)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	( 364,144)	-	-	( 364,144)
At December 31, 2023	(\$ 2,227,625)	\$ 5,385,960	(\$ 299)	(\$ 15,097)	\$ 3,142,939

# Financial Information

	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)

## (32) Net interest revenue

	For the years ended December 31,	
	2023	2022
<u>Interest income</u>		
Interest income of loans discounted	\$ 69,411,107	\$ 46,081,160
Interest income of deposits and call loans from the other banks	24,245,416	9,963,634
Interest income of securities investment	21,725,703	12,232,714
Interest income of securities purchased under resell agreements	36,113	19,847
Credit card interest income	293,201	252,878
Financing interest income	766,561	779,273
Interest income of accounts receivable	432,878	268,783
Other interest income	656,651	337,878
Subtotal	117,567,630	69,936,167
<u>Interest expense</u>		
Interest expense of deposits	( 50,164,848)	( 19,897,447)
Interest expense of interbank overdraft and call loans	( 24,858,935)	( 9,495,868)
Interest expense of issuance of securities	( 862,697)	( 311,317)
Interest expense of bonds payable under repurchase agreements	( 4,360,798)	( 2,034,200)
Other interest expense	( 1,258,775)	( 514,241)
Subtotal	( 81,506,053)	( 32,253,073)
Total	\$ 36,061,577	\$ 37,683,094

## (33) Net service fee revenue and commissions

	For the years ended December 31,	
	2023	2022
<u>Service fee income and commission income</u>		
Service fee income from export and import business	\$ 467,136	\$ 488,623
T/T service fee income	575,407	598,035
Loans service fee income	1,470,284	1,545,401
Guarantee service fee income	1,623,107	1,623,698
Brokerage fee income	3,495,157	3,136,974
Service fee income of trust and ancillary business	2,630,729	2,243,447
Agency service fee income	1,349,875	937,282
Credit card processing fee income	860,898	701,065
Reinsurance commission income	730,279	750,993
Underwriting fee income	679,345	670,843
Other service fee income (Note)	997,364	931,218
Subtotal	14,879,581	13,627,579

<u>Service fee expense and commission expense</u>		
Insurance commission expense	( 1,311,807)	( 1,350,066)
Agency service fee expense	( 1,122,956)	( 879,020)
Brokerage handling fee expense	( 305,417)	( 461,025)
Interbank transaction fee expenditure	( 280,615)	( 241,876)
Custodial fees expenditure	( 102,233)	( 88,274)
Other commission expense	( 12,403)	( 19,965)
Other service fee expense	( 380,408)	( 369,596)
Subtotal	( 3,515,839)	( 3,131,888)
Total	\$ 11,363,742	\$ 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.

Note 1: Since the subsidiary-MICB is concurrently engaged in the electronic payment businesses, the subsidiary's service fee income collected from the businesses amounted to \$257 and \$317 for the years ended December 31, 2023 and 2022, respectively.

Note 2: 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' both amounted to \$0 (in dollars) for the years ended December 31, 2023 and 2022.

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

	For the years ended December 31,	
	2023	2022
<u>Gain and loss from disposal of financial assets and liabilities at fair value through profit or loss</u>		
Short-term notes and bills	\$ 488,435	\$ 446,767
Bonds	147,756	41,494
Stocks	1,028,660	( 743,895)
Derivative instruments	15,584,322	3,729,674
Negotiable certificates of deposits	13,439	3,019
Beneficiary certificates	47,606	( 302,889)
Warrant	228,742	( 59,455)
Others	( 10,803)	3,174
Subtotal	17,528,157	3,117,889
<u>Valuation gains and losses on financial assets and liabilities at fair value through profit or loss</u>		
Short-term notes and bills	53,762	( 56,036)
Bonds	1,918,466	523,885
Stocks	1,999,302	( 698,821)
Derivative instruments	( 123,722)	838,106
Negotiable certificates of deposits	( 1,062)	368
Beneficiary certificates	13,367	2,163
Warrant	( 392,953)	210,191
Others	( 4,122)	18,564
Subtotal	3,463,038	838,420
Interest income on financial assets at fair value through profit or loss	3,095,881	2,081,057
Interest expense on financial liabilities at fair value through profit or loss	( 812,548)	( 744,435)
Dividend and bonus from financial assets at fair value through profit or loss	795,859	828,236
Total	\$ 24,070,387	\$ 6,121,167

#### (35) Realized gains or losses on financial assets at fair value through other comprehensive income

	For the years ended December 31,	
	2023	2022
Dividend income	\$ 2,778,579	\$ 3,479,966
(Loss) gain on disposal of bonds	( 42,991)	84,029
	\$ 2,735,588	\$ 3,563,995

# Financial Information

## (36) (Impairment loss) reversal of impairment loss on assets

	For the years ended December 31,	
	2023	2022
(Impairment loss) reversal of impairment loss on debt instrument at fair value through other comprehensive income	(\$ 51,080)	\$ 102,741
(Impairment loss) reversal of impairment loss on investments in debt instruments at amortized cost	( 30,828)	27,123
(Impairment loss) reversal of impairment loss on other financial assets	( 3,760)	2,748
Reversal of impairment loss on property and equipment	5,130	7,253
Total	(\$ 80,538)	\$ 139,865

## (37) Net other revenue other than interest income

	For the years ended December 31,	
	2023	2022
Rent income	\$ 157,532	\$ 163,714
Advisory income	750,344	808,013
Gain on disposal of property and equipment	130,994	834
Gain on sales of nonperforming loans	143,180	220,207
Others	158,590	174,304
Total	\$ 1,340,640	\$ 1,367,072

## (38) Employee benefit expenses

	For the years ended December 31,	
	2023	2022
Wages and salaries	\$ 16,731,320	\$ 15,106,522
Labor and health insurance fees	1,163,418	1,078,763
Pension costs	2,258,361	2,129,885
Other employee benefits expenses	1,634,189	1,271,654
Total	\$ 21,787,288	\$ 19,586,824

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year (being the profit before tax and before distribution of employees' compensation and directors' remuneration), after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be between 0.02% and 0.15% for employees' compensation and shall not be higher than 0.5% for directors' remuneration.

B. For the years ended December 31, 2023 and 2022, employees' compensation were accrued at \$24,457 and \$13,905, respectively; directors' remuneration were accrued at \$166,717 and \$91,384, respectively. The aforementioned amounts were recognized in wages and salaries.

The actual distributed amount of employees' and directors' remuneration for 2022 resolved at the Board of Directors' annual meeting were \$13,406 and \$91,385, respectively. Compared to the 2022 consolidated financial statements, there was a decrease of \$499 and an increase of \$1, 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 2023.

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,	
	2023	2022
Depreciation expense	\$ 1,638,778	\$ 1,605,544
Amortisation expense	756,168	646,129
Total	\$ 2,394,946	\$ 2,251,673

## (40) Other general and administrative expenses

	For the years ended December 31,	
	2023	2022
Information technology expense	\$ 1,270,065	\$ 1,106,686
Tax and official fee	3,656,831	2,749,348
Donations	124,333	113,612
Insurance charges	525,793	483,883
Office supplies and printing expenses	2,063,088	1,809,261
Professional expenses	605,180	595,638
Other operating expenses	1,070,684	974,025
Total	\$ 9,315,974	\$ 7,832,453

**(41) Income tax expense****A. Income tax expense****(A) Components of income tax expense:**

	For the years ended December 31,	
	2023	2022
Current tax		
Current tax on profits for the year	\$ 4,538,300	\$ 4,066,752
Adjustment for prior years	( 691,822)	( 1,237,521)
Additional tax on undistributed earnings	6,128	62,705
Total current tax	3,852,606	2,891,936
Deferred income tax:		
Origination and reversal of temporary differences	( 51,618)	( 82,593)
Total deferred income tax	( 51,618)	( 82,593)
Income tax expense	\$ 3,800,988	\$ 2,809,343

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

	For the years ended December 31,	
	2023	2022
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 364,144)	\$ 973,456
Remeasurement of defined benefit plans	248,861	( 406,699)
	(\$ 115,283)	\$ 566,757

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

	For the years ended December 31,	
	2023	2022
Income tax from pre-tax income calculated at statutory tax rate	\$ 8,348,398	\$ 4,228,860
Effects of items not recognized under relevant regulations	( 221,806)	157,433
Additional tax on undistributed earnings	6,128	62,705
Effect of alternative minimum tax	-	2,501
Income tax of adjustments for over provisions of prior years' income tax	( 691,822)	( 1,237,521)
Effects of income tax exemption and adjustment of other income	( 3,639,910)	( 404,635)
Income tax expense	\$ 3,800,988	\$ 2,809,343

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

	For the year ended December 31, 2023			
	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	\$ 2,324,132	\$ 419,154	\$ -	\$ 2,743,286
Reserve for guarantee liabilities in excess of limit	286,620	-	-	286,620
Unpaid liabilities reserve for employee benefits	2,483,938	( 24,162)	248,704	2,708,480
Unrealized loss on impairment	905,035	13,307	-	918,342
Unrealized valuation loss on foreign bond	768,187	-	( 364,144)	404,043
Others	231,555	( 69,406)	-	162,149
	<u>\$ 6,999,467</u>	<u>\$ 338,893</u>	<u>(\$ 115,440)</u>	<u>\$ 7,222,920</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 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, 2023			
	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	( 297,917)	( 4,032)	-	( 301,949)
Share of profit of associates and joint ventures accounted for under equity method	( 1,007,291)	25,055	-	( 982,236)
Others	( 122,061)	( 308,298)	157	( 430,202)
	<u>(\$ 2,480,569)</u>	<u>(\$ 287,275)</u>	<u>\$ 157</u>	<u>(\$ 2,767,687)</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>

#### D. Assessment of income tax returns

The profit-seeking enterprise income tax return of the Company and 7 subsidiaries through 2018 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 2018 is under reinvestigation.

(B) MITC: The income tax return of 2016 is under administrative appeal.

E. MICB's overseas branches are within the scope of the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD). Since Pillar Two legislation was enacted in the U.K., Japan, Vietnam, French and the Netherlands, the jurisdiction in which certain overseas branches are incorporated, and will come into effect from January 1, 2024, the Group has no related current tax exposure as of December 31, 2023.

F. MICB has applied Amendments to IAS 12, 'Income taxes', issued on May 23, 2023 and applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes

#### (42) Earnings per share

Basic and diluted earnings per share

	For the years ended December 31,	
	2023	2022
Profit attributable to ordinary stockholders of the Company	\$ 33,246,977	\$ 18,334,958
Weighted-average number of shares outstanding (In thousands of shares)	14,051,338	14,051,338
Basic and diluted earnings per share (In dollars)	\$ 2.37	\$ 1.30

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, 2023. Basic and diluted earnings per share before the adjustment was \$1.32 (in dollars) for the year ended December 31, 2022.

#### (43) Changes in liabilities from financing activities

	Commercial paper issued	Bonds payable	Other borrowings	Lease Liabilities
January 1, 2023	\$ 22,637,681	\$ 20,000,000	\$ 17,348,000	\$ 1,903,356
Changes in cash flows from financing activities	17,770,000	10,500,000	( 5,400,888)	( 568,844)
Changes in discounts	( 21,888)	-	-	-
Additions to leases	-	-	-	622,214
December 31, 2023	<u>\$ 40,385,793</u>	<u>\$ 30,500,000</u>	<u>\$ 11,947,112</u>	<u>\$ 1,956,726</u>



	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	\$ 22,637,681	\$ 20,000,000	\$ 17,348,000	\$ 1,956,726

## 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, 2023	
	Carrying amount	Fair Value
Investments in debt instruments at amortized cost	\$ 87,235,727	\$ 85,762,676

	December 31, 2022	
	Carrying amount	Fair Value
Investments in debt instruments at amortized cost	\$ 67,586,402	\$ 65,454,665

For the above-mentioned investments in debt instruments at amortized cost is 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, 2023			
	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	\$ 24,843,100	\$ 11,809,144	\$ 5,704,104	\$ 7,329,852
Investment in bonds	47,801,030	5,341,082	42,459,948	-
Investment in bills	145,539,868	-	145,539,868	-
Others	704,371	704,371	-	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	59,302,680	38,619,395	1,565,656	19,117,629
Investment in bonds	486,155,623	44,068,527	442,087,096	-
Investment in bills	11,503,394	3,372,575	8,130,819	-
Beneficiary certificates	303,812	303,812	-	-
<u>Liabilities</u>				
Financial liabilities held for trading	349,571	325,222	24,349	-
Financial liabilities designated as at fair value through profit or loss	17,973,429	-	17,973,429	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets mandatorily measured at fair value through profit or loss	9,575,491	503,897	9,071,555	39
<u>Liabilities</u>				
Financial liabilities held for trading	7,264,296	2	7,263,885	409

Recurring fair value measurements	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<b>Non-derivative financial instruments</b>				
<b>Assets</b>				
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	-
Beneficiary certificates	312,880	312,880	-	-
<b>Liabilities</b>				
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	-
<b>Derivative financial instruments</b>				
<b>Assets</b>				
Financial assets mandatorily measured at fair value through profit or loss	6,605,779	340,475	6,265,178	126
<b>Liabilities</b>				
Financial liabilities held for trading	4,294,237	-	4,293,522	715

C. The transfer between Level 1 and Level 2.

On December 31, 2023, the Company and subsidiaries has no 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.

The reasons of the Mega Group's 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, 2023

Item	January 1, 2023	Valuation gain or loss		Addition		Reduction		December 31, 2023
		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	
<b>Non-derivative financial instruments</b>								
Financial assets at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	\$ 7,241,937	\$ 345,916	\$ -	\$ -	\$ 203,488	(\$ 117,299)	(\$ 344,190)	\$ 7,329,852
Financial assets at fair value through other comprehensive income	18,638,499	-	740,048	-	789,471	( 43,693)	(1,006,696)	19,117,629
<b>Derivative financial instruments</b>								
Financial assets mandatorily measured at fair value through profit or loss	126	( 82)	-	314	-	( 319)	-	39
<b>Total</b>	<b>\$ 25,880,562</b>	<b>\$ 345,834</b>	<b>\$ 740,048</b>	<b>\$ 314</b>	<b>\$ 992,959</b>	<b>(\$ 161,311)</b>	<b>(\$ 1,350,886)</b>	<b>\$26,447,520</b>



The Company and subsidiaries held unlisted stocks in the amount of \$992,959, and the fair value of the unlisted stocks was determined based on market approach, therefore, those unlisted stocks were transferred from Level 2 to Level 3.

The Company and subsidiaries held unlisted stocks in the amount of \$1,350,886, 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, 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	
<b>Non-derivative financial instruments</b>								
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
<b>Derivative financial instruments</b>								
Financial assets mandatorily measured at fair value through profit or loss	28	139	-	429	-	( 470)	-	126
<b>Total</b>	<b>\$ 26,641,535</b>	<b>\$ 307,758</b>	<b>(\$ 1,650,511)</b>	<b>\$ 68,310</b>	<b>\$ 703,317</b>	<b>(\$ 112,233)</b>	<b>(\$ 77,614)</b>	<b>\$ 25,880,562</b>

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.

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. The net gains belonging to assets as of December 31, 2023 and 2022 were \$271,568 and \$279,091, respectively.

In relation to the above, valuation gains and losses are recognized in other comprehensive income. The net gains (losses) belonging to assets as of December 31, 2023 and 2022 were \$726,859 and (\$1,573,617), respectively.

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

For the year ended December 31, 2023

Item	January 1, 2023	Valuation gain or loss		Addition		Reduction		December 31, 2023
		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	
<b>Liabilities</b>								
<b>Derivative</b>								
Financial liabilities at fair value through profit or loss	\$ 715	(\$ 59)	\$ -	\$ 4,197	\$ -	(\$ 4,444)	\$ -	\$ 409

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	
<b>Liabilities</b>								
<b>Derivative</b>								
Financial liabilities at fair value through profit or loss	\$ 325	\$ 14	\$ -	\$ 6,033	\$ -	(\$ 5,657)	\$ -	\$ 715

In relation to the above, valuation gains and losses are recognised in gain and loss in the period. The net gains (losses) belonging to liabilities as of December 31, 2023 and 2022 were \$88 and (\$146), respectively.

(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, 2023	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	\$ 732,985	(\$ 732,985)	\$ -	\$ -
Derivative financial instruments	2	( 2)	-	-
Financial assets at fair value through other comprehensive income				
Investment in stocks	-	-	1,911,763	(\$ 1,911,763)

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)

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, 2023	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
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					
Investment in stocks	\$ 6,287,121	Market approach	Lack of liquidity discount	10%~50%	The higher the liquidity discount, the lower the fair value.
			Price-book value ratio multiple	0.99~5.45	The higher the price-book value ratio multiple, the higher the fair value.
	1,042,731	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Investment in stocks	16,776,149	Market approach	Lack of liquidity discount	10%~30%	The higher the liquidity discount, the lower the fair value.
			Price-book value ratio multiple	0.94~3.71	The higher the price-book value ratio multiple, the higher the fair value.
	2,341,480	Net asset approach	N/A	N/A	N/A
Derivative financial assets					
Structured products	39	Option Pricing Model	Price volatility	25%~27%	The higher the price volatility, the higher the fair value.
Derivative financial liabilities					
Structured products	409	Option Pricing Model	Price volatility	20%	The higher the price volatility, the lower the fair value.

December 31, 2022	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
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					
Investment in stocks	\$ 5,517,399	Market approach	Lack of liquidity discount	10%~50%	The higher the liquidity discount , the lower the fair value.
			Price-book value ratio multiple	0.85~9.49	The higher the price-book value ratio multiple, the higher the fair value.
	1,724,538	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Investment in stocks	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	Option Pricing Model	Price volatility	35%~45%	The higher the price volatility, the higher the fair value.
Derivative financial liabilities					
Structured products	715	Option Pricing Model	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 the 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 Company 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 increasing 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.

Procedures and methods used in credit risk management for the core businesses are as follows:



**(A) Credit extensions**

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

**a. 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.

**b. 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 counterparties, generally referencing external rating agencies, assets and scale of equity of the counterparties, and the credit rating of the counterparties' country of origin in order to set different transaction limits, as well as periodically examining the ratings and changes in stock prices of the counterparties in order to monitor the risks of counterparties.

**(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 counterparties 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: low credit risk (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 12-month 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**

The 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 than 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. CDS Spread

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

The 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: the 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

The 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, the subsidiary, MICB, considers forward-looking information by assessing corporate and individual customers sequentially, referring to academic literatures across the countries and employing statistical methods to screen relevant macro-economic factors (including economic growth rate, unemployment rate, consumer price index, interest rate, exchange rate and real estate price index) in order to assess the effects on each rating level while the macro-economic changes, and use it to be the forward-looking information adjustment of future PD. In addition, the 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, the 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.

## 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

To 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 Company 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, 2023

	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	\$ 969,590,605	\$ 234,375	\$ -	\$ -	\$ 969,824,980
- good	615,793,455	50,588,654	-	-	666,382,109
- acceptable	288,405,591	24,942,379	-	-	313,347,970
- weak	101,120,868	11,966,755	8,027,946	-	121,115,569
No rating	90,882,787	1,558,679	6,406,647	-	98,848,113
Total carrying amount	2,065,793,306	89,290,842	14,434,593	-	2,169,518,741
Allowance for bad debt	( 2,486,363)	( 511,943)	(4,431,667)	-	( 7,429,973)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	( 28,746,757)	( 28,746,757)
Total	\$ 2,063,306,943	\$ 88,778,899	\$ 10,002,926	(\$ 28,746,757)	\$ 2,133,342,011

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

# Financial Information

## b. Receivables, net

December 31, 2023

	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	\$ 24,459,951	\$ 14,924	\$ -	\$ -	\$ 24,474,875
- good	5,234,427	360,436	-	-	5,594,863
- acceptable	3,445,013	455,763	-	-	3,900,776
- weak	312,526	106,740	131,566	-	550,832
No rating	58,557,946	10,126	566,629	-	59,134,701
Total carrying amount	92,009,863	947,989	698,195	-	93,656,047
Allowance for bad debt	( 423,729)	( 3,531)	( 271,378)	-	( 698,638)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	( 232,928)	( 232,928)
Total	\$ 91,586,134	\$ 944,458	\$ 426,817	(\$ 232,928)	\$ 92,724,481

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)	( 753,646)	-	( 1,277,421)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	( 271,621)	( 271,621)
Total	\$ 85,234,053	\$ 1,084,105	\$ 212,119	(\$ 271,621)	\$ 86,258,656



c. Debt instruments

December 31, 2023

	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	\$ 1,105,126,722	\$ 2,953,877	\$ -	\$ 1,108,080,599
- good	4,571,269	-	-	4,571,269
- acceptable	-	-	-	-
- weak	1,282,884	-	-	1,282,884
No rating	153,455	-	-	153,455
Total carrying amount	1,111,134,330	2,953,877	-	1,114,088,207
Allowance for bad debt	( 63,387)	( 9,215)	-	( 72,602)
other equity	( 152,831)	( 47,697)	-	( 200,528)
Total	\$ 1,110,918,112	\$ 2,896,965	\$ -	\$ 1,113,815,077

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

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

December 31, 2023

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	\$ 279,949,521	\$ -	\$ -	\$ -	\$ 279,949,521
- good	192,126,013	16,331,373	-	-	208,457,386
- acceptable	108,652,393	16,729,192	-	-	125,381,585
- weak	22,190,653	3,580,301	-	-	25,770,954
No rating	61,523,308	116,919	23,912	-	61,664,139
Exposure at default	664,441,888	36,757,785	23,912	-	701,223,585
Provisions for liabilities and loan commitments	( 365,269)	( 216,294)	( 8,138)	-	( 589,701)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	( 4,432,777)	( 4,432,774)
Total	\$ 664,076,619	\$ 36,541,491	\$ 15,774	( \$ 4,432,777)	\$ 696,201,110

# Financial Information

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
<b>Credit ratings</b>					
- 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)
<b>Total</b>	<b>\$ 620,678,781</b>	<b>\$ 6,825,217</b>	<b>\$ 16,759</b>	<b>(\$ 4,610,507)</b>	<b>\$ 622,910,250</b>

(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, 2023	Collateral	Guarantee	Total
<b>On-Balance-Sheet Items</b>			
Loans discounted	\$ 1,313,649,362	\$ 73,265,942	\$ 1,386,915,304
<b>Off-Balance-Sheet Items</b>			
Irrevocable loan commitments	49,754,702	110,205	49,864,907
Guarantees	150,553,716	1,914,952	152,468,668
Letters of credit	9,033,756	329,823	9,363,579

December 31, 2022	Collateral	Guarantee	Total
<b>On-Balance-Sheet Items</b>			
Loans discounted	\$ 1,334,081,569	\$ 64,786,057	\$ 1,398,867,626
<b>Off-Balance-Sheet Items</b>			
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

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, 2023	Total carrying amount	Allowance for impairment	Total risk exposure	exposure Fair value of Collateral / Guarantee
Receivables				
- Credit card business	\$ 100,514	\$ 74,415	\$ 26,099	\$ -
- Other	597,681	198,953	398,728	347,602
Loan discounted	14,434,593	4,747,543	9,687,050	6,827,013
Reinsurance contract assets	7,358,239	2,504,894	4,853,345	-
Other financial assets	31,594	10,042	21,552	-
Impaired financial assets on balance sheet	<u>\$ 22,522,621</u>	<u>\$ 7,535,847</u>	<u>\$ 14,986,774</u>	<u>\$ 7,174,615</u>
Irrevocable loan commitments	\$ -	\$ -	\$ -	\$ -
All types of guarantees	23,912	23,912	-	-
Letters of credit	-	-	-	-
Impaired financial assets off balance sheet	<u>\$ 23,912</u>	<u>\$ 23,912</u>	<u>\$ -</u>	<u>\$ -</u>

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	<u>\$ 12,127,266</u>	<u>\$ 3,970,243</u>	<u>\$ 8,157,023</u>	<u>\$ 6,348,300</u>
Irrevocable loan commitments	\$ -	\$ -	\$ -	\$ -
All types of guarantees	25,448	24,680	768	53
Letters of credit	-	-	-	-
Impaired financial assets off balance sheet	<u>\$ 25,448</u>	<u>\$ 24,680</u>	<u>\$ 768</u>	<u>\$ 53</u>

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, 2023 and 2022, is shown below:

For the year ended December 31, 2023

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 period	\$ 2,453,004	\$ 429,852	\$ 2,778,502	\$ 5,661,358	\$ 26,160,811	\$ 31,822,169
Changes from financial instruments recognised at the beginning of the year:						
- Transferred to lifetime expected credit losses	( 44,078)	44,543	( 465)	-	-	-
- Transferred to credit impaired financial asset	( 18,841)	( 38,502)	57,343	-	-	-

# Financial Information

- Transferred to 12-month expected credit losses	31,318	( 30,962)	( 356)	-	-	-
- Derecognised financial assets	( 1,125,200)	( 104,995)	( 55,498)	( 1,285,693)	-	( 1,285,693)
- Additional provision and reversal	27,704	121,947	4,116,014	4,265,665	-	4,265,665
Originated or purchased new financial assets	1,150,962	110,363	23,347	1,284,672	-	1,284,672
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	2,585,946	1,586,856
Write-off of uncollectible amount	-	-	(3,257,891)	( 3,257,891)	-	( 3,257,891)
Foreign exchange and other changes	11,494	( 20,303)	770,671	761,862	-	761,862
Balance at the end of the period	<u>\$ 2,486,363</u>	<u>\$ 511,943</u>	<u>\$ 4,431,667</u>	<u>\$ 7,429,973</u>	<u>\$ 28,746,757</u>	<u>\$ 36,176,730</u>

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 period	\$ 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 period:						
- Transferred to lifetime expected credit losses	( 13,488)	37,908	( 24,420)	-	-	-
- Transferred to credit impaired financial asset	( 13,817)	( 13,611)	27,428	-	-	-
- 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 period	<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>



(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, 2023 and 2022, is shown below:

For the year ended December 31, 2023

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 period	\$ 478,157	\$ 45,618	\$ 753,646	\$ 1,277,421	\$ 271,621	\$ 1,549,042
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	( 865)	5,749	( 4,884)	-	-	-
- Transferred to credit impaired financial asset	( 19,612)	( 27,082)	46,694	-	-	-
- Transferred to 12-month expected credit losses	898	( 633)	( 265)	-	-	-
- Derecognised financial assets	( 42,040)	( 5,117)	( 68,548)	( 115,705)	-	( 115,705)
- Additional provision and reversal	( 36,335)	( 37,099)	79,440	6,006	-	6,006
Originated or purchased new financial assets	43,540	22,180	27,076	92,796	-	92,796
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	( 38,693)	( 38,693)
Write-off of uncollectible amount	( 7)	( 85)	( 632,279)	( 632,371)	-	( 632,371)
Foreign exchange and other changes	( 7)	-	70,498	70,491	-	70,491
Balance at the end of the period	\$ 423,729	\$ 3,531	\$ 271,378	\$ 698,638	\$ 232,928	\$ 931,566

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 period	\$ 497,230	\$ 42,605	\$ 681,160	\$ 1,220,995	\$ 276,136	\$ 1,497,131
Changes from financial instruments recognised at the beginning of the period:						
- 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	-	-	-	-	( 4,515)	( 4,515)
Write-off of uncollectible amount	( 6,831)	( 15,213)	( 65,972)	( 88,016)	-	( 88,016)
Foreign exchange and other changes	3	-	135,411	135,411	-	135,414
Balance at the end of the period	\$ 478,157	\$ 45,618	\$ 753,646	\$ 1,277,421	\$ 271,621	\$ 1,549,042

# 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, 2023 and 2022, is shown below:

a. Financial assets at fair value through other comprehensive income

For the year ended December 31, 2023

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 period	\$ 148,329	\$ 1,397	\$ -	\$ 149,726
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	( 3,985)	3,985	-	-
- The impairment allowance for financial assets derecognised in the current period	( 12,263)	( 1,397)	-	( 13,660)
- Additional provision and reversal	( 3,129)	43,712	-	40,583
Originated or purchased new financial assets	24,233	-	-	24,233
Foreign exchange and other changes	( 354)	-	-	( 354)
Balance at the end of the period	\$ 152,831	\$ 47,697	\$ -	\$ 200,528

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 period	\$ 247,134	\$ -	\$ -	\$ 247,134
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	( 1,397)	1,397	-	-
- The impairment allowance for financial assets derecognised in the current period	( 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 period	\$ 148,329	\$ 1,397	\$ -	\$ 149,726

b. Investments in debt instruments at amortized cost

For the year ended December 31, 2023

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 period	\$ 41,801	\$ -	\$ -	\$ 41,801
Changes from financial instruments recognised at the beginning of the period:				
- The impairment allowance for financial assets derecognised in the current period	( 30,800)	-	-	( 30,800)
- Additional provision and reversal	( 2,028)	-	-	( 2,028)
Originated or purchased new financial assets	54,414	9,215	-	63,629
Balance at the end of the period	\$ 63,387	\$ 9,215	\$ -	\$ 72,602

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 period	\$ 66,132	\$ -	\$ -	\$ 66,132
Changes from financial instruments recognised at the beginning of the period:				
- The impairment allowance for financial assets derecognised in the current period	( 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 <sup>8</sup>	8	-	-	8
Balance at the end of the period	\$ 41,801	\$ -	\$ -	\$ 41,801

(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, 2023 and 2022, is shown below:

For the year ended December 31, 2023

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 period	\$ 376,595	\$ 90,865	\$ 8,689	\$ 476,149	\$ 4,610,507	\$ 5,086,656
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	( 20,645)	20,645	-	-	-	-
- Transferred to credit impaired financial asset	( 10)	( 207)	217	-	-	-
- Transferred to 12-month expected credit loss	724	( 724)	-	-	-	-
- Derecognized financial assets	( 73,962)	( 5,945)	( 985)	( 80,892)	-	( 80,892)
- Additional provision and reversal	( 32,513)	79,625	-	47,112	-	47,112
Originated or purchased new financial assets	113,477	32,819	-	146,296	-	146,296
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	( 177,733)	( 177,733)
Foreign exchange and other changes	1,603	( 784)	217	1,036	-	1,036
Balance at the end of the period	\$ 365,269	\$ 216,294	\$ 8,138	\$ 589,701	\$ 4,432,774	\$ 5,022,475

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 period	\$ 408,406	\$ 124,288	\$ 10,565	\$ 543,259	\$ 4,605,225	\$ 5,148,484
Changes from financial instruments recognised at the beginning of the period:						
- 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 period	\$ 376,595	\$ 90,865	\$ 8,689	\$ 476,149	\$ 4,610,507	\$ 5,086,656

## 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, 2023 and 2022, is shown below:

For the year ended December 31, 2023

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 period	\$ 2,059,432,435	\$ 40,794,234	\$ 11,036,792	\$2,111,263,461
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	( 29,000,137)	29,009,950	( 9,813)	-
- Transferred to credit impaired financial asset	( 5,104,367)	( 1,622,431)	6,726,798	-
- Transferred to 12-month expected credit losses	4,271,670	( 4,244,784)	( 26,886)	-
- Derecognition (including recovery, write-off bad debt not included)	( 761,266,173)	( 13,264,432)	( 226,789)	( 774,757,394)
- Decreased	( 87,845,931)	( 3,027,086)	( 686,751)	( 91,559,768)
Originated or purchased new financial assets	885,982,193	41,891,093	267,874	928,141,160
Write-off of uncollectible amount	-	-	( 3,257,891)	( 3,257,891)
Foreign exchange and other changes	( 676,384)	( 245,702)	611,259	( 310,827)
Balance at the end of the period	\$ 2,065,793,306	\$ 89,290,842	\$ 14,434,593	\$2,169,518,741

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 period	\$ 1,985,954,068	\$ 69,749,165	\$ 11,989,476	\$2,067,692,709
Changes from financial instruments recognised at the beginning of the period:				
- 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 period	\$ 2,059,432,435	\$ 40,794,234	\$ 11,036,792	\$2,111,263,461

(B) The movement in the total carrying amount of receivables for the years ended December 31, 2023 and 2022, is shown below:

For the year ended December 31, 2023

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 period	\$ 85,712,210	\$ 1,129,723	\$ 965,765	\$ 87,807,698
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	( 487,172)	516,426	( 29,254)	-
- Transferred to credit impaired financial asset	( 42,549)	( 407,433)	449,982	-
- Transferred to 12-month expected credit losses	91,876	( 90,591)	( 1,285)	-
- Derecognition (including recovery, write-off bad debt not included)	( 57,502,880)	( 495,390)	( 1,057,374)	( 59,055,644)
- Increased (decreased)	15,571,109	( 134,544)	50,858	15,487,423
Originated or purchased new financial assets	48,780,594	429,883	969,503	50,179,980
Write-off of uncollectible amount	( 7)	( 85)	( 632,279)	( 632,371)
Foreign exchange and other changes	( 113,318)	-	( 17,721)	( 131,039)
Balance at the end of the period	\$ 92,009,863	\$ 947,989	\$ 698,195	\$ 93,656,047

# Financial Information

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 period	\$ 95,939,616	\$ 1,333,961	\$ 854,516	\$ 98,128,093
Changes from financial instruments recognised at the beginning of the period:				
- 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 period	\$ 85,712,210	\$ 1,129,723	\$ 965,765	\$ 87,807,698

(C) The movement in the total carrying amount of debt instruments for the years ended December 31, 2023 and 2022, is shown below:

a. Financial assets at fair value through other comprehensive income

For the year ended December 31, 2023

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 period	\$ 481,245,708	\$ 3,711,238	\$ -	\$ 484,956,946
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	( 2,614,181)	2,614,181	-	-
Derecognition	( 57,783,204)	( 3,767,259)	-	( 61,550,463)
Originated or purchased new financial assets	68,216,847	-	-	68,216,847
Foreign exchange and other changes	6,005,913	29,775	-	6,035,688
Balance at the end of the period	\$ 495,071,083	\$ 2,587,935	\$ -	\$ 497,659,018

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 period	\$ 497,808,824	\$ -	\$ -	\$ 497,808,824
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	( 3,918,597)	3,918,597	-	-
Derecognition	( 89,399,390)	-	-	( 89,399,390)
Originated or purchased new financial assets	99,313,537	( 151,338)	-	99,162,199
Foreign exchange and other changes	( 22,558,666)	( 56,021)	-	( 22,614,687)
Balance at the end of the period	\$ 481,245,708	\$ 3,711,238	\$ -	\$ 484,956,946



b. Investments in debt instruments at amortized cost

For the year ended December 31, 2023

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 period	\$ 565,570,408	\$ -	\$ -	\$ 565,570,408
Originated or purchased new financial assets	542,861,675	365,942	-	543,227,617
Derecognition	( 492,307,250)	-	-	( 492,307,250)
Foreign exchange and other changes	( 61,586)	-	-	61,586
Balance at the end of the period	\$ 616,063,247	\$ 365,942	\$ -	\$ 616,429,189

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 period	\$ 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 period	\$ 565,570,408	\$ -	\$ -	\$ 565,570,408

H. Credit risk concentration

Extreme credit risk concentration will enhance risk degree and 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, 2023		December 31, 2022	
		Amount	Percentage (%)	Amount	Percentage (%)
Individuals	Individuals	\$ 689,795,159	24.03%	\$ 681,367,914	24.88%
	Juridical person				
	Government institution	50,957,622	1.77%	26,354,983	0.96%
	Finance, investment and insurance	245,719,310	8.56%	226,583,411	8.27%
	Enterprise and commerce	1,870,482,973	65.16%	1,790,428,719	65.36%
	- Manufacturing	767,651,404	26.74%	721,531,722	26.34%
	- Electricity and gas supply	56,486,169	1.97%	43,597,659	1.59%
	- Wholesale and retail	214,729,467	7.48%	209,880,110	7.66%
	- Transportation and storage	122,824,056	4.28%	131,802,046	4.81%
	- Real estate	452,534,588	15.76%	431,686,368	15.76%
	- Others	256,257,289	8.93%	251,930,814	9.20%
	Others	13,787,262	0.48%	14,525,341	0.53%
	Total	\$ 2,870,742,326	100.00%	\$ 2,739,260,368	100.00%

# Financial Information

(B) Loans and credit commitments of the Mega Group are shown below by region.

	Loans and credit commitments			
	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
ROC	\$ 2,320,552,212	80.83%	\$ 2,166,372,582	79.09%
Asia Pacific	331,848,804	11.56%	344,137,430	12.56%
North America	115,067,863	4.01%	129,908,025	4.74%
Others	103,273,447	3.60%	98,842,331	3.61%
<b>Total</b>	<b>\$ 2,870,742,326</b>	<b>100.00%</b>	<b>\$ 2,739,260,368</b>	<b>100.00%</b>

## I. Foreclosed properties management policy

As of December 31, 2023 and 2022, MICB's book value of foreclosed properties in other assets of the consolidated balance sheet are totaling \$38,355 and \$39,601, 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, 2023				
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	\$ 2,485,710	\$ 696,247,178	0.36%	\$ 11,737,017	472.18%
	Unsecured loans	706,396	894,505,134	0.08%	15,225,870	2155.43%
Consumer banking	Residential mortgage loans (Note 4)	399,244	444,165,464	0.09%	7,050,541	1765.97%
	Cash card	-	-	-	-	-
	Small amount of credit loans (Note 5)	36,284	26,274,293	0.14%	430,348	1186.05%
	Others (Note 6)					
	Secured loans	235,895	108,265,985	0.22%	1,731,993	734.22%
	Unsecured loans	541	60,687	0.89%	961	-
Gross loan business		\$ 3,864,070	\$ 2,169,518,741	0.18%	\$ 36,176,730	936.23%
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services		\$ 20,460	\$ 8,743,372	0.23%	\$ 86,702	423.76%
Without recourse factoring (Note 7)		\$ 3,590	\$ 11,550,235	0.03%	\$ 173,646	4836.94%

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%

Note 1: The amount of 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 of 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 of 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, 2023	
	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)	899	2,837
<b>Total</b>	<b>\$ 899</b>	<b>\$ 2,837</b>

	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
<b>Total</b>	<b>\$ 79</b>	<b>\$ 2,859</b>

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, 2023		
	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 – Chemical Materials Manufacturinge	\$ 38,859,646 11.73%
	2	B Company – Railway Transportation	37,475,296 11.31%
	3	C Group – Other Financial Service Activities Not Elsewhere Classified	32,844,497 9.92%
	4	D Group – Manufacture of panel and components	23,754,314 7.17%
	5	E Group – Packaging and testing of semi-conductors	19,019,167 5.74%
	6	F Group – Ocean Freight Transportation Forwarding Services	17,017,202 5.14%
	7	G Group – Real Estate Development Activities	16,602,308 5.01%
	8	H Group – Real Estate Development Activities	16,578,749 5.01%
	9	I Group – Financial leasing industry	16,221,077 4.90%
	10	J Group – Real Estate Development Activities	16,136,777 4.87%

# Financial Information

Year	December 31, 2022		
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 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%

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, 2023	December 31, 2022
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	2,212,143	2,141,742
Provision for bad debts and guarantees actually reserved	2,234,349	2,238,701

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, 2023	December 31, 2022
Total guarantees and endorsement for short-term bills	\$ 175,469,200	\$ 164,587,600
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	5.06	4.31
Total securities sold under repurchase agreements	220,295,676	197,969,284
Securities sold under repurchase agreements / Net amount (after deducting final accounts allotment)	6.35	5.18

## c. Credit risk concentration

Item	December 31, 2023		December 31, 2022	
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)	13.58		12.85	
	Industry	Ratio (%)	Industry	Ratio (%)
Industry concentration (%)	Real estate	25.44	Real estate	27.84
(Top 3 industries with highest ratio of credit extension amount) (Note 3)	Financial & Insurance	24.12	Financial & Insurance	22.56
	Manufacturing	17.37	Manufacturing	18.34

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. Alternatively, 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 with a particular focus on capital liquidity management. The management objective are as follows: (1) be in compliance with the liquidity requirements of the competent authority; (2) maintain a reasonable liquidity level according to business development plans in order to meet daily payment obligations and business expansion needs; hold a sufficient amount of highly liquid assets and maintain the ability to secure external funding in emergencies.

The Mega Group monitors the indexes of liquidity risk and executes capital procurement trading according to the limits authorized by the Board of Directors, and reports capital liquidity conditions 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 assets increase and payment obligations.

The Mega Group closely monitors capital sources, gaps and liquidity risk management on a daily basis. 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 invite 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) Maintain 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 139~140 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022.)
- (B) Structure analysis for maturity of derivative financial assets and liabilities (settled by gross amount)  
(Please refer to page 141 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022. )
- (C) Structure analysis for maturity of derivative financial assets and liabilities (settled by net amount)  
(Please refer to page 142~143 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022. )
- (D) Maturity analysis for contracts off the balance sheet  
(Please refer to page 144 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022.)

# 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, 2023						
	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	\$2,627,872,559	\$ 207,129,982	\$ 241,365,053	\$ 384,086,210	\$ 254,712,663	\$ 301,580,924	\$1,238,997,727
Primary funds outflow upon maturity	3,469,616,238	144,121,037	191,102,718	536,483,171	430,099,591	668,175,172	1,499,634,549
Gap	(\$ 841,743,679)	\$ 63,008,945	\$ 50,262,335	(\$ 152,396,961)	(\$ 175,386,928)	(\$ 366,594,248)	(\$ 260,636,822)

	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)

### (B) Maturity analysis of USD of subsidiary-MICB

Unit: In thousand of US dollars

	December 31, 2023					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 57,296,913	\$ 25,843,472	\$ 9,972,247	\$ 5,003,005	\$ 3,452,059	\$ 13,026,130
Primary funds outflow upon maturity	65,284,422	27,533,440	12,866,349	5,730,962	7,699,247	11,454,424
Gap	(\$ 7,987,509)	(\$ 1,689,968)	(\$ 2,894,102)	(\$ 727,957)	(\$ 4,247,188)	\$ 1,571,706

	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)

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, 2023					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 18,912,026	\$ 8,752,687	\$ 2,441,766	\$ 736,299	\$ 1,037,529	\$ 5,943,745
Primary funds outflow upon maturity	20,033,659	11,899,548	1,733,603	958,511	759,079	4,682,918
Gap	(\$ 1,121,633)	(\$ 3,146,861)	\$ 708,163	(\$ 222,212)	\$ 278,450	\$ 1,260,827

	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)

E. Disclosure requirements in the Regulations Governing the Procedures for Bills Finance Companies

Utilization and Sources of Capital  
December 31, 2023

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		\$ 84,299	\$ 58,304	\$ 2,924	\$ 4	\$ -
	Bonds		746	1,484	1,934	10,656	114,439
	Bank deposits		314	-	-	-	-
	Securities purchased under resell agreements		-	-	-	-	-
	Total		85,359	59,788	4,858	10,660	114,439
Sources of Capital	Loans borrowed		19,229	-	-	-	-
	Securities sold under repurchased agreements		185,326	33,038	1,856	76	-
	Own capital		-	-	-	-	40,597
	Total		204,555	33,038	1,856	76	40,597
Net flow of capital			(\$ 119,196)	\$ 26,750	\$ 3,002	\$ 10,584	\$ 73,842
Accumulated net flow of capital			(\$ 119,196)	(\$ 92,446)	(\$ 89,444)	(\$ 78,860)	(\$ 5,018)

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)

(5) Market risk

A. Definition of market risk

The Mega Group bears 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 limit the risks within the tolerable range, to avoid fluctuations of interest rate, foreign exchange rate and financial instrument price from affecting future earnings and values of 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 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 based on risk management goal, 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 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 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 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, 2023				
	USD	AUD	RMB	EUR	JPY
<b>Assets</b>					
Cash and cash equivalents	\$ 79,715,994	\$ 870,049	\$ 18,045,979	\$ 3,922,493	\$ 15,821,635
Due from the Central Bank and call loans to banks	336,021,197	10,913,470	10,757,836	4,459,950	66,724,457
Financial assets at fair value through profit or loss	30,134,699	154,361	200	168,815	1,044
Financial assets at fair value through other comprehensive income	164,006,186	79,003,658	7,563,947	516,438	1,020,168
Investments in debt instruments at amortised cost	79,370,608	630,377	3,009,362	302,790	1,295,673
Receivables	17,338,882	5,631,342	782,509	684,709	1,432,098
Loans discounted	375,069,546	64,887,827	29,278,243	32,477,960	24,915,754
Reinsurance contract assets	496,961	517	-	37	-
Investments accounted for using equity method	28,461	-	-	-	-
Other financial assets	770,808	-	943	27,060	25,653
<b>Liabilities</b>					
Deposits from the Central Bank and banks	\$ 412,518,780	\$ 17,249,500	\$ 15,416,518	\$ 5,374,104	\$ 26,527,633
Due to the Central Bank and banks	2,870,805	-	-	-	-
Financial liabilities at fair value through profit or loss	21,874,274	2,668	201	4,238	731
Securities sold under repurchased agreements	52,072,843	27,615,676	-	-	-
Payables	18,430,468	614,069	1,101,864	532,950	1,263,740
Deposits and remittances	963,859,494	30,343,109	73,251,921	29,380,787	50,195,517
Other borrowings	61,382	-	-	-	-
Other financial liabilities	13,309,283	1,153,588	940,077	194,649	151,274
Off-balance sheet commitments	97,185,808	2,693,628	4,981,129	25,643,765	4,536,359

	December 31, 2022				
	USD	AUD	RMB	EUR	JPY
<b>Assets</b>					
Cash and cash equivalents	\$ 36,186,390	\$ 856,678	\$ 13,549,624	\$ 2,925,477	\$ 13,467,141
Due from the Central Bank and call loans to banks	278,315,574	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
<b>Liabilities</b>					
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

## 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 fluctuation.
- (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 optimistic industry prospects or an increase in long-term profitability. The Mega Group sets trading strategy and 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  $\beta$  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  $\beta$  value of purchased stocks, convertible bonds and the stock warrants portfolio of subsidiary issued in respect to the weighted stock index.

December 31, 2023

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%	(\$ 67,836)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	67,836	-
Interest rate risk	Major increases in interest rates 1BPS	42,950	( 105,755)
Interest rate risk	Major decreases in interest rates 1BPS	( 42,946)	105,698
Equity securities risk	TAIEX decreased by 1%	( 82,677)	( 288,888)
Equity securities risk	TAIEX increased by 1%	82,036	288,888

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

## 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, 2023

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 986,791,650	\$ 1,014,965,308	\$ 143,655,622	\$ 151,291,794	\$ 2,296,704,374
Interest rate sensitive liabilities	283,008,699	1,150,503,610	277,755,159	39,879,498	1,751,146,966
Interest rate sensitive gap	\$ 703,782,951	(\$ 135,538,302)	(\$ 134,099,537)	\$ 111,412,296	\$ 545,557,408
Net worth					\$ 335,947,669
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					131.15%
Ratio of interest rate sensitive gap to net worth					162.39%





## 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 sensitive gap to net worth					194.93%

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, 2023

Unit : In thousands of US Dollars

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 30,694,032	\$ 793,723	\$ 614,523	\$ 807,391	\$ 32,909,669
Interest rate sensitive liabilities	30,068,969	13,175,289	2,199,834	1,143	45,445,235
Interest rate sensitive gap	\$ 625,063	(\$ 12,381,566)	(\$ 1,585,311)	\$ 806,248	(\$ 12,535,566)
Net worth					\$ 77,110
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					72.42%
Ratio of interest rate sensitive gap to net worth					( 16,256.73%)

## 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 sensitive gap to net worth					( 6,993.99%)

Notes: 1. The above amounts included only US dollars held by the head office, domestic and foreign branches, and 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, 2023

Items	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 145,146,635	\$ 4,858,021	\$ 10,659,602	\$ 114,439,505	\$ 275,103,763
Interest rate sensitive liabilities	237,592,965	1,856,255	75,512	-	239,524,732
Interest-rate sensitive gap	(\$ 92,446,330)	\$ 3,001,766	\$ 10,584,090	\$ 114,439,505	\$ 35,579,031
Net worth					\$ 40,597,096
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					114.85%
Ratio of interest rate sensitive gap to net worth					87.64%

## 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 sensitive gap to net worth					90.66%

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, 2023	
	Average amount	Average interest rate (%)
<b>Assets</b>		
Cash and cash equivalents (Note)	\$ 777,490	0.47
Call loans	4,932	0.69
Financial assets at fair value through profit or loss	147,246,806	1.73
Financial assets at fair value through other comprehensive income	114,294,605	2.07
Investments in debt instruments at amortised cost	457,179	4.41
Securities purchased under resell agreements	148,219	1.19
<b>Liabilities</b>		
Interbank call loans and overdrafts	15,651,931	1.91
Securities sold under repurchase agreements	210,470,851	1.70

	For the year ended December 31, 2022	
	Average amount	Average interest rate (%)
<b>Assets</b>		
Cash and cash equivalents (Note)	\$ 967,276	0.24
Call loans	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
<b>Liabilities</b>		
Interbank call loans and overdrafts	15,190,046	0.92
Securities sold under repurchase agreements	201,517,538	0.68

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, 2023			
Financial assets category	Carrying amount of transferred financial assets		Carrying amount of associated financial liabilities
Financial assets at fair value through profit or loss Repurchase agreement	\$	116,422,216	\$ 115,844,149
Financial assets at fair value through other comprehensive income Repurchase agreement		73,453,114	68,711,508

December 31, 2022			
Financial assets category	Carrying amount of transferred financial assets		Carrying amount of associated financial liabilities
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

B. Transferred financial assets that are derecognized in their entirety

The Mega Group does not have any financial asset securitization transaction and does 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, 2023						
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	\$ 9,584,234	\$ 8,744	\$ 9,575,490	\$ 2,866,159	\$ 17,531	\$ 6,691,800
Resell agreement	2,297,539	-	2,297,539	2,297,539	-	-
Total	\$ 11,881,773	\$ 8,744	\$ 11,873,029	\$ 5,163,698	\$ 17,531	\$ 6,691,800

December 31, 2023						
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	\$ 7,273,040	\$ 8,744	\$ 7,264,296	\$ 1,901,167	\$ 3,189	\$ 5,359,940
Repurchase agreement	62,115,273	-	62,115,273	60,756,690	1,358,583	-
Total	\$ 69,388,313	\$ 8,744	\$ 69,379,569	\$ 62,657,857	\$ 1,361,772	\$ 5,359,940

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

December 31, 2022						
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

Note : Including netting settlement agreements and non-cash collaterals.

## 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 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 since 2021, and the products have 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. In July 2023, all policies have expired and number of claims has been declining significantly month-over-month.



For the years ended December 31, 2023 and 2022, CKI's premium revenue of epidemic prevention insurance are \$0, \$0.427 billion, insurance claim are \$6.401 billion and \$17.196 billion, respectively. As of December 31, 2023 and 2022, the claim reserve are \$0.149 billion, \$3.472 billion, premium insufficient reserve are \$0 and \$1.824 billion, respectively. CKI will continue to prudently assess the impact of credit risk derived from the claims of the epidemic prevention policy on material issues such as earnings and capital adequacy ratio, and will develop strategies to take into account CKI's financial structure and policyholders' rights and interests.

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 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 continued to rise and there was 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 items.

(B) Significant events or measures that can affect future financial position, financial performance and cash flows

To improve the financial structure and enhance working capital, the following capital raising plan is outlined:

CKI has completed raised capital of \$2,000,064 thousand on November 11, 2022 and \$6,000,300 thousand on February 20, 2023 through private placement, respectively.

On October 24, 2023, the Board of Directors of the Company resolved to increase capital by issuing new shares. The capital increase was set effective on January 26, 2024, and partial of the capital increase was used to the reinvestment in the subsidiary, CKI.

According to CKI's plan, CKI has reduced capital to replenish deficits and raised capital through private placement so as to enhance the capital for complying with Regulations Governing Capital Adequacy of Insurance Companies. CKI has conducted relevant solvency scenario tests and the result showed that the capital adequacy ratio was above 200% as of December 31, 2023.

As of December 31, 2023 and 2022, CKI's net asset ratios, calculated by dividing owners' equity by total assets, were 19.38% and 0.05%, respectively.

As of December 31, 2023, claims recoverable from reinsurers and due from reinsurers and ceding companies arising from epidemic prevention insurance amounted to \$10.961 billion. CKI has set up a reinsurance task force to actively negotiate with reinsurers and initiate litigation before extinctive prescription, as well as assessed impairment in accordance with IFRS 4 and Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises. Regarding claims recoverable from reinsurers and due from reinsurers and ceding companies arising from epidemic prevention insurance, CKI recognized additional impairment loss of \$2.405 billion for the year ended December 31, 2023 based on the assessment. CKI will continue to dynamically adjust the assessment and recognition based on the results of subsequent negotiations

(2) Insurance risk concentration

The over concentration 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, 2023 and 2022, 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, 2023		For the year ended December 31, 2022	
	Premium Income	Self-retained Premium	Premium Income	Self-retained Premium
Earthquake insurance	\$ 1,038,581	\$ 233,304	\$ 876,726	\$ 194,355
Fire insurance	1,110,509	428,079	960,652	396,442
Engineering insurance	494,184	187,853	382,959	132,809

(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, 2023				December 31, 2022			
	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	\$ 129,962	\$ 40,853	\$ 111,395	\$ 35,943				
Marine Insurance	57,141	8,906	51,820	8,673				
Automobile Insurance	197,769	154,624	187,388	144,763				
Accident Insurance	67,865	28,345	72,015	30,539				
Injury Insurance	44,529	17,768	56,525	24,168				
Offshore Branches	13,783	13,783	11,243	11,243				

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, 2023 and 2022, the subsidiary-CKI's claim development trend is as follows:

##### A. Accumulative claim amounts (Before reinsurance ceding)

Year of Accident	December 31, 2023										
	Day of evaluation						Estimated accumulative claim amounts	Accumulative claim amounts	Accumulative present unpaid amount	Adjustments (Note)	Amount recognized in the balance sheet
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.12.31	2023.12.31					
2018 and before	45,152,593	45,932,236	45,878,230	45,764,718	45,689,314	45,609,166	45,609,166	45,328,989	280,177		
2019		2,883,148	3,991,769	4,052,711	4,097,595	4,105,034	4,105,034	3,989,693	115,341		
2020			3,313,587	3,887,198	4,016,458	3,938,676	3,938,676	3,805,541	133,135		
2021				2,835,312	3,410,421	3,392,715	3,392,715	3,089,062	303,653		
2022					21,526,550	25,544,396	25,544,396	24,748,162	796,234		
2023						5,909,288	5,909,288	4,478,493	1,430,795		
Total							88,499,275	85,439,940	3,059,335	1,867,336	4,926,671

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

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, 2023											
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
	2018.12.31	2019.12.31	2020.12.31	2021.12.31	2022.12.31	2023.12.31					
2018 and before	26,955,837	27,554,213	27,591,816	27,506,547	27,447,742	27,412,370	27,412,370	27,272,798	139,572		
2019		1,781,237	2,300,125	2,385,165	2,416,956	2,424,703	2,424,703	2,355,585	69,118		
2020			1,875,695	2,281,088	2,404,389	2,422,677	2,422,677	2,357,914	64,763		
2021				1,675,304	1,953,259	1,989,513	1,989,513	1,862,572	126,941		
2022					10,923,170	12,919,870	12,919,870	12,597,923	321,947		
2023						3,076,029	3,076,029	2,239,267	836,762		
Total							50,245,162	48,686,059	1,559,103	1,204,870	2,763,973

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

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, 2023 and 2022:

	December 31, 2023		December 31, 2022	
Within 1 year	\$	4,097,927	\$	7,473,358
1-5 years		828,744		920,457
Total	\$	4,926,671	\$	8,393,815

## 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.

# Financial Information

## (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, 2023					
	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	\$ 382,482	\$ 171,397	\$ 160,598	\$ 393,281	\$ 783	\$ 394,064
Non-compulsory insurance	9,381,101	615,520	4,979,808	5,016,813	( 125,286)	4,891,527
Total	<u>\$ 9,763,583</u>	<u>\$ 786,917</u>	<u>\$ 5,140,406</u>	<u>\$ 5,410,094</u>	<u>(\$ 124,503)</u>	<u>\$ 5,285,591</u>

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	<u>\$ 9,050,182</u>	<u>\$ 998,954</u>	<u>\$ 4,728,345</u>	<u>\$ 5,320,791</u>	<u>(\$ 214,188)</u>	<u>\$ 5,106,603</u>

The subsidiary-CKI had no premium income from compulsory insurance in Guam and premium income of \$1,017,594 and \$890,504 from non-compulsory insurance income for the years ended December 31, 2023 and 2022, respectively.

### B. Details of calculation of net claims.

Type	For the year ended December 31, 2023			
	Claims incurred (1)	Reinsurance claims incurred (2)	Claims recovered from reinsurers (3)	Net claims(4)=(1)+(2)-(3)
Compulsory insurance	\$ 237,006	\$ 164,433	\$ 141,581	\$ 259,858
Non-compulsory insurance	10,784,300	358,652	5,512,985	5,629,967
Total	<u>\$ 11,021,306</u>	<u>\$ 523,085</u>	<u>\$ 5,654,566</u>	<u>\$ 5,889,825</u>

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	<u>\$ 20,694,677</u>	<u>\$ 481,685</u>	<u>\$ 10,309,081</u>	<u>\$ 10,867,281</u>

### C. Details of assets and liabilities for compulsory automobile liability insurance.

	December 31, 2023	December 31, 2022
<b>Assets</b>		
Cash and cash equivalents	\$ 672,364	\$ 634,570
Notes and premiums receivable	3,060	7,050
Claims recoverable from reinsurers	20,725	20,975
Due from reinsurers and ceding companies	25,187	28,694
Ceded unearned premium reserve	86,052	87,496
Ceded claims reserve	128,460	126,999
Temporary payments	1,457	2,162
Total	<u>\$ 937,305</u>	<u>\$ 907,946</u>
<b>Liabilities</b>		
Due to reinsurers and ceding companies	\$ 28,210	\$ 31,338
Unearned premium reserve	240,189	242,416
Claims reserve	353,307	351,109
Special reserve	313,121	279,890
Other liabilities	2,478	3,193
Total	<u>\$ 937,305</u>	<u>\$ 907,946</u>





D. Details of revenues and costs relating to compulsory automobile liability insurance.

	For the years ended December 31,	
	2023	2022
Operating revenues		
Direct written premiums	\$ 267,663	\$ 271,712
Reinsurance premiums	171,397	171,831
Less: Reinsurance premiums ceded	( 160,598)	( 163,027)
Net change in reserve for unearned premiums	783	2,388
Net premiums written	279,245	282,904
Interest income	4,321	2,481
Total	\$ 283,566	\$ 285,385
Operating costs		
Claims incurred	\$ 237,006	\$ 230,029
Reinsurance claims incurred	164,433	166,632
Less: Claims recovered from reinsurers	( 141,581)	( 136,782)
Net claims	259,858	259,879
Net change in claims reserve	737	( 13,989)
Net change in special reserve	33,231	49,813
Total	\$ 293,826	\$ 295,703

E. Net premiums limits

CKI's net premiums limits of the respective insurance risk units are as follows:

Items	December 31, 2023	December 31, 2022
General fire insurance	\$ 2,800,000	\$ 2,800,000
Fire & allied perils insurance	2,800,000	2,800,000
Marine cargo insurance	520,000	520,000
Marine hull insurance	300,000	300,000
Fishing vessel insurance	50,000	50,000
Aviation insurance	USD10,000 thousands	USD10,000 thousands
Engineering insurance	3,000,000	3,000,000
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	200,000
Group accident insurance-per person	20,000	20,000
Group accident insurance-per incident	200,000	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 Cargo insurance: Treaty reinsurance
ARAB INS. GROUP	Marine hull insurance: Treaty reinsurance Cargo insurance: Treaty reinsurance
THE ORIENTAL INSURANCE COMPANY LIMITED	Engineering insurance: Treaty reinsurance
ACR (SINGAPORE)	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 \$88 and \$1,746 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the composition of the unqualified reinsurance reserves and the amounts are as follows:

	December 31, 2023	December 31, 2022
Ceded unearned premium reserve	\$ 44	\$ 873
Ceded claim reserve-reported but unpaid	5,998	10,475
Claims recoverable from reinsurers	988	116

## 10. CAPITAL MANAGEMENT

### (1) Objective of capital management

A. 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.

B. 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

A. 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.

B. 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, 2023

	Ownership percentage held by the Company	Eligible capital	Minimum capital
The Company	100.00%	\$ 335,792,718	\$ 403,849,035
MICB	100.00%	364,122,369	249,568,660
MS	100.00%	16,066,658	6,896,886
MBF	100.00%	39,210,773	22,263,271
CKI	100.00%	4,086,838	2,219,198
MAM	100.00%	2,832,657	4,767,008
Mega Venture Capital	100.00%	1,289,397	672,469
MITC	100.00%	886,492	479,746
Deduction item		407,980,939	400,707,265
Subtotal	(A)	\$ 356,306,963	(B) \$ 290,009,008
Capital adequacy ratio of the Consolidated Company (C)=(A)÷(B)			(C) 122.86%

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%

B. As of December 31, 2023 and 2022, 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, 2023	December 31, 2022
Common stocks	\$ 140,513,382	\$ 139,398,196
Capital instruments that comply with the Tier 1 capital requirement	-	-
Other preferred stocks and subordinated debts	-	-
Capital collected in advance	1,391,394	-
Capital surplus	68,502,384	68,194,233
Legal reserve	47,670,164	45,976,579
Special reserve	16,163,964	2,538,952
Accumulated earnings	58,426,861	59,027,089
Equity adjustment number	3,142,939	( 15,325,596)
Less: goodwill and other intangible assets	9,045	4,116
deferred assets	9,325	7,010
treasury stocks	-	-
Total net eligible capital	\$ 335,792,718	\$ 299,798,327

## 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
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
RAMLETT FINANCE HOLDINGS INC	RAMLETT	Sub-subsidiary of the Company
ICBC Asset Management & Consulting Co., Ltd.	ICBC Asset Management & Consulting	Third-tier subsidiary of the Company
Win Card Co., Ltd.	Win Card	Third-tier 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 C&E 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
Benson Jay Trading Company Ltd.	Benson Jay Trading	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, 2023	December 31, 2022
All related parties (individual amounts accounting for less than 10% of the total amount)	\$ 101,934,201	\$ 2,249,041
Next Bank	5,148	4,243
	<u>\$ 101,939,349</u>	<u>\$ 2,253,284</u>

#### B. Loans

Details of the credits extended to the related parties by MICB and recorded under "loans discounted" are as follows:

	December 31, 2023	December 31, 2022
All related parties (individual amounts accounting for less than 10% of the total amount)	\$ 183,253	\$ 153,479

#### C. Bank deposits

	December 31, 2023	December 31, 2022
Chunghwa Post	\$ 3,274	\$ 1,929
BOT	79,518	76,533
Total	<u>\$ 82,792</u>	<u>\$ 78,462</u>

## D. Guarantee deposits

## (A) Guarantee deposits held for operation

Collaterals		December 31, 2023	December 31, 2022
BOT	Financial assets at fair value through other comprehensive income - bonds	\$ 48,505	\$ 50,017

## (B) Refundable deposit

	December 31, 2023	December 31, 2022
Chunghwa Post	\$ 5	\$ 5
BOT	5,069	10,080
Total	\$ 5,074	\$ 10,085

## E. Sales of notes and bonds

	For the years ended December 31	
	2023	2022
Chunghwa Post	\$ 106,546,412	\$ 194,589,781
Mega Diamond Money Market Fund	43,875,982	45,993,902
Total	\$ 150,422,394	\$ 240,583,683

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, 2023	
	Total consideration	Ending balances
Chunghwa Post	\$ 100,000	\$ -
Mega Diamond Money Market Fund	35,722,809	-
Others	305,707	-
Total	\$ 36,128,516	\$ -

	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	-
Others	120,115	9,010
Total	\$ 21,884,344	\$ 308,797

## G. Transactions with other financial institutions

## (A) Due from banks and call loans to banks

	December 31, 2023	December 31, 2022
BOT	\$ 16,470,609	\$ 323,682

## (B) Deposits from banks and call loans from banks

	December 31, 2023	December 31, 2022
Chunghwa Post	\$ 101,011,478	\$ 20,193
BOT	9,761,224	8,017,883
Total	\$ 110,772,702	\$ 8,038,076

## H. Commercial paper issued

	December 31, 2023	December 31, 2022
TFC	\$ 200,000	\$ 1,124,000

## I. Other borrowings

	December 31, 2023	December 31, 2022
BOT	\$ 170,000	\$ 300,000

# Financial Information

## J. Collaterals

	December 31, 2023	December 31, 2022
BOT		
Financial assets at fair value through profit or loss-negotiable certificates of deposits	\$ 1,000,257	\$ 1,000,206
Financial assets at fair value through other comprehensive income-bonds	1,674,216	1,659,871
Total	\$ 2,674,473	\$ 2,660,077

## K. Loans

December 31, 2023

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	5	\$ 4,255	\$ 3,315	V		None	None
Household mortgage loans	93	769,846	670,399	V		Real estate	None
other loans	Benson Jay Trading	38,150	29,800	V		Real estate	None
	RAMLETT	55,832	53,095	V		Real estate	None

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	Benson Jay Trading	38,150	38,150	V		Real estate	None
	RAMLETT	53,120	53,120	V		Real estate	None

## L. Interest income

	For the years ended December 31	
	2023	2022
BOT	\$ 194,115	\$ 32,603

## M. Interest expense

	For the years ended December 31	
	2023	2022
BOT	\$ 215,001	\$ 81,312
Chunghwa Post	1,258,971	14,879
TFC	14,417	3,380
Mega Diamond Money Market Fund	1,855	612
Mega USD Money Market Fund	-	15
Other related parties	383	77
Total	\$ 1,490,627	\$ 100,275

## 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	
	2023	2022
BOT	(\$ 59,263)	(\$ 18,920)
Chunghwa Post	7,801	35,204
Mega Diamond Money Market Fund	( 7,117)	557
Total	(\$ 58,579)	\$ 16,841

## O. Donation expense

	For the years ended December 31			
	2023		2022	
Mega charity	\$	10,000	\$	10,000
Mega C&E Foundation		19,000		19,000
Total	\$	29,000	\$	29,000

## P. Other general and administrative expenses

	For the years ended December 31			
	2023		2022	
Yung Shing Industries	\$	179,212	\$	173,744

## Q. Information on remunerations to the Group's key management

	For the years ended December 31			
	2023		2022	
Salaries and other short-term employee benefits	\$	398,118	\$	325,819
Post-employment benefits		7,537		5,755
Termination benefits		859		854
Total	\$	406,514	\$	332,428

## (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, 2023 AND 2022.)

## 12. PLEDGED ASSETS

Assets	Purpose of pledge	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss	Collaterals for Central Bank and bank overdrafts	\$ 6,802,112	\$ 6,700,665
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	16,670,874	21,221,471
Investments in debt instruments at amortized cost	Central Bank guarantees	8,112,532	7,651,618
Other financial assets	Operation guarantee deposits, Collaterals for bank overdrafts	200,100	400,100
Property and equipment	Collaterals for short-term borrowings	2,605,142	2,496,740
Investment property	Collaterals for short-term borrowings	711,524	846,080
Assets classified as held for sale	Collaterals for short-term borrowings	-	220
Other assets	Guarantee of insurance business, performance guarantee	1,037,709	795,438
		\$ 36,139,993	\$ 40,112,332

## 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 December 31, 2023, for the issues listed in the aforementioned consent order, MICB NY Branch has completed improvements on the abovementioned issues, but the entity still needs to improve its sustainability of the implementation of each improvement measure in order that the competent authorities could approve the implementation results at the subsequent annual financial examinations, so as to remove the conservatorship. Additionally, 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.

Following the examination of June 30, 2016, December 31, 2016, and September 30, 2016, the supervisory authorities disclosed deficiencies relating to risk management and compliance with the BSA/AML requirements of MICB NY Branch, MICB Chicago Branch and MICB Silicon Valley Branch (collectively, the "Branches"). 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.

Additionally, as of December 31, 2023, MICB NY Branch, 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. However, the Branches would continue to ensure that each improvement measure is effectively and continuously implemented. The full removal of conservatorship remains contingent on the recognition by the competent authorities of the overall improvement results and sustainability made by U.S. branches of MICB. 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, 2023 and 2022, MICB and its subsidiaries' commitments and contingent liabilities were as follows:

	December 31, 2023	December 31, 2022
Irrevocable arranged financing limit	\$ 211,960,332	\$ 143,460,826
Securities sold under repurchase agreement	40,074,725	34,963,970
Securities purchased under resell agreement	11,352,883	1,222,960
Credit card commitments	110,786,282	104,491,116
Guarantees issued	138,416,990	145,193,003
Letters of credit	61,763,981	64,571,662
Customers' securities under custody	358,048,341	387,285,244
Properties under custody	1,705,865	2,097,620
Guarantee received	151,990,380	150,815,749
Collections receivable for customers	72,177,005	76,584,185
Collections payable for customers	182,920	185,865
Trustee sales license	1,025	452
Payables on consignments-in	1,533	1,544
Agent for government bonds	77,440,200	85,912,700
Agent for marketable securities under custody	98,343,404	162,690,258
Trust liability	710,013,604	701,514,489
Certified notes payable	3,154,368	3,503,384
<b>Total</b>	<b>\$ 2,047,413,838</b>	<b>\$ 2,064,495,027</b>

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.

D. As of December 31, 2023, the total contract price for the subsidiary-MICB's new building construction of Zhongshan branch and Nanzi branch was 2,925,000, and the unpaid amount was \$2,652,429.

## (2) The subsidiaries-MBF

As of December 31, 2023 and 2022, the Company's commitments and contingent liabilities arising from its normal course of business were as follows:





	December 31, 2023	December 31, 2022
Securities sold under repurchase agreements	\$ 220,295,676	\$ 197,969,284
Guarantees for commercial papers	175,469,200	164,587,600
Buy fixed rate commercial paper	7,100,000	14,600,000
Buy index rate commercial paper	107,225,900	90,967,250
Sell fixed rate commercial paper	5,300,000	11,910,000
Sell index rate commercial paper	8,310,000	10,400,000
Total	<u>\$ 523,700,776</u>	<u>\$ 490,434,134</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, 2023, 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:

- (1) For the Company's 2023 capital increase, the proceeds of issuance of new common shares for NT \$11.55 billion had been fully collected on January 26, 2024 and January 26, 2024 was set as record date. On February 23, 2024, the capital increase was approved by the Ministry of Economic Affairs and the registration of changes of Company's capital was completed.
- (2) To support mid-term and long-term loan and investment business, the subsidiary-MICB issued the 1st senior unsecured 3-year financial debenture in 2024 amounting to NT\$1 billion and the 2nd senior unsecured 5-year USD callable interest rate linked financial debenture in 2024 amounting to US\$9,550 thousand on January 15, 2024 and January 30, 2024, respectively, with a coupon rate of 1.45% and a combination of fixed interest rate and structured interest rate (fixed interest rate of 5.80% for the first 1.5 years) and 4 times (5% - reference index interest rate) for more than 1.5 years to the 5th year, with a ceiling of 8% and a lower limit of 0%.

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 191-202 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022.)

- (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, 2023

The promotion bonus paid to other subsidiaries by MITC, MICB, CKI and MS amounted to \$32,045, \$33,205, \$37,661 and \$17,748, respectively. As a result of cross-selling by other subsidiaries, the income increased by \$137,047 for MITC; \$301,887 for MICB; \$813,077 for CKI; \$82,285 for MS.

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; \$676,812 for CKI; \$91,586 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, 2023	Bank division	Insurance division	Bills division	Securities division	Total other divisions	Consolidation
Interest income, net	\$ 37,361,704	(\$ 41,308)	(\$ 1,358,775)	\$ 590,573	(\$ 490,617)	\$ 36,061,577
Revenues other than interest, net	31,669,621	( 1,180,302)	4,488,453	5,089,229	1,193,342	41,260,343
Net revenue	69,031,325	( 1,221,610)	3,129,678	5,679,802	702,725	77,321,920
(Provision for) reversal of bad debts expense, commitment and guarantee liability	( 6,742,483)	( 2,413,808)	4,526	-	36,805	( 9,114,960)
Net change in provisions for insurance liabilities	-	2,339,213	-	-	-	2,339,213
Operating expenses	( 26,889,992)	( 1,408,948)	( 776,464)	( 3,479,421)	( 943,383)	( 33,498,208)
Profit (loss) from continuing operations before tax	35,398,850	( 2,705,153)	2,357,740	2,200,381	( 203,853)	37,047,965
Income tax (expense) benefit	( 4,426,226)	1,203,968	( 389,062)	( 205,390)	15,722	( 3,800,988)
Profit (loss) from continuing operations	\$ 30,972,624	(\$ 1,501,185)	\$ 1,968,678	\$ 1,994,991	\$ 188,131	\$ 33,246,977

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	( 2,619,781)	640,474	( 661,219)	( 253,198)	84,381	( 2,809,343)
Profit (loss) from continuing operations	\$ 24,204,802	(\$ 9,553,569)	\$ 3,011,808	\$ 606,438	\$ 65,479	\$ 18,334,958

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, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	December 31, December 31,		LIABILITIES AND EQUITY	December 31, December 31,	
	2023	2022		2023	2022
Assets			Liabilities		
Cash and cash equivalents	\$ 2,422,607	\$ 203,919	Commercial paper payable, net	\$ 21,491,177	\$ 12,233,984
Financial assets at fair value through other comprehensive income	2,435,101	2,622,808	Payables	28,493,488	26,966,886
Receivables, net	-	270	Current tax liabilities	1,079,173	1,084,681
Current tax assets	-	319,360	Bonds payable	15,000,000	5,000,000
Investments accounted for using equity method	400,707,265	346,718,173	Other borrowings	4,390,000	5,400,000
Other financial assets	100	100	Provisions	13,259	31,174
Investment property, net	126,549	128,060	Lease liabilities	2,896	4,651
Property and equipment, net	574,545	578,819	Other liabilities	8,931	58,501
Right-of-use assets, net	2,896	4,637	Total liabilities	70,478,924	50,779,877
Deferred income tax assets	9,325	7,010	Equity		
Other assets, net	11,624	6,174	Common stock	140,513,382	139,398,196
			Advance receipts for capital stock	1,391,394	-
			Capital surplus	68,502,384	68,194,233
			Retained earnings		
			Legal reserve	47,670,164	45,976,579
			Special reserve	16,163,964	2,538,952
			Unappropriated earnings	58,426,861	59,027,089
			Other equity interest	3,142,939	( 15,325,596)
			Total equity	335,811,088	299,809,453
TOTAL ASSETS	\$ 406,290,012	\$ 350,589,330	TOTAL LIABILITIES AND EQUITY	\$ 406,290,012	\$ 350,589,330

MEGA FINANCIAL HOLDING CO., LTD.  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	For the years ended December 31,	
	2023	2022
Revenues		
Interest income	\$ 6,259	\$ 5,258
Share of profit of associates and joint ventures accounted for using equity method	33,981,072	18,602,819
Net revenue other than interest	77,269	72,037
Total revenue	34,064,600	18,680,114
Expenses and losses		
Interest expense	( 395,149)	( 133,151)
Foreign exchange loss	( 1)	( 5)
Employee benefit expenses	( 373,925)	( 274,339)
Depreciation and amortization expenses	( 16,840)	( 15,996)
Other general and administrative expenses	( 117,874)	( 84,907)
Total expenses and losses	( 903,789)	( 508,398)
Profit from continuing operations before tax	33,160,811	18,171,716
Income tax benefit	86,166	163,242
Net profit	33,246,977	18,334,958
Other comprehensive income (loss)		
Components of other comprehensive income that will not be reclassified to profit or loss		
(loss) Gain on remeasurement of defined benefit plans	( 11,577)	3,917
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	12,989,662	( 5,137,278)
Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	( 187,707)	580,628
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	2,315	( 783)
Components of other comprehensive income that will be reclassified to profit or loss		
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	5,547,796	( 23,331,118)
Other comprehensive income (loss) after tax	18,340,489	( 27,884,634)
Total comprehensive income (loss)	\$ 51,587,466	( \$ 9,549,676)
Earnings Per Share		
Basic and Diluted Earnings Per Share (in dollars)	\$ 2.37	\$ 1.30

MEGA FINANCIAL HOLDING CO., LTD.  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital stock		Retained earnings				Other equity interest				Total equity	
	Common stock	Advance receipts for capital 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 under overlay approach	Other equity, other		
For the year ended December 31, 2022												
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	-	-	-	-	-	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	-	-	-	-	-	(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	
For the year ended December 31, 2023												
Equity at beginning 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	
Profit	-	-	-	-	-	33,246,977	-	-	-	-	33,246,977	
Other comprehensive income (loss) for the year	-	-	-	-	-	(995,446)	138,417	19,197,030	(1,948)	2,436	18,340,489	
Total comprehensive income (loss)	-	-	-	-	-	32,251,531	138,417	19,197,030	(1,948)	2,436	51,587,466	
Earnings distribution for 2022												
Legal reserve	-	-	-	1,693,585	-	(1,693,585)	-	-	-	-	-	
Special reserve	-	-	-	-	13,625,012	(13,625,012)	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(17,285,376)	-	-	-	-	(17,285,376)	
Stock dividends	1,115,186	-	-	-	-	(1,115,186)	-	-	-	-	-	
Issue of shares	-	1,391,394	-	-	-	-	-	-	-	-	1,391,394	
Share-based payments	-	-	308,151	-	-	-	-	-	-	-	308,151	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	867,400	-	867,400	-	-	-	
Equity at end of year	\$140,513,382	\$ 1,391,394	\$ 68,502,384	\$ 47,670,164	\$ 16,163,964	\$ 58,426,861	\$ 2,227,625	\$ 5,385,960	\$ 299	\$ 15,097	\$ 335,811,088	



MEGA FINANCIAL HOLDING CO., LTD.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the years ended December 31,	
	2023	2022
<b>Cash Flows from Operating Activities</b>		
Profit before tax	\$ 33,160,811	\$ 18,171,716
Income and expenses having no effect on cash flows		
Income and expenses		
Depreciation expense	14,660	14,022
Amortization expense	2,180	1,974
Interest expense	395,149	( 5,258 )
Interest income	( 6,259 )	133,151
Dividend income	( 75,734 )	( 65,563 )
Share of profit of associates and joint ventures accounted for using equity method	( 33,981,072 )	( 18,602,819 )
Share-based payments	2,348	-
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in receivables	270	( 265 )
Increase in other assets	( 521 )	( 1,242 )
Changes in operating liabilities		
Decrease in payables	( 315,320 )	( 524,551 )
Decrease in provisions	( 29,492 )	( 2,463 )
Cash outflow generated from operations	( 832,980 )	( 881,298 )
Interest received	6,259	5,258
Cash dividend received	4,861,352	17,511,422
Interest paid	( 351,873 )	( 115,651 )
Income tax refunded	400,018	87,786
Net cash flows from operating activities	<u>4,082,776</u>	<u>16,607,517</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of investments accounted for using equity method	( 6,000,300 )	( 2,000,064 )
Acquisition of property and equipment	( 8,530 )	( 2,594 )
Acquisition of intangible assets	( 5,713 )	( 1,721 )
Net cash flows used in investing activities	<u>( 6,014,543 )</u>	<u>( 2,004,379 )</u>
<b>Cash Flows from Financing Activities</b>		
Increase (decrease) in commercial papers issued	9,275,000	( 2,800,000 )
Proceeds from issuing bonds	10,000,000	-
(Decrease) increase in other borrowings	( 1,010,000 )	5,400,000
Increase (decrease) in guarantee deposits received	354	( 330 )
Payment of lease liabilities	( 1,755 )	( 1,920 )
Cash dividends paid	( 15,504,538 )	( 17,078,169 )
Proceeds from issuing shares	1,391,394	-
Net cash flows from (used in) financing activities	<u>4,150,455</u>	<u>( 14,480,419 )</u>
Net increase in cash and cash equivalents	2,218,688	122,719
Cash and cash equivalents at beginning of period	203,919	81,200
Cash and cash equivalents at end of period	<u>\$ 2,422,607</u>	<u>\$ 203,919</u>

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.  
CONDENSED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2023	(Reclassified) December 31, 2022	Item	December 31, 2023	(Reclassified) December 31, 2022
<b>ASSETS</b>			<b>LIABILITIES</b>		
Cash and cash equivalents	\$ 130,641,286	\$ 82,796,598	Deposits from the Central Bank and banks	\$ 611,251,006	\$ 404,758,827
Due from the Central Bank and call loans to banks	549,868,447	442,342,196	Due to the Central Bank and banks	2,870,805	3,219,692
Financial assets at fair value through profit or loss	56,779,516	56,556,514	Financial liabilities at fair value through profit or loss	24,635,566	21,024,834
Financial assets at fair value through other comprehensive income	407,864,306	404,518,469	Securities sold under repurchase agreements	39,912,828	34,830,461
Investments in debt instruments at amortized cost	609,844,648	559,411,088	Payables	43,294,718	28,923,015
Securities purchased under resale agreements	11,317,301	1,221,780	Current tax liabilities	8,883,471	9,373,275
Receivables, net	39,781,678	45,349,463	Deposits and remittances	2,837,793,640	2,832,812,166
Current tax asset	1,130	5,019	Financial bonds payable	15,500,000	15,000,000
Loans discounted, net	2,110,732,272	2,055,016,751	Other financial liabilities	18,452,135	15,934,138
Investments accounted for using equity method, net	12,661,111	10,190,302	Provisions	15,666,536	14,605,525
Other financial assets, net	424,121	271,001	Lease liabilities	2,365,545	2,177,454
Property and equipment, net	15,210,521	14,982,812	Deferred income tax liabilities	2,704,942	2,441,615
Right-of-use assets, net	2,306,231	2,121,739	Other liabilities	8,409,080	12,027,972
Investment property, net	582,564	582,887	Total liabilities	3,631,740,272	3,397,128,974
Intangible assets, net	1,188,938	1,114,744	<b>EQUITY</b>		
Deferred income tax assets	6,365,978	6,052,590	Common stock	85,362,336	85,362,336
Other assets, net	7,389,790	4,551,561	Capital surplus	62,437,396	62,219,540
			Retained earnings	182,386,110	156,356,955
			Other equity interest	1,033,724	(13,982,291)
			Total equity	331,219,566	289,956,540
<b>TOTAL ASSETS</b>	<b>\$ 3,962,959,838</b>	<b>\$ 3,687,085,514</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,962,959,838</b>	<b>\$ 3,687,085,514</b>



MEGA SECURITIES CO., LTD.  
CONDENSED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2023	December 31, 2022	Item	December 31, 2023	December 31, 2022
<b>ASSETS</b>			<b>LIABILITIES</b>		
Current assets	\$ 82,358,179	\$ 49,902,915	Current liabilities	\$ 68,702,948	\$ 38,722,347
Financial assets at fair value through other comprehensive income-non-current	1,080,647	1,006,218	Provisions for liabilities - non-current	79,105	65,159
Investments accounted for using equity method	902,521	896,034	Lease liabilities - non-current	102,106	84,725
Property and equipment, net	2,148,770	2,089,755	Deferred income tax liabilities	9,647	3,615
Right-of-use assets, net	163,859	148,423	Other liabilities - non-current	7,221	7,221
Investment property, net	623,019	627,898	Total liabilities	68,901,027	38,883,067
Intangible assets, net	97,603	91,253	<b>EQUITY</b>		
Deferred income tax assets	65,145	66,291	Common stock	11,600,000	11,600,000
Other assets - non-current	898,538	886,410	Capital surplus	1,024,671	971,161
			Retained earnings	5,811,926	3,948,357
			Other equity interest	1,000,657	312,612
			Total equity	19,437,254	16,832,130
<b>TOTAL ASSETS</b>	<b>\$ 88,338,281</b>	<b>\$ 55,715,197</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 88,338,281</b>	<b>\$ 55,715,197</b>



MEGA BILLS FINANCE CO., LTD.  
CONDENSED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2023	December 31, 2022	Item	December 31, 2023	December 31, 2022
<b>ASSETS</b>			<b>LIABILITIES</b>		
Cash and cash equivalents	\$ 314,288	\$ 351,332	Interbank overdraft and call loans	\$ 19,229,056	\$ 7,982,322
Financial assets at fair value through profit or loss	155,719,507	138,802,548	Financial liabilities at fair value through profit or loss	24,349	94,673
Financial assets at fair value through other comprehensive income	121,923,201	100,475,481	Securities sold under repurchase agreements	220,295,676	197,969,284
Investments in debt instruments at amortized cost	451,578	449,151	Payables	657,146	554,995
Receivables, net	1,565,496	1,073,254	Current tax liabilities	89,130	445,735
Other financial assets, net	266,363	471,170	Provisions	2,560,110	2,576,840
Property and equipment, net	377,664	362,935	Lease liabilities	111,312	149,269
Right-of-use assets, net	110,683	148,905	Deferred income tax liabilities	46,570	32,178
Investment property, net	2,453,776	2,464,440	Other liabilities	137,123	407,070
Intangible assets, net	13,537	7,403	Total liabilities	243,150,472	210,212,366
Deferred income tax assets	477,810	724,536	<b>EQUITY</b>		
Other assets, net	73,665	65,008	Common stock	13,114,411	13,114,411
			Capital surplus	328,010	320,929
			Retained earnings	27,974,128	25,539,109
			Other equity interest	( 819,453)	( 3,790,652)
			Total equity	40,597,096	35,183,797
<b>TOTAL ASSETS</b>	<b>\$ 283,747,568</b>	<b>\$ 245,396,163</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 283,747,568</b>	<b>\$ 245,396,163</b>



CHUNG KUO INSURANCE CO., LTD.  
CONDENSED BALANCE SHEETS 2021  
DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2023	December 31, 2022	Item	December 31, 2023	December 31, 2022
<b>ASSETS</b>			<b>LIABILITIES</b>		
Cash and cash equivalents	\$ 2,583,993	\$ 2,500,588	Short-term liabilities	\$ 6,375,730	\$ 9,099,194
Receivables	666,983	765,426	Payables	1,604,727	1,694,060
Current tax assets	5,689	5,332	Current tax liabilities	6,445	2,456
Assets classified as held for sale	-	12,380	Insurance liabilities	10,701,095	15,646,429
Financial assets at fair value through profit or loss	65,237	67,185	Provisions	75,843	80,212
Financial assets at fair value through other comprehensive income	370,035	388,864	Lease liabilities	27,745	31,429
Investments in debt instruments at amortized cost	3,313,022	3,466,994	Other liabilities	105,349	112,799
Investments accounted for using equity method	20,585	28,263	Total liabilities	18,896,934	26,666,579
Right-of-use assets, net	27,556	31,291	<b>EQUITY</b>		
Investment property, net	272,144	277,012	Common stock	5,333,500	4,420,500
Reinsurance contracts assets	13,846,853	16,592,224	Capital surplus	2,690,632	1,664,375
Property and equipment, net	786,745	805,115	Accumulated deficit	( 3,731,502)	( 6,342,158)
Intangible assets, net	93,677	95,426	Other equity interest	250,906	270,038
Deferred income tax assets	187,765	665,595	Total equity	4,543,536	12,755
Other assets, net	1,200,186	977,639			
<b>TOTAL ASSETS</b>	\$ 23,440,470	\$ 26,679,334	<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 23,440,470	\$ 26,679,334



MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.  
CONDENSED BALANCE SHEETS  
DECEMBER 31, 2023, AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2023	December 31, 2022	Item	December 31, 2023	December 31, 2022
<b>ASSETS</b>			<b>LIABILITIES</b>		
Current assets	\$ 764,934	\$ 761,776	Current liabilities	\$ 69,490	\$ 61,639
Financial assets at fair value through other comprehensive income	1,698	1,582	Lease liabilities-non-current	1,248	534
Property and equipment, net	126,681	128,793	Liabilities-non-current	2,261	2,010
Right-of-use assets, net	1,921	1,062	Total liabilities	72,999	64,183
Intangible assets, net	6,382	2,407	<b>EQUITY</b>		
Deferred income tax assets	454	413	Common stock	527,000	527,000
Other assets - non-current	57,421	31,334	Capital surplus	6,434	3,675
			Retained earnings	352,860	332,427
			Other equity interest	198	82
			Total equity	886,492	863,184
<b>TOTAL ASSETS</b>	<b>\$ 959,491</b>	<b>\$ 927,367</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 959,491</b>	<b>\$ 927,367</b>

MEGA ASSET MANAGEMENT CO., LTD.  
CONDENSED BALANCE SHEETS  
DECEMBER 31, 2023, AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2023	December 31, 2022	Item	December 31, 2023	December 31, 2022
<b>ASSETS</b>			<b>LIABILITIES</b>		
Current assets	\$ 8,608,804	\$ 16,016,536	Current liabilities	\$ 6,581,381	\$ 11,353,345
Property and equipment, net	1,925	1,299	Long-term loans	100,000	2,248,861
Investment property, net	805,197	317,670	Lease liabilities-non-current	14,468	22,022
Right-of-use assets, net	21,853	29,633	Other liabilities-non-current	5,509	5,247
Intangible assets, net	1,038	1,286	Total liabilities	6,701,358	13,629,475
Deferred income tax assets	90,675	99,069	<b>EQUITY</b>		
Other assets-non-current	4,523	4,723	Common stock	2,000,000	2,000,000
			Capital surplus	1,995	1,261
			Retained earnings	830,662	839,460
			Total equity	2,832,657	2,840,721
<b>TOTAL ASSETS</b>	<b>\$ 9,534,015</b>	<b>\$ 16,470,196</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 9,534,015</b>	<b>\$ 16,470,196</b>



MEGA VENTURE CAPITAL CO., LTD.  
CONDENSED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	December 31, 2023	December 31, 2022	Item	December 31, 2023	December 31, 2022
<b>ASSETS</b>			<b>LIABILITIES</b>		
Current assets	\$ 277,144	\$ 255,231	Current liabilities	\$ 55,605	\$ 4,681
Financial assets at fair value through profit or loss	1,067,858	823,182	Total liabilities	55,605	4,681
			<b>EQUITY</b>		
			Common stock	1,050,000	1,050,000
			Capital surplus	29	-
			Retained earnings	239,368	23,732
			Total equity	1,289,397	1,073,732
<b>TOTAL ASSETS</b>	<b>\$ 1,345,002</b>	<b>\$ 1,078,413</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,345,002</b>	<b>\$ 1,078,413</b>

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.  
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2023	%	2022	%
Interest income	\$ 112,689,018	164	\$ 66,457,595	124
Less: Interest expense	( 76,108,625)	( 111)	( 30,218,689)	( 56)
Net interest income	36,580,393	53	36,238,906	68
Net revenue other than interest	32,182,138	47	17,201,792	32
Net revenue	68,762,531	100	53,440,698	100
Bad debts expense, commitment and guarantee liability provision	( 6,784,493)	( 10)	( 2,942,670)	( 6)
Operating expenses	( 26,687,657)	( 39)	( 23,763,656)	( 44)
Profit from continuing operations before tax	35,290,381	51	26,734,372	50
Income tax expense	( 4,265,787)	( 6)	( 2,552,937)	( 5)
Net profit	31,024,594	45	24,181,435	45
Other comprehensive income (loss)	14,288,693	21	( 20,526,934)	( 38)
Total comprehensive income	\$ 45,313,287	66	\$ 3,654,501	7
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 3.63		\$ 2.83	

# Financial Information

MEGA SECURITIES CO., LTD.  
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2023	%	2022	%
Revenues	\$ 6,275,522	100	\$ 3,900,601	100
Service fee expenditure	( 268,183)	( 4)	( 235,607)	( 6)
Employee benefit expense	( 2,191,213)	( 35)	( 1,828,769)	( 47)
Other operating expenditures	( 676,456)	( 11)	( 197,904)	( 5)
Operating expenses	( 1,198,847)	( 19)	( 1,027,002)	( 27)
Other gains and losses	197,103	3	164,065	4
Share of profit of associates and joint ventures accounted for using equity method	57,406	1	66,770	2
Profit from continuing operations before tax	2,195,332	35	842,154	21
Income tax expense	( 192,722)	( 3)	( 238,925)	( 6)
Net profit	2,002,610	32	603,229	15
Other comprehensive income (loss)	789,737	13	( 1,174,006)	( 30)
Total comprehensive income (loss)	<u>(\$ 2,792,347)</u>	<u>45</u>	<u>(\$ 570,777)</u>	<u>( 15)</u>
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 1.73		\$ 0.52	

MEGA BILLS FINANCE CO., LTD.  
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2023	%	2022	%
Interest income	\$ 4,952,001	159	\$ 3,348,239	79
Less: Interest expense	( 3,874,718 )	( 124)	( 1,509,561 )	( 36)
Net interest income	1,077,283	35	1,838,678	43
Net revenue other than interest	2,039,326	65	2,388,388	57
Net revenue	3,116,609	100	4,227,066	100
Provisions	4,526	-	308,285	8
Operating expenses	( 811,843 )	( 26)	( 833,849 )	( 20)
Profit from continuing operations before tax	2,309,292	74	3,701,502	88
Income tax expense	( 389,062 )	( 13)	( 661,219 )	( 16)
Net profit	1,920,230	61	3,040,283	72
Other comprehensive income (loss)	3,485,988	112	( 6,560,344 )	( 155)
Total comprehensive income (loss)	<u>\$ 5,406,218</u>	<u>173</u>	<u>\$ 3,520,061</u>	<u>( 83)</u>
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 1.46		\$ 2.32	

CHUNG KUO INSURANCE CO., LTD.  
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2023	%	2022	%
Operating revenue	\$ 6,225,241	100	\$ 6,034,608	100
Operating cost	( 5,179,410 )	( 81)	( 14,783,496 )	( 244)
Operating expense	( 3,816,634 )	( 62)	( 1,414,883 )	( 24)
Operating income	( 2,770,803 )	( 43)	( 10,163,771 )	( 168)
Non-operating income and expense	99,961	2	( 472 )	-
Loss from continuing operations before tax	( 2,670,842 )	( 41)	( 10,164,243 )	( 168)
Income tax benefit	1,203,968	19	640,474	11
Net loss	( 1,466,874 )	( 22)	( 9,523,769 )	( 157)
Other comprehensive loss	( 26,477 )	-	( 214,344 )	( 3)
Total comprehensive loss	( \$ 1,493,351 )	( 22)	( \$ 9,738,113 )	( 160)
Loss per share				
Basic and diluted loss per share (after taxes)	( \$ 2.90 )		( \$ 63.87 )	

MEGA INTERNATIONAL INVESTMENT TRUST CO., LTD.  
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2023	%	2022	%
Operating revenue	\$ 405,581	100	\$ 359,581	100
Operating expense	( 304,927 )	( 75)	( 266,334 )	( 74)
Operating income	100,654	25	93,247	26
Non-operating income and expense	13,912	3	( 10 )	-
Income before income tax	114,566	28	93,237	26
Income tax expense	( 21,420 )	( 5)	( 19,231 )	( 6)
Net income	93,146	23	74,006	20
Other comprehensive income	( 358 )	-	6,325	2
Total comprehensive income	\$ 92,788	23	\$ 80,331	22
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 1.77		\$ 1.40	

MEGA ASSET MANAGEMENT CO., LTD.  
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2023	%	2022	%
Operating revenue	\$ 418,166	100	\$ 481,882	100
Operating cost	( 1,966 )	-	( 2,122 )	( 1)
Gross profit	416,200	100	479,760	99
Operating expense	( 49,743 )	( 12)	( 74,056 )	( 15)
Operating income	366,457	88	405,704	84
Non-operating income and expense	( 125,960 )	( 30)	( 127,795 )	( 26)
Income before income tax	240,497	58	277,909	58
Income tax expense	( 48,080 )	( 12)	( 55,382 )	( 12)
Net income	192,417	46	222,527	46
Other comprehensive (loss) income	( 124 )	-	907	-
Total comprehensive income	\$ 192,293	46	\$ 223,434	46
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 0.96		\$ 1.11	

MEGA VENTURE CAPITAL CO., LTD.  
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Item	For the years ended December 31,			
	2023	%	2022	%
Operating revenue	\$ 293,387	100	\$ 27,475	100
Operating expense	( 74,793 )	( 25)	( 19,863 )	( 72)
Operating income	218,594	75	7,612	28
Non-operating income and expense	1,424	-	457	1
Income before income tax	220,018	75	8,069	29
Income tax expense	( 944 )	-	( 4,248 )	( 15)
Net income	219,074	75	3,821	14
Total comprehensive income	\$ 219,074	75	\$ 3,821	14
Earnings per share				
Basic and diluted earnings per share (after taxes)	\$ 2.09		\$ 0.04	

## (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, 2023	For the year ended December 31, 2022
Return on assets	Pre-tax	8.76	5.01
	After-tax	8.79	5.05
Return on equity	Pre-tax	10.43	5.79
	After-tax	10.46	5.84
Net profit margin		97.60	98.15

UNIT : %

Items		MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES	
		For the year ended December 31, 2023	For the year ended December 31, 2022
Return on assets	Pre-tax	0.88	0.51
	After-tax	0.79	0.45
Return on equity	Pre-tax	11.66	6.73
	After-tax	10.46	5.84
Net profit margin		43.00	32.71

## b. The subsidiary

UNIT : %

Items		MICB	
		For the year ended December 31, 2023	For the year ended December 31, 2022
Return on assets	Pre-tax	0.92	0.72
	After-tax	0.81	0.65
Return on equity	Pre-tax	11.36	9.08
	After-tax	9.99	8.21
Net profit margin		45.12	45.25

UNIT : %

Items		MS	
		For the year ended December 31, 2023	For the year ended December 31, 2022
Return on assets	Pre-tax	3.05	1.18
	After-tax	2.78	0.85
Return on equity	Pre-tax	12.11	4.66
	After-tax	11.04	3.34
Net profit margin		31.91	15.47

UNIT : %

Items		MBF	
		For the year ended December 31, 2023	For the year ended December 31, 2022
Return on assets	Pre-tax	0.87	1.49
	After-tax	0.73	1.22
Return on equity	Pre-tax	6.09	9.72
	After-tax	5.07	7.98
Net profit margin		61.61	71.92

UNIT : %

Items	CKI	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Return on assets	Pre-tax	( 10.66)
	After-tax	( 5.85)
Return on equity	Pre-tax	( 117.24)
	After-tax	( 64.39)
Net profit margin	( 23.56)	( 157.82)

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, 2023 and 2022.

- (13) In accordance with Article 17 of Enforcement Rules of the Trust Enterprise Act, the subsidiary-MICB discloses its trust balance sheets, trust income statements and trust property list are as follows:

(Please refer to page 217-218 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

- (14) In accordance with Article 17 of Enforcement Rules of the Trust Enterprise Act, the subsidiary-MS discloses its trust balance sheets, trust income statements and trust property list are as follows:

(Please refer to page 218-219 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

## 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 220 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

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 disposal of non-performing loans:

(Please refer to page 220 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

G. Information and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Other material transactions which were significant to the 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 221-223 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

B. Securities held as of December 31, 2023:

(Please refer to page 224-226 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022.)





(3) Information on investments in Mainland China

(Please refer to page 227-228 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

(4) Major shareholders information

Name of major shareholders	Shares	Number of shares held	Ownership (%)
Ministry of Finance		1,180,992,939	8.40
National Development Fund, Executive Yuan		858,561,512	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 229 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

(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 230-231 of the CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

(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 purchases 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 sells options, market price risk is the fluctuation of TAIEX Index Option contracts. Futures department of MS has 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 written-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.

# Financial Information

The Mega Group is based in the global market, comprising four major business segments; there were no changes in the reporting segments for the period.

The operating results have different income items due to different nature of the operating segments, and the CODM evaluates segment performance based on the net profit before tax of various segments. Therefore, performance of all reporting segments is presented by the net amount of operating net profit less various operating expenses. Income from external clients provided for the CODM to review is measured on the same basis with the statement of comprehensive income.

Adjustments of internal pricing and transfer pricing are reflected in segment performance evaluation. Income from external clients has been allocated based on the regulated allocation standard between segments.

The internal management's operating reports are prepared based on net operating profit, including net interest income, net service fee income, recovered bad debts (provision), 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, 2023						Total
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	
Net interest income	\$ 37,459,706	(\$ 37,384)	(\$ 1,473,452)	\$ 596,718	(\$ 490,892)	\$ 6,881	\$ 36,061,577
Net revenue other than interest	31,803,975	( 1,145,828)	4,590,061	5,135,131	35,181,647	( 34,304,643)	41,260,343
Net revenue	69,263,681	( 1,183,212)	3,116,609	5,731,849	34,690,755	( 34,297,762)	77,321,920
(Provision for) reversal of bad debts expense, commitment and guarantee liability	( 6,742,483)	( 2,413,808)	4,526	-	36,805	-	( 9,114,960)
Provisions for insurance liabilities	-	2,339,213	-	-	-	-	2,339,213
Operating expenses	( 27,070,378)	( 1,413,035)	( 811,843)	( 3,523,849)	( 991,668)	312,565	( 33,498,208)
Profit (loss) from continuing operations before tax	35,450,820	( 2,670,842)	2,309,292	2,208,000	33,735,892	( 33,985,197)	37,047,965
Income tax (expense) benefit	( 4,426,226)	1,203,968	( 389,062)	( 205,390)	15,722	-	( 3,800,988)
Profit (loss)	\$ 31,024,594	(\$ 1,466,874)	\$ 1,920,230	\$ 2,002,610	\$ 33,751,614	(\$ 33,985,197)	\$ 33,246,977

Items	For the year ended December 31, 2022						Total
	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	
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

For the year ended December 31, 2023							
Items	Bank Department	Insurance Department	Bills Department	Securities Department	Other Departments	Adjustment and write-off	Total
Segment assets	\$ 3,988,317,826	\$ 23,440,470	\$ 283,747,568	\$ 94,063,317	\$ 418,128,519	(\$ 412,932,507)	\$ 4,394,765,193
Segment liabilities	\$ 3,657,098,260	\$ 18,896,934	\$ 243,150,472	\$ 74,626,063	\$ 77,308,886	(\$ 12,126,510)	\$ 4,058,954,105

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

(6) Geographical information about net revenue and identifiable assets

	For the years ended December 31,	
	December 31, 2023	December 31, 2022
Asia	\$ 72,798,510	\$ 51,207,140
America	2,899,055	3,104,864
Other	1,624,355	1,737,649
Total net revenue	\$ 77,321,920	\$ 56,049,653

	For the years ended December 31,	
	December 31, 2023	December 31, 2022
Asia	\$ 3,962,643,320	\$ 3,765,699,206
America	326,556,906	182,645,306
Other	105,564,967	112,642,835
Total identifiable assets	\$ 4,394,765,193	\$ 4,060,987,347

## 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	2023.12.31	2022.12.31	Difference	
				Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to banks (Note 1)		691,446,009	530,328,029	161,117,980	30.38
Financial assets at fair value through profit or loss		228,463,860	204,901,889	23,561,971	11.50
Financial assets at fair value through other comprehensive income		557,265,509	524,826,590	32,438,919	6.18
Investments in debt instruments at amortized cost, net		616,356,587	565,528,607	50,827,980	8.99
Securities purchased under resell agreements (Note 2)		5,444,959	618,306	4,826,653	780.63
Receivables, net		92,724,481	86,258,656	6,465,825	7.50
Current tax assets		15,357	329,712	( 314,355)	( 95.34)
Assets classified as held for sale		0	12,380	( 12,380)	( 100.00)
Loans discounted, net		2,133,342,011	2,079,441,292	53,900,719	2.59
Reinsurance contract assets, net		13,846,853	16,592,224	( 2,745,371)	( 16.55)
Investments accounted for using equity method		5,774,751	4,938,289	836,462	16.94
Other financial assets, net		6,347,532	7,673,288	( 1,325,756)	( 17.28)
Investment property, net		2,023,611	1,542,390	481,221	31.20
Property and equipment, net		22,044,685	21,636,818	407,867	1.89
Right-of-use assets, net		2,072,607	1,903,487	169,120	8.88
Intangible assets, net		1,410,325	1,318,844	91,481	6.94
Deferred income tax assets		7,222,920	6,999,467	223,453	3.19
Other assets, net (Note 3)		8,963,136	6,137,079	2,826,057	46.05
<b>Total assets</b>		<b>4,394,765,193</b>	<b>4,060,987,347</b>	<b>333,777,846</b>	<b>8.22</b>
Deposits from the Central Bank and banks (Note 4)		634,098,237	417,271,579	216,826,658	51.96
Due to the Central Bank and banks		2,870,805	3,250,380	( 379,575)	( 11.68)
Financial liabilities at fair value through profit or loss		25,587,296	21,447,467	4,139,829	19.30
Securities sold under repurchase agreements		282,478,905	252,342,653	30,136,252	11.94
Commercial paper issued, net (Note 5)		40,385,793	22,637,681	17,748,112	78.40
Payables (Note 6)		97,890,226	73,475,048	24,415,178	33.23
Current income tax liabilities		10,532,725	10,752,028	( 219,303)	( 2.04)
Deposits and remittances		2,853,818,393	2,847,366,547	6,451,846	0.23
Bonds payable (Note 7)		30,500,000	20,000,000	10,500,000	52.50
Other borrowings ( Note 8)		11,947,112	17,348,000	( 5,400,888)	( 31.13)
Provisions		29,133,623	33,053,040	( 3,919,417)	( 11.68)
Other financial liabilities		24,483,927	23,542,283	941,644	4.00
Lease liabilities		2,134,168	1,956,726	177,442	9.07
Deferred income tax liabilities		2,767,687	2,480,569	287,118	11.57
Other liabilities (Note 9)		10,325,208	14,253,893	( 3,928,685)	( 27.56)
<b>Total liabilities</b>		<b>4,058,954,105</b>	<b>3,761,177,894</b>	<b>297,776,211</b>	<b>7.92</b>
Equity attributable to owners of parent		335,811,088	299,809,453	36,001,635	12.01
Common stock		141,904,776	139,398,196	2,506,580	1.80
Capital surplus		68,502,384	68,194,233	308,151	0.45
Retained earnings		122,260,989	107,542,620	14,718,369	13.69
Other equity interest (Note 10)		3,142,939	( 15,325,596)	18,468,535	( 120.51)
<b>Total Equity</b>		<b>335,811,088</b>	<b>299,809,453</b>	<b>36,001,635</b>	<b>12.01</b>

## Change analysis:

- 1.The increase in Cash and cash equivalents, due from the Central Bank and call loans to banks was mainly due to the increase in deposits with interbank banks and interbank lending and overdrafts.
- 2.The increase in Securities purchased under resell agreements was mainly due to the increase in investment positions.
- 3.The increase in Other assets, net is mainly due to the increase in refundable deposits.
- 4.The increase in Deposits from the Central Bank and banks was mainly due to the increase in Central Bank and China Post deposits.
- 5.The increase in Commercial paper issued, net was mainly due to the increase in funding gaps, and part of the fund allocation was changed from short-term borrowing to the issuance of commercial papers.
- 6.The increase in Payables was mainly due to the increase in accounts payable and settlement payable.
- 7.The increase in Bonds payable was mainly due to the issuance of NT\$ 10 billion corporate bonds in 2023.
- 8.The decrease in Other borrowings was mainly due to the change of part of the fund allocation from short-term borrowings to the issuance of commercial papers.
- 9.The decrease in other liabilities was mainly due to the decrease in deposits received.
- 10.The increase in Other equity is mainly due to the increase in stock valuation benefits and the reduction in bond valuation losses from the rise in the stock and bond markets.

## 7.2 Analysis of Financial Performance

Unit: NT\$1,000

Item	2023	2022	Difference	%
Interest income (Note 1)	117,567,630	69,936,167	47,631,463	68.11
Less: interest expense (Note 2)	( 81,506,053)	( 32,253,073)	( 49,252,980)	152.71
Net interest revenue	36,061,577	37,683,094	( 1,621,517)	( 4.30)
Net revenue other than interest (Note 3)	41,260,343	18,366,559	22,893,784	124.65
Net revenue	77,321,920	56,049,653	21,272,267	37.95
Bad debts expense, commitment and guarantee liability provision (Note 4)	( 9,114,960)	( 2,876,572)	( 6,238,388)	216.87
Net change in provisions for insurance liabilities (Note 5)	2,339,213	( 2,357,830)	4,697,043	( 199.21)
Operating expenses	( 33,498,208)	( 29,670,950)	( 3,827,258)	12.90
Profit from continuing operations before tax	37,047,965	21,144,301	15,903,664	75.21
Income tax expense	( 3,800,988)	( 2,809,343)	( 991,645)	35.30
Profit for the year	33,246,977	18,334,958	14,912,019	81.33
Total other comprehensive income (after tax)	18,340,489	( 27,884,634)	46,225,123	( 165.77)
Total comprehensive income (Note 6)	51,587,466	( 9,549,676)	61,137,142	( 640.20)
Profit attributable to owners of parent	33,246,977	18,334,958	14,912,019	81.33
Comprehensive income attributable to owners of parent	51,587,466	( 9,549,676)	61,137,142	( 640.20)

## Change analysis:

- 1.The increase in interest income was mainly due to the increase in interest income from discounts and loans, interest income from deposits and lending to financial institutions, and interest income from investment in securities from the rise in interest rates by global central banks.
- 2.The increase in interest expenses is mainly due to the increase in interest expenses for deposits and for bank and inter-bank overdraft and lending from the rise in interest rates by global central banks.
- 3.The increase in net revenue other than interest was mainly due to the rise in global stock and bond markets, which led to an increase in stock and bond operating interests and profits from derivative instruments.
- 4.The increase in bad debts expense, commitment and guarantee liability provision was mainly due to the increase in normal provisions and the increase in the amount of bad debt provisions.
- 5.The decrease in net change in provisions for insurance liabilities mainly because claims for pandemic insurance policies have been successively settled, and the compensation reserves have been transferred from provisions to recovers.
- 6.The increase in total comprehensive income was mainly due to the rise in the global stock and bond markets, and the valuation of debts and stocks turned from losses to profits.



## 7.3 Analysis of Cash Flow

### 7.3.1 Cash Flow Analysis for 2023

Unit: %

Item	Year	2023	2022	%
Cash flow ratio		2.36	8.29	( 71.53)
Cash flow adequacy ratio		248.61	216.98	14.58
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 was mainly due to the 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
139,031,498	(274,917,753)	(234,551,704)	98,665,449	None	None

## 7.4 Influences from Major Capital Expenditures: None.

## 7.5 Investment Strategies in the Past Year and Investment Plan for the Coming Year

### 7.5.1 Investment Policies in 2023

- 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.
- From where Mega Financial Holdings stands, it may 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 reported a profit in 2023 of NT\$ 31,024,594 thousand, an increase of 28.30% from NT\$24,181,435 thousand in 2022, mainly due to stock operating profit increased by 108.46% compared to 2022. Because the FED actively raised interest rates to curb inflation, the gap between the interest rate in Taiwan and USA widened, and the operating profit of FXSWAP in 2023 increased by 213.76% compared with that in 2022.

### Mega Securities Co., Ltd.

The profit in 2023 amounted to NT\$2,002,610 thousand, an increase of 231.98% from the profit in 2022 of NT\$603,229 thousand. This was mainly due to the surge in the domestic stock market, which has driven the average daily trading volume to increase to NT\$359 billion, an increase of NT\$53.8 billion compared with 2022, resulting in increased brokerage fees and financial operation profits compared to 2022.

### Mega Bills Finance Co., Ltd.

The profit in 2023 amounted to NT\$1,920,230 thousand, a decrease of 36.84% from the profit in 2022 of NT\$3,040,283 thousand. This was mainly due to the cumulative effect of monetary tightening by major central banks around the world, rising NTD/foreign currency interest rates, and the narrowing of bond spreads, resulting in a decrease in net revenue from yielding interest and a decrease in gains from the disposal of bonds. As for the bills business, bill products can swiftly respond to capital costs due to the short issuance period. Therefore, the profits were not affected by the interest rate hikes. However, the overall bills spreads were still lower than that in 2022. Looking forward to 2024, the expansion of geopolitical conflicts will increase uncertainties to the monetary policies of major countries and the financial markets in the future despite the easing of global inflationary pressure. Corporate credit risks will still be at a relatively high level. In order to maintain the risk management and asset quality of the credit business, the bills business will adopt prudent countermeasures. For bond and equity investment business, flexible adjustments will be made for NTD/foreign currency bond portfolios. 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.

The loss in 2023 amounted to NT\$1,466,874 thousand, a decrease from the loss of NT\$9,523,769 thousand in 2022. This was mainly due to the decrease in the amount of compensation for pandemic insurance policy and recognition of related reserves compared with that in 2022 as a result of the easing of the domestic COVID-19 pandemic. In 2024, the company will utilize its capital in a prudent manner, enhance the efficiency of capital increase, actively recover reinsurance compensation, reduce financial losses, continue





to pay attention to industry development trends, improve product research and development, implement risk management, and ensure stable operations while taking into account the overall operational development of Mega Financial Holdings.

### **Mega Assets Management Co., Ltd.**

The profit in 2023 amounted to NT\$192,417 thousand, a decrease of 13.53% from the profit of NT\$222,527 thousand in 2022. This was mainly due to the successive integration of a number of urban renewal and unsafe and old building cases and the completion of settlement for construction in 2023, resulting in a significant decrease in the balance of advances and a decline in service income. In 2024, the company will not only continue to actively develop various businesses to enhance operational profitability but also closely monitor market changes in the financial market. The company will prioritize liquidity safety in capital allocation and seek preferential interest rates through multiple consultations in order to reduce capital costs.

### **Mega Venture Capital Co., Ltd.**

The profit in 2023 amounted to NT\$219,074 thousand, an increase of 5,633.42% from the profit in 2022 of NT\$3,821 thousand. This is mainly contributed from the disposal revenue and evaluation revenue of the investment position because of the rise in domestic stock market.

### **Mega International Investment Trust Co., Ltd.**

The profit in 2023 amounted to NT\$93,146 thousand, an increase of 25.86% from the profit of NT\$74,006 thousand in 2022. This was mainly due to the strong performance of the global investment market, the increase in operating income driven by the growth of fund scale and the valuation benefits from the external investments. The company plans to issue multiple new funds in 2024 to increase profits by expanding the size of the funds.

### **Taipei Financial Center Corporation**

The profit in 2023 was NT\$2,215,634 thousand, an increase of NT\$668,669 thousand (a growth of 45.10%) from the profit in 2022 of NT\$1,526,965 thousand. This was mainly due to the lifting of epidemic prevention regulations after the first half of 2023, and the gradual recovery of domestic consumption and foreign tourists. Due to the impact of the increase in the number of visitors to the observation deck and the adjustment of commercial and office rents, the operating profit increased by NT\$947,835 thousand compared with the same period, but the net non-operating expenses increased by NT\$87,279 thousand.

### **Taiwan Depository & Clearing Corporation**

The profit in 2023 was NT\$5,483,310 thousand, an increase of NT\$1,174,984 thousand (a growth of 27.27%) from the profit in 2022 of NT\$4,308,326 thousand. This was mainly due to the increase in trading volume of Taiwan stock market, which led to an increase in securities-related service income of NT\$867,322 thousand over the same period, resulting in an increase in operating profit of NT\$ 862,487 thousand.

## 7.5.3 Investment Plans for 2024

- Continuing to evaluate and explore opportunities for merging with financial institutions that are complementary to our operations and can enhance synergy within the Group.
- Evaluate 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, the efficiency of the Group's operations, risk management and checking the compliance practice, 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 takes 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 effectiveness, 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 demanded 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 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 daily, 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 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 (including the same person and the same business group), 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, its used to measure economic status, predict 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 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

Conduct self-assessment of operational risks every year to reflect and resolve the practical operations of each department with an effective control and risk self-assessment mechanism to achieve risk control, offset, transfer and avoidance.

(4) Liquidity risk

To meet funding requirement and ensure payment capability, enforcement rules is enacted to manage cash flow gap, to maintain appropriate liquidity, and to control the ratio within the specified range.

(5) Other risk

The Rule and Regulation Compiling System is maintained periodically and from time to time to update in line with the amendment to the laws and regulations of the competent authority and the impact thereof on the Company and businesses is followed up. The channel for legal consultation, coordination, and communication is enhanced and compliance training shall be organized.

## Chung Kuo Insurance Co., Ltd.

(1) Credit risk

Before conducting a transaction, the company shall check the credit rating of counterparty, issuers, guarantee institutions and reinsurers, which shall reach a certain level. The legitimacy of the transaction, credit level quota management, and credit monitoring after transaction is assured. Credit exposure limits are set up for single transaction, a same person, same affiliates, a same business group and those in the US and China to avoid excessive concentration.

(2) Market risk

In terms of risk factors such as change of market interest rate, foreign exchange rate, and equity price, investment assets with market risk are evaluated. According to risk of financial product, operational models including investment principle, positions limit, concentration limit, and stop loss mechanism are set up. Value at risk (VaR) is adopted to measure possible maximum loss in a specific period and confidence levels.

(3) Operational risk

Various operational procedures and business rules such as internal control system, legal compliance system, legal compliance manual, internal operation manual, separate authorization are set up to avoid occurrence





of operational risk or reduce loss. Information of direct and indirect loss caused by mal-operation of internal operation process, personnel and system or external event are collected, recorded and analyzed. The database for loss from operational risk is constructed and regular self-evaluation of operational risk is conducted to identify potential operational risk and proper management procedures for operational risk are developed.

#### (4) Insurance risk

According to the risk features, loss experience and policy objectives of the company, underwriting and claim principles are set up to effectively maintain business quality and reduce potential risk. A reinsurance risk management plan is developed, and a maximum retained line for each risk unit is set up based on the factors such as company's risk tolerance, predictable probable maximum loss of each kind of insurance, and possible accumulated risk quota. Catastrophe Reinsurance is properly arranged to control risk of self-retained insurance.

### Mega International Investment Trust Co., Ltd.

#### (1) Credit risk

Follow the authority's relevant regulation on this industry and the company's internal control systems 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 risk management 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, the Risk 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 unit 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.

## (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. 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 clients 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 allowance 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. If the stop-loss standard is reached, a warning report will be issued to the fund manager.





### (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 Board 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 individual stocks that do not meet liquidity control standards. 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 management meeting.

#### 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**

Cooperate with Mega Financial Holdings to conduct self-assessment of operational risks every year, and use effective control and risk self-assessment mechanisms to reflect and solve practical problems in various departments to reduce the possibility and severity of operational losses.

**(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. When the company encounters a business crisis and needs emergency funds deployment, it shall be handled in accordance with the operating rules for business crisis response measures.

**Chung Kuo Insurance Co., Ltd.****(1) 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) 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) 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) 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, 2023; Unit: NTS thousand

Exposure types	Exposures after credit mitigation	Capital requirement (Note1)
Sovereigns	755,488,125	1,436,726
Non-central government public sector entities	22,507,461	175,784
Banks (including multilateral development banks)	539,899,379	13,938,510
Enterprises (including securities firms and insurance companies)	1,227,400,436	77,689,276
Retail claims	82,470,806	3,327,374
Residential property (Note2)	1,220,266,531	69,214,628
Equity investment (Note2)	79,300,939	10,380,538
Other assets	44,429,890	2,702,079
<b>Total</b>	<b>3,971,763,567</b>	<b>178,864,915</b>

Note 1 : Capital requirement is the risk exposure after risk offset multiplies by risk weights and minimum capital adequacy.

Note 2 : On February 18, 2022, the Financial Supervisory Commission revised and issued the "Explanation and Table of Calculation Methods for Banks' Own Capital and Risky Assets", which stipulates that "residential real estate is used as "Guaranteed Debt" has been revised to "Real Estate Exposure"; in addition, in "Equity Securities Investment", the amount of exposure after risk deduction for funds and venture capital enterprises is calculated as NT\$2,977,390 thousand, accrued capital amounting to NT\$2,743,380 thousand.

#### (2) Market risk

##### The Capital Requirement for Market Risk

December 31, 2023; Unit: NTS thousand

Risk type	Capital requirement
Interest rate risk	648,609
Equity risk	422,168
Foreign exchange risk	615,907
Commodities risk	0
<b>Total</b>	<b>1,686,684</b>

#### (3) Operational risk

##### The Capital Charge for Operational Risk

December 31, 2023; Unit: NTS thousand

Year	Gross profits	Capital requirement
2023	68,839,852	
2022	53,338,937	
2021	45,057,800	
<b>Total</b>	<b>167,236,589</b>	<b>8,361,829</b>

#### (4) Liquidity Risk

##### Analysis of the Maturity Structure-NT Dollar

December 31, 2023; Unit: NTS 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	\$2,627,872,559	\$ 207,129,982	\$ 241,365,053	\$ 384,086,210	\$ 254,712,663	\$ 301,580,924	\$1,238,997,727
Major Outflows of Matured Funds	3,469,616,238	144,121,037	191,102,718	536,483,171	430,099,591	668,175,172	1,499,634,549
Period Gap	(\$ 841,743,679)	\$ 63,008,945	\$ 50,262,335	(\$ 152,396,961)	(\$ 175,386,928)	(\$ 366,594,248)	(\$ 260,636,822)

Note: The above table reports the N.T. dollars position held by the Bank.



## Analysis of the Maturity Structure-US Dollar

December 31, 2023; 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	\$ 57,296,913	\$ 25,843,472	\$ 9,972,247	\$ 5,003,005	\$ 3,452,059	\$ 13,026,130
Major Outflows of Matured Funds	65,284,422	27,533,440	12,866,349	5,730,962	7,699,247	11,454,424
Period Gap	(\$ 7,987,509)	(\$ 1,689,968)	(\$ 2,894,102)	(\$ 727,957)	(\$ 4,247,188)	\$ 1,571,706

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, 2023; Unit: US\$ thousand

Item	Total	Amount Outstanding by Remaining Time to Maturity				
		0~30 days	31~90 days	91~180 days	181days~1 year	over 1 year
Major Inflows of Matured Funds	\$ 18,912,026	\$ 8,752,687	\$ 2,441,766	\$ 736,299	\$ 1,037,529	\$ 5,943,745
Major Outflows of Matured Funds	20,033,659	11,899,548	1,733,603	958,511	759,079	4,682,918
Period Gap	(\$ 1,121,633)	(\$ 3,146,861)	\$ 708,163	(\$ 222,212)	\$ 278,450	\$ 1,260,827

## (5) Securitization risk

## The Exposure and Capital Charge for Securitization Framework

December 31, 2023; 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	1,237,346	-	-	1,237,346	19,798	-	-	1,237,346	19,798	
			Collateralized Mortgage Obligations	71,432,962	-	-	71,432,962	1,142,927	-	-	71,432,962	1,142,927	
	Trading book			-	-	-	-	-	-	-	-	-	
				-	-	-	-	-	-	-	-	-	-
	Sub-total		72,670,308	-	-	72,670,308	1,162,725	-	-	72,670,308	1,162,725		
Originating bank	Banking book												
	Trading book												
	Sub-total		-	-	-	-	-	-	-	-	-	-	
	Total		72,670,308	-	-	72,670,308	1,162,725	-	-	72,670,308	1,162,725		

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 and Risk Assets for Credit Risk under Standardized Approach

December 31, 2023; Unit: NTS thousand

Exposure types	Capital charge	Risk assets
Sovereigns	0	0
Non-central government public sector entities	4,501	56,264
Banks (including multilateral development banks)	160,267	2,003,333
Corporations (including securities firms and insurance companies)	14,189,948	177,374,358
Regulatory retail portfolios	94,939	1,186,740
Equity investment	559	6,987
Other assets	294,854	3,685,672
<b>Total</b>	<b>14,745,068</b>	<b>184,313,355</b>

### (2) Market risk

#### The Capital Charge and Risk Assets for Market Risk under Standardized Approach

December 31, 2023; Unit: NTS thousand

Exposure type	Capital charge	Risk assets
Interest rate risk	6,205,364	77,567,053
Equity risk	515,576	6,444,700
Foreign exchange risk	104,592	1,307,400
Commodities risk	0	0
Option adopted by simplified approach	0	0
<b>Total</b>	<b>6,825,532</b>	<b>85,319,153</b>

### (3) Operational risk

#### The Capital Charge and Risk Assets for Operational Risk under Basic Indicators Method

December 31, 2023; Unit: NTS thousand

Year	Gross profits	Capital charge	Risk assets
2023	3,130,098		
2022	4,190,344		
2021	4,968,538		
<b>Total</b>	<b>12,288,980</b>	<b>614,449</b>	<b>7,680,613</b>

### (4) Liquidity risk

#### Analysis of the Maturity Structure of Assets and Liabilities

December 31, 2023; 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	276,953	85,911	60,154	5,123	11,039	114,727
Liabilities	240,475	204,999	33,188	2,017	179	91
Gap	36,479	( 119,088)	26,966	3,106	10,859	114,636
Cumulative gap		( 119,088)	( 92,122)	( 89,017)	( 78,157)	36,479



## Mega Securities Co., Ltd.

### (1) Capital Adequacy

By calculating the equivalent amount of various operating risks (market risk, credit risk, operational risk) and the net amount of qualified self-owned capital, the company evaluates the overall risk tolerance and the appropriateness of risk management as a basis for adjusting risk positions and risk management policies.

### (2) Credit risk

#### Credit risk analysis of Mega Securities and its subsidiaries

December 31, 2023; Unit: NT\$ thousand

Exposure type	Mega Securities Co., Ltd.	Mega Futures Co., Ltd.	Mega International Investment Services Co., Ltd.	Total
Deposits	2,146,418	527,793	32,538	2,706,749
Marketable Securities	37,048,498	4,150	23,875	37,076,523
Financial Derivatives	310,605	0	0	310,605
Long-term Investments	741,250	9,280	0	750,530
Total	40,246,771	541,224	56,413	40,844,408

#### Country credit risk analysis

December 31, 2023; Unit: NT\$ thousand

Country Exposure	Deposits	Securities	Derivatives	Total	As a percentage of shareholder's equity
Korea	0	959,747	0	959,747	5.70%
Japan	0	839,242	0	839,242	4.99%
China	0	685,631	0	685,631	4.07%
USA	0	607,782	0	607,782	3.61%
Australia	0	258,317	0	258,317	1.54%
Cayman Island	0	201,601	0	201,601	1.20%
Belgium	35,443	0	0	35,443	0.21%
Cross Countries	0	30,000	0	30,000	0.18%
France	0	0	3,328	3,328	0.02%

### (3) 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 or dispose according to the company's Implementation Guidelines of Market Risk Management.

## (4) Liquidity Risk

The company performs cumulative interval structure analysis (NT\$ and foreign currencies) regularly to follow up implementation status of risk control objectives, and reports to the Risk Management Committee.

December 31, 2023; 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	37,109	53,377	55,927	57,905	73,391	81,952	81,952
Major cash outflows	36,273	57,184	61,212	62,446	67,629	68,618	68,618
Cumulative gap	836	-3,807	-5,285	-4,541	5,762	13,334	-

## Chung Kuo Insurance Co., Ltd.

In accordance with the regulations of the "Insurance Industry Capital Adequacy Management Measures" of the competent authority, the total risk capital and the total self-owned capital are calculated. If the capital adequacy ratio is lower than the early warning indicator, the business risk status and risky asset portfolio will be reviewed and necessary adjustments will be made. The content and explanation of the aforementioned total risk capital are as follows:

### (1) Asset risk

Refers to various assets held as investment, of which the value change may affect the risk of the insurance industry losing its repayment ability.

### (2) Credit risk

Refers to the impact on repayment ability due to the failure of the transaction counterparty to perform its obligation.

### (3) Underwriting risk

Refers to the underestimation of liabilities when underwriting, or the underestimation of new liabilities in the future, or the risk of insufficient pricing of contract signing rates.

### (4) Natural disaster risk

Mainly calculates the losses suffered due to low-frequency and high-magnitude natural disasters.

### (5) Asset and liability allocation risk

Refers to the risk of inconsistent changes in the values of assets and liabilities when external environmental factors change, including interest rates, policies, laws and regulations, catastrophes and other changing factors.

### (6) Other risk

Refers to other risks that the insurance industry may face in addition to the above four risks when operating business, mainly operational risks.





December 31, 2023; Unit: NTS thousand

Exposure	Risk-based capital	As a percentage of the risk capital before adjustment
R0: Asset risk – Related party risk	152,935	3.80%
R1: Asset risk – Unrelated party risk	218,531	5.43%
R2: Credit risk	801,422	19.91%
R3a: Underwriting risk – Reserve risk	1,050,109	26.09%
R3b: Underwriting risk – Premium risk	1,414,193	35.13%
R3c: Underwriting risk – Long-term insurance risk	2	0.00%
R3d: Natural disaster risk	283,134	7.03%
R4 : Asset & liability allocation risk	839	0.02%
R5 : Other risk	104,312	2.59%
Risk-based capital before adjustment	4,025,477	100.00%
Risk-based capital	1,109,604	
Adjusted net capital	4,108,679	
Capital Adequacy Ratio	370.28%	

### 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.
- 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 addition, as the number of users of various digital transactions continues to grow, fraud syndicates have also shifted fraudulent activities from over-the-counter remittances or ATM transfers to the use of phishing websites to defraud customers' online banking accounts, passwords, and SMS transaction authentication codes, and then log in to the customer's online banking to transfer out the money, resulting in loss of the customer's property. Mega Bank has actively worked with the competent agencies to discuss anti-fraud mechanisms, and adopted measures such as adjusting application procedures of the online banking and mobile banking security control mechanism, adjusting the effective time of the designated accounts, joining the designated account gray list platform built by the Financial Information Service Co., Ltd., in order to ensure customer rights and interests and protect their property safety.

#### 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.
- Establishing the FIDO in response to phishing attacks and financial fraud prevention is Mega Bank's priority in developing digital finance. The FIDO service emphasizes the use of biometric technology (such as fingerprint or face recognition) and binding customers' mobile devices for digital identity verification, effectively reducing the risks caused by account and password disclosure, theft or phishing SMS attacks, thereby enhancing the security of customers' online transactions and strengthening

customers' online transactions and data protection. Mega Bank is the first bank to launch the FIDO combined with 3D credit card verification. When the credit card holders of Mega Bank make online card transactions, the system will immediately send a push notification of the "Mega Identity Authentication App" to the bound device. After the cardholder clicks on the push notification, he/she will be successfully verified by his/her face or fingerprints. It also works even if the person makes online purchases with a credit card overseas. This mechanism makes it easy to achieve the goals of speed, safety and convenience. In addition, Mega Financial Holding Group has integrated its banking, property and casualty insurance and securities subsidiaries as application areas. It is the first in the industry to introduce the FIDO verification services on the digital platforms of the group subsidiaries, including Mega Bank's "Cloud-based Service Customer Basic Information Update" and Chung Kuo Insurance's "Online Member Registration", "Online Member Login" and "Online Member Insurance Purchase" services, enabling customers to make use of the FIDO verification services. This greatly improves the digital process optimization experience and simplifies the cross-platform service application process, allowing customers to have a consistent experience when using the online services of Mega Financial Holding Group without the need to set up an account and password one by one on each website or APP. Customers can confirm their digital identity through biometric identification and promptly complete their online business applications.

- Mega Bank 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.

- In terms of branch digital transformation, Mega Bank has established the AIO (All in One) comprehensive business integration platform in all domestic branches. The standardized and digitalized account opening process design can significantly reduce the workload of branch staff, with the average account opening time of customers being improved to 22 minutes. The interaction with customers at the counter through the tablet touch screens can introduce more applications, thereby improving work efficiency of staff and customer satisfaction. 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, booking an appointment for transaction processing and 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.
- 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.
- 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 2023, 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 2023.12.01 to 2024.12.01, 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 been ravaging the world for more than four years. In the post-pandemic era, the emergence of generative AI has brought about increased software and hardware business opportunities for cloud computing, network security and other related infrastructure, and will bring new operating models to various industries, driving industrial transformation and improving production efficiency. The banking industry is also expected to benefit from the fintech development such as generative AI, big data and digital ecosystems, thereby accelerating the development of financial digitalization. Financial transactions have gradually shifted to mobile payment, online banking, mobile banking, etc. Emerging financial services, such as customer consumption behavior and psychological analysis, robotic intelligent financial management to provide financial decision-making suitable for customers with different risk preferences, and intelligent customer service to answer customer questions, have become one of the main focuses of the banking industry to increase the customer loyalty to financial services.
- 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 3.0, 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, Mega Bills 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.

Mega Securities 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.

Chung Kuo Insurance 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.

Mega International Investment Trust 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.

Mega Asset Management has added new risk exposure concentration limit ratios for companies in the same group, industry-specific risk exposure limit ratios, and regional distinctions to in line with the "Operating Principles for Financial Holding Companies (Banks) to Reinvest in Asset Management Companies" announced by the Financial Supervisory Commission to effectively control concentration risks.

## **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 2023, 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 2023, relevant shareholders of government agencies totally hold around 27.66% 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 for NT\$5,761,953,509 on September 23, 2016. On December 17, 2020, the Taiwan Taipei District Court ruled that Mega Bank lost all cases. Mega Bank filed a partial appeal on January 13, 2021, and the court in the second instance pronounced a partial judgment in favor of Mega Bank on October 4, 2022. Mega Bank filed a third-instance appeal against Tsai and Wu on November 7, 2022. Tsai ○○ also filed an appeal on the same day. The Supreme Court annulled the second-instance judgment on July 5, 2023 and remanded it to the High Court for trial.	NT\$140,000 thousand	September 30, 2016	Mr. Tsai and Mr. Wu	Re-first instance proceeding.
HANNOVER RUCK SE (hereinafter referred to as Hannover Company) is the reinsurer of Chung Kuo Insurance Co., Ltd. As of now, it has not paid the reinsurance compensation to Chung Kuo Insurance Co., Ltd. in accordance with the reinsurance contract. Chung Kuo Insurance Co., Ltd. applied for mediation to the Taiwan Taipei District Court on October 31, 2023. After receiving the certificate of unsuccessful mediation issued by the Taiwan Taipei District Court on January 5, 2024, Chung Kuo Insurance Co., Ltd., in accordance with Article 419, Paragraph 3 of the Taiwan Code of Civil Procedure, filed a lawsuit with the Taiwan Taipei District Court on January 15, 2024, requesting Hannover Company to pay reinsurance compensation and delay interest.	NT\$589,650,920 dollar (Note)	Oct. 31, 2023	HANNOVER RUCK SE	On January 15, 2024, Chung Kuo Insurance Co., Ltd. appointed a lawyer to file a lawsuit with the Taiwan Taipei District Court, requesting Hannover Company to pay reinsurance compensation and delay interest.

Note : According to the reinsurance contract entered into between Chung Kuo Insurance Co., Ltd. and Hannover Ruck Se, after Chung Kuo Insurance Co., Ltd. pays the compensation under the pandemic prevention policy to the insured of the pandemic insurance policy, Chung Kuo Insurance Co., Ltd. may request Hannover Ruck Se to pay half of the reinsurance compensation for the claim. In order to protect the rights and interests of Chung Kuo Insurance Co., Ltd., it first filed a lawsuit on October 31, 2023 for part of the reinsurance compensation for which the statute of limitations for the claim for reinsurance compensation payable by Hannover Ruck Se will expire on June 30, 2024. Amount of the compensation for the litigation will be added in due course.

## 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 148 of the Company's 2023 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.**

The climate risk management mechanism of Mega Group follows the international TCFD guidelines and refers to the “Green Finance 3.0 Policy” and the “Climate Change Response Act” (formerly the “Greenhouse Gas Reduction and Management Act”) of domestic competent authorities, the United Nations IPCC Sixth Assessment Report, the SBT and the National Net-Zero Emissions Target to achieve the goals of the SDGs and the Paris Agreement.

In response to climate change risks, Mega Holdings has incorporated emerging risks (including climate change risks) into the “Risk Management Policies and Guidelines” and has also established the “Climate Risk Management Guidelines” and the “Guidelines for the Management of ESG/Sustainability-Related Industries and High-Risk Industries” 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.

A climate risk management system has been established, including graded management of climate sensitivity. The company regularly reports to the Mega Holdings Risk Management Committee the statistics of proprietary trading and underwriting of securities held by emission-intensive industries as well as climate risk execution status. In 2024, climate risks will be added to the risk management goals, and the proprietary trading and underwriting of securities held by emission-intensive industries shall not exceed 27% of the 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 relevant regulations of Mega Financial Holdings and competent authorities.

### 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 risk management target of 2024 has stipulated that the proportion of investment in highly sensitive industries or objects shall not exceed 25% of the total investment amount to control overall risk exposure.

## 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 37th meeting of the Board of the 8th term on February 29, 2024. The Company established a trademark management plan in 2002 and established an intellectual property management system in 2018. In 2024, 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. Electronic equipment that can evaluate financial risk
- 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 in 2023 (valid until December 31, 2025).

## 7.7 Crisis Management and Response Mechanism

The Company has a material incident management team and incident reporting system in place. In case of a material incident occurred, accountable department would notify the spokesperson to report to the Chairman and President according to the “Guidelines for Operation of Material Incident”. The material incident management team will then take charge to coordinate all departments concerned to respond and manage the incident. From the onset of an emergency event to the conclusion of the event, related units should continue to collect and follow up on related news coverage and public response to facilitate determination and judgment by the decision-making supervisor. The spokesperson or the public relations department shall also timely issue an external statement or get in contact with the media for clarification in case of an emergency event.

## 7.8 Other Significant Events: None.



# Special Disclosure



## 8.1 Affiliated Companies Information

### 8.1.1 Affiliated Companies Chart

Please refer to page 21 of this annual report.

### 8.1.2 Summary of Affiliated Companies

December 31, 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	8F-4 & 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., San-chong 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 5,000,000	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 66% 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 2023, 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 2023, 0.7% of the commercial papers guaranteed by Mega Bank is underwritten by itself and 54.86% is underwritten by Mega Bills.

### 8.1.6 Directors, Supervisors and Presidents of Affiliated Companies

December 31, 2023

Company	Title	Name	Shareholding	
			No. of Shares	%
Mega International Commercial Bank	Chairman	Chung-Dar Lei (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	Yu-Mei Hsiao (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	Po-Cheng Chen (Representative of Mega Financial Holding Co., Ltd.) (Note 1)		
	Director	Ti-Jen Tsao(Representative of Mega Financial Holding Co., Ltd.) (Note 2)		
	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	Hung-Chang Lee (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	Yi-Hsiu Lin (Representative of Mega Financial Holding Co., Ltd.) (Note 3)		

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.) Ya-Ting Chang (Representative of Mega Financial Holding Co., Ltd.) Yu-Mei Hsiao (Representative of Mega Financial Holding Co., Ltd.) Nian-Tzy Yeh (Representative of Mega Financial Holding Co., Ltd.) Jian-Pyng Lee (Representative of Mega Financial Holding Co., Ltd.) (Note 4) Yung-Chen Huang (Representative of Mega Financial Holding Co., Ltd.) Yi-Ming Ko (Representative of Mega Financial Holding Co., Ltd.) (Note 5)	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 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.) 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.) Yung-Chen Huang (Representative of Mega Financial Holding Co., Ltd.) (Note 6) 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.) 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) Jui-Yun Lin (Representative of Mega International Commercial Bank) Shin-Lan Teng (Representative of Mega International Commercial Bank) (Note 7) Yu-Hui Huang (Representative of Mega International Commercial Bank) Pi-Tien Chen (Representative of Mega International Commercial Bank) (Note 7)	1,000,000	100





Company	Title	Name	Shareholding	
			No. of Shares	%
China Products Trading Corp., Ltd.	Chairman	King-Piao Huang (Representative of Mega International Commercial Bank)	68,274	68.27
	Director	Yu-Hui Huang (Representative of Mega International Commercial Bank)		
Director	Li-Fen Hung (Representative of Mega International Commercial Bank)			
Director	Wen-Liang Lu (Representative of Mega International Commercial Bank)			
	Supervisor	Li-Li Lee	0	0
Yung-Shing Industries Co., Ltd.	Chairman	Hui-Ling Chou (Representative of Mega International Commercial Bank)	298,668	99.56
	Director	King-Piao Huang (Representative of Mega International Commercial Bank)		
	Director	Yu-Hui Huang (Representative of Mega International Commercial Bank)		
	Director	Yen-San Chang (Representative of Mega International Commercial Bank)		
	Director	Sheng-Long Chen (Representative of Mega International Commercial Bank)		
	Supervisor	Chien-Hua Lee	0	0
Win Card Co., Ltd.	Chairman	Chao-Jung Chen (Representative of Yung-Shing Industries Co., Ltd.)	200,000	99.56
	Director & President	Hsiu-Ling Tsai (Representative of Yung-Shing Industries Co., Ltd.)		
	Director	Hsiu-Yuan Lu (Representative of Yung-Shing Industries Co., Ltd.) (Note 8)		
	Director	Chun-Yi Hou (Representative of Yung-Shing Industries Co., Ltd.)		
	Director	Pin Shao (Representative of Yung-Shing Industries Co., Ltd.)		
	Supervisor	Yu-Jane Lo (Representative of Yung-Shing Industries Co., Ltd.)		
ICBC Assets Management & Consulting Co., Ltd.	Chairman	Shu-Chin Chen (Representative of Yung-Shing Industries Co., Ltd.)	2,000,000	99.56
	Director & President	Tzu-Chien Wang (Representative of Yung-Shing Industries Co., Ltd.)		
	Director	Shin-Lan Teng (Representative of Yung-Shing Industries Co., Ltd.)		
	Director	Te-Shao Chen (Representative of Yung-Shing Industries Co., Ltd.)		
	Supervisor	Yung-Cheng Yeh (Representative of Yung-Shing Industries Co., Ltd.)		
Cathay Investment & Warehousing Ltd.	Chairman	Li-Wen Kao (Representative of Mega International Commercial Bank)	1,000	100
	Director	Shih-Kuan Chuang (Representative of Mega International Commercial Bank)		
	Director	Huai-Te Liu (Representative of Mega International Commercial Bank)		
Ramlett Finance Holdings Inc.	Chairman	Li-Wen Kao (Representative of Mega International Commercial Bank)	1,500	100
	Director & President	Shih-Kuan Chuang (Representative of Mega International Commercial Bank)		
	Director	Huai-Te Liu (Representative of Mega International Commercial Bank)		
Mega International Commercial Bank Public Co., Ltd.	Chairman	Nian-Tzy Yeh (Representative of Mega International Commercial Bank)	500,000,000	100
	Director & President	Chun-Yu Kuo (Representative of Mega International Commercial Bank)		
	Director	Ing-Jun Kuo (Representative of Mega International Commercial Bank)		
	Director	Wan-Ling Jwang (Representative of Mega International Commercial Bank)		
	Director	Ku- Li Lai (Representative of Mega International Commercial Bank)		
	Director	Chiung-Chun Chien (Representative of Mega International Commercial Bank)		
	Independent Director	Niramom Asavamane	0	0
Independent Director	Chitboon Tangdencai			
Independent Director	Thanawat Natipodhi			

Note 1: The new appointee, Mr. Po-Cheng Chen, took over on 2024.1.24, and the former appointee, Mr. Chia-Chi Hsiao, resigned on 2024.1.16.

Note 2: The new appointee, Mr. Ti-Jen Tsao, took office on 2024.1.24.

Note 3: The new appointee, Ms. Yi-Hsiu Lin, took over on 2024.1.1, and the former appointee, Ms. Shueh-Yun Tsai, resigned on 2024.1.1.

Note 4: The new appointment, Mr. Jian-Pyng Lee, took over on 2024.1.1, and the former appointment, Ms. Jui-Yun Lin, resigned on 2024.1.1.

Note 5: The new appointment, Ms. Yi-Ming Ko, took over on 2024.1.1, and the former appointment, Mr. Chi-Ho Chen, resigned on 2024.1.1.

Note 6: The new appointee, Ms. Yung-Chen Huang, took over on 2024.1.1, and the former appointee, Mr. Ming-Chih Lu, resigned on 2024.1.1.

Note 7: Director Pi-Tien Chen and supervisor Shin-Lan Teng resigned on 2024.1.8. On the same day, Pi-Tien Chen was appointed as supervisor and Shin-Lan Teng was appointed as director.

Note 8: The new appointee, Ms. Hsiu-Yuan Lu, took over on 2024.1.9, and the former appointee, Mr. Chung-Hsiang Lin, resigned on 2024.1.9.

## 8.1.7 Operational Highlights of Affiliated Companies in 2023

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	3,962,959,838	3,631,740,272	331,219,566	68,762,531*	35,290,381*	31,024,594	3.63
Mega Securities Co., Ltd.	11,600,000	88,338,281	68,901,027	19,437,254	6,275,522	1,940,823	2,002,610	1.73
Mega Bills Finance Co., Ltd.	13,114,411	283,747,568	243,150,472	40,597,096	3,116,609*	2,309,292*	1,920,230	1.46
Chung Kuo Insurance Co., Ltd.	5,333,500	23,440,470	18,896,934	4,543,536	6,225,241	( 2,770,803)	( 1,466,874)	( 2.90)
Mega Asset Management Co., Ltd.	2,000,000	9,534,015	6,701,358	2,832,657	418,166	366,457	192,417	0.96
Mega Venture Capital Co., Ltd.	1,050,000	1,345,002	55,605	1,289,397	293,387	218,594	219,074	2.09
Mega International Investment Trust Co., Ltd.	527,000	959,491	72,999	886,492	405,581	100,654	93,146	1.77
Mega Futures Co., Ltd.	400,000	7,047,140	6,238,427	808,714	272,283	( 22,844)	55,593	1.39
Mega International Investment Services Co., Ltd.	50,000	70,105	14,400	55,705	33,186	( 394)	64	0.01
Mega Management & Consulting Corporation	10,000	80,560	5,475	75,085	57,697	42,812	36,016	36.02
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	1,040,908	255,372	785,536	230,490	12,156	43,446	144.82
Win Card Co., Ltd.	20,000	56,841	14,360	42,841	132,662	9,206	7,650	38.25
ICBC Assets Management & Consulting Co., Ltd.	20,000	25,751	904	24,847	4,444	4,238	3,529	1.76
Cathay Investment & Warehousing Ltd.	30,705	27,442	416	27,026	1,153	( 2,869)	( 2,869)	( 2,868.71)
Ramlett Finance Holdings Inc.	614	34,289	53,367	( 19,078)	276	( 6,671)	( 6,671)	( 4,447.50)
Mega International Commercial Bank Public Co., Ltd.	4,483,000	35,577,636	28,648,503	6,929,133	1,095,038*	795,139*	635,899	1.41

- 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 @30.6910 for assets and liabilities, and an exchange rate of @31.1116 for profit and loss items.  
 3. Mega International Commercial Bank Public Co., Ltd. has its original currency in THB, with an exchange rate of @0.8966 for assets and liabilities, and an exchange rate of @0.8950 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.**

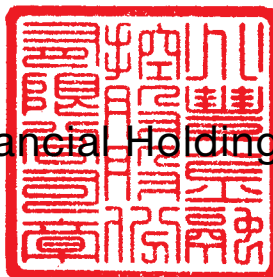
**8.3 Disposal or hold of the Company's shares by subsidiaries in the most recent year and current year up till the publication date of this annual report: None.**

**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 *Paul C.D. Lei*



## Mega Financial Holding Co., Ltd.

14-17、20-21F, No. 123, Jhongsiao E. Road, Sec. 2,  
Taipei 100, Taiwan, R.O.C.

Tel : +886-2-2357-8888

Fax : 886-2-3393-8755

Website : <https://www.megaholdings.com.tw>