



SKFH

Share Swap of MasterLink Securities



新光金控

Shin Kong Financial Holding Co., Ltd.



元富證券股份有限公司

MasterLink Securities Corporation

2018/4/24

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Transaction Overview

Target Company

MasterLink Securities (hereinafter “MasterLink”) is a listed securities firm, engaging in securities brokerage, underwriting and dealing, margin purchases and short sales, stock agency, futures introducing broker, futures proprietary trading, foreign securities trading by orders. SKFH is largest shareholder with 524,034,700 common shares, representing 33.45% of outstanding shares.

Transaction Structure

SKFH will issue new shares to acquire all MasterLink’s outstanding shares not currently owned by SKFH. MasterLink to be SKFH’s 100%-owned subsidiary.

Exchange Ratio

1 common share of MasterLink will be exchanged for 0.96 newly-issued common share of SKFH.

Strategic Rationale

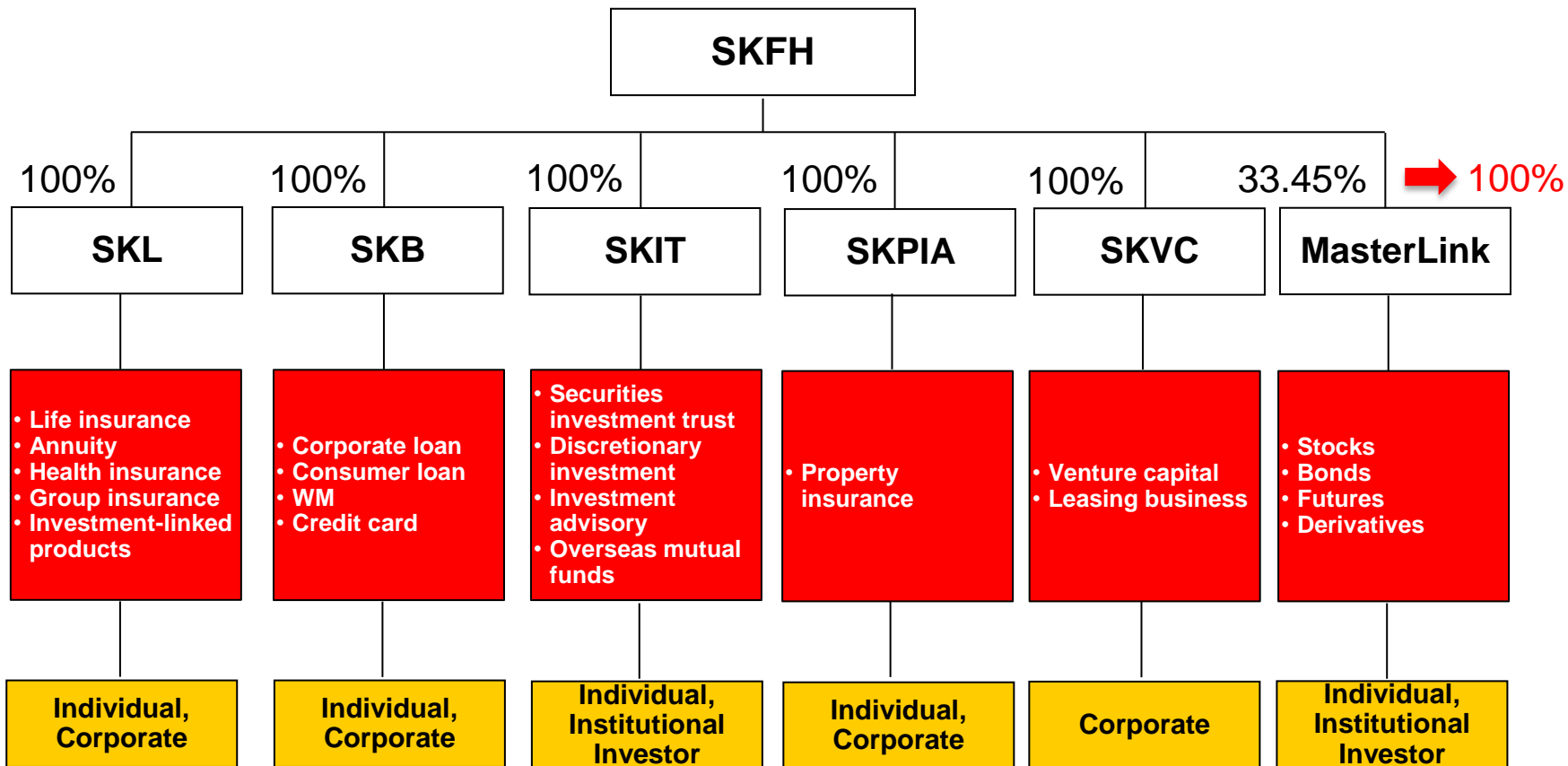
Establish three core growth drivers, including life insurance, bank, and securities to expand business scale and client base, achieving SKFH’s goal of one-stop-shopping service and strengthening market position.

Timeline

- Approval from board of directors of both parties: 2018/04/24
- Shareholder meetings for both parties: 2018/06/08
- Estimated date for approval from competent authorities: 2018Q3
- Temporal record date of share swap: 2018/09/30

Comprehensive Financial Services

Integrated Financial Service Platform



Exchange Ratio

**Shares Outstanding of
MasterLink Securities
not Owned by SKFH**

1,075,575,156 Shares



**Tentative Newly-Issued
Common Shares of
SKFH**

1,032,552,149 Shares

1 common share of MasterLink Securities
for
0.96 newly-issued common share of
SKFH

Note: Starting from the signing date of the share swap agreement until record date of share swap, if any circumstances stated in the agreement occur, the exchange ratio shall be adjusted in accordance with the agreement.

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Strategic Rationale



**Strengthen Market
Position**

**Optimize Financial
Structure**

**Improve Integrated
Synergy**

**Develop Overseas
Markets**

Strengthen Market Position

Establish three core growth drivers, including life insurance, bank, and securities to strengthen market position

- **Develop Asset Management Business:** Securities firm will be third growth driver for SKFH to develop asset management and enhance market position.
- **Offer Diversified Products and Services:** MasterLink engages in brokerage and investment banking business, providing diversified products; SKB and SKL focus on long-term asset allocations for clients. The two counterparties are well complementary.
- **Increase market share:** MasterLink has approximately 960,000 individual clients. SKFH's client base expected to expand after the transaction.

Most large financial holding companies have established three core business drivers, including life insurance, bank, and securities.

	Cathay	Fubon	CTBC	Mega	TCB	SKFH	First	Huanan	Esun	Sinopac	Yuanta	Taishin	CDF	JihSun	Waterland
Bank	○	○	○	○	○	○	○	○	○	○	○	○	○	○	—
Life	○	○	○	—	○	○	○	—	—	—	○	—	△	—	—
Securities	○	○	○	○	○	△	○	○	○	○	○	○	○	○	○

Note : ○: 100%-owned △ : Not 100%-owned — : N/A

Optimize Financial Structure

Post-transaction Pro Forma Financials of SKFH

NT\$mn

	Item	SKFH ⁽¹⁾	SKFH Pro forma
Capital Structure	Capital Adequacy Ratio	117.65%	120.98%
	Double Leverage Ratio	108.61%	107.82%
	Debt-to-equity Ratio	15.43%	14.01%
Financial Indicators	Consolidated Total Asset ⁽²⁾	3,384,388	3,384,388
	Net Worth	141,310	155,622
	Net Income	10,531	11,158



Note:

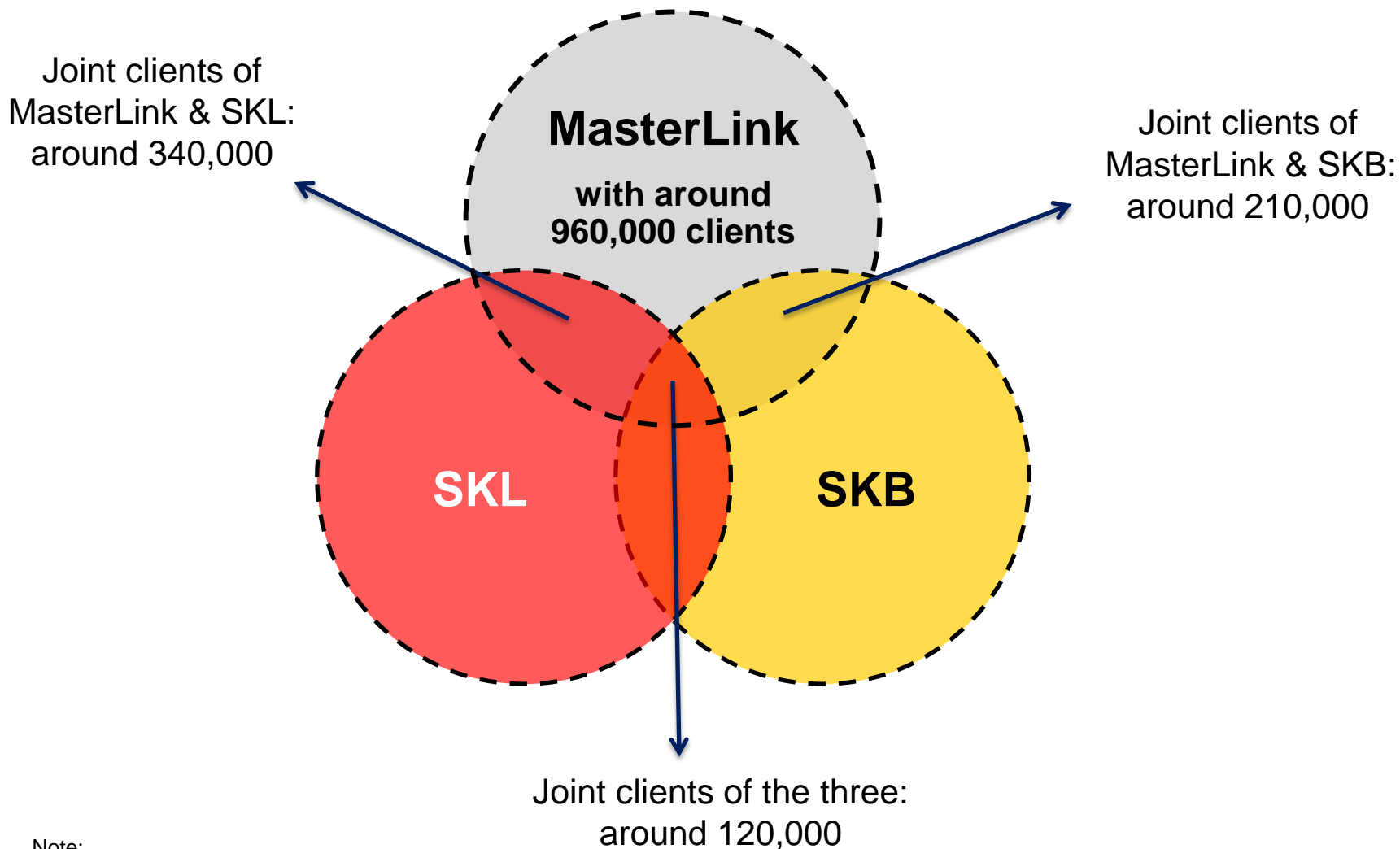
(1) As of 2017/12/31.

(2) The consolidated financial statements have included MasterLink Securities.

Improve integrated Synergy

- Foster investment talent pool: SKFH will facilitate interaction and exchange of talents in the financial group from domestic equities, futures, derivatives desks to enhance investment performance and launch products fitting market demand.
- Increase cross-selling contribution and number of joint clients: Share swap allows SKFH to expand business scale of wealth management, proprietary investment and bridge loan and prospect more joint clients.
- Optimize operation leverage: SKFH will enjoy economies of scale from joint procurement across subsidiaries and increased AUM.
- Enhance business efficiency:
 - ✓ Settlement funds (around NT\$81bn) to be mainly deposited at SKB.
 - ✓ Branch locations of SKL, SKB and MasterLink to be optimized to enhance integrated marketing and actively manage SKL's real estate portfolio.

Synergy – Development of Client Base (1)



Note:

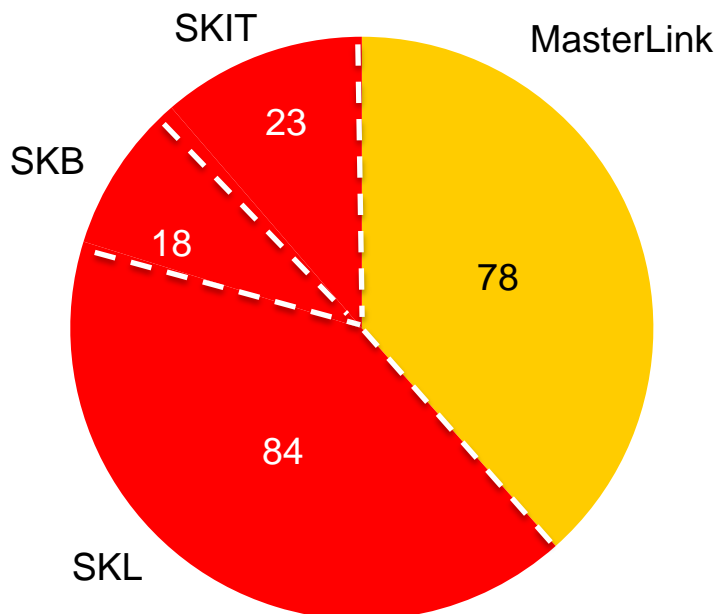
(1) 2017 data

(2) SKL & SKB have around 800,000 joint clients.

Synergy – Enhancement of Investment Talent Pool and Branch Locations (2)

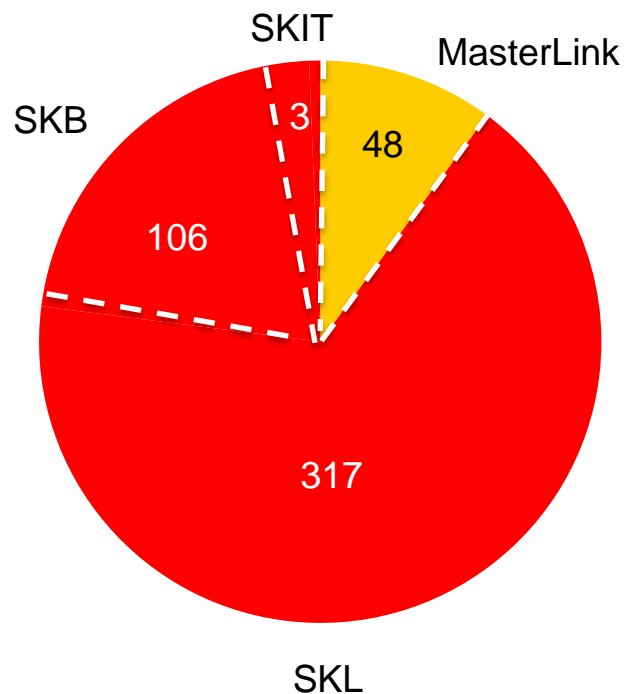
Enhance Investment Talent⁽¹⁾

Number of staff



Optimize Branch Locations⁽²⁾

Number of branches



Note:

(1) Investment talent includes research analysts, traders, and fund managers.

(2) Branch locations include offices of SKL, branches of SKB and SKIT, and branches of MasterLink.

Develop Overseas Markets



Southeast Asia Market: Product lines to be completed after the transaction. MasterLink's current overseas footholds allow SKFH to expand presence in Southeast Asia.

China Market: MasterLink Securities owns a securities subsidiary in Hong Kong, as well as venture capital, venture management and investment advisory business in Tianjin. In 2018, MasterLink signed MoU with Fujian Investment & Development Group to set up a joint venture securities firm. MasterLink expected to cooperate with SKFH's insurance JV, bank, and leasing subsidiaries in the future.

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MasterLink Securities Business Overview

Item		2017	
		Market Share/ Volume	Ranking
Brokerage	Spot Market Share	3.77%	6
	Electronic Trading Market Share	2.31%	6
	Margin Trading Market Share	5.35%	6
	Sub-brokerage Volume Market Share	7.14%	6
Futures/ Options	Futures Trading Market Share	2.81%	9
	Stock Option Trading Market Share	2.42%	9
Fixed Income	Government Bond Secondary Market Trading Market Share	7.51%	1
	Corporate Bond Underwriting Volume	NT\$36.09bn	3
	Corporate Bond Secondary Market Trading Market Share	6.37%	4
	Bond Options Trading Volume	NT\$1.20bn	1
Derivatives	Equity Warrant Issuance Deals	2,083	5
	Structured Notes Issuance Amount	NT\$60.73bn	2

Sources: MasterLink Securities



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