

Confidential



Q4 2012 Results Update

March 7, 2013

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Figures in this presentation and the presentation materials distributed herewith are preliminary numbers.

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Appendix

- Life Premium Summary

SKFH – 2012 Overview

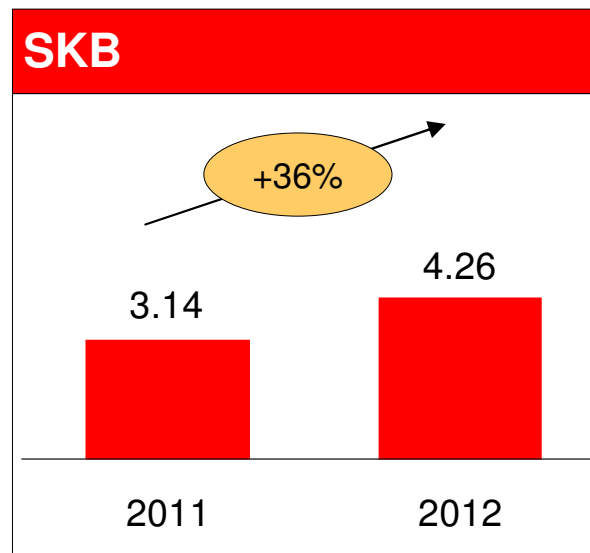
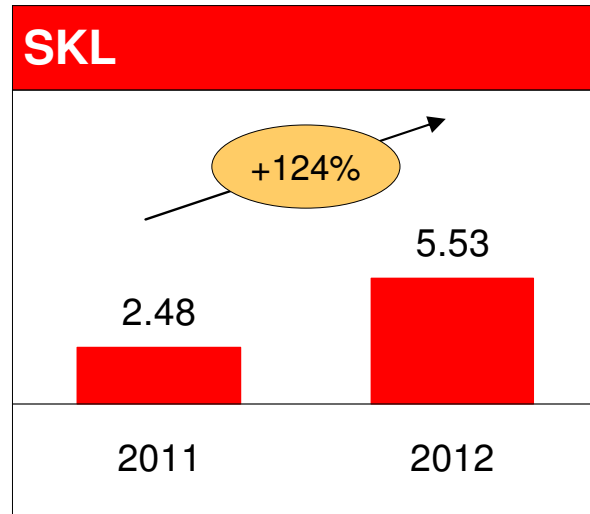
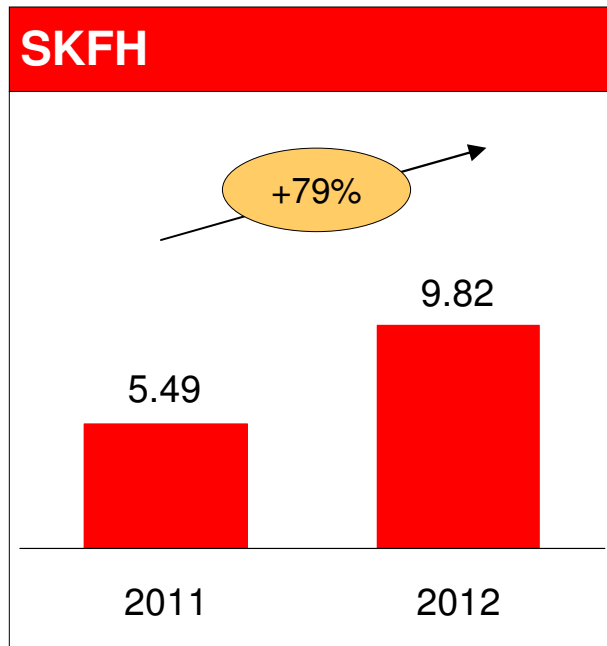
- SKFH recorded a cumulative after-tax profit of NT\$9.82bn for 2012, up 78.7% YoY. EPS was NT\$1.16.
- Subsidiaries' core business remained solid.
 - SKL:
 - ◆ Driven by properly controlled hedging cost and investment gains from REATs, investment return reached 4.56% for 2012. Cumulative after-tax profit was NT\$5.53bn.
 - ◆ Long-term profit generation remains the main consideration in product strategies focused on growth of regular premium products and risk premium; FYP from regular premium products grew 27.8% YoY. Featured products included VUL by unit-cost-averaging method, as well as health, personal accident, long-term care and foreign currency whole life protection products.
 - SKB:
 - ◆ After-tax profit was NT\$4.26bn, up 35.9% YoY.
 - ◆ Net fee income grew 31.0% YoY; wealth management income was 48.3% higher YoY.
- Capital adequacy ratios of the group and subsidiaries were all above regulatory requirements. Group preliminary CAR was 107.8%, RBC of SKL was in the range of 200%~300%, and BIS of SKB was 11.1%.
- SKL obtained approval to increase upper limit of overseas investment to 43% in January, 2013. The newly-added quota will be mainly deployed in fixed incomes to enhance recurrent yield.
- SKL successfully disposed of partial floors of the Tun Nan Building on Feb. 25, 2013. Disposal gain of NT\$7.63bn expected to be recognized in Q1 2013.

Financial Highlights – 2012

	2011	2012	YoY Growth
NT\$m (except per share data), %			
Group net income	5,493	9,815	78.7%
First year premium (Insurance)	76,562	68,472	-10.6%
Loans (Bank)	375,285	427,211	13.8%
Total assets	2,136,220	2,309,114	8.1%
Total shareholders' equity	82,414	93,457	13.4%
ROA	0.26%	0.44%	
ROE	6.34%	11.16%	
Earnings per share	0.65	1.16	

Net Income – 2012

NT\$bn



Comments

- SKFH's 2012 cumulative after-tax profit amounted to NT\$9.82bn, NT\$4.33bn higher YoY
- SKL's cumulative after-tax profit was NT\$5.53bn, 124% higher YoY
- Driven by strong growth of loans and fee incomes, SKB's cumulative after-tax profit increased 36% YoY

Net Income – 2012

Net income contribution

NT\$bn

Subsidiaries	2011	2012	YoY Growth
Shin Kong Life	2.48	5.53	123.6%
Shin Kong Bank	3.14	4.26	35.9%
Shin Kong Investment Trust	0.03	0.03	25.9%
Shin Kong Insurance Brokers	0.07	0.04	-35.8%
Shin Kong Capital Venture Int'l	-0.01	0.00	-
Others ⁽¹⁾	-0.22	-0.04	-
Net income	5.49	9.82	78.7%

Note:

(1) Include other income of SKFH, income taxes, and profit from MasterLink Securities

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SKL – 2012 Overview

- Driven by properly controlled hedging cost and investment gains from REATs, investment return reached 4.56% for 2012. Cumulative after-tax profit and ROE were NT\$5.53bn and 11.44% respectively.
- FYP was NT\$68.47bn, down 10.6% YoY. Market share was 5.8%.
- Long-term profit generation remains the main consideration in product strategies focused on growth of regular premium products and risk premium. FYP of traditional products was 21.3% higher YoY, with FYP from regular premium products 27.8% higher YoY. Featured products included VUL by unit-cost-averaging method, as well as health, personal accident, long-term care and foreign currency whole life protection products.
- 13-month and 25-month persistency were 89.5% and 78.9% respectively.
- To increase qualified capital and enhance financial structure, SKL successfully issued perpetual cumulative subordinated corporate bonds in amount of NT\$5bn in Q4 2012.

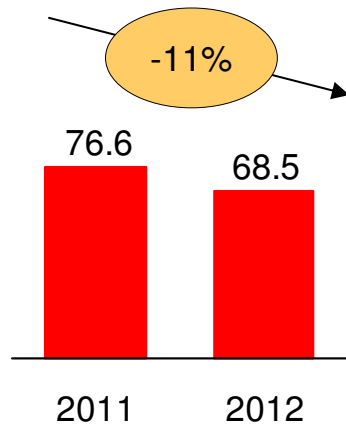
Financial Highlights – 2012

	2011	2012	YoY Growth
NT\$mn, %			
First year premium	76,562	68,472	-10.6%
Total premium	178,561	175,538	-1.7%
Investment income	60,305	68,007	12.8%
Net income	2,475	5,533	123.6%
Total assets	1,551,850	1,645,571	6.0%
Total shareholders' equity	45,696	51,003	11.6%
ROE	4.40%	11.44%	
ROA	0.16%	0.35%	

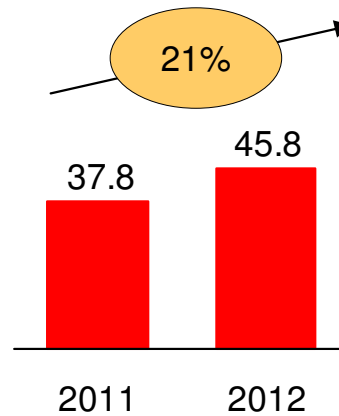
First Year Premium – 2012

NT\$bn

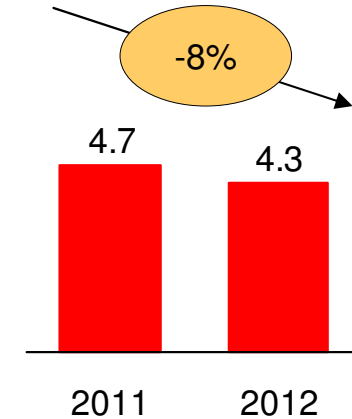
Market share 5.8%



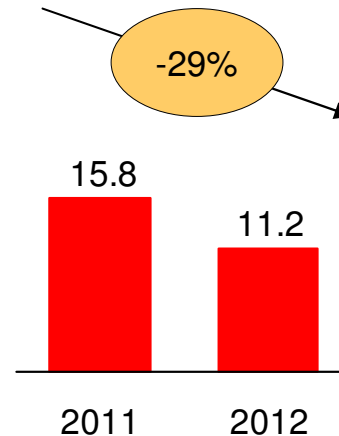
Traditional



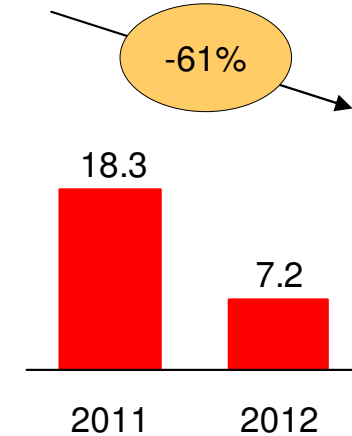
PA, Health and Group



Investment-linked



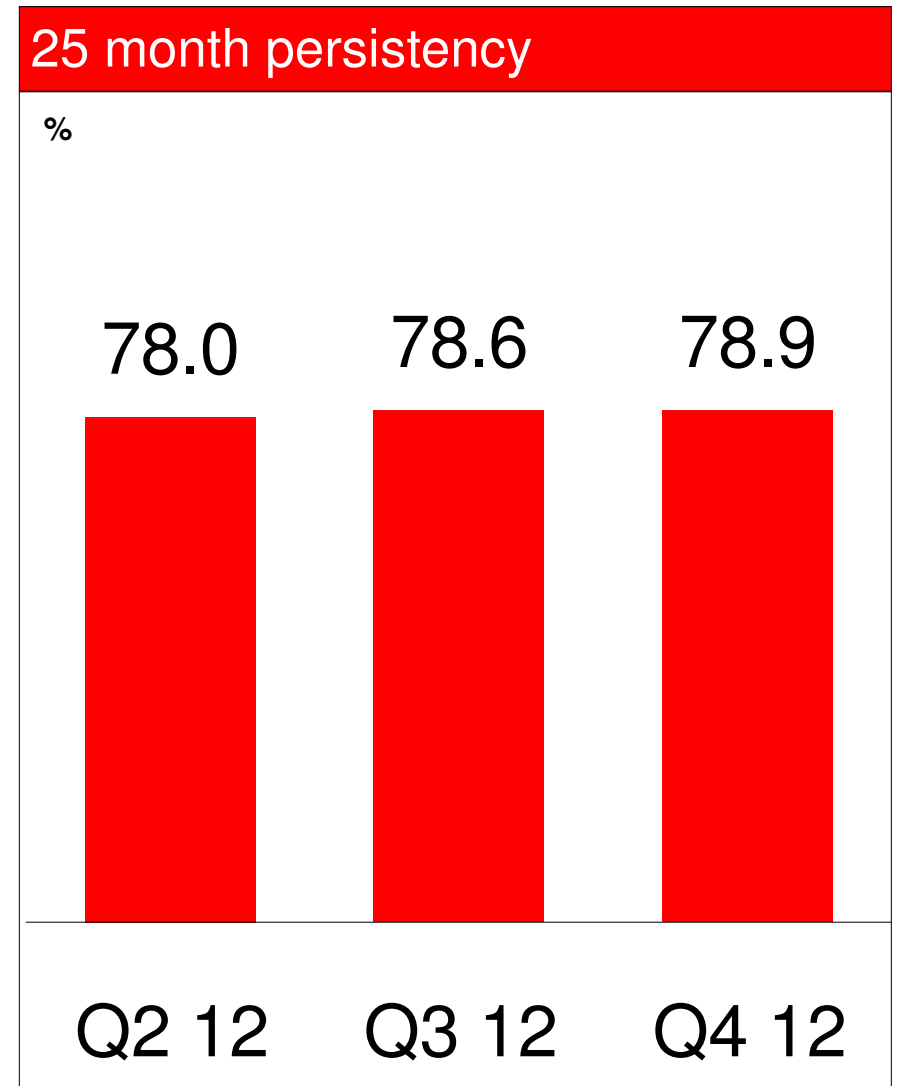
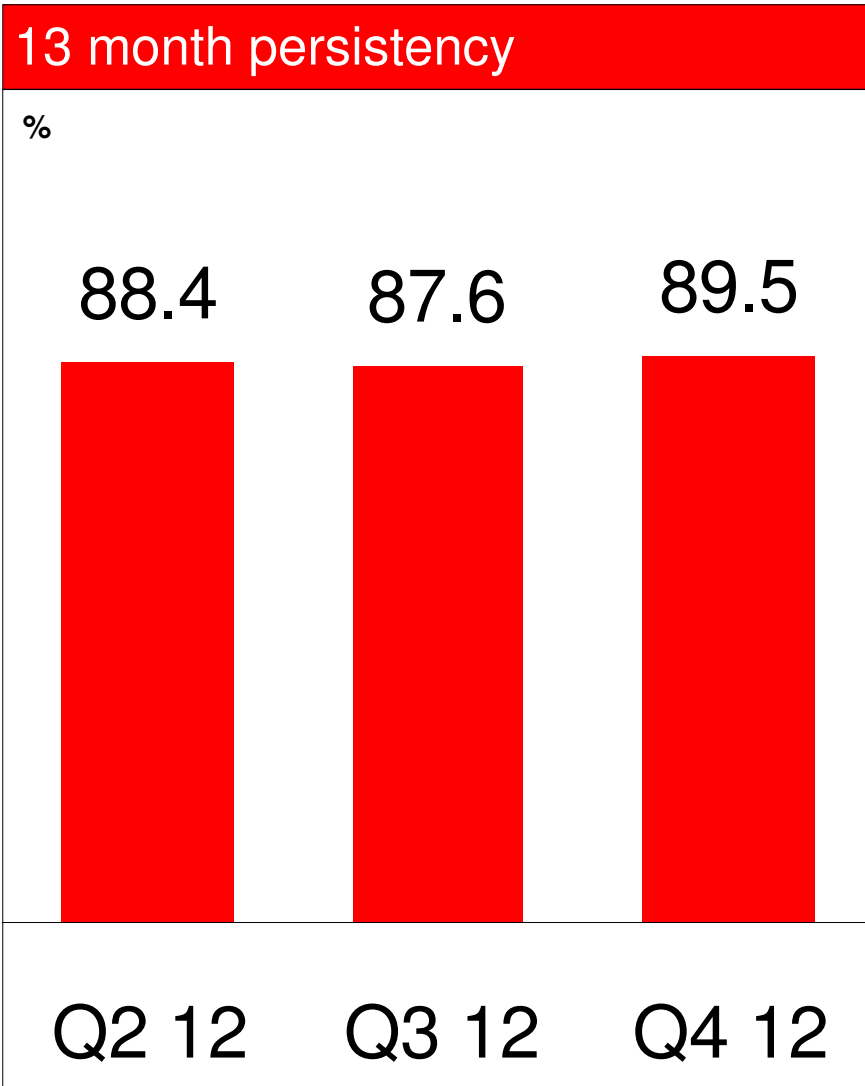
Interest-sensitive



Comments

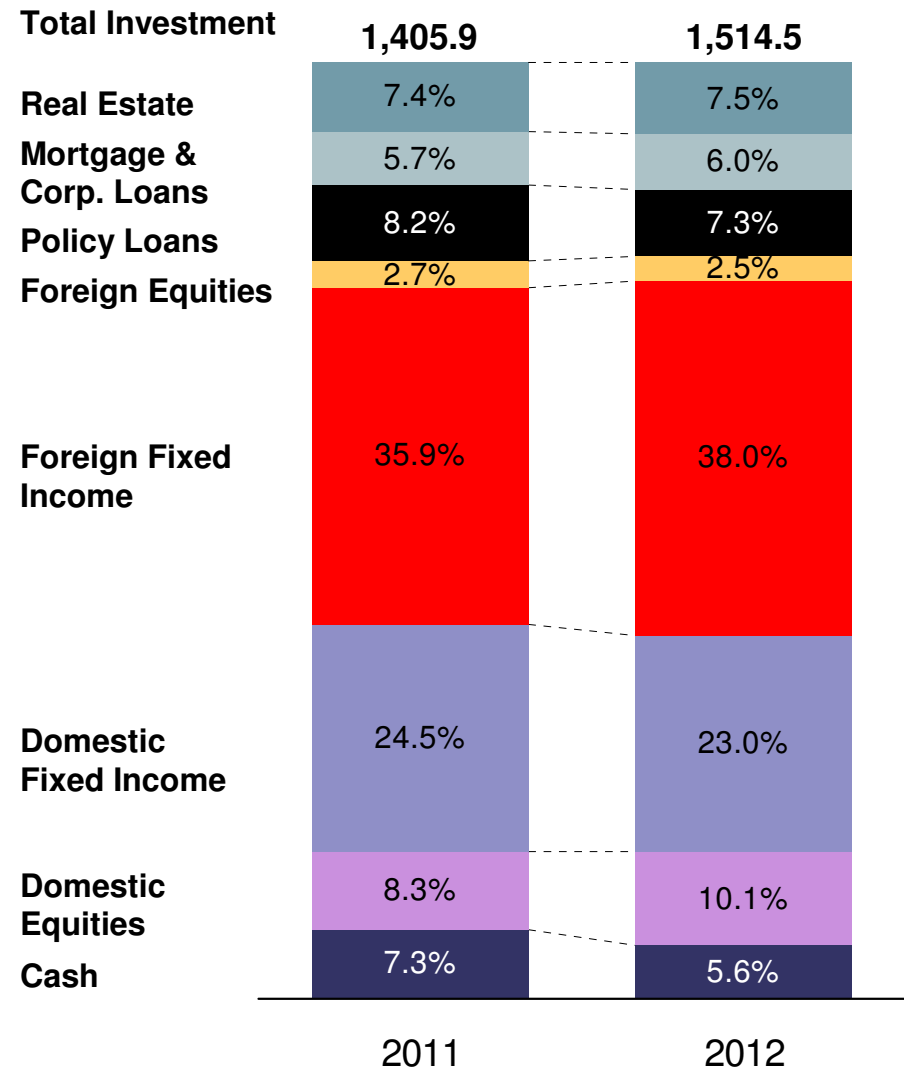
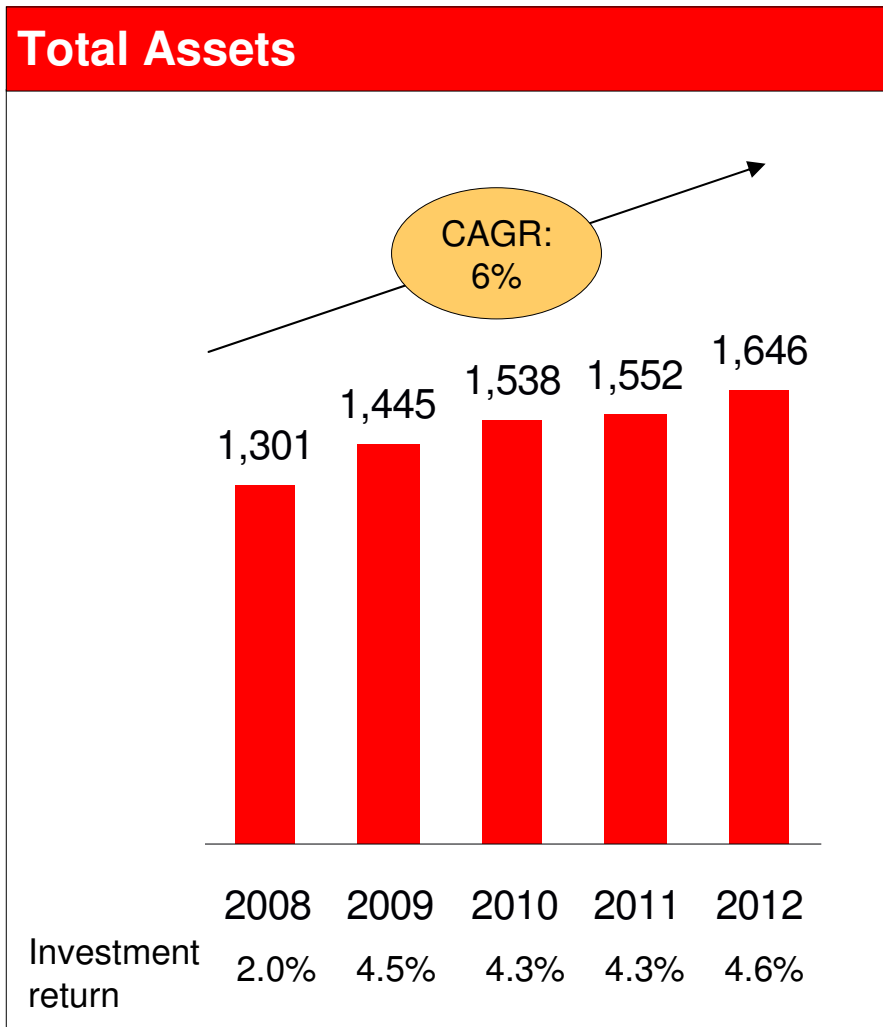
- FYP decreased 11% YoY
- Traditional products contributed most significant shares (67%) of FYP
- Long-term profit generation remains the main consideration in product strategies focused on growth of regular premium products and risk premium. FYP of traditional products was 21% higher YoY, with FYP from regular premium products 28% higher YoY
- To diversify risk and increase protection, VUL products are promoted by unit-cost-averaging method, and number of policies sold reached 10,655. Structured note products are linked to government bonds, sales of which amounted to NT\$10.8bn in 2012

Persistence Ratio



Investment Portfolio

NT\$bn

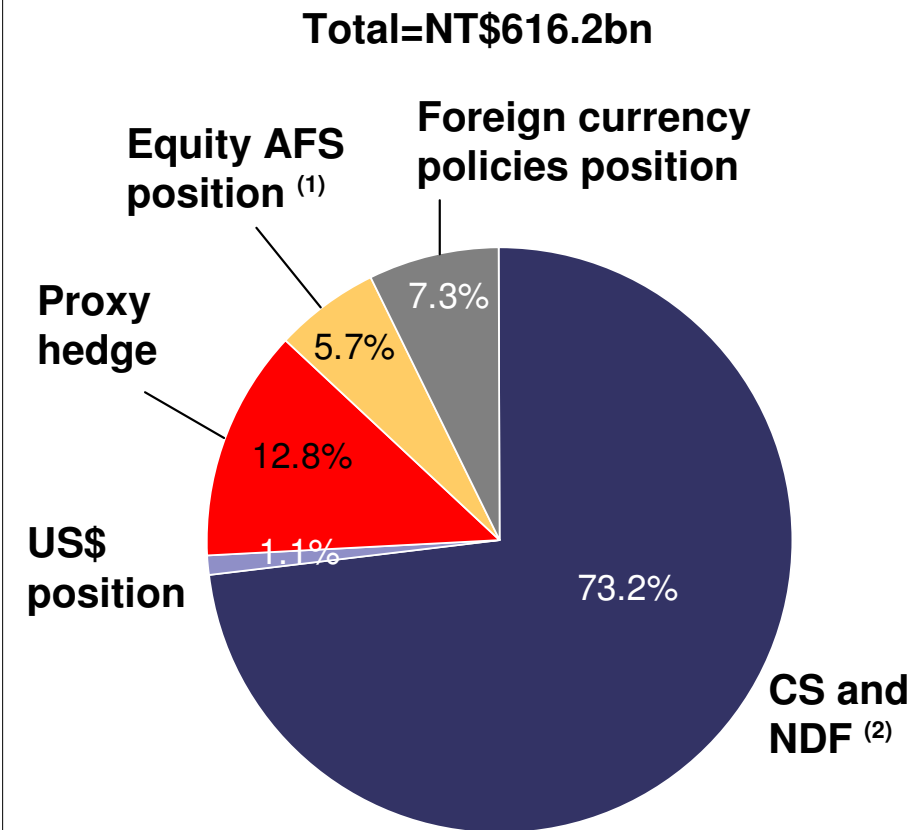


Note:

- (1) Due to rounding, asset allocation figures may not add up to 100%
- (2) Includes capital gains and FX hedging cost

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Hedging cost for 2012 was 1.30%, further lower than 1.57% in 9M 2012
- With FX reserve scheme implemented in March, 2012, medium/long term target of traditional hedges ranges from 65% to 90% under stringent risk management mechanism
- Proxy hedging accounted for 12.8%
- Available for sale position in foreign equities accounted for 5.7% of the portfolio and was not marked to market in income statement

Note:

(1) Available for sale position

(2) Currency swaps and non-delivery forwards

Investment Strategy

Strong ALM Discipline

- Develop Strategic Asset Allocation based on liability profile and capital budget
- Build core portfolio of recurring income
- Achieve diversification and yield pick-up through overseas investments; the upper limit of overseas investment was approved to increase to 43%, and newly-added quota will be mainly deployed in fixed incomes effectively

Well-diversified Portfolio

- Diversification by asset class (equity, credit, currency, commodity, real estate)
- Diversification by strategy for uncorrelated sources of alpha

Cost-effective Currency Hedging

- With FX reserve scheme implemented in March, 2012, medium/long term target of traditional hedges ranges from 65% to 90% under stringent risk management mechanism
- Target hedging cost at 130 bps or below in the medium- to long-term

Enhance Investment Risk Management

- Manage/control investment risk by prudent SAA and TAA ranges
- Enhance investment risk management by advancing functions controlling country and region risks as well as industry risks under the ALGO risk management system to improve management of market, credit and concentration risks

SKL – 2013 Outlook

- Continue to focus on sales of value-oriented protection and regular premium products and increase mortality/expense gains to cumulate medium-to long-term fundamental interests.
- Promote investment-linked products in unit-cost-averaging method and increase sum insured to provide customers relatively stable returns and generate stable value of new business (VNB). Target to double number of policies sold for 2013 compared to 2012.
- Increase recurrent and capital gains to increase investment income and shareholders' equity. Obtained approval to increase upper limit of overseas investment to 43% in January, 2013. Newly-added quota will be mainly deployed in fixed incomes to enhance recurrent yield.
- Enhance investment risk management by advancing functions controlling country and region risks as well as industry risks under the ALGO risk management system to improve management of market, credit and concentration risks.
- Expand SKHNA Life business by prudently running operating sites in Beijing, Hainan and Shaanxi. Applied to establish Jiangsu branch in 2012.
- Emphasize VNB, and target of VNB growth in the medium-to long-term is 10%.

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SKB – 2012 Overview

- After-tax profit for 2012 was NT\$4.26bn, up 35.9% YoY; net interest income and net fee income grew 6.7% and 31.0% YoY respectively; pre-provision profit was NT\$5.52bn, up 42.0% YoY.
- Loan balance increased to NT\$427.21bn, up 13.8% YoY; deposit balance amounted to NT\$556.65bn, up 15.4% YoY. L/D ratio (incl. credit cards balance) was 76.2%.
- NIM for 2012 was 1.40%.
- With offering a complete suite of wealth management products, wealth management income for 2012 was NT\$1.17bn, up 48.3% YoY. SKB achieved bancassurance cross-sales of NT\$17.49bn in 2012, accounting for 58.3% of SKL's bancassurance premium.
- Credit card NPL ratio was 0.25% and coverage ratio was 311.71%.
- The principal and interests of NT\$1.72bn non-performing loan to Prince Motors were fully recovered with no loss; NPL ratio declined to 0.46% while coverage ratio increased from 112.63% to 232.65% in Q4.
- NPL ratio for mortgages remained low at 0.26%, indicating solid asset quality.

SKB – 2013 Outlook

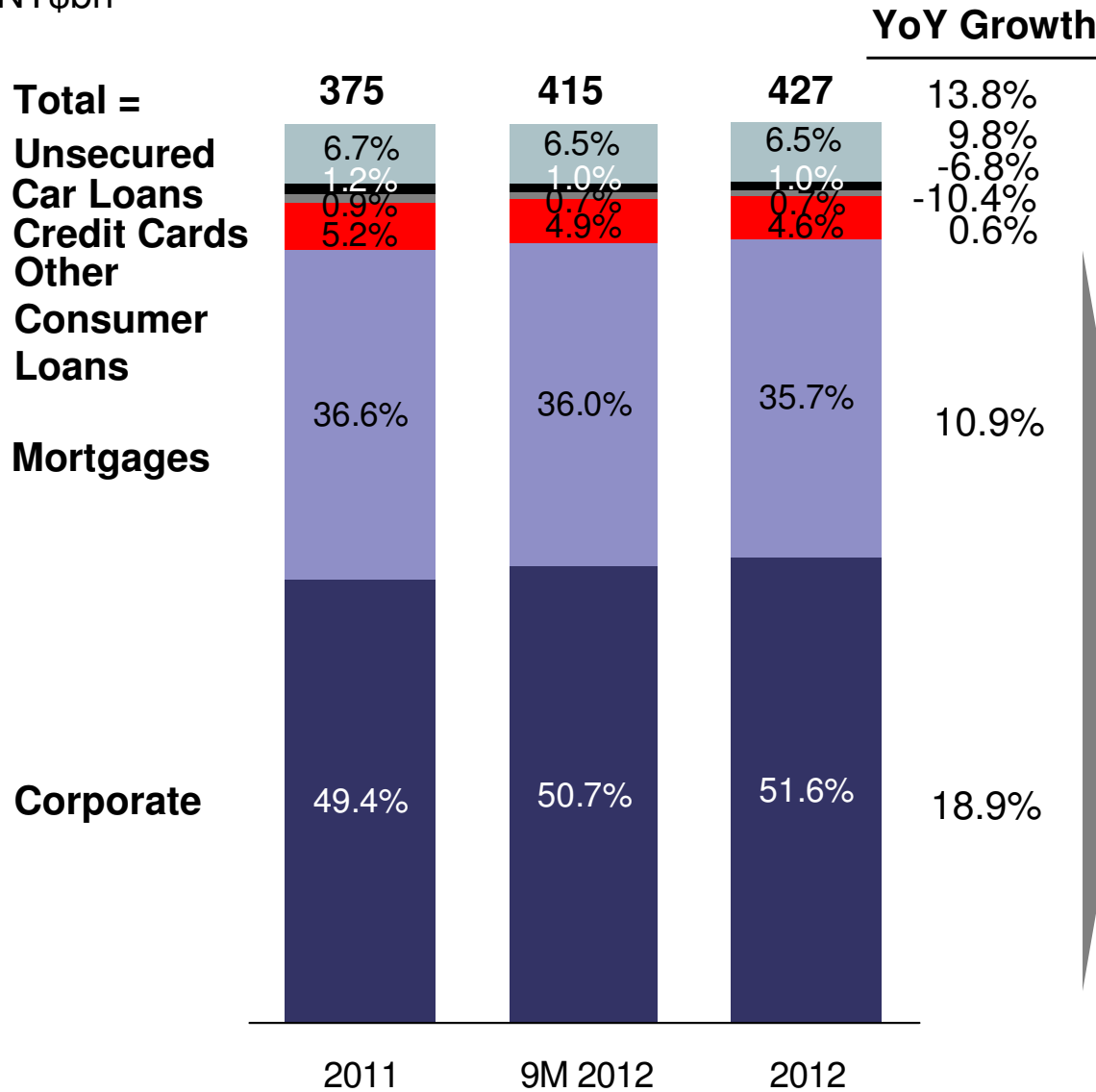
- Adjust structure of deposits and loans, given that asset size has exceeded target of US\$20 billion. Raise yield on corporate loan; increase demand deposits and strictly control interest rates on time deposits to lower funding costs in 2013.
- Effectively build up renminbi deposits and offer renminbi wealth management products, along with liberalization of DBU renminbi business.
- Sustain growth from wealth management through balanced sales focus on overseas securities, mutual funds and insurance policies. Develop a larger customer base of retail and corporate wealth management business.
- Dedicate to strengthening business operation of TMU, expecting revenues from TMU to double this year.
- Increase number of active credit cards. Target to issue 100,000 Shin Kong Mitsukoshi Department Store co-branded cards during the first promotional campaign.
- Hong Kong Branch will develop TMU, e-Banking and wealth management business and coordinate with OBU as well as Shin Kong Leasing in Suzhou China to better serve Taiwanese enterprises operating in China.
- Expand overseas presence and set up offshore units in ASEAN markets, such as Vietnam.

Net Income – 2012

	2011	2012	YoY Growth
NT\$mn, %			
Net interest income	7,153	7,631	6.7%
Net fee income	1,648	2,159	31.0%
Other income	732	1,690	130.9%
Operating expense	-5,648	-5,961	5.5%
Pre-provision operating income	3,885	5,519	42.0%
Provision expense	-523	-718	37.2%
Income tax benefit (expense)	-224	-537	140.0%
Net Income	3,138	4,263	35.9%

Loan Mix

NT\$bn



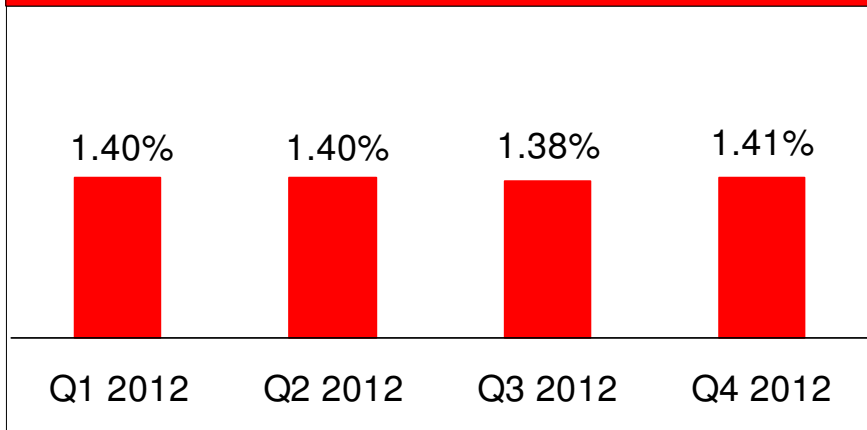
Comments

- Loan balance amounted to NT\$427.21bn, up 13.8% YoY
- Driven by growth of loans to medium-sized enterprises, corporate loan grew 18.9% YoY
- Mortgages achieved stable growth under stringent credit policies; NPL ratio for mortgages remained low at 0.26%
- L/D ratio was 76.2% (incl. credit cards balance)

Note: Due to rounding, loan mix may not add up to 100%

Interest Income

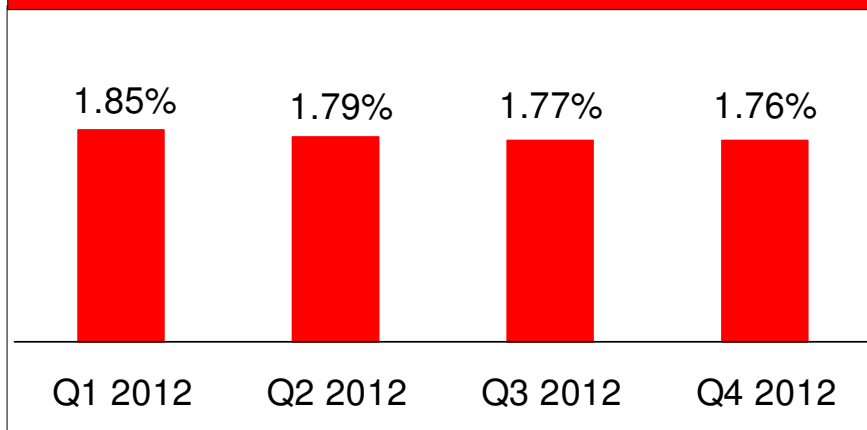
Net Interest Margin



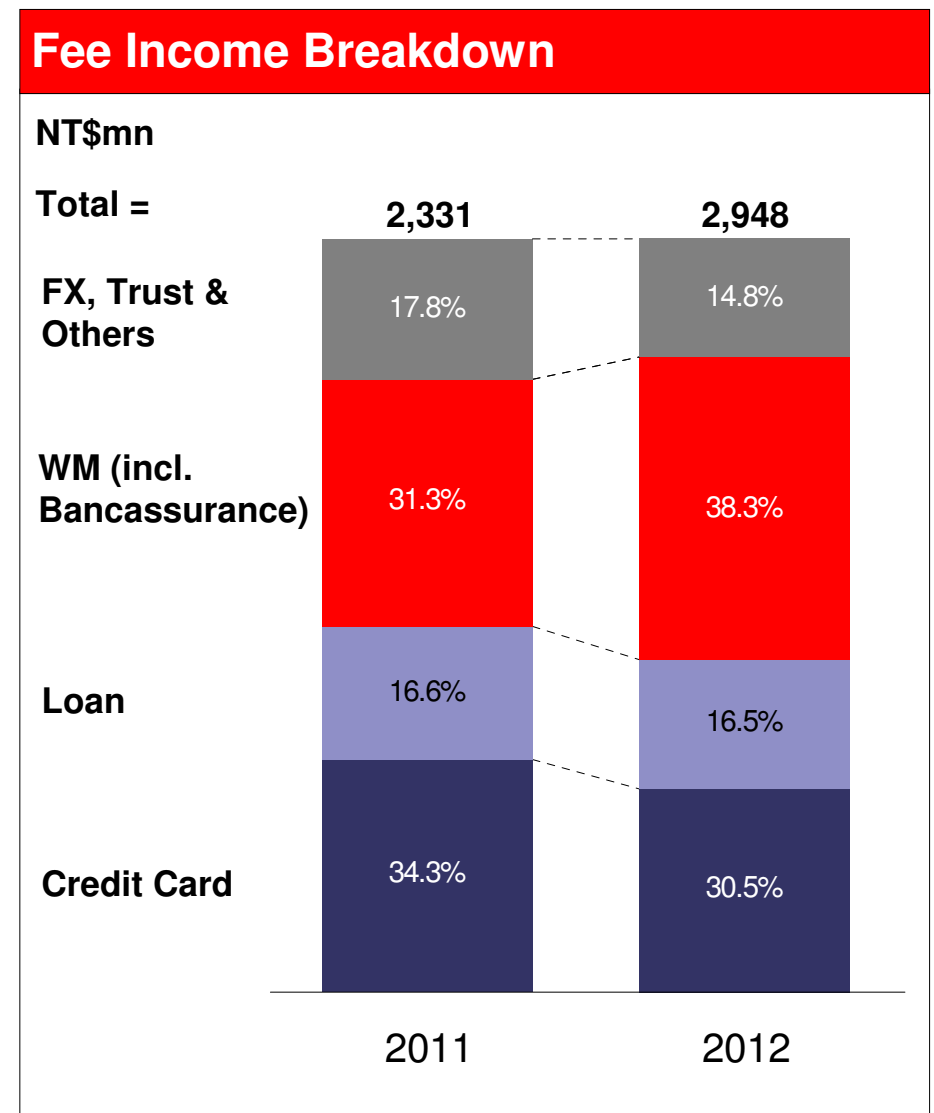
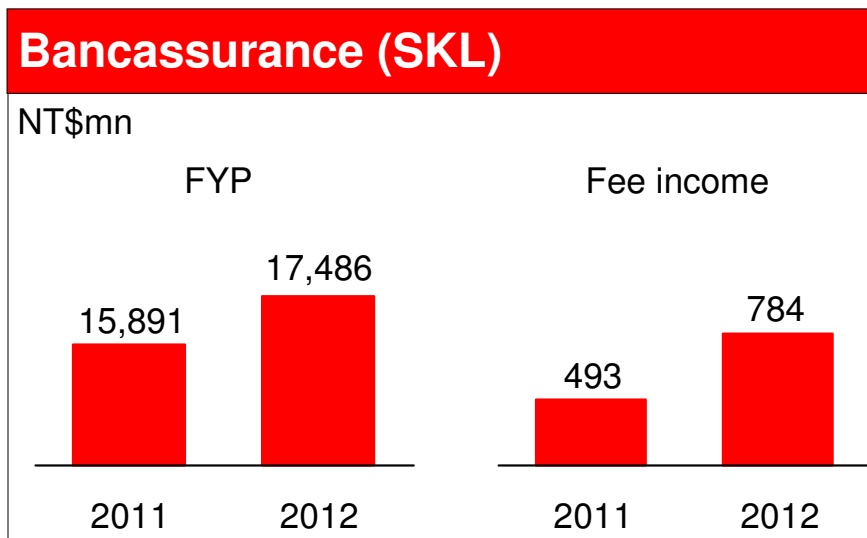
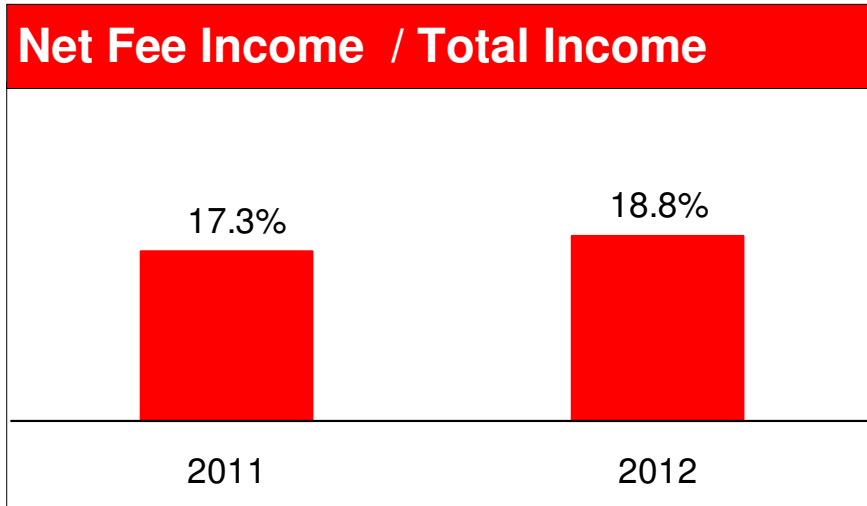
Comments

- NIM for Q4 2012 increased to 1.41%
- SKB will continue to :
 - Strengthen relations with corporate customers and increase fee income through GEB, TMU, syndicated loans and factoring business
 - Strengthen cash management business and act as the main settlement bank for MasterLink Securities to increase demand deposits and lower cost of funds, and
 - Develop SME and consumer loans with appropriate risk control to enhance interest income

Net Interest Spread



Fee Income

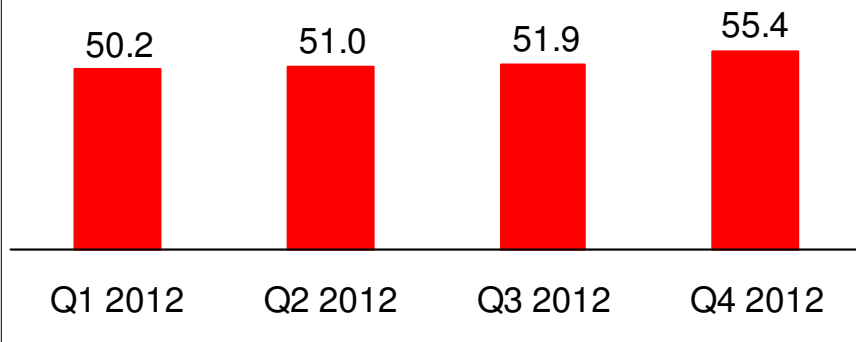


Note: Due to rounding, fee income breakdown may not add up to 100%

Wealth Management

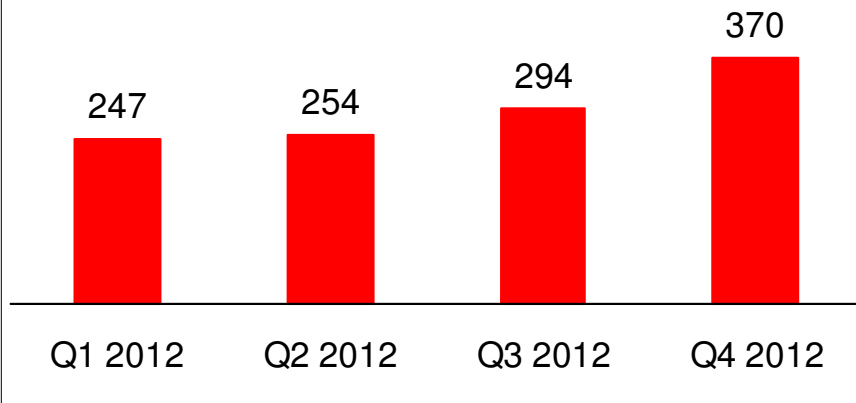
AUM

NT\$bn



WM Income

NT\$m



Note:

- (1) Wealth management income includes income from structured deposits
- (2) Income figure for each quarter is adjusted due to rounding

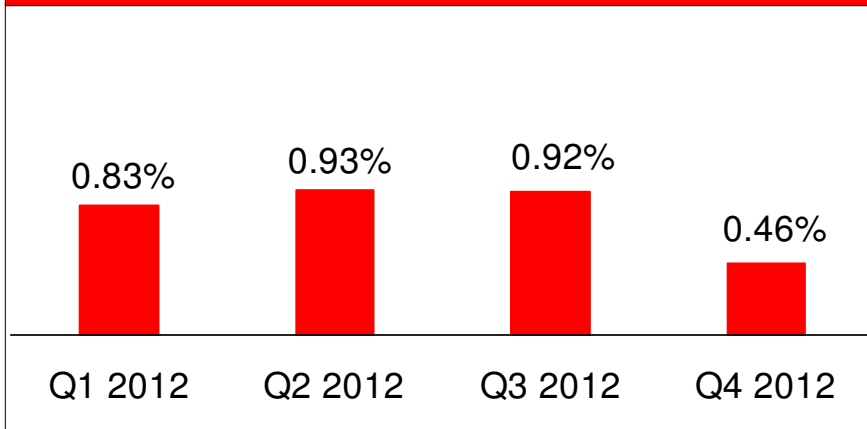
Wealth Management Center



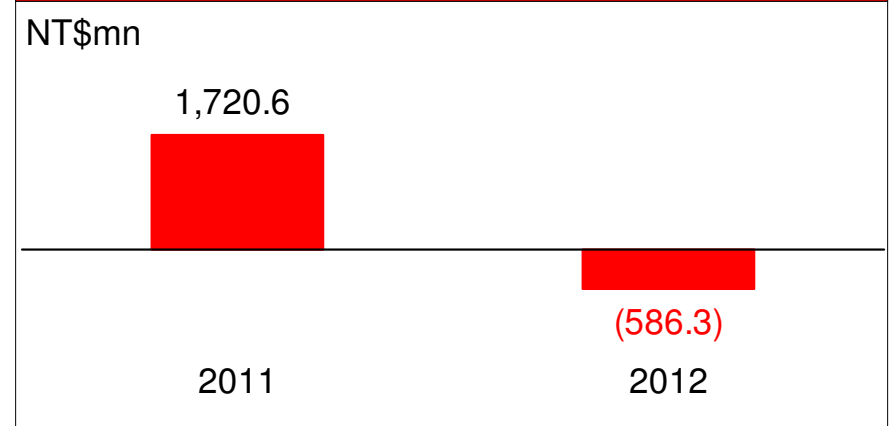
- With offering a complete suite of wealth management products, wealth management income for 2012 was NT\$1.17bn, up 48.3% YoY
- Fee income from wealth management accounted for 38.3% of total fee income
- Sales focuses will be placed on mutual funds, insurance policies and overseas securities, expected to contribute to fee income growth

Asset Quality

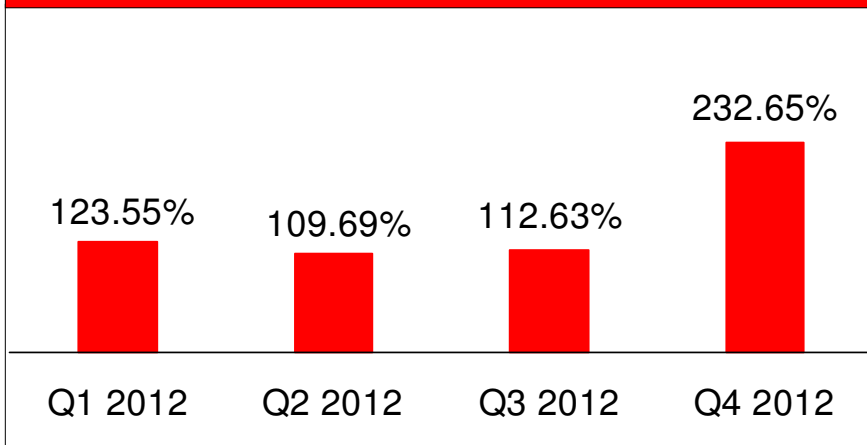
NPL Ratio



New NPL Generation



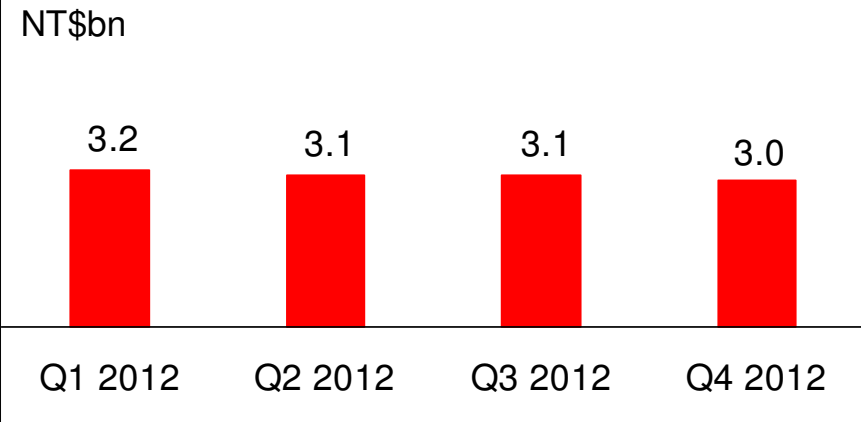
Coverage Ratio



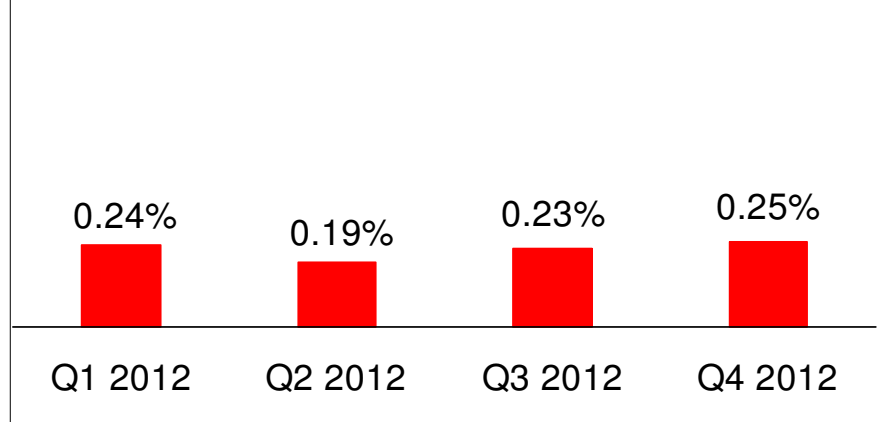
- The principal and interests of NT\$1.72bn non-performing loan to Prince Motors were fully recovered with no loss. NPL ratio declined to 0.46%, and coverage ratio increased to 232.65% in Q4 2012
- New NPL generated in 2012 were NT\$-586.3mn, indicating stable asset quality
- NPL ratios for corporate loan and mortgages were 0.59% and 0.26% respectively

Credit Cards Metrics

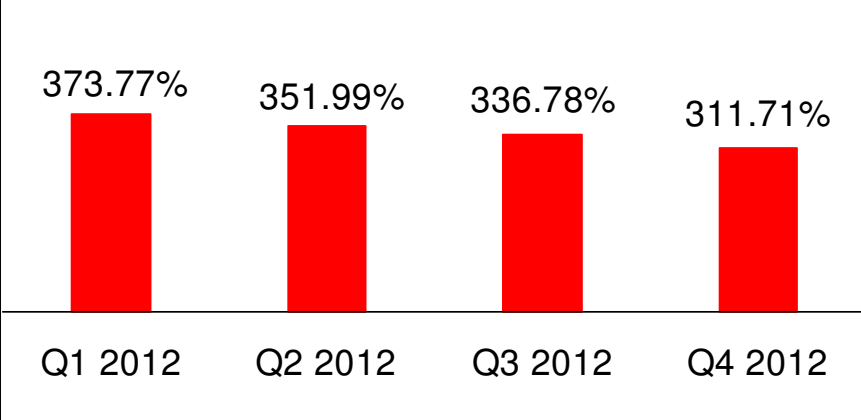
Revolving Balance



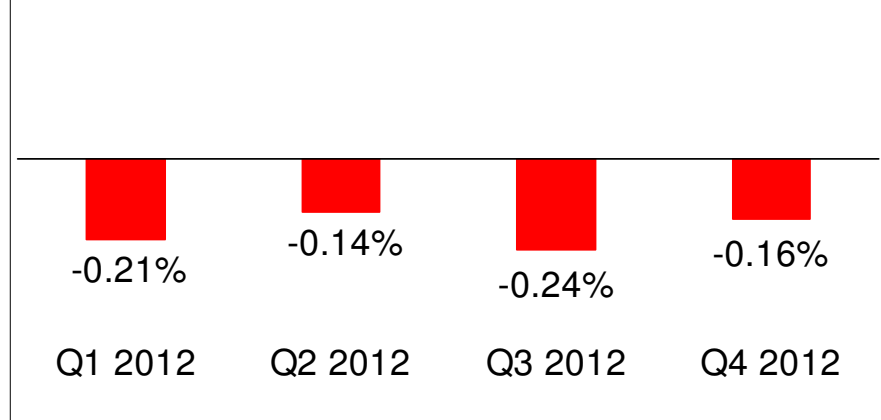
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

(1) Actual reserves / NPL

(2) Unannualized numbers

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- **Life Premium Summary**

SP / RP Breakdown

NT\$bn

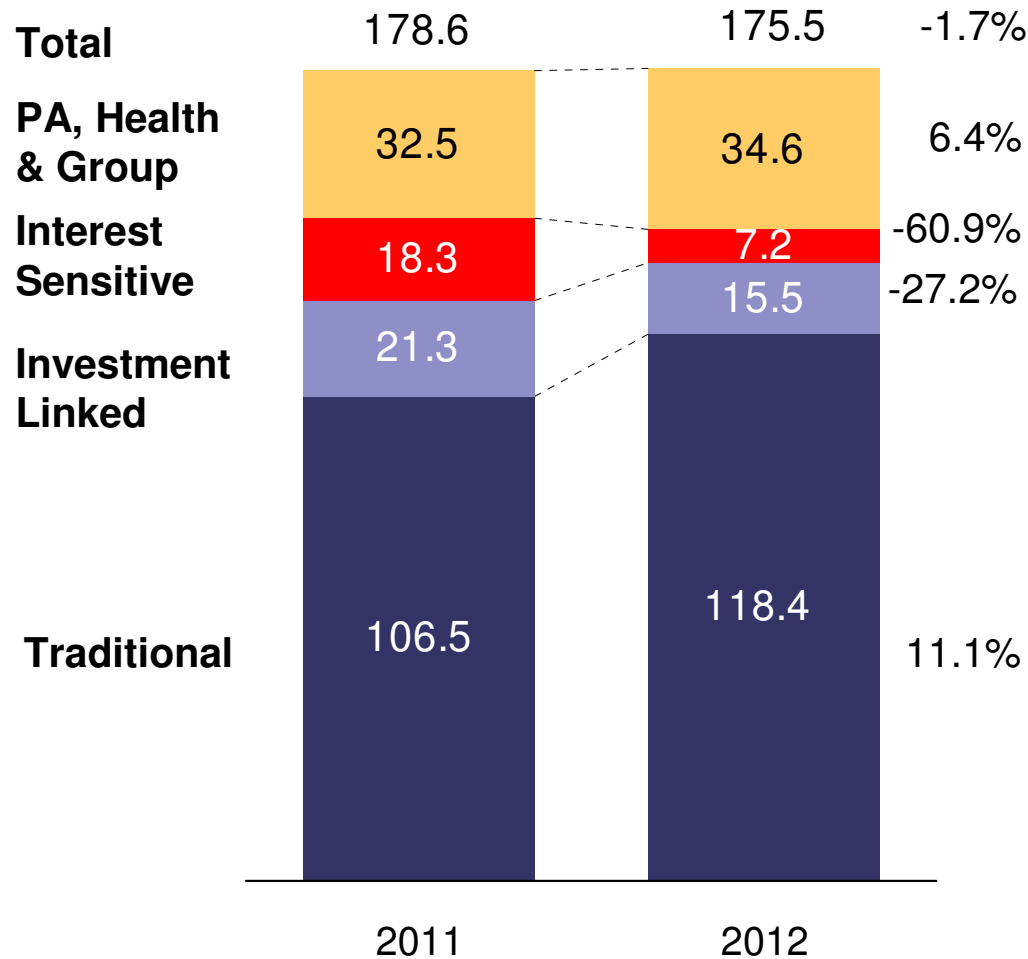
2012 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	31.20	14.61		45.81
Investment-linked				
VUL		0.25	0.14	0.39
Structured note	10.83			10.83
Interest Sensitive				
Annuity	6.80		0.10	6.90
Life			0.26	0.26
PA, health and others		4.29		4.29
Total	48.83	19.15	0.49	68.47
Share	71.3%	28.0%	0.7%	100.0%

Total Premium – 2012

NT\$bn

Market Share = 7.1%

Growth



Comments

- Although total premium went down 1.7% YoY, renewal premium grew 5.0% YoY due to strong sales of regular premium products
- To diversify risk and increase protection, VUL products are promoted by unit-cost-averaging method. Structured note products are linked to government bonds. Total premium of investment-linked products declined
- PA, Health & Group and traditional products grew YoY
- Market demand on interest sensitive products fell due to regulation changes

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Shin Kong Financial HoldingFinancial Summary
(NT\$mn)

Income Statement Data	2011	2012	2012/2011		Q4 12/Q4 11	
			% change	Q4 2011	Q4 2012	% change
Net interest income	(164)	(171)	4.3%	(43)	(42)	-2.3%
Income from subsidiaries						
Shin Kong Life	2,475	5,533	123.6%	(766)	(1,155)	50.8%
Shin Kong Bank	3,138	4,263	35.9%	177	694	292.1%
MasterLink Securities	140	263	87.9%	4	35	775.0%
Shin Kong Insurance Brokers	67	43	-35.8%	13	5	-61.5%
Shin Kong Investment Trust	27	34	25.9%	10	13	30.0%
Shin Kong Capital Venture International	(8)	2	-125.0%	(8)	1	-112.5%
Total income from subsidiaries	5,839	10,139	73.6%	(570)	(406)	-28.7%
Other income	11	5	-54.5%	0	3	
Administrative and general expenses	(228)	(242)	6.1%	(62)	(83)	33.9%
Income tax benefit (expense)	35	84	140.0%	41	24	-41.5%
Cumulative effect of changes in accounting principle	0	0		0	0	
Net income	5,493	9815	78.7%	(634)	(504)	-20.5%

Balance Sheet Data	2011	2012	2012/2011		Q4 12/Q4 11	
			% change	Q4 2011	Q4 2012	% change
Long term investment	81,633	91,390	12.0%	81,633	91,390	12.0%
Total assets	2,136,220	2,309,114	8.1%	2,136,220	2,309,114	8.1%
Total shareholders' equity	82,414	93,457	13.4%	82,414	93,457	13.4%

Note: Numbers have not been audited by the auditors

Shin Kong LifeFinancial Summary
(NT\$m)

Income Statement Data			2012/2011		Q4 12/Q4 11	
	2011	2012	% change	Q4 2011	Q4 2012	% change
Premium income	159,030	161,587	1.6%	46,254	39,329	-15.0%
Investment income						
Interest income	43,113	44,041	2.2%	11,236	11,044	-1.7%
Gains on investments in securities ⁽¹⁾	17,981	28,057	56.0%	2,266	3,364	48.4%
Gains on real estate investments	6,212	3,731	-39.9%	3,319	961	-71.0%
FX	(6,717)	(8,088)	20.4%	(2,739)	(413)	-84.9%
FX gain or loss	15,197	(20,842)	-237.1%	(3,908)	(3,641)	-6.8%
Hedging	(21,914)	12,754	-158.2%	1,169	3,229	176.3%
FX Reserve		414			(383)	
Impairment loss	(283)	(149)	-47.2%	0	3	501539.9%
Total Investment income	60,305	68,007	12.8%	14,082	14,576	3.5%
Other operating income	1,093	1,151	5.3%	140	175	24.9%
Provisions for reserves						
Provisions	(192,649)	(188,907)	-1.9%	(60,669)	(46,820)	-22.8%
Recoveries	164,694	89,754	-45.5%	40,337	22,120	-45.2%
Total provisions for reserves, net	(27,956)	(99,153)	254.7%	(20,332)	(24,700)	21.5%
Insurance payments	(172,232)	(106,052)	-38.4%	(36,031)	(25,551)	-29.1%
Commission expenses	(5,053)	(5,520)	9.2%	(1,695)	(1,354)	-20.1%
Separate account revenues	65,912	55,685	-15.5%	11,698	11,390	-2.6%
Separate account expenses	(65,912)	(55,685)	-15.5%	(11,698)	(11,390)	-2.6%
General and administrative expenses	(12,416)	(12,851)	3.5%	(3,513)	(3,723)	6.0%
Other operating costs and expenses	(501)	(1,025)	104.7%	(53)	(184)	249.3%
Operating income	2,271	6,144	170.5%	(1,148)	(1,433)	24.8%
Non-operating income and expenses	574	(224)	-139.0%	213	(50)	-123.7%
Income taxes	(370)	(387)	4.5%	168	328	94.9%
Cumulative effect of changes in accounting principles	0	0		0	0	
Net income	2,475	5,533	123.6%	(767)	(1,155)	50.6%

Balance Sheet Data			2012/2011		Q4 12/Q4 11	
	2011	2012	% change	Q4 2011	Q4 2012	% change
Total assets	1,551,850	1,645,571	6.0%	1,551,850	1,645,571	6.0%
Total shareholders' equity	45,696	51,003	11.6%	45,696	51,003	11.6%

Note:

(1) Gains from Song Jiang REAT of NT\$2.47bn and Tun Nan REAT of NT\$7.46bn were recognized as "gains on investments in securities".

(2) Numbers have not been audited by the auditors

Shin Kong Bank
Financial Summary
(NT\$mn)

Income Statement Data	2011	2012	2012/2011		Q4 12/Q4 11	
			% change	Q4 2011	Q4 2012	% change
Interest income	10,937	12,438	13.7%	2,910	3,244	11.5%
Interest expense	(3,783)	(4,807)	27.1%	(1,115)	(1,240)	11.2%
Net interest income	7,153	7,631	6.7%	1,794	2,004	11.7%
Fee income	2,331	2,948	26.5%	582	838	43.9%
Fee expense	(683)	(790)	15.6%	(175)	(209)	19.6%
Net fee income	1,648	2,159	31.0%	408	629	54.4%
Gains on bill & securities	27	1,376	5090.9%	49	179	263.4%
Gains recognized under equity method, net	112	140	24.5%	50	20	-59.3%
Gains on foreign exchange, net	507	19	-96.3%	32	(57)	-281.5%
Other gains or losses, net	86	155	80.2%	26	7	-73.4%
Operating expense	(5,648)	(5,961)	5.5%	(1,505)	(1,557)	3.5%
Pre-provision income or loss	3,885	5,519	42.0%	854	1,224	43.4%
Provision expense	(523)	(718)	37.2%	(653)	(416)	-36.2%
Income tax (expense) benefit	(224)	(537)	140.0%	(24)	(113)	363.2%
Net income	3,138	4,263	35.9%	177	695	292.3%

Balance Sheet Data	2011	2012	2012/2011		Q4 12/Q4 11	
			% change	Q4 2011	Q4 2012	% change
Total assets	561,593	633,974	12.9%	561,593	633,974	12.9%
Total shareholders' equity	27,564	31,773	15.3%	27,564	31,773	15.3%
Total loans, net ⁽¹⁾	371,035	421,359	13.6%	371,035	421,359	13.6%
Total deposits	482,186	556,645	15.4%	482,186	556,645	15.4%

Operating Metrics	2011	2012	Q4 2011		Q4 2012	
Fee income ratio	17.3%	18.8%	17.3%	22.6%		
Cost income ratio	59.2%	51.9%	63.8%	56.0%		
Loan/deposit ratio (excl. credit card)	76.9%	75.7%	76.9%	75.7%		
Loan/deposit ratio (incl. credit card)	77.6%	76.2%	77.6%	76.2%		
Net interest margin	1.55%	1.40%	1.45%	1.41%		
Net interest spread	1.89%	1.79%	1.83%	1.76%		
Pre-provision earnings/assets	0.75%	0.92%	0.17%	0.20%		
Pre-provision earnings/equity	14.92%	18.60%	3.28%	4.13%		

Note:

- (1) Exclude credit cards but include overdue receivables
(2) Numbers have not been audited by the auditors