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August 21, 2015

Yuanta Financial Holdings announces matters relating to TC Bank becoming its wholly-owned subsidiary by share swap

1. Kind of merger/acquisition (e.g. merger, consolidation, spin-off, acquisition, or receiving assignment of shares): share swap
2. Date of occurrence of the event: 2015/08/21
3. Names of companies participating in the merger (e.g.name of the other company participating in the merger or consolidation, newly established company in a spin-off, acquired company, or company whose shares are taken assignment of):Ta Chong Bank Ltd. ("TC Bank")
4. Counterparty (e.g.name of the other company participating in the merger or consolidation, company taking assignment of the spin-off, or counterparty to the acquisition or assignment of shares): shareholders of TC Bank (including common and preferred stocks)
5. Relationship between the counterparty and the Company (investee company in which the Company has re-invested and has shareholding of XX%), and explanation of the reasons for the decision to acquire, or take assignment of the shares of, an affiliated enterprise or related person, and whether it will affect shareholders' equity: None
6. Purpose/objective of the merger/acquisition: To expand the economies of scale of its banking subsidiary for market competitiveness, and to leverage synergies therefrom so as to increase overall shareholders' equity of the financial holding company.
7. Anticipated benefits of the merger/acquisition: YFH will grow its business in the future on the basis of two major subsidiaries, namely securities and banking, after the transaction is completed, which will increase profitability and stability in the long run and increase ROE.
8. Effect of the merger or consolidation on net worth per share and earnings per share: The said transaction will enhance the value of the company and provide effective use of its capital. As synergies are expected to realize thereafter, the said transaction will have positive impact on BVPS and EPS.
9. Share exchange ratio and basis of its calculation:
(1) Share swap ratio:1 common stock of TC Bank will be exchanged for NT\$8.15 and 0.460972 common stock newly issued by YFH; 1 preferred stock of TC Bank will be exchanged for 0.5312499975 series A

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- convertible preferred stock newly issued by YFH based on the conditions set forth in the share swap agreement.
- (2) Basis of calculation: Chi Shien Chiu, CPA of BDO Taiwan has issued a fairness opinion for the transaction and the board of directors of both parties have resolved on the proposed transaction.
10. Scheduled timetable for consummation:
- (1) Both parties will hold special shareholders' meetings on October 13, 2015 to approve the said transaction, and will submit it to the relevant authorities for regulatory approval.
- (2) The base date for the share swap will be the 35th business day following the aforementioned approvals have been obtained for the said transaction.
11. Matters related to assumption by the existing company or new company of rights and obligations of the extinguished (or spun-off) company: NA
12. Basic information of companies participating in the merger: Yuanta Financial Holding: Financial Industry. TC Bank: Commercial Bank Industry.
13. Matters related to the spin-off (including estimated value of the business and assets planned to be assigned to the existing company or new company; the total number and the types and volumes of the shares to be acquired by the split company or its shareholders; matters related to the reduction, if any, in capital of the split company) (note: not applicable other than where there is announcement of a spin-off): NA
14. Conditions and restrictions on future transfers of shares resulting from the merger or acquisition: To be carried out in accordance with relevant laws and regulations.
15. Other important stipulations:
- (1) Adjustment of share swap ratios: Common stocks: From the date of signing the share swap agreement to the base date of the share swap, should either party experiences any one of the conditions as set forth in Section 4.2 of the share swap agreement, that party shall immediately in good faith negotiate with the other party to reach a reasonable adjustment of the share swap ratio. For preferred stocks, unless otherwise approved by the board of directors of both parties following a regulatory order, or for the purposes of facilitating and obtaining the regulatory approvals the board of directors of both parties agreed to adjust the share swap ratio, the aforementioned share swap ratios cannot be adjusted.

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- (2) The said transaction is subject to the resolution of the shareholders' meetings of both parties and approvals of the relevant authorities.
- (3) With regard to the ECB worth US\$350 million issued by TC Bank, YFH and the holder of the ECB, Cooperative Meadowstream Investment W.A., has already signed the purchase agreement. The transaction price will be NT\$14.485 billion, and is expected to be completed on the same day as the base date of the share swap. However, should the aforementioned share swap between YFH and TC Bank become invalid, dismissed, terminated or rescinded, the said purchase agreement will be terminated at the same time.
- (4) In relation to the outstanding employee stock options as of the date of signing the share swap agreement, YFH will provide the following incentives program, and agrees TC Bank may announce it before the base date of the share swap, so that the employees of TC Bank adopting the program will give up his or her right to exercise the options and agrees to cancel the options. The outstanding employee stock options as of the base date of share swap will be converted to employee stock options newly issued by YFH with terms agreed between the parties, or to a form of equity securities as agreed between YFH and the employee, or to be handled in accordance with relevant laws and regulations after the parties so agreed.
- (5) YFH undertakes that after the base date of the share swap, in accordance with the Labor Standard Law and other laws and regulations, it will continue to retain all employees of TC Bank and its subsidiaries (including Ta Chong International Leasing and Finance Co., Ltd., Ta Chong Life Insurance Agency Co., Ltd., and Ta Chong General Insurance Agency Co., Ltd.) All HR rules and regulations, collective agreement, salaries and benefit systems will be maintained as they are within 36 months after the base date of the share swap. If after the merger of TC Bank and its current banking subsidiary, any employee who has joined the union does not wish to stay, severance pay will be provided on the basis of his or her years of service as follows: below 5 years, severance pay will be equal to the average wage of 1.5 months for each year of service; 5 to 10 years, average wage of 1.75 months for each year of service; 10 years above, severance pay will be made in accordance with the retirement standards as set forth in Article 55 of the Labor Standard Act. The calculation of the aforementioned severance pay will deduct labor pension amount allocated by the employer. Any employee who

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decides to leave one month after the base date of the merger, the aforementioned basis of calculation will still be applicable, although the period of employment after the base date of the merger will not be considered in the calculation of the number of years in service.

16. Do the directors have any objection to the present transaction?: If any terms of the share swap agreement require to be amended due to changes in the law and regulations, or for factual necessities, the shareholders' meetings of the parties will authorize their respective board of directors to act accordingly with full discretion and action.