

Confidential



Q1 2013 Results Update

May 16, 2013

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Figures in this presentation and the presentation materials distributed herewith are numbers reviewed by the auditors.

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Life's 2012 EV/AV Results

V. Appendix

- Life Premium Summary

SKFH – Q1 2013 Overview

- SKFH recorded an after-tax profit of NT\$7.43bn for Q1 2013. EPS was NT\$0.88. Shareholders' equity increased to NT\$91.11bn, up 10.3% YTD. Book value per share reached NT\$10.8.
- Subsidiaries' core business remained solid.
 - SKL:
 - ◆ Driven by annualized hedging gain of 0.24% and disposal gain from partial floors of Tun Nan Building, net income for Q1 2013 reached NT\$6.29bn.
 - ◆ Due to recovery of global equity markets, other comprehensive income reached NT\$0.97bn. Shareholders' equity increased to NT\$61.23bn, up 13.5% YTD.
 - SKB:
 - ◆ Net fee income grew 28.0% YoY; wealth management income increased 60.0% YoY; TMU income surged 260.7% YoY.
 - ◆ Adjusting deposit and loan structures is the strategic objective for 2013. NIS improved to 1.79%, L/D ratio (incl. credit cards balance) increased to 78.6%, and demand deposit ratio rose to 39.69%.
- Despite conservative adjustments in actuarial assumptions for 2012 EV and AV to better reflect markets conditions, life insurance EV per share of SKFH remained high at NT\$23.0:
 - EV was NT\$194.4bn, including unrealized gains on property of NT\$102.0bn re-appraised at the end of 2012.
 - V1NB was NT\$14.0bn, 11.1% higher YoY, indicating that strategies aiming at sales of regular premium, value-oriented products have effectively enhanced VNB margin. -4-

Financial Highlights – Q1 2013

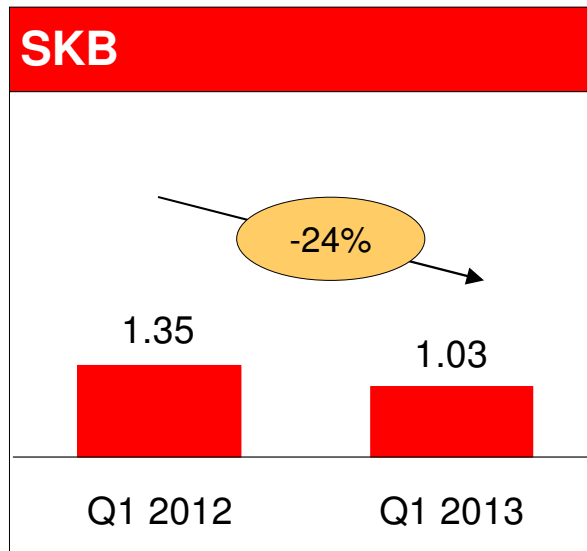
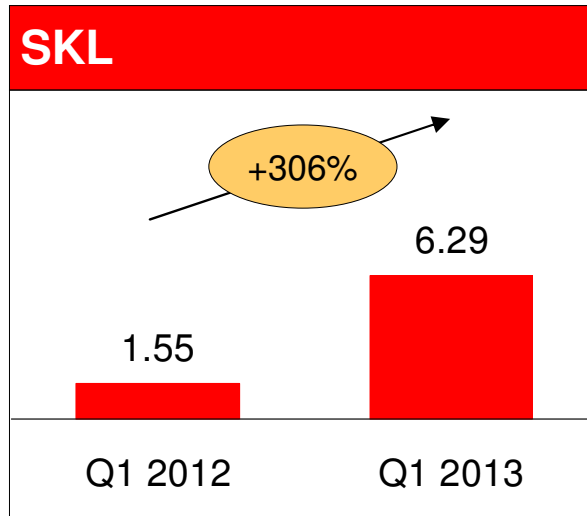
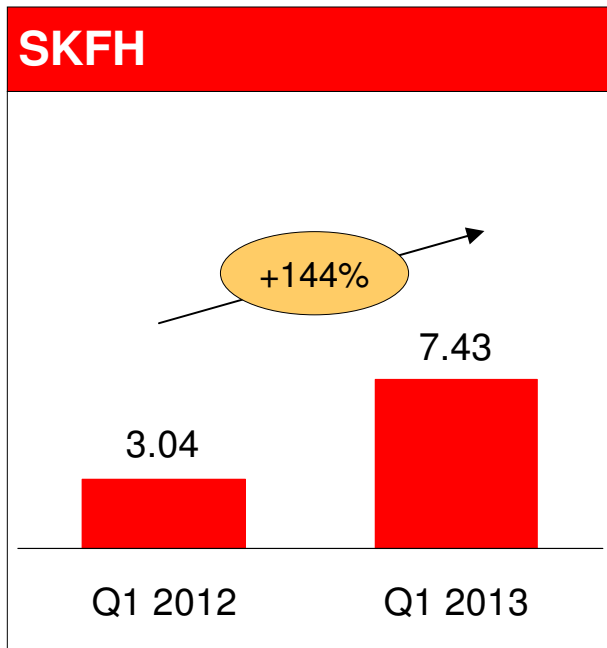
	Q1 2012	Q1 2013	YoY Growth
NT\$m (except per share data), %			
Net income	3,043	7,429	144.1%
Total comprehensive income	11,259	8,522	-24.3%
First year premium (Insurance)	16,715	8,400	-49.7%
Loans (Bank)	382,410	427,082	11.7%
Total assets	2,237,244	2,382,622	6.5%
Shareholders' equity ⁽¹⁾	83,862	91,108	8.6%
ROA (unannualized)	0.16%	0.32%	
ROE (unannualized)	3.77%	7.63%	
Earnings per share	0.36	0.88	144.4%

Note:

(1) Consolidated shareholders' equity for Q1 2012 and Q1 2013 were NT\$97,055mn and NT\$104,570mn, respectively

Net Income – Q1 2013

NT\$bn



Comments

- SKFH's Q1 2013 after-tax profit amounted to NT\$7.43bn, NT\$4.39bn higher YoY
- SKL's after-tax profit was NT\$6.29bn, 306.0% higher YoY
- SKB's after-tax profit was NT\$1.03bn

Net Income – Q1 2013

Net income contribution

NT\$bn

Subsidiaries	Q1 2012	Q1 2013	YoY Growth
Shin Kong Life	1.55	6.29	306.0%
Shin Kong Bank	1.35	1.03	-23.6%
Shin Kong Investment Trust	0.01	0.01	7.2%
Shin Kong Insurance Brokers	0.02	0.02	-14.9%
Shin Kong Capital Venture Int'l	-0.00	-0.00	-
Others ⁽¹⁾	0.11	0.08	-27.3%
Net income	3.04	7.43	144.1%

Note:

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

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SKL – Q1 2013 Overview

- Driven by properly operated hedging strategies, annualized hedging gain for Q1 2013 was 0.24%. In conjunction with disposal gain from partial floors of Tun Nan Building, net income reached NT\$6.29bn.
- Due to recovery of global equity markets, other comprehensive income was NT\$0.97bn. Shareholders' equity increased to NT\$61.23bn, up 13.5% YTD.
- FYP was NT\$8.40bn, down 49.7% YoY, mainly impacted by reduced reserve rates on traditional products resulting in less market demand. However, renewal premium grew 5.3% YoY driven by continuous focus on sales of regular premium products.
- Long-term profit generation remains the main consideration in product strategies aiming at growing regular premium products and risk premium. FYP of regular premium traditional products accounted for 78.2% of total traditional FYP. Going forward, SKL will continue to promote foreign currencies policies, account-based long-term care products, health insurance and variable annuities.
- 13-month and 25-month persistency ratios improved to 92.6% and 80.1% respectively.
- Annualized investment return was 4.2% in Q1 2013.

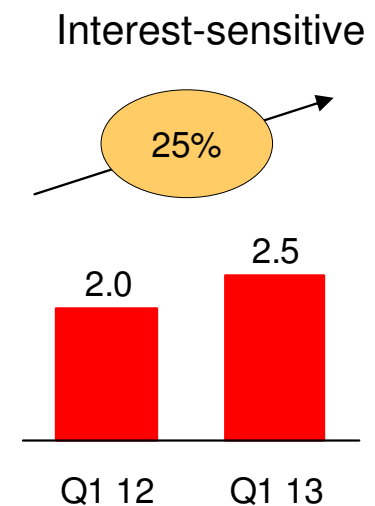
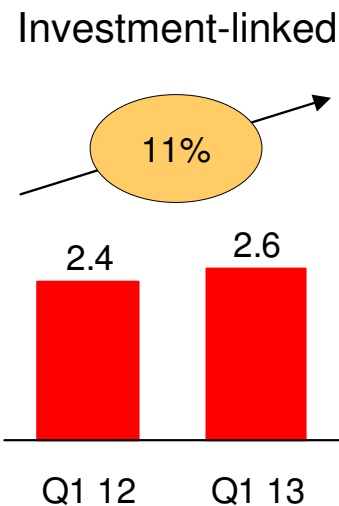
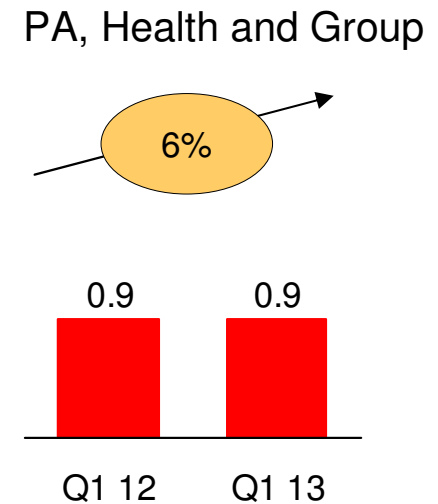
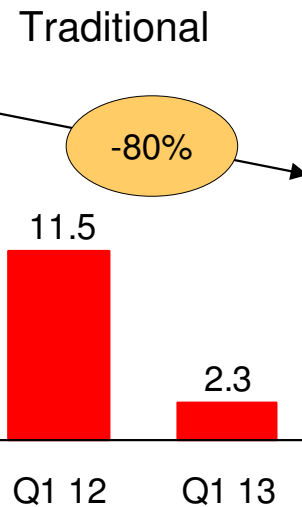
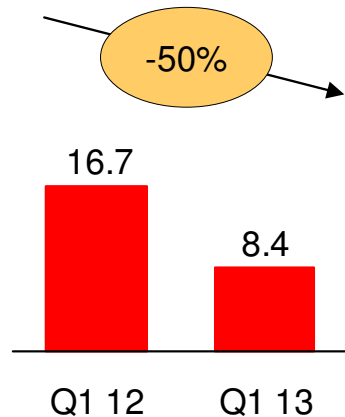
Financial Highlights – Q1 2013

	Q1 2012	Q1 2013	YoY Growth
NT\$mn, %			
First year premium	16,715	8,400	-49.7%
Total premium	41,178	34,153	-17.1%
Investment income	15,897	22,320	40.4%
Consolidated net income	1,550	6,292	306.0%
Consolidated total comprehensive income	9,578	7,264	-24.2%
Consolidated total assets	1,614,389	1,719,831	6.5%
Consolidated total shareholders' equity	58,725	61,232	4.3%
ROE (unannualized)	2.87%	10.92%	
ROA (unannualized)	0.10%	0.37%	

First Year Premium – Q1 2013

NT\$bn

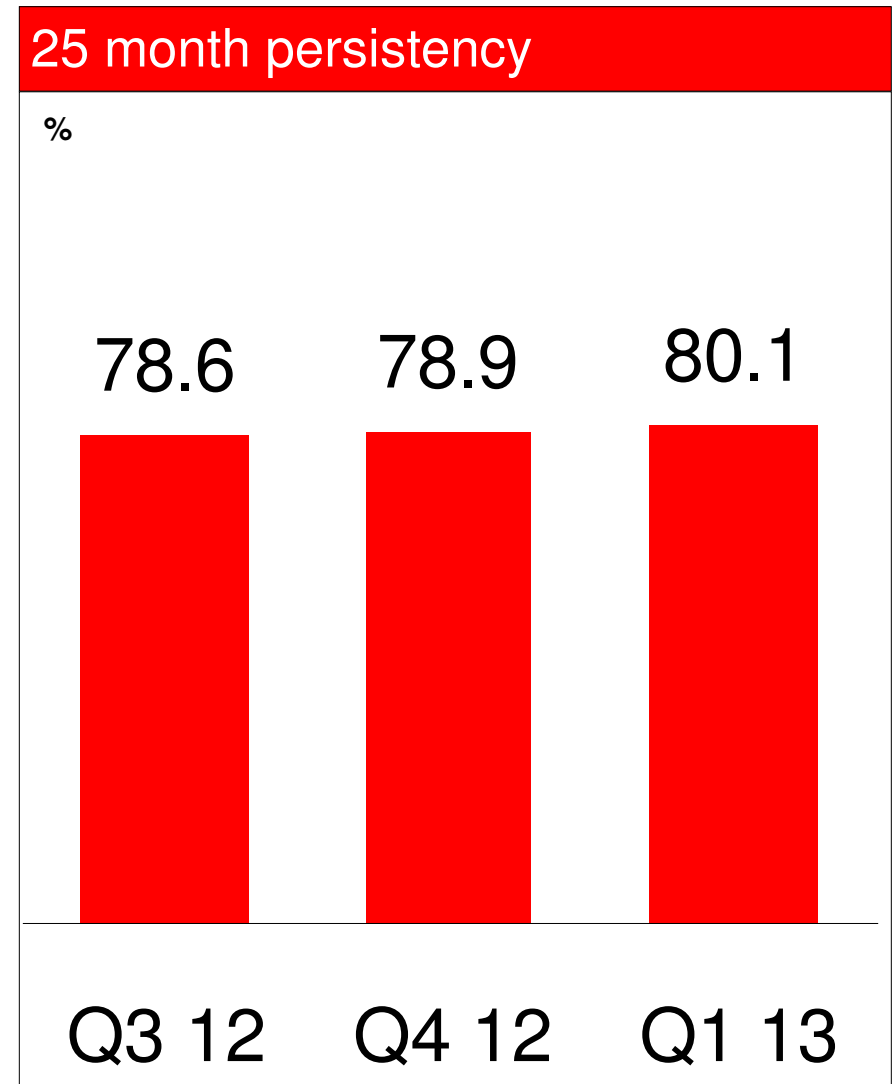
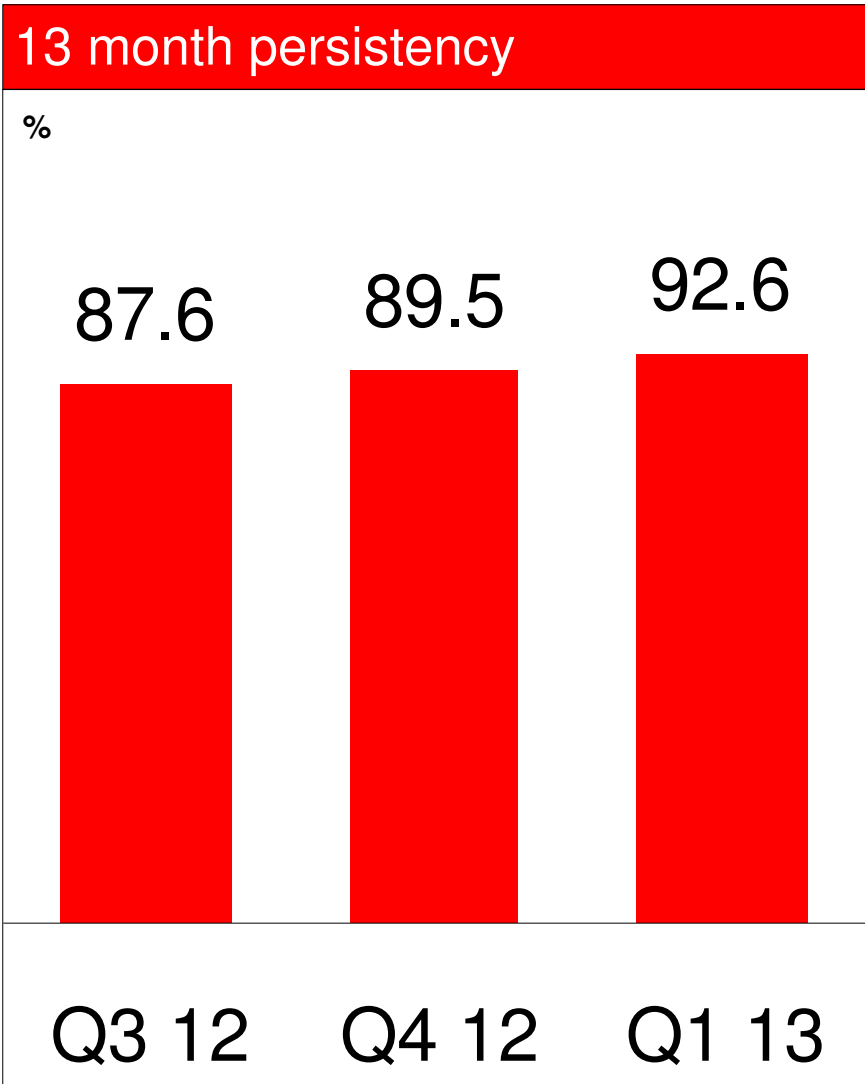
Market share 3.3%



Comments

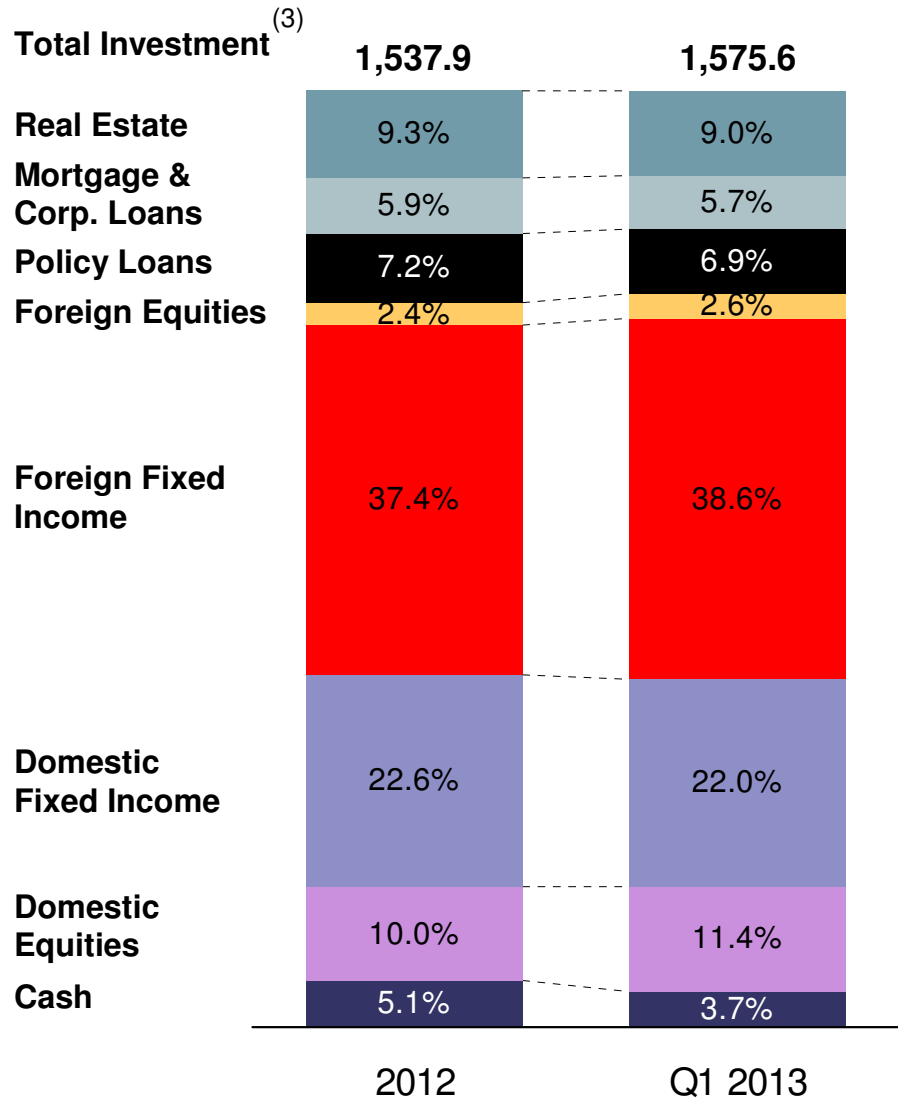
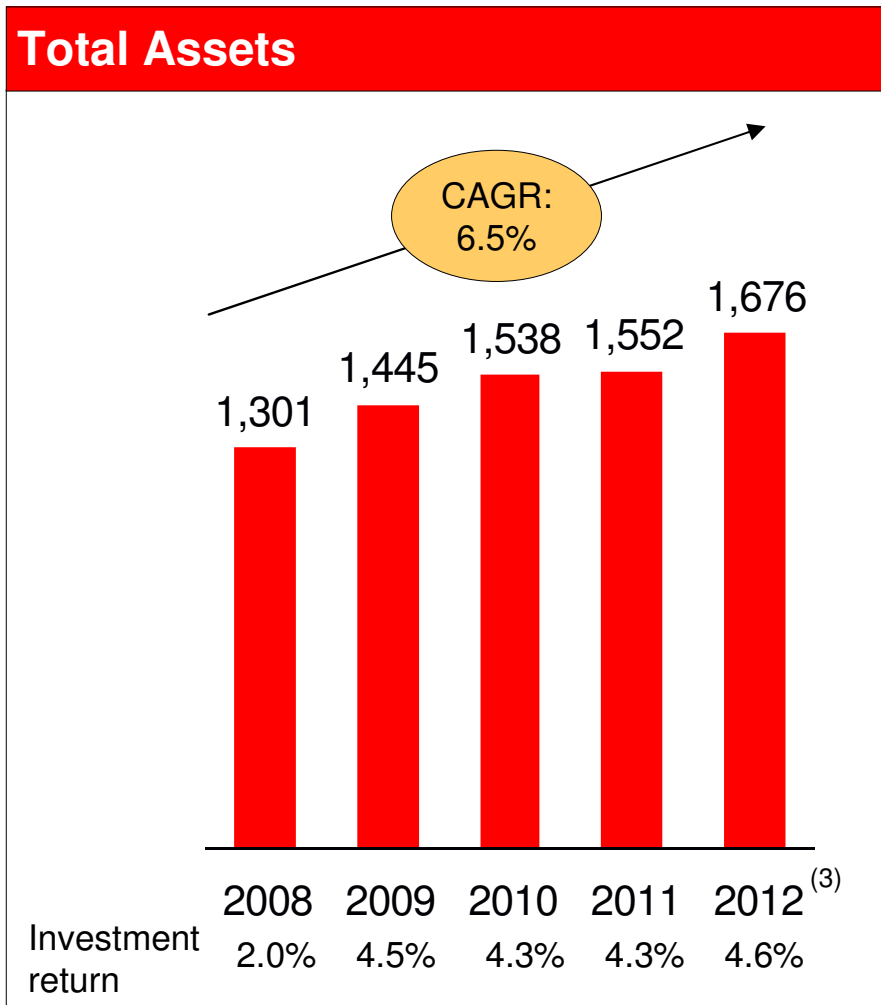
- FYP decreased 50% YoY, mainly impacted by reduced reserve rates on traditional products resulting in less market demand
- Long-term profit generation remains the main consideration in product strategies aiming at growing regular premium products and risk premium. FYP of regular premium traditional products accounted for 78% of total traditional FYP
- To diversify risk and increase protection, VUL products are promoted by unit-cost-averaging method, and number of policies sold reached 6,942, 225% higher YoY. Structured note products are linked to government bonds, sales of which amounted to NT\$2.18bn in Q1 2013
- Continue to promote foreign currencies policies, account-based long-term care products, health insurance and variable annuities

Persistence Ratio



Investment Portfolio

NT\$bn



Note:

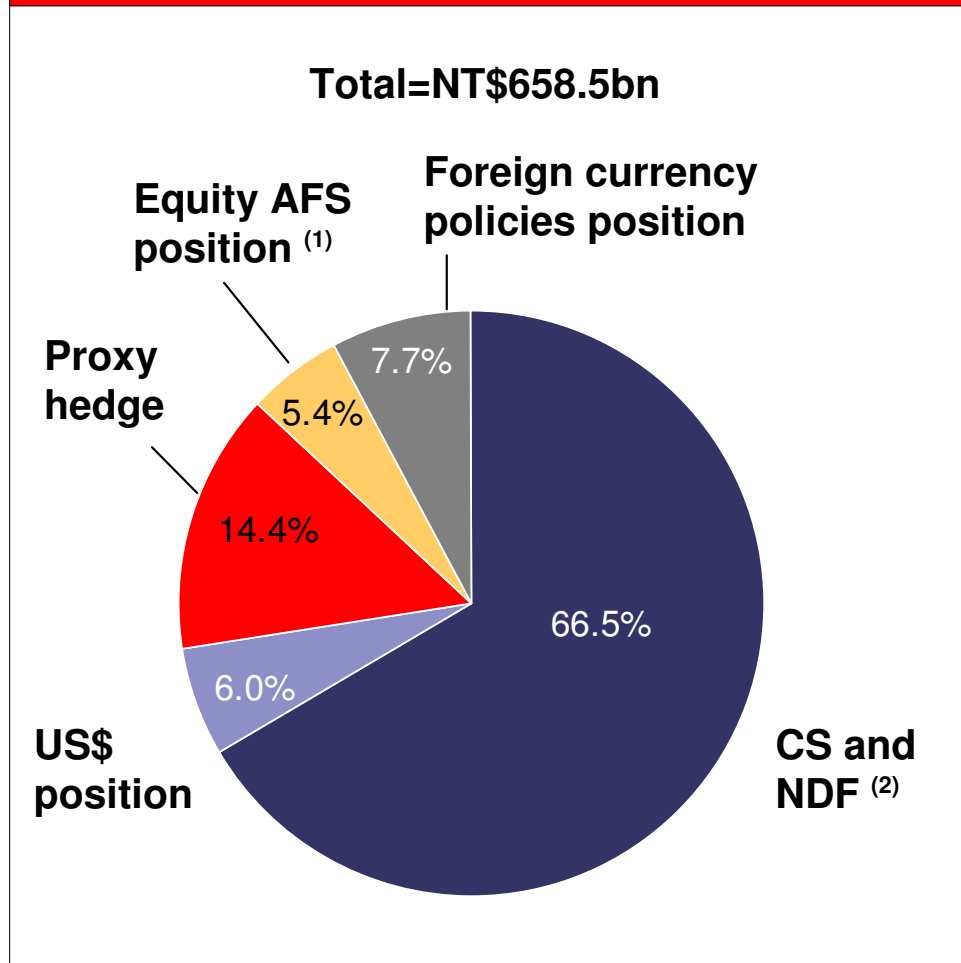
(1) Due to rounding, asset allocation figures may not add up to 100%

(2) Includes capital gains and FX hedging cost

(3) Since 2012, total assets and total investment include special reserve against unrealized gains from real estates

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Driven by properly operated hedging strategies, annualized hedging gain for Q1 2013 was 0.24%
- Medium/long term target of traditional hedges ranges from 65% to 90% under stringent risk management mechanism
- Proxy hedging accounted for 14.4%
- Available for sale position in foreign equities accounted for 5.4% 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 and industry risks under the ALGO risk management system to improve management of market, credit and concentration risks

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SKB – Q1 2013 Overview

- After-tax profit for Q1 2013 was NT\$1.03bn; net interest income and net fee income grew 10.5% and 28.0% YoY respectively. Pre-provision profit was NT\$1.50bn, up 26.7% YoY, excluding the one-off REITs gains of NT\$470mn in Q1 2012.
- Adjusting deposit and loan structures is the strategic objective for 2013. Loan balance was NT\$427.08bn, remaining at the similar level as of the end of 2012. Compared with Q4 2012, NIS improved to 1.79%, L/D ratio (incl. credit cards balance) increased to 78.6%, and demand deposit ratio rose to 39.69%.
- NIM for Q1 2013 was 1.41%. Further improvement in NIM expected with adjustment of deposit and loan structures.
- Driven by sales growth of overseas securities and mutual funds, wealth management income for Q1 2013 was NT\$500mn, up 60.0% YoY. SKB achieved bancassurance cross-sales of NT\$2.31bn in Q1 2013, accounting for 86.8% of SKL's bancassurance premium.
- Credit card NPL ratio was 0.27% and coverage ratio was 325.61%.
- Asset quality remained stable evidenced by NPL ratio at 0.46% and coverage ratio increasing from 232.65% to 248.87%. NPL ratio for mortgages remained low at 0.24%.

Net Income – Q1 2013

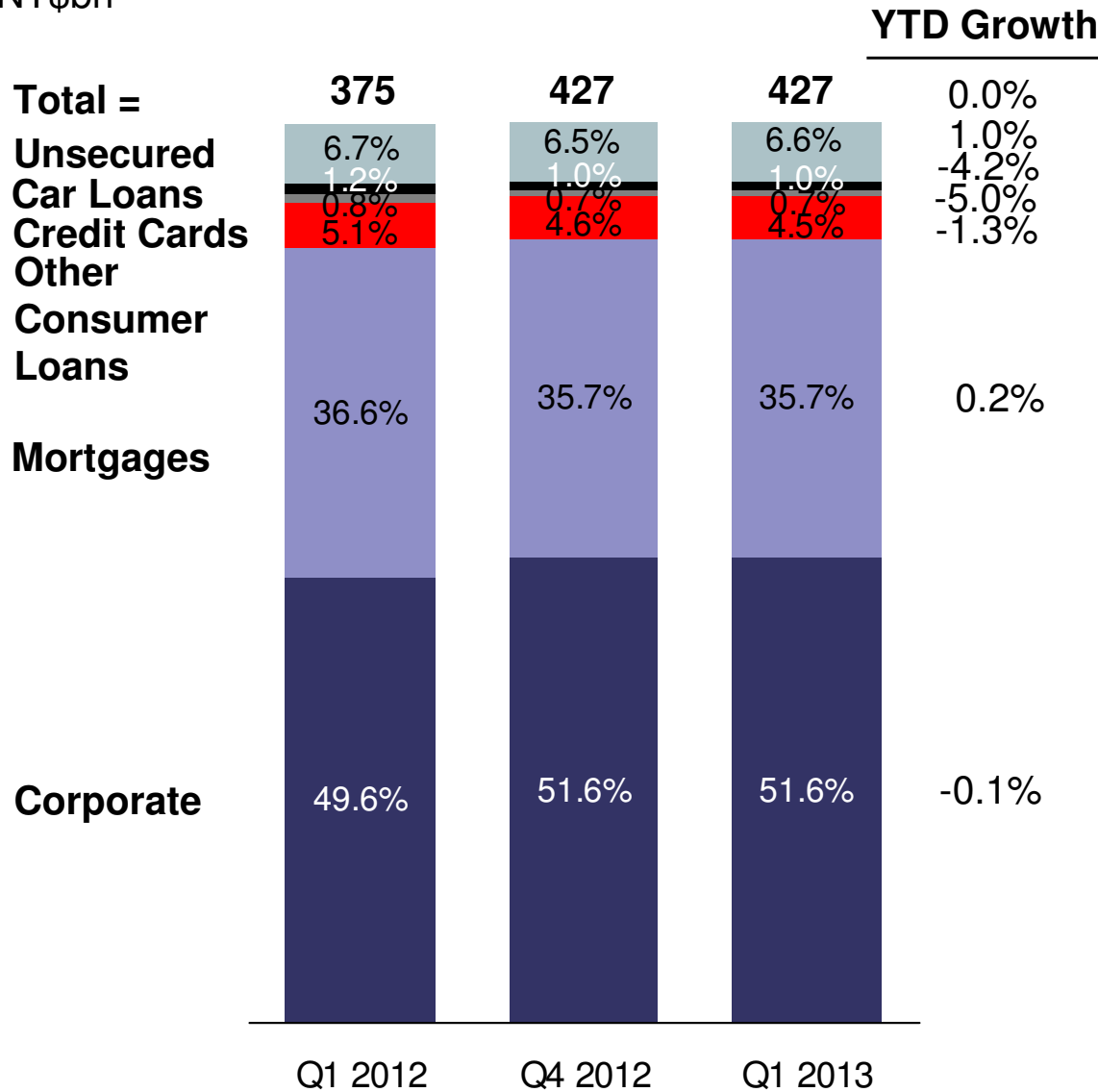
	Q1 2012	Q1 2013	YoY Growth
NT\$m, %			
Net interest income	1,818	2,009	10.5%
Net fee income	562	719	28.0%
Investment income and other income	743	352	-52.6% ⁽¹⁾
Operating expense	-1,468	-1,580	7.6%
Pre-provision operating income	1,654	1,500	-9.3%
Provision expense	-101	-281	177.4%
Income tax benefit (expense)	-201	-186	-7.5%
Net Income	1,352	1,033	-23.6%
Other comprehensive income (loss), after tax			
Exchange differences on translation of foreign operations financial statements	-7	5	-
Unrealized gains (losses) on available-for-sale financial assets	131	65	-50.3%
Total comprehensive income (loss)	1,477	1,103	-25.3%

Note:

(1) Investment income of Q1 2012 included one-off REITs gains of NT\$470mn

Loan Mix

NT\$bn



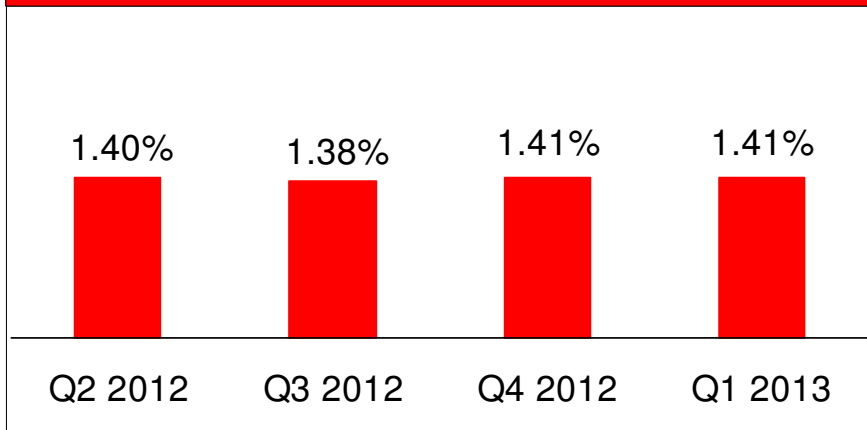
Comments

- Adjusting deposit and loan structures is the strategic objective for 2013. Loan balance was NT\$427.08bn, remaining at the similar level as of the end of 2012
- Compared with Q4 2012, NIS improved to 1.79%, L/D ratio (incl. credit cards balance) increased to 78.6%, and demand deposit ratio rose to 39.69%
- Mortgages grew marginally under stringent credit policies; NPL ratio for mortgages remained low at 0.24%

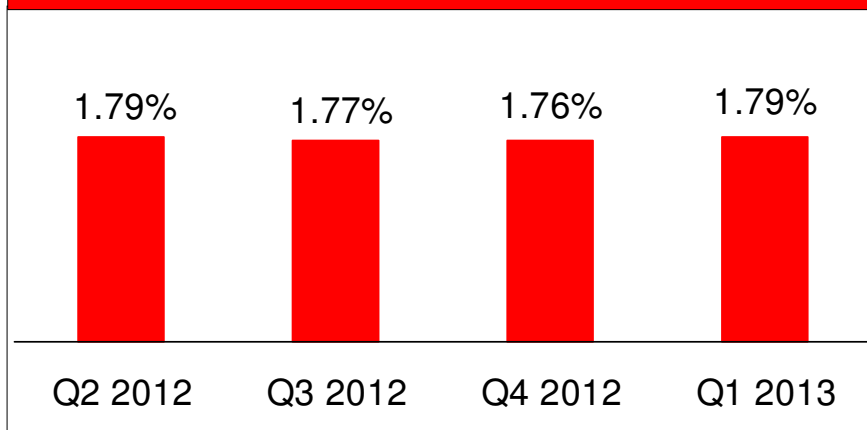
Note: Due to rounding, loan mix may not add up to 100%

Interest Income

Net Interest Margin



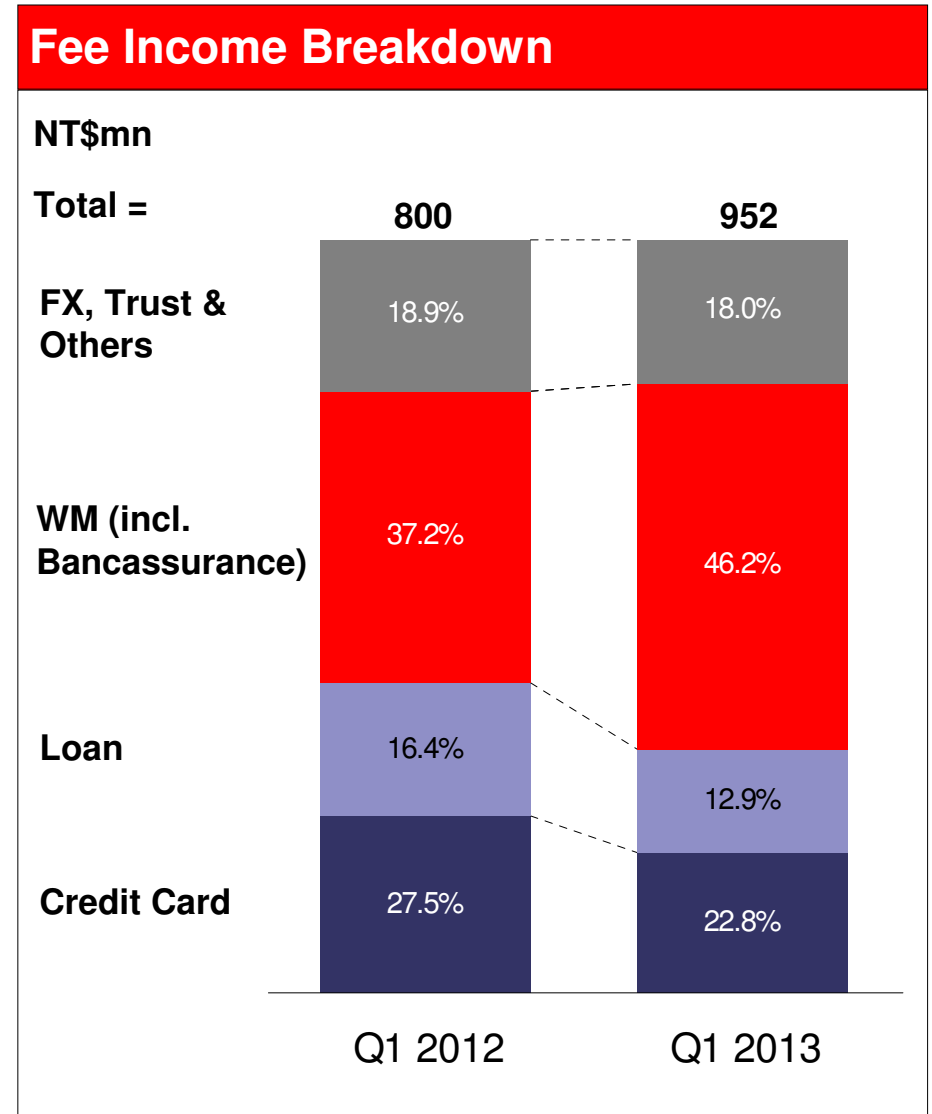
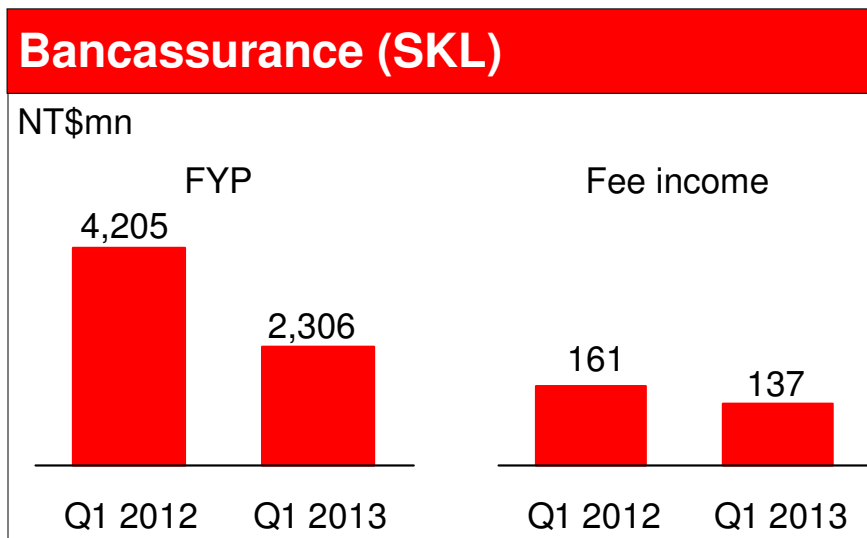
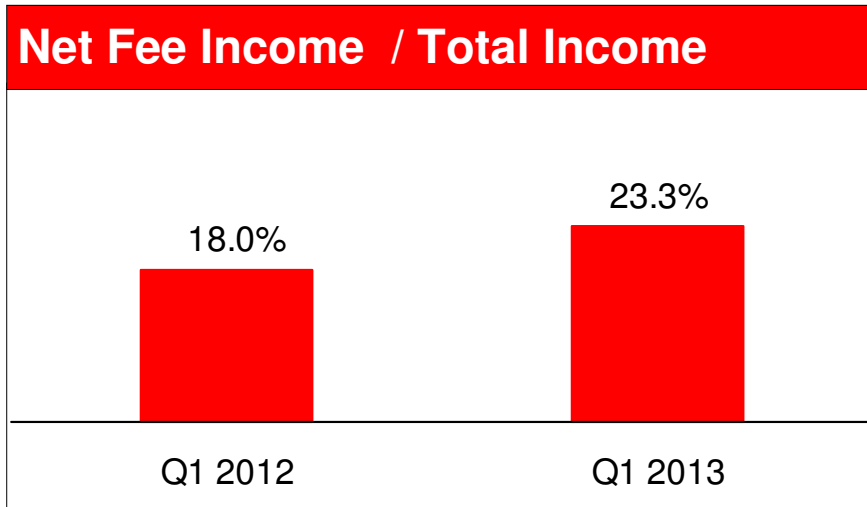
Net Interest Spread



Comments

- NIM for Q1 2013 was 1.41%
- Further improvement in NIM expected driven by adjustment of deposit and loan structures
- 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 stringent risk control to enhance interest income

Fee Income

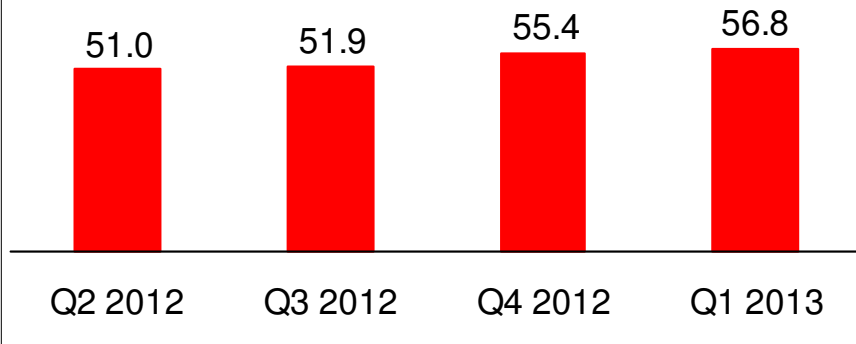


Note: Due to rounding, fee income breakdown may not add up to 100%

Wealth Management

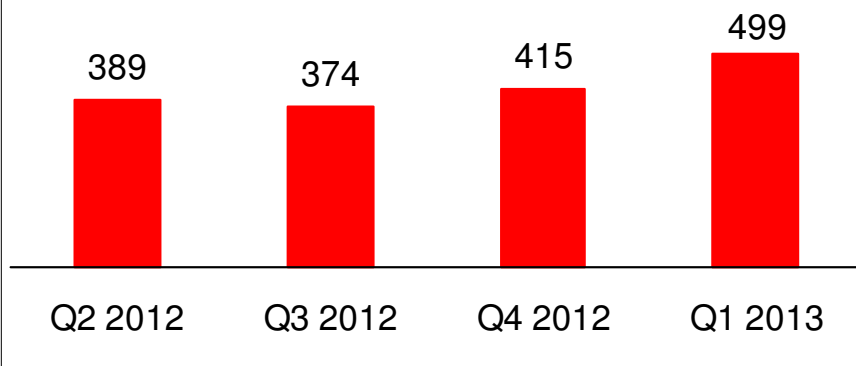
AUM

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

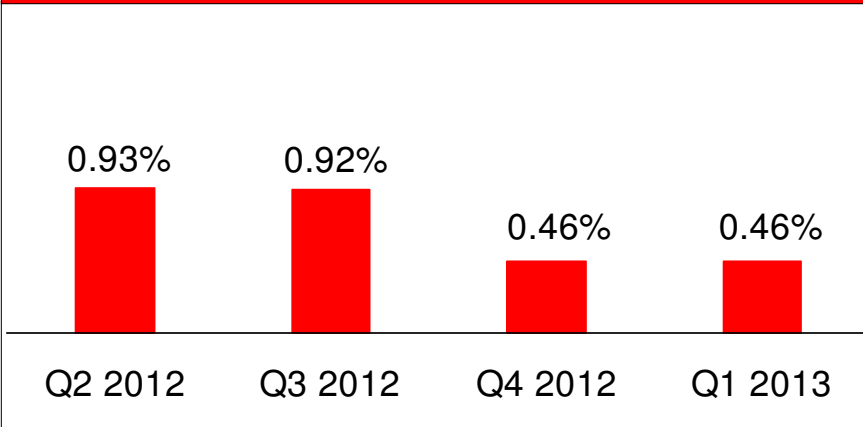
Wealth Management Center



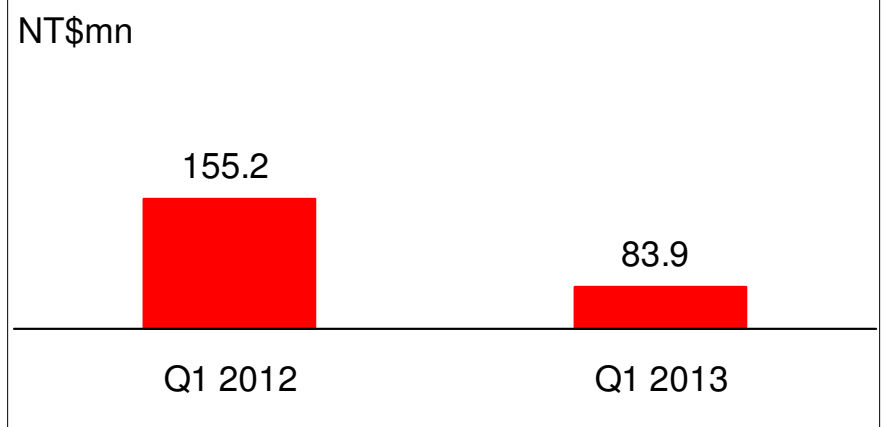
- Driven by strong sales of overseas securities and mutual funds, wealth management income for Q1 2013 was NT\$500mn, up 60.0% YoY
- Fee income from wealth management accounted for 46.2% of total fee income
- Continue to promote mutual funds, insurance policies and overseas securities to steadily increase fee income

Asset Quality

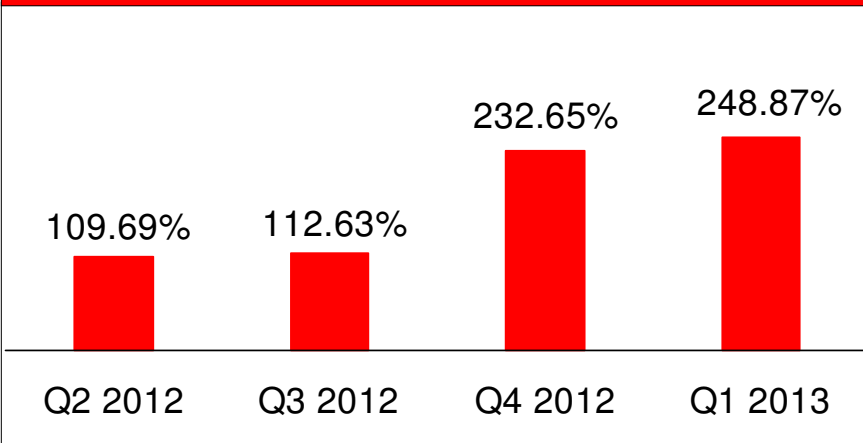
NPL Ratio



New NPL Generation



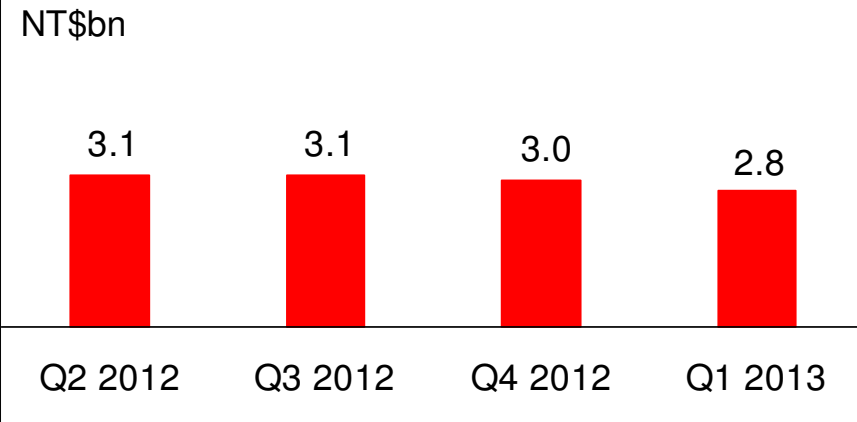
Coverage Ratio



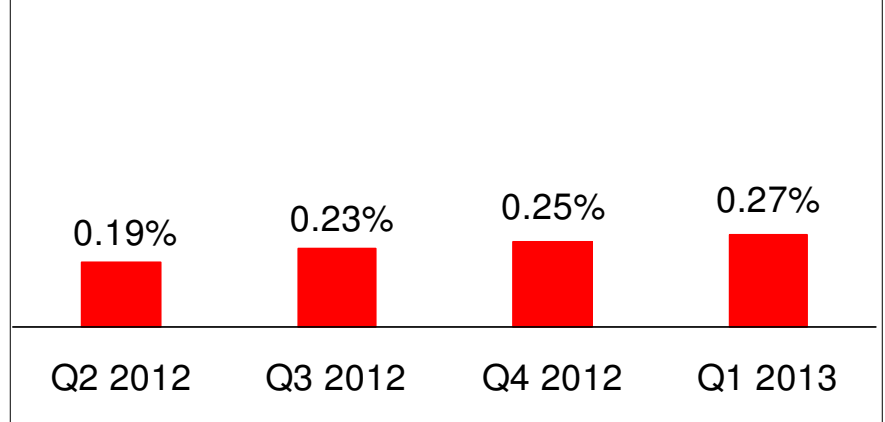
- Asset quality remained stable. NPL ratio was 0.46% and coverage ratio increased to 248.87%
- New NPL generated in Q1 2013 was NT\$84mn, down 45.9% YoY

Credit Cards Metrics

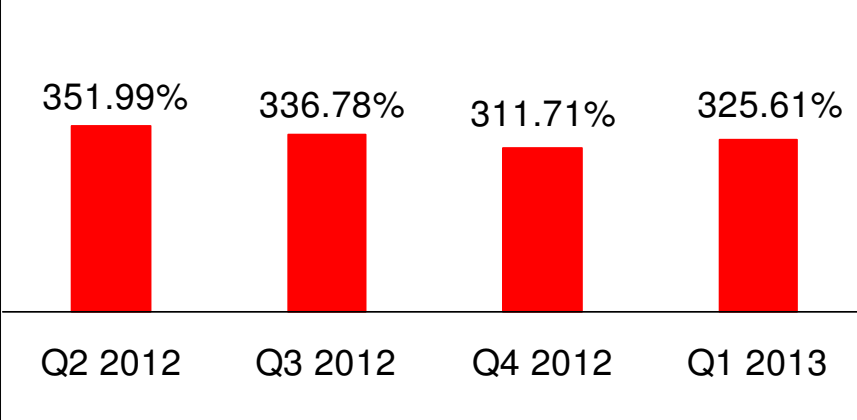
Revolving Balance



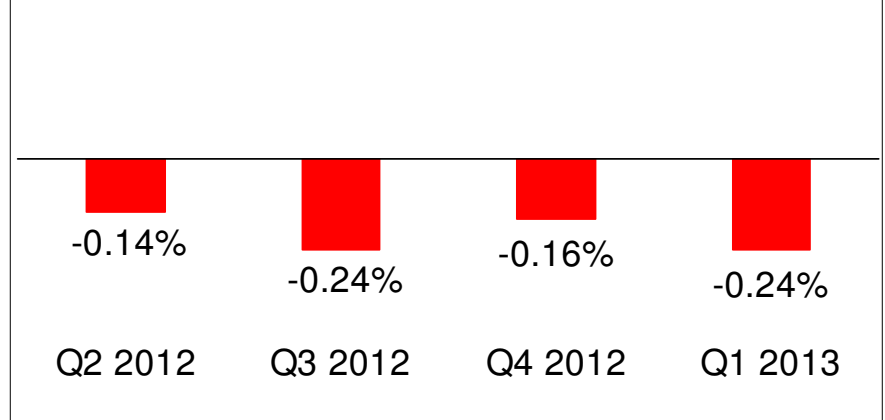
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

(1) Actual reserves / NPL

(2) Unannualized numbers

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SKL - EV & AV Results

Unit : NT\$bn

	2011.12	2012.12	YoY growth
Adjusted NAV	139.5	158.8	13.8%
VIF	69.9	75.4	7.9%
COC	38.4	39.7	3.4%
EV	171.0	194.4	13.7%
EV / per share (SKL / SKFH)	31.3 / 20.3	35.6 / 23.0	--
V1NB	12.6	14.0	11.1%
AV – 5 years NB	217.3	246.4	13.4%
5-year AV / per share (SKL / SKFH)	39.8 / 25.8	45.2 / 29.2	--
AV – 20 years NB	285.2	322.9	13.2%
20-year AV / per share (SKL / SKFH)	52.3 / 33.8	59.2 / 38.3	--

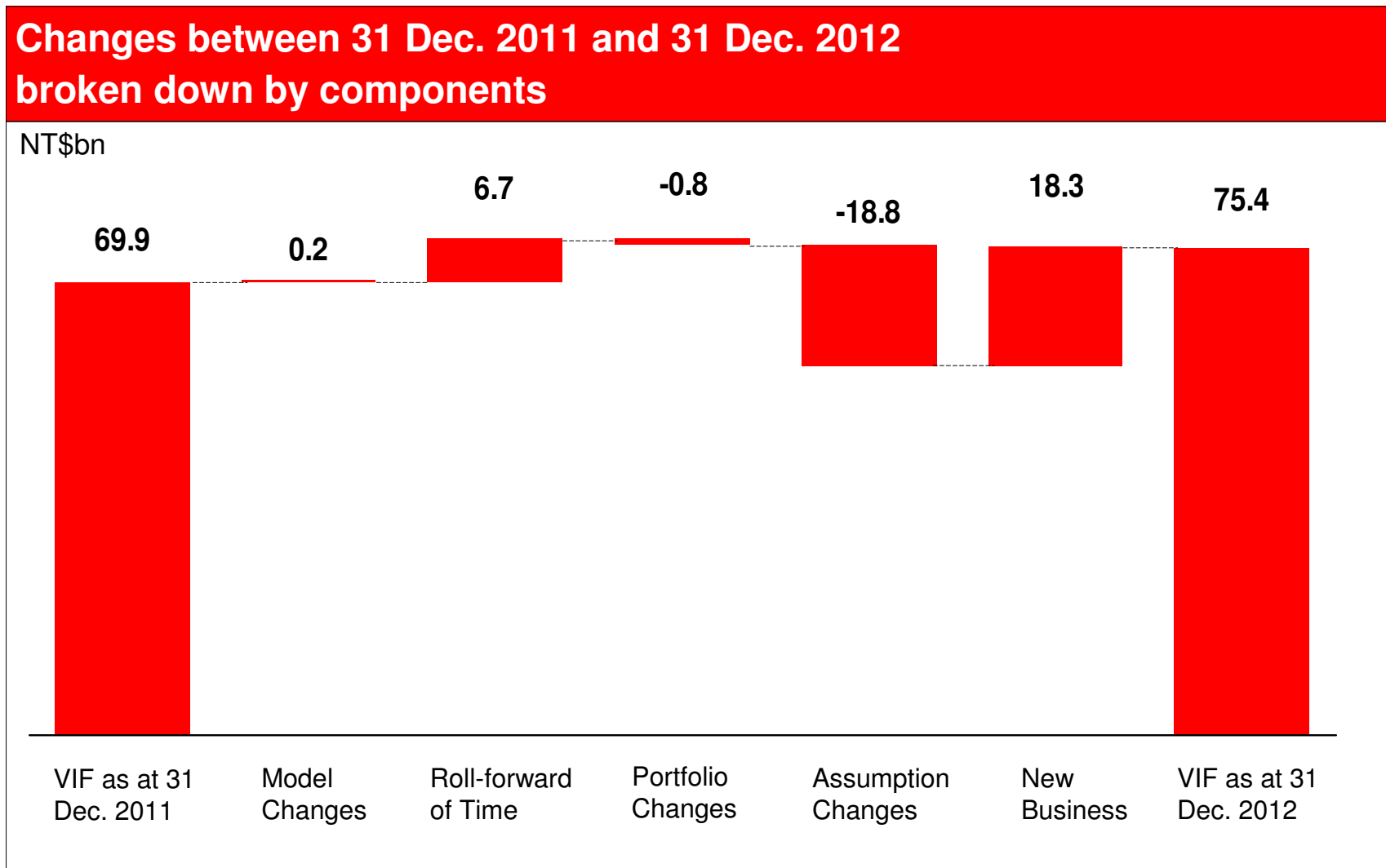
Note: Based on SKFH's outstanding shares of 8.44bn as of the end of 2012

SKL - Estimate of Embedded/ Appraisal Value

Unit: NT\$bn Valn Date: 31 Dec, 12 Solvency Basis: 200% RBC K=0.48			Base Case Scenario		
	All else equal except		VIF 3.83% ~ 5.27% (USD 4.38%~6.22%) V1NB 3.53% ~ 5.18% (USD 4.30%~6.05%) IS Product 3.19% ~ 4.90% RDR 10.5%	All else equal except	
	Inv Return -0.25%	Inv Return +0.25%		RDR - 1.0%	RDR + 1.0%
Adjusted NAV	158.8	158.8	158.8	158.8	158.8
VIF	38.7	111.2	75.4	88.2	65.3
Cost of Capital (COC)	42.3	37.3	39.7	36.9	42.1
EV after COC	155.1	232.7	194.4	210.1	181.9
V1NB after COC	12.5	15.5	14.0	15.9	12.4
AV (5 years NB)	201.5	290.2	246.4	270.8	226.7
AV (20 years NB)	269.5	375.2	322.9	368.2	287.3

Note: Figures may not add up exactly due to rounding.

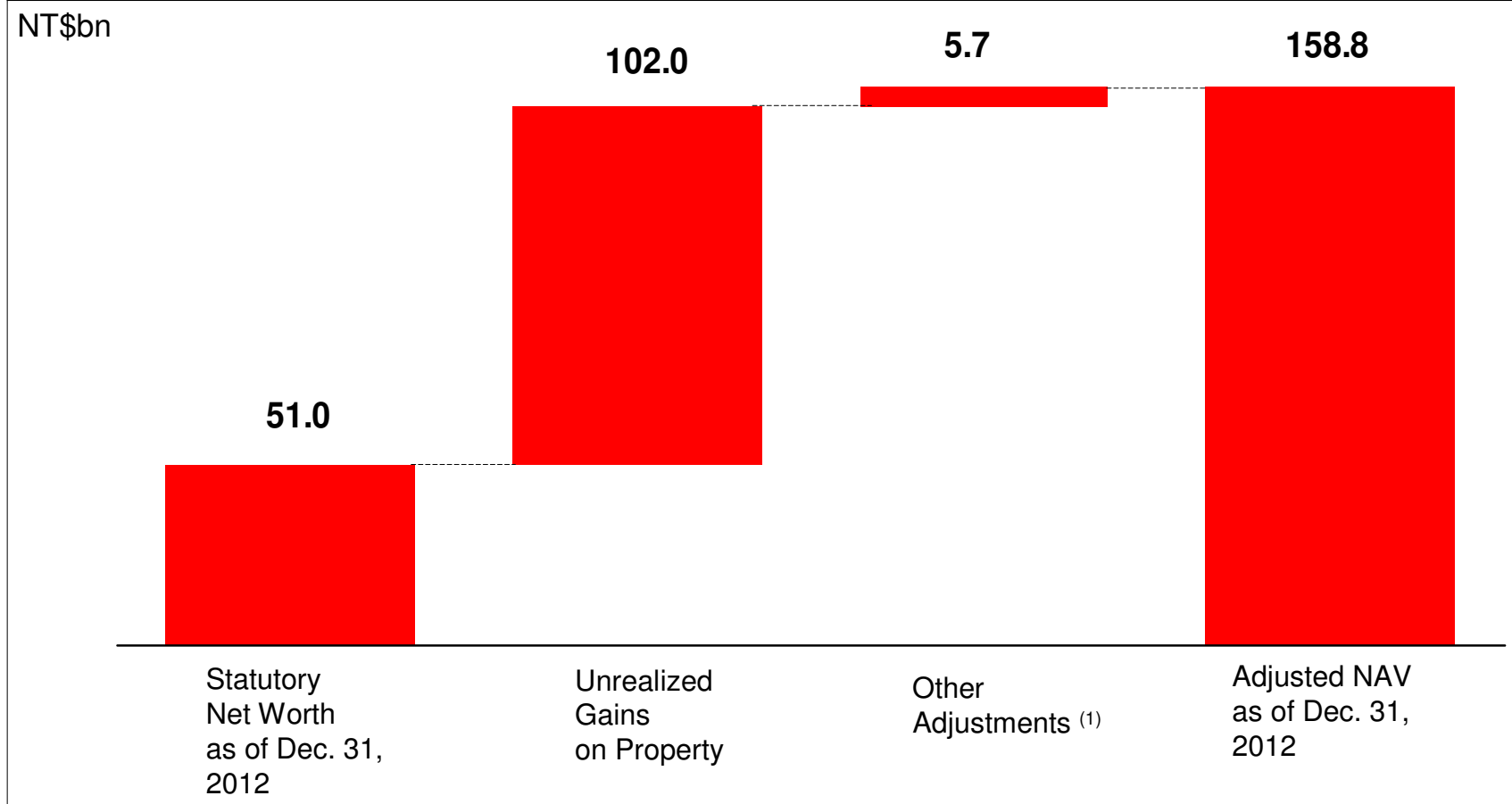
SKL – Analysis of Change in VIF



Note: Figures may not add up exactly due to rounding.

SKL – Adjusted NAV

Adjustments to Statutory Net Worth at 31 Dec. 2012

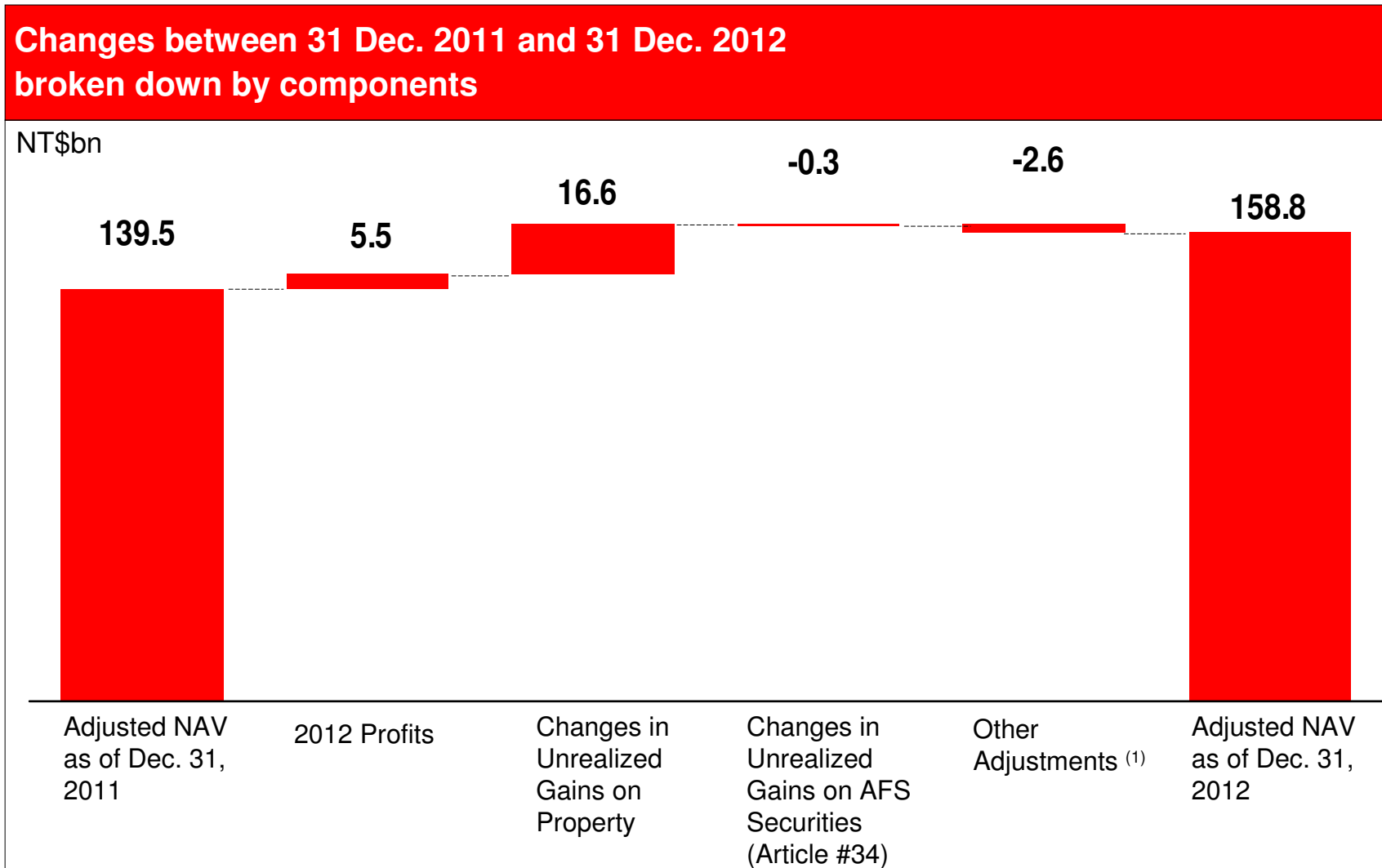


Note:

(1) Included changes in special reserve (contingency & catastrophe), and other items.

(2) Figures may not add up exactly due to rounding.

SKL - Analysis of Change in NAV



Note:

(1) Include changes in special reserve (contingency & catastrophe), and other items.

(2) Figures may not add up exactly due to rounding.

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- **Life Premium Summary**

SP / RP Breakdown

NT\$bn

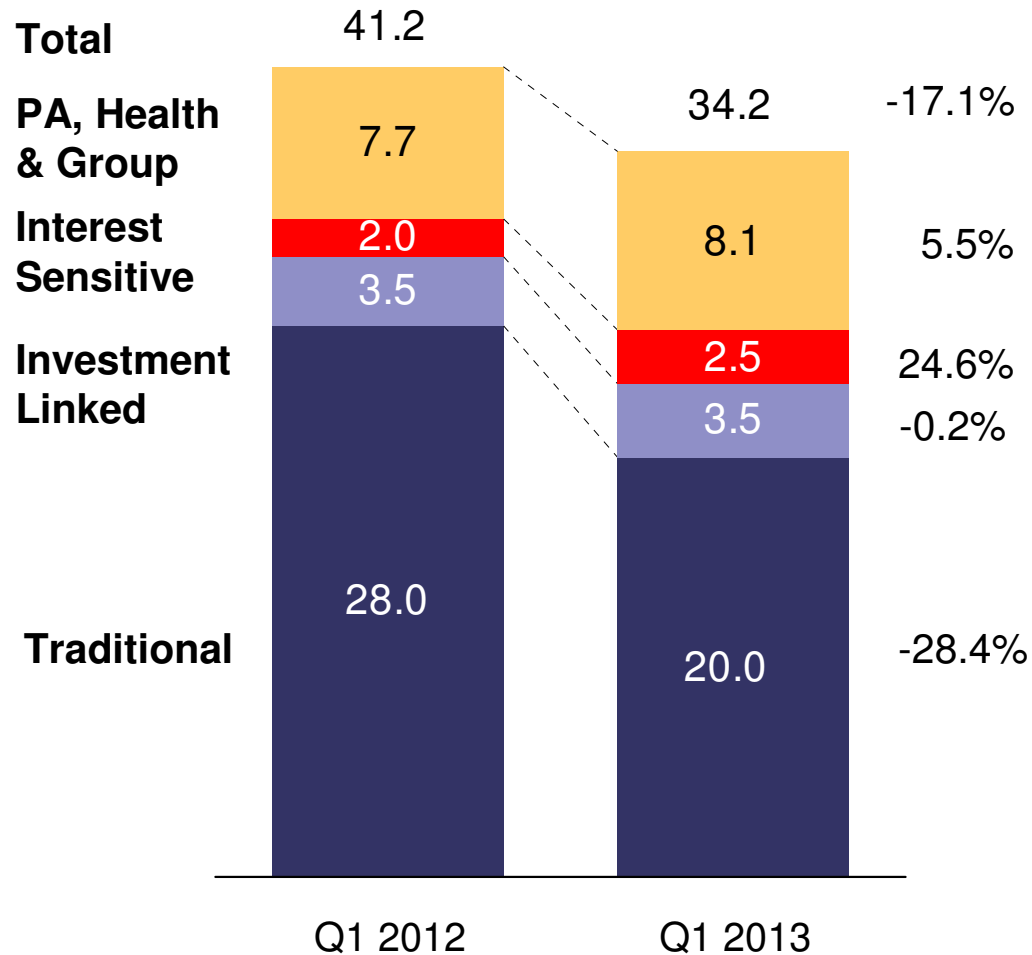
2013 Q1 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	0.51	1.83		2.35
Investment-linked				
VUL		0.20	0.24	0.44
Structured note	2.18			2.18
Interest Sensitive				
Annuity	2.40		0.08	2.49
Life				
PA, health and others		0.94		0.94
Total	5.10	2.98	0.33	8.40
Share	60.7%	35.4%	3.9%	100.0%

Total Premium – Q1 2013

NT\$bn

Market Share = 5.6%

Growth



Comments

- Resulted from decline of FYP, total premium decreased 17.1% YoY. However, renewal premium grew 5.3% YoY driven by continuous focus on 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
- PA, Health & Group and traditional products grew YoY

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Shin Kong Financial HoldingFinancial Summary
(NT\$mn)

Income Statement Data	2011	2012	2012/2011		Q1 13/Q1 12	
			% change	Q1 2012	Q1 2013	% change
Net interest income	(164)	(171)	4.3%	(42)	(40)	-4.6%
Income from subsidiaries						
Shin Kong Life	2,475	5,533	123.6%	1,550	6,292	306.0%
Shin Kong Bank	3,138	4,263	35.9%	1,352	1,033	-23.6%
MasterLink Securities	140	263	87.9%	194	105	-45.8%
Shin Kong Insurance Brokers	67	43	-35.8%	20	17	-14.9%
Shin Kong Investment Trust	27	34	25.9%	6	6	7.2%
Shin Kong Capital Venture International	(8)	2	-125.0%	(2)	(0)	-97.0%
Total income from subsidiaries	5,839	10,140	73.6%	3,121	7,454	138.8%
Other income	11	5	-54.5%	0	28	7840.4%
Administrative and general expenses	(228)	(247)	8.3%	(46)	(53)	13.8%
Income tax benefit (expense)	35	84	140.0%	10	41	321.1%
Cumulative effect of changes in accounting principle	0	0		0	0	
Net income	5,493	9,812	78.7%	3,043	7,429	144.1%
Other comprehensive income (loss), after tax				8,216	1,093	-86.7%
Total comprehensive income (loss)				11,259	8,522	-24.3%

Balance Sheet Data	2011	2012	2012/2011		Q1 13/Q1 12	
			% change	Q1 2012	Q1 2013	% change
Long term investment	81,633	91,390	12.0%	95,487	101,998	6.8%
Total assets	2,136,220	2,309,114	8.1%	2,237,244	2,382,622	6.5%
Shareholders' equity (excl. minority)	69,544	79,968	15.0%	83,862	91,108	8.6%

Note: Numbers have been reviewed by the auditors.

Shin Kong Bank
Financial Summary
(NT\$mn)

Income Statement Data	2011	2012	2012/2011		Q1 13/Q1 12	
			% change	Q1 2012	Q1 2013	% change
Interest income	10,937	12,438	13.7%	2,986	3,257	9.1%
Interest expense	(3,783)	(4,807)	27.1%	(1,168)	(1,248)	6.9%
Net interest income	7,153	7,631	6.7%	1,818	2,009	10.5%
Fee income	2,331	2,948	26.5%	800	952	19.0%
Fee expense	(683)	(790)	15.6%	(238)	(233)	-2.2%
Net fee income	1,648	2,159	31.0%	562	719	28.0%
Gains on bill & securities	27	1,376	5090.9%	946	275	-70.9%
Gains recognized under equity method, net	112	140	24.5%			
Gains on foreign exchange, net	507	19	-96.3%	(301)	48	-116.0%
Other gains or losses, net	86	155	80.2%	97	29	-70.5%
Operating expense	(5,648)	(5,961)	5.5%	(1,468)	(1,580)	7.6%
Pre-provision income or loss	3,885	5,519	42.0%	1,654	1,500	-9.3%
Provision expense	(523)	(718)	37.2%	(101)	(281)	177.4%
Income tax (expense) benefit	(224)	(537)	140.0%	(201)	(186)	-7.5%
Net income	3,138	4,263	35.9%	1,352	1,033	-23.6%
Other comprehensive income (loss)						
Exchange differences on translation of foreign operations financial statements				(7)	5	-173.3%
Unrealized gains (losses) on available-for-sale financial assets				131	65	-50.3%
Other comprehensive income (loss), after tax				125	70	-43.8%
Total comprehensive income (loss)				1,477	1,103	-25.3%

Balance Sheet Data	2011	2012	2012/2011		Q1 13/Q1 12	
			% change	Q1 2012	Q1 2013	% change
Total assets	561,593	633,974	12.9%	582,981	617,097	5.9%
Total shareholders' equity	27,564	31,773	15.3%	28,311	32,164	13.6%
Total loans, net ⁽¹⁾	371,035	421,359	13.6%	378,186	421,106	11.3%
Total deposits	482,186	556,645	15.4%	506,409	538,834	6.4%

Operating Metrics	2011	2012	Q1 2012		Q1 2013	
Fee income ratio	17.3%	18.8%	18.0%	23.3%		
Cost income ratio	59.2%	51.9%	46.9%	50.9%		
Loan/deposit ratio (excl. credit card)	76.9%	75.7%	74.6%	78.1%		
Loan/deposit ratio (incl. credit card)	77.6%	76.2%	75.2%	78.6%		
Net interest margin	1.55%	1.40%	1.40%	1.41%		
Net interest spread	1.89%	1.79%	1.85%	1.79%		
Pre-provision earnings/assets	0.75%	0.92%	0.29%	0.24%		
Pre-provision earnings/equity	14.92%	18.60%	5.95%	4.71%		

Note:

(1) Exclude credit cards but include overdue receivables.

(2) Numbers have been reviewed by the auditors.

(3) The data of 2011 and 2012 are standalone figures, while the data of Q1 2012 and Q1 2013 are consolidated.