

Confidential



Q4 2013 Results Update

March 6, 2014

Disclaimer

This presentation and the presentation materials distributed herewith include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Shin Kong Financial Holding Company (“Shin Kong FHC”) expect or anticipate will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. Shin Kong FHC’s actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market shares, competition, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, cost estimates and other risks and factors beyond our control. In addition, Shin Kong FHC makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

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 – 2013 Overview

- SKFH recorded an after-tax profit of NT\$9.99bn for 2013. EPS was NT\$1.11. Shareholders' equity increased to NT\$100.95bn, up 22.2% YoY, and book value per share was NT\$10.82.
- Subsidiaries' core business remained solid.
 - SKL:
 - ◆ Driven by hedging cost at only 0.62% and cash dividend of NT\$6.62bn, consolidated net income reached NT\$6.53bn.
 - ◆ With limited mark-to-market impact on bond portfolio caused by rising global yields, other comprehensive income was NT\$2.49bn, and comprehensive income reached NT\$9.02bn. Shareholders' equity was NT\$64.99bn, up 20.4% YoY.
 - SKB:
 - ◆ Net fee income grew 11.4% YoY; wealth management income increased 13.4% YoY; TMU income surged 288.8% YoY.
 - ◆ NIM rose to 1.40%, driven by structural adjustment of deposits and loans aiming at increasing profit contribution of customers.
- Capital adequacy ratios of the group and subsidiaries were all above regulatory requirements. Group preliminary CAR was 125.0%, RBC of SKL was in range of 250%~300%, and BIS of SKB was 10.6%.
- Actively deploy in overseas market
 - Jiangsu Branch of SKHNA Life approved to be established in October 2013 and expected to be opened for operation in first half 2014.
 - SKB submitted branch setup application to the State Bank of Vietnam in Q4 2013 and plans to actively establish offshore units in Myanmar and Cambodia.

Financial Highlights – 2013

	2012	2013	YoY Growth
NT\$m (except per share data), %			
Net income	10,082	9,986	-0.9%
Total comprehensive income	9,661	12,067	24.9%
First year premium (Insurance)	68,472	56,385	-17.7%
Loans (Bank)	427,211	450,822	5.5%
Total assets	2,351,243	2,535,233	7.8%
Shareholders' equity ⁽¹⁾	82,586	100,948	22.2%
ROA	0.44%	0.44%	
ROE	11.05%	10.11%	
Earnings per share	1.16	1.11	-4.3%

Note:

(1) Consolidated shareholders' equity for 2012 and 2013 were NT\$95,715mn and NT\$114,802mn, respectively

Net Income – 2013

Net income contribution

NT\$bn

Subsidiaries	2012	2013	YoY Growth
Shin Kong Life	5.76	6.53	13.3%
Shin Kong Bank	4.28	4.06	-5.1%
Shin Kong Investment Trust	0.04	0.03	-17.6%
Shin Kong Insurance Brokers	0.04	-0.00	-107.6%
Shin Kong Venture Capital Int'l	0.00	0.01	387.0%
Shin Kong Property Insurance Agency	0.00	0.00	-
Others ⁽¹⁾	-0.04	-0.64	-
Net income	10.08	9.99	-0.9%

Note:

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

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Appendix

- Life Premium Summary

SKL – 2013 Overview

- Driven by hedging cost at only 0.62% and cash dividend of NT\$6.62bn, investment return was 4.43% in 2013 and consolidated net income reached NT\$6.53bn.
- Despite global yields rising significantly since 2013 Q2, other comprehensive income was still NT\$2.49bn and comprehensive income reached NT\$9.02bn. Shareholders' equity was NT\$64.99bn, up 20.4% YoY.
- FYP in Q4 was NT\$20.76bn, up 54.9% QoQ. Sales momentum of regular premium savings, health insurance and investment-linked products significantly increased.
- Renewal premium grew 6.5% YoY due to strong sales of regular premium products, crucial to cumulate fundamental mortality and expense gains.
- Long-term profit remains focus of product strategy. VUL was promoted by unit-cost-averaging method, boosting sum-insured per policy to NT\$1.9mn and number of policies sold to 21,579, 97.6% higher YoY. Number of long-term care health policies sold in 2013 was 11,765. FYP reached NT\$0.47bn.
- SKL won bid to acquire superficies of piece of land in Nankang District, Taipei City in Q4 for NT\$2.02bn. Multifunctional building to be developed and generate rental yield around 3.5%~4%.

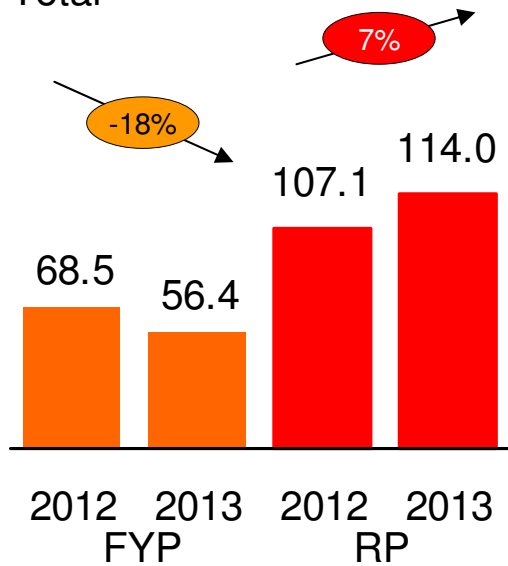
Financial Highlights – 2013

	2012	2013	YoY Growth
NT\$mn, %			
First year premium	68,472	56,385	-17.7%
Total premium	175,538	170,426	-2.9%
Investment income	68,111	72,363	6.2%
Consolidated net income	5,765	6,532	13.3%
Consolidated total comprehensive income	4,832	9,017	86.6%
Consolidated total assets	1,677,426	1,804,637	7.6%
Consolidated total shareholders' equity	53,968	64,990	20.4%
ROE	11.18%	10.98%	
ROA	0.35%	0.38%	

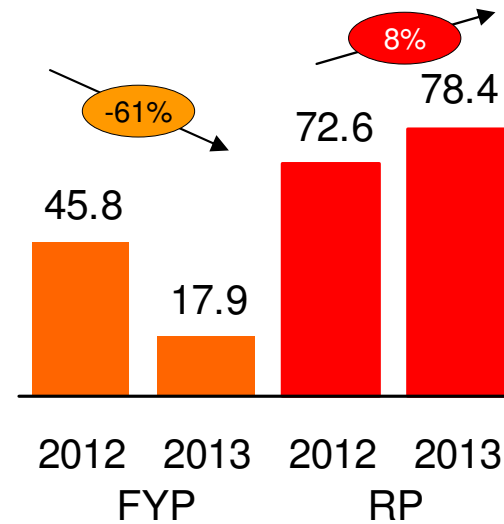
Premium Income – 2013

NT\$bn

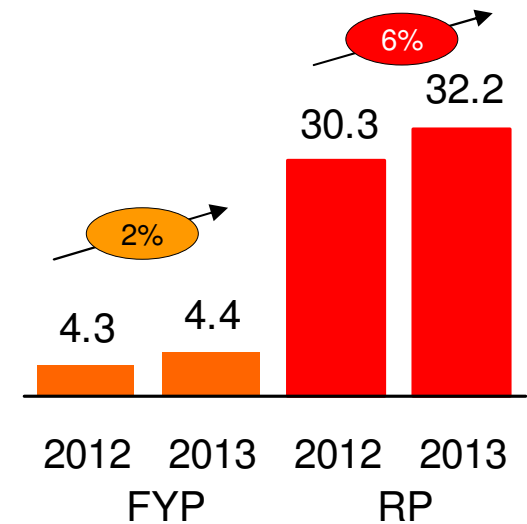
Total



Traditional



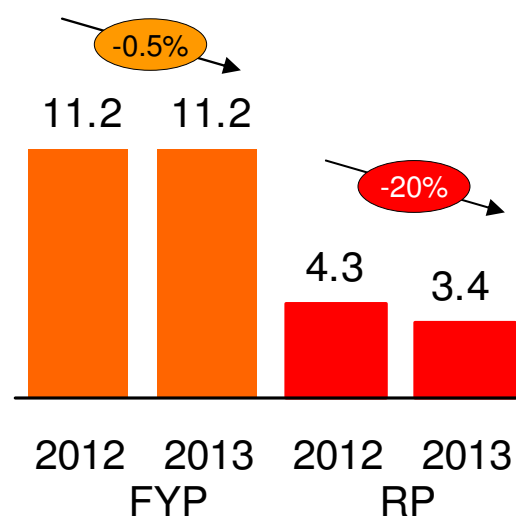
PA, Health and Group



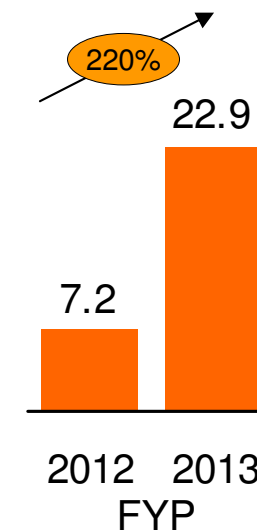
Comments

- Renewal premium grew 7% YoY due to strong sales of regular premium products, crucial to cumulate fundamental mortality and expense gains
- FYP of regular premium traditional products accounted for 73% of overall traditional sales. Sales in Q4 was NT\$5.0bn, up 78% QoQ
- To diversify risk and increase protection, VUL promoted by unit-cost-averaging method, driving number of policies sold to 21,579, 98% higher YoY. Structured note investment policy linked to principal-protected funds launched in Q4, contributing NT\$4.0bn to FYP
- Number of long-term care health policies sold in 2013 was 11,765. FYP reached NT\$0.47bn
- Continue to promote long-term regular premium products, including foreign currency savings, interest sensitive life, long-term care health insurance and VUL products

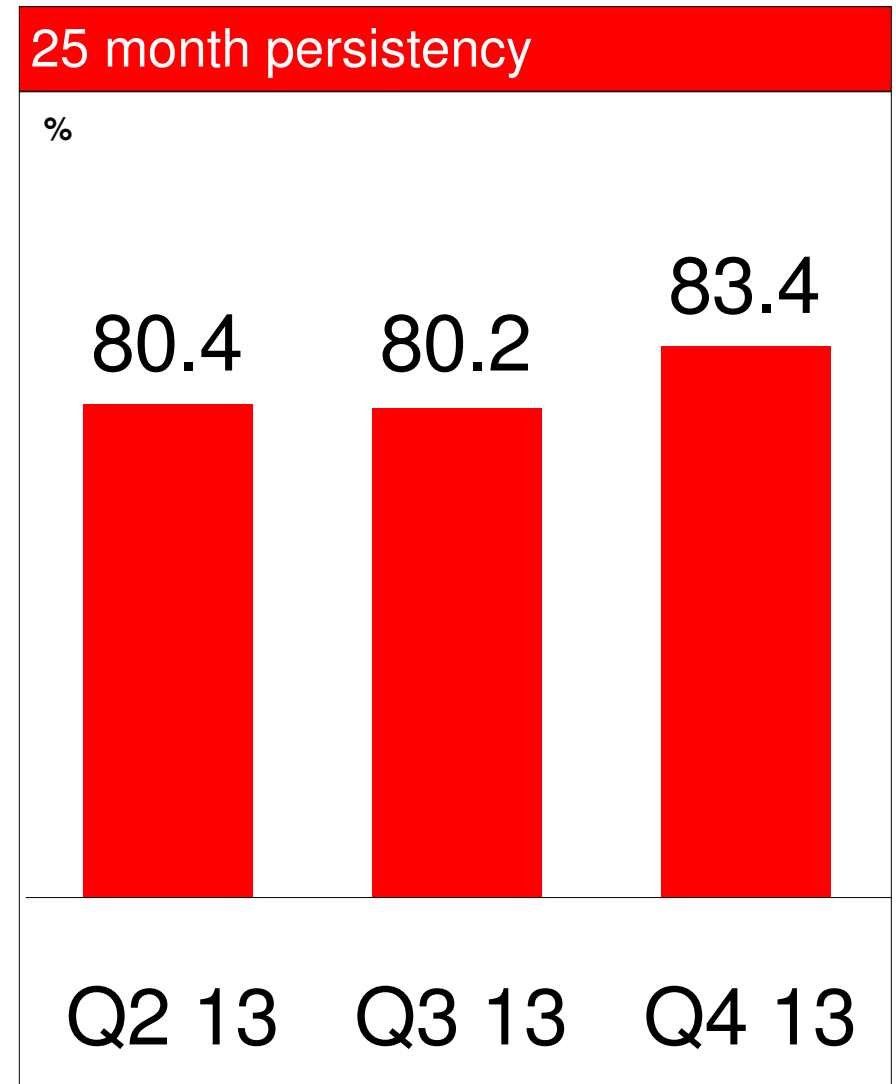
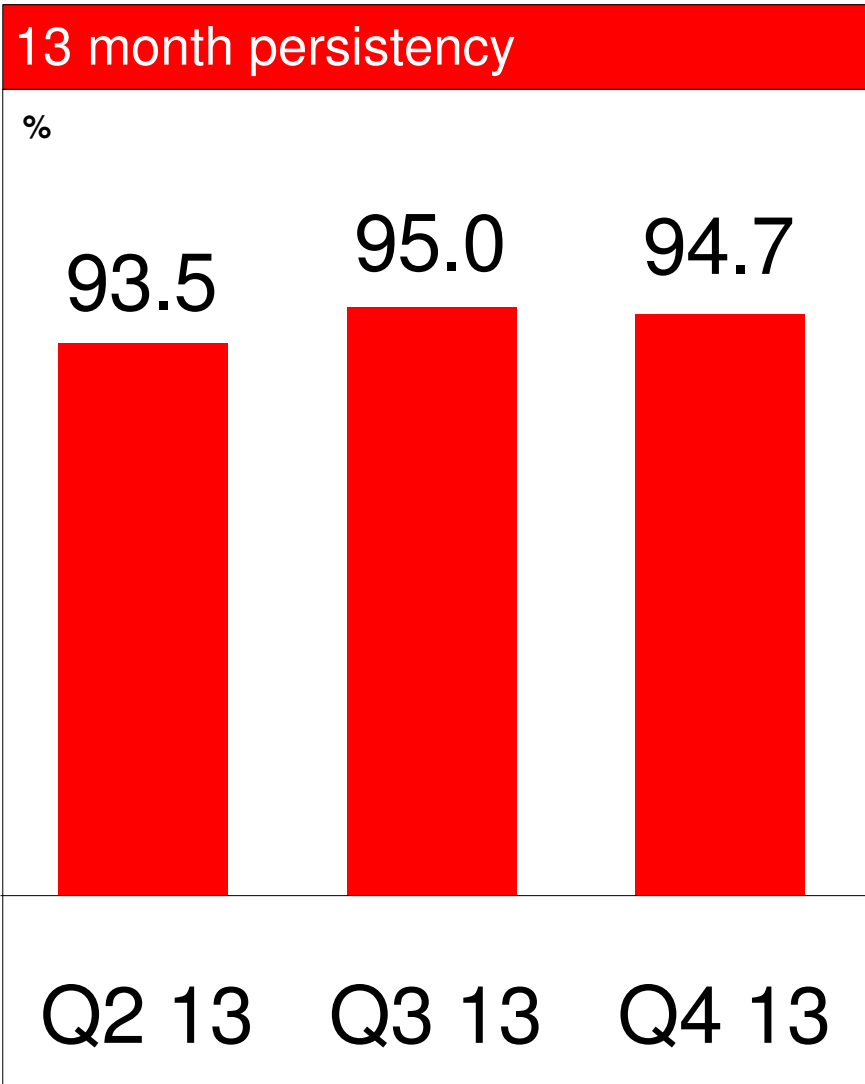
Investment-linked



Interest-sensitive

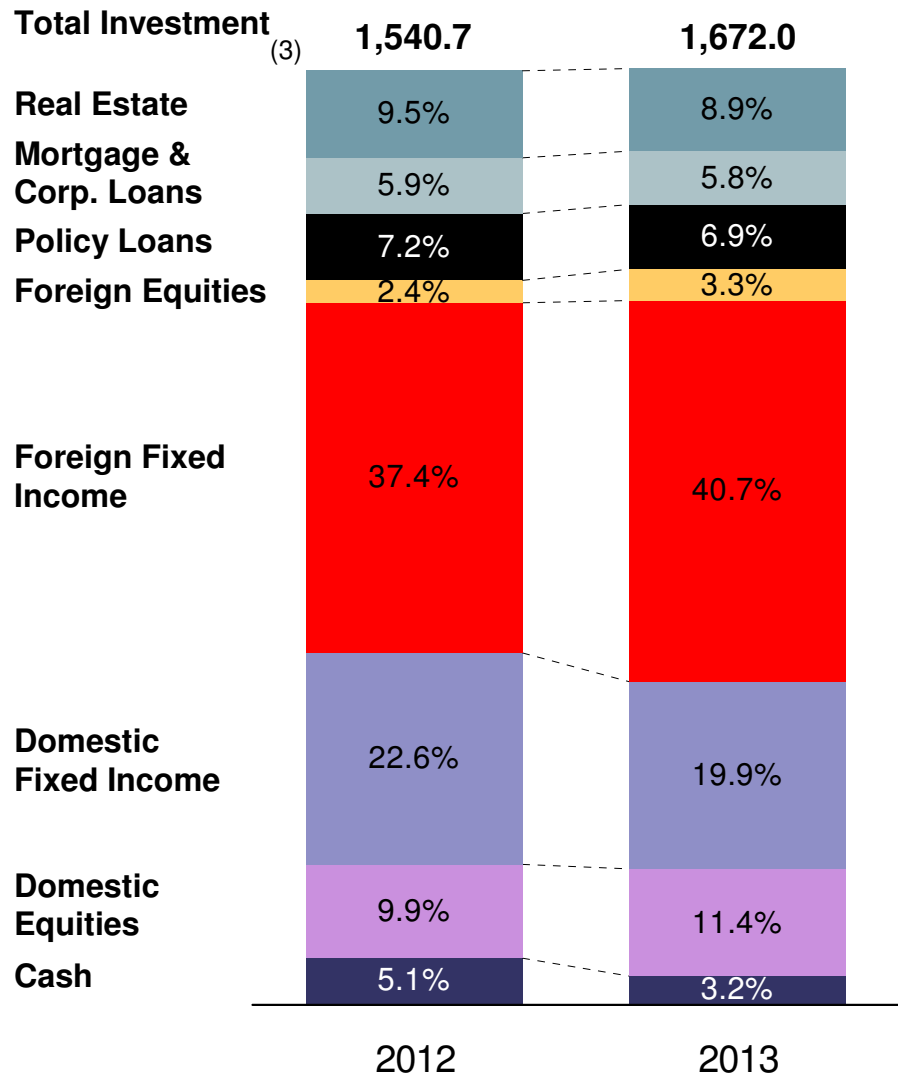
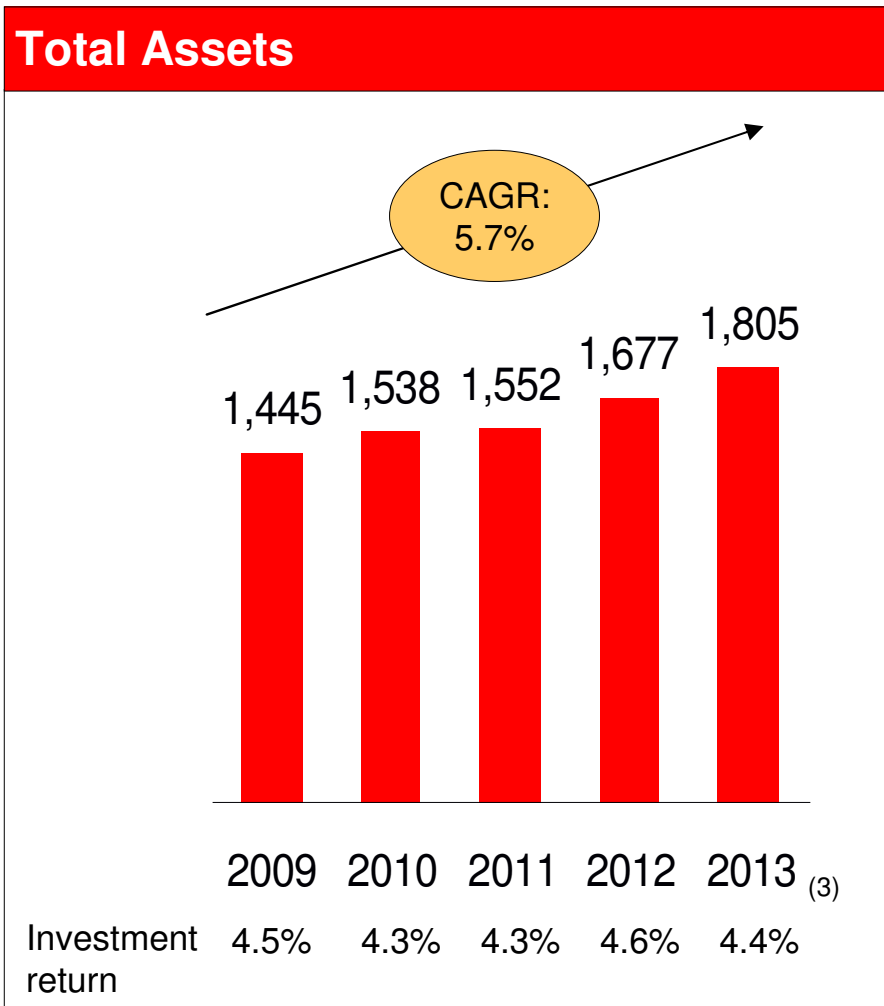


Persistence Ratio



Investment Portfolio

NT\$bn



Note:

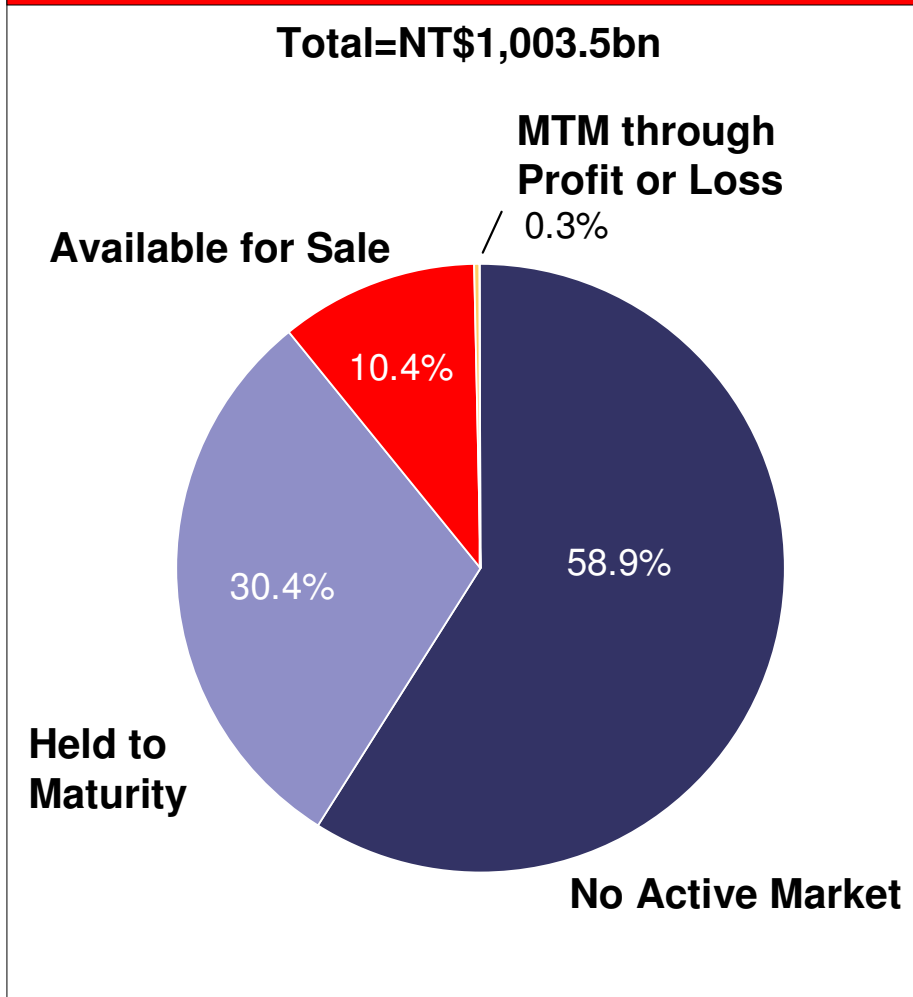
(1) Due to rounding, asset allocation figures may not add up to 100%

(2) Includes capital gains and FX hedging cost

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

Fixed Income Investments

Accounting categories of fixed income Investments ⁽¹⁾



Note:

(1) Excludes beneficiary certificates

(2) Resources : GreTai Securities Market and Bloomberg

Market Yields Change ⁽²⁾

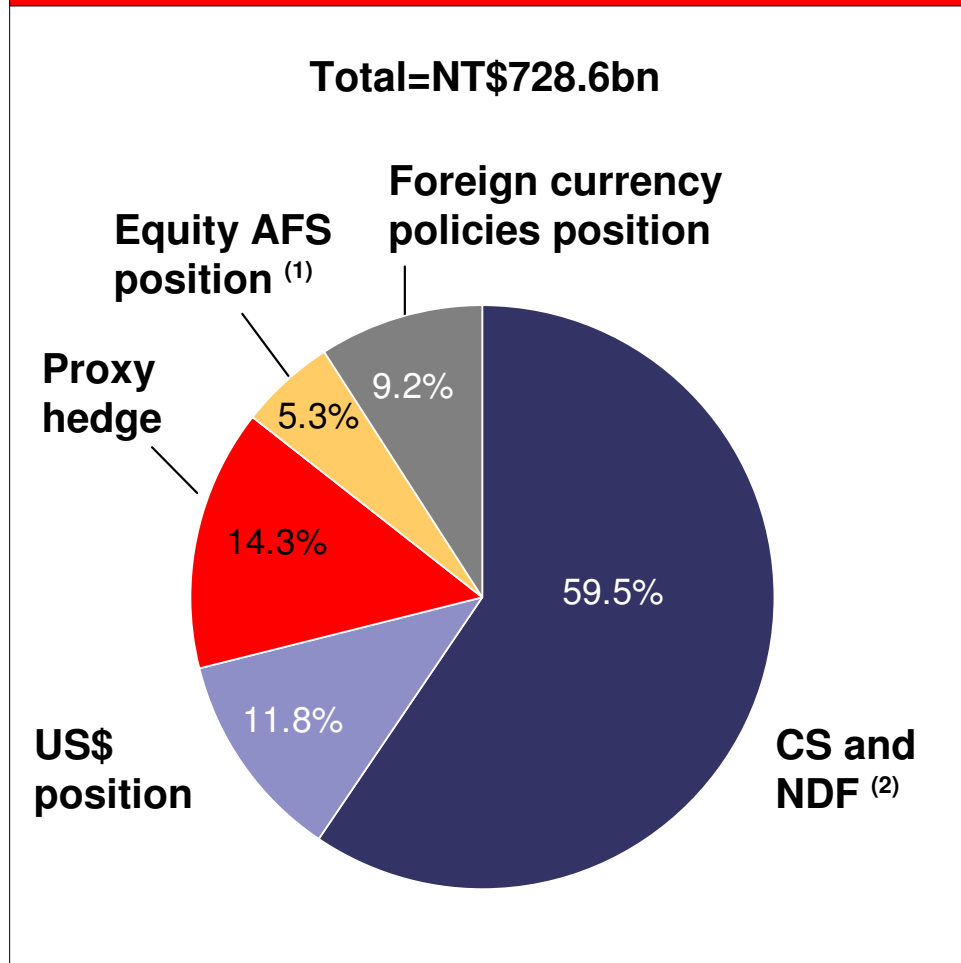
	2013 Q1 End	2013 Q2 End	2013 Q3 End	2013 Q4 End
TW 10 Year Treasury	1.30%	1.40%	1.69%	1.68%
TW 30 Year Treasury	1.95%	1.99%	2.44%	2.34%
U.S. 10 Year Treasury	1.85%	2.49%	2.61%	3.03%
U.S. 30 Year Treasury	3.10%	3.50%	3.68%	3.97%

Comments

- Only 10.4% of SKL's fixed income investments were classified as available for sale, and therefore impact caused by steepening yield curve was limited. Other comprehensive income was at NT\$2.49bn in 2013, and comprehensive income reached NT\$9.02bn
- Amid rising yields, investments in emerging market USD-denominated sovereign debts and high-quality corporate bonds to be gradually deployed and mainly classified as held to maturity and no active market to enhance recurring investment return and avoid net worth fluctuations

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Hedging cost for 2013 was only 0.62% with properly managed hedging strategies
- Traditional hedges, excluding foreign currency policies position, accounted for 65.5%. Mid-to long-term target of traditional hedges ranges from 60% to 90% under stringent risk management mechanism
- Proxy hedging accounted for 14.3%
- AFS⁽¹⁾ position in foreign equities accounted for 5.3% 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. Gradually deploy in emerging market USD-denominated sovereign debts and high-quality corporate bonds to enhance recurring income

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, mid-to long-term target of traditional hedges ranges from 60% to 90% under stringent risk management mechanism (excluding foreign currency policies position)
- Target hedging cost at 100 bps or below in the mid- to long-term

Enhance Investment Risk Management

- Highlight importance of asset allocation and control investment risk by prudent SAA and TAA ranges
- Enhance risk management of financial products including equities and foreign currencies by advancing functions controlling country risk early warning and VaR models under ALGO risk management system

SKL – 2014 Outlook

- Continue to focus on sales of protection, foreign currency regular premium savings and interest sensitive life products to cumulate fundamental interests and create mid-to long-term value.
- Enhance sales force recruitment and actively nurse young talents to accelerate organizational rejuvenation. Implement electronic marketing to urge young clients to purchase investment-linked products by unit-cost-averaging method and protection policies.
- With change in social structure, highlight marketing of long-term care health insurance and expand senior citizens market.
- Grasp trend of interest rate and match liability duration. Enhance recurrent income and capital gains to increase investment performance.
- In response to current financial market status, advance functions controlling country risk early warning and VaR models under ALGO risk management system to improve management of market, credit and concentration risks.
- Prudently manage SKHNA Life; in addition to current operating sites in Beijing, Hainan and Shaanxi, Jiangsu branch approved to be established in October 2013 and expected to be opened for operation in first half 2014.
- Target VNB growth in 2014 at 5~10%.

Agenda

- I. SKFH
- II. Life Insurance Business

III. Banking Business

- IV. Appendix
 - Life Premium Summary

SKB – 2013 Overview

- After-tax profit for 2013 was NT\$4.06bn; ROE was 11.9%. Net interest income and net fee income grew 10.7% and 11.4% YoY respectively; pre-provision profit was NT\$5.92bn, up 22.5% YoY, excluding one-off REITs gains of NT\$728mn in 2012.
- TMU revenues for 2013 reached NT\$451mn, up 288.8% YoY.
- Loan balance amounted to NT\$450.82bn, up 5.5% YoY; deposit balance increased to NT\$614.52bn, up 10.5% YoY. NIM rose 1 bp to 1.40%, driven by structural adjustment of deposits and loans aiming at increasing profit contribution of customers.
- Fuelled by sales growth of overseas securities and mutual funds, wealth management income for 2013 was NT\$1.69bn, up 13.4% YoY. SKB achieved bancassurance cross-sales of NT\$15.28bn in 2013, representing 58.8% of SKL's bancassurance premium. Regular premium accounted for 21.4% of bancassurance cross-sales for Q4 2013.
- In Q4 2013, NPL ratio declined to 0.42% and coverage ratio rose from 244.84% to 265.57%. NPL ratio of corporate loans declined slightly to 0.58%, and NPL ratio of SME loans dropped 5 bps to 0.48%.

SKB – 2014 Outlook

- Adjust loan structure, expand continuously into consumer lending and boost fee income growth to enhance both profitability and capital adequacy.
- Increase ratio of demand deposits to optimize deposit structure and strictly control interest rates of time deposits to lower funding costs.
- Sustain growth in wealth management through balanced sales focus on overseas securities, mutual funds and insurance policies. Launch wealth management business at Hong Kong Branch in late May to drive earnings momentum.
- Maintain high growth in revenues from TMU with a well-established corporate client base.
- Increase number of active credit cards.
- Coordinate Hong Kong Branch, OBU and Shin Kong Leasing in Suzhou to better serve Taiwanese enterprises operating in China.
- Cultivate the Asia-Pacific market by setting up offshore units in Vietnam, Myanmar and Cambodia.

Net Income – 2013

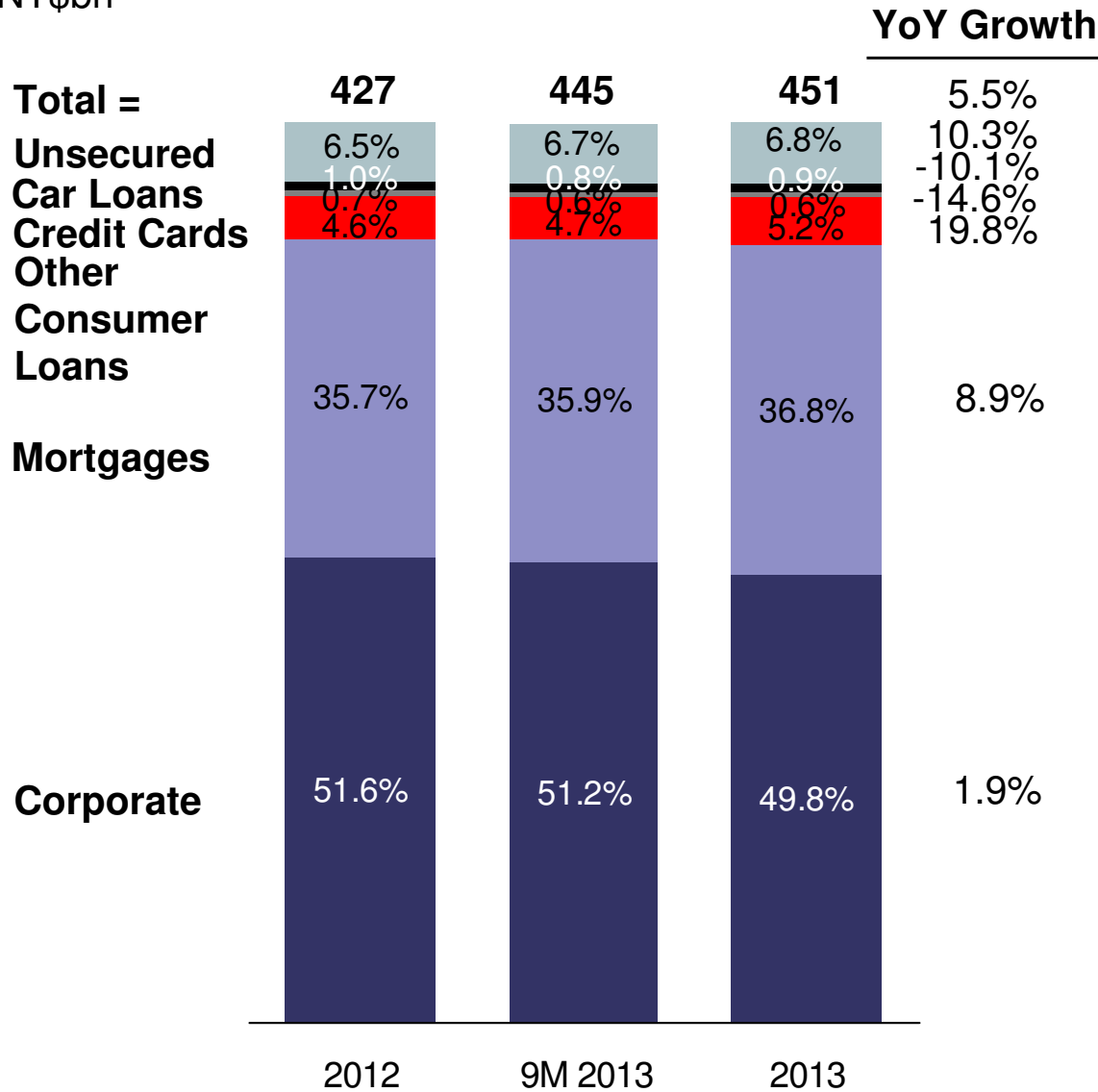
	2012	2013	YoY Growth
NT\$mn, %			
Net interest income	7,588	8,398	10.7%
Net fee income	2,439	2,716	11.4%
Investment income and other income	1,610	1,326	-17.6% ⁽¹⁾
Operating expense	-6,081	-6,526	7.3%
Pre-provision operating income	5,557	5,915	6.5%
Provision expense	-701	-1,167	66.5%
Income tax benefit (expense)	-575	-686	19.5%
Net Income	4,281	4,062	-5.1%
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations financial statements	-10	7	-172.8%
Unrealized gains (losses) on available-for-sale financial assets	529	-345	-165.2%
Actuarial gains and losses on defined benefit plans	-90	-193	115.0%
Income tax relating to components of other comprehensive income	15	32	112.0%
Total comprehensive income (loss)	4,727	3,563	-24.6%

Note:

(1) Investment income of 2012 included one-off REITs gains of NT\$728mn

Loan Mix

NT\$bn



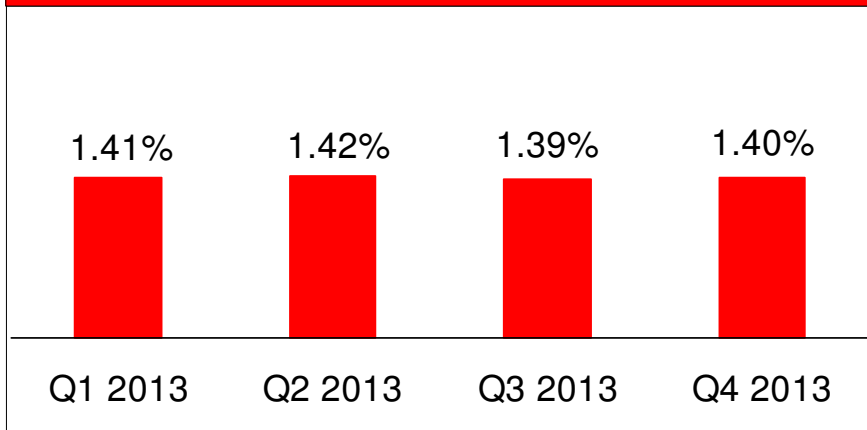
Comments

- Loan balance was NT\$450.82bn, up 5.5% YoY
- NIM rose from 1.39% to 1.40%, driven by structural adjustment of deposits and loans aiming at increasing profit contribution of customers
- Under stringent risk control, NPL ratio of mortgages was 0.25%, indicating stable asset quality
- Unsecured consumer loans and other consumer loans grew 10.3% and 19.8% respectively, with an aim to balance consumer and corporate lending as well as enhance loan yields

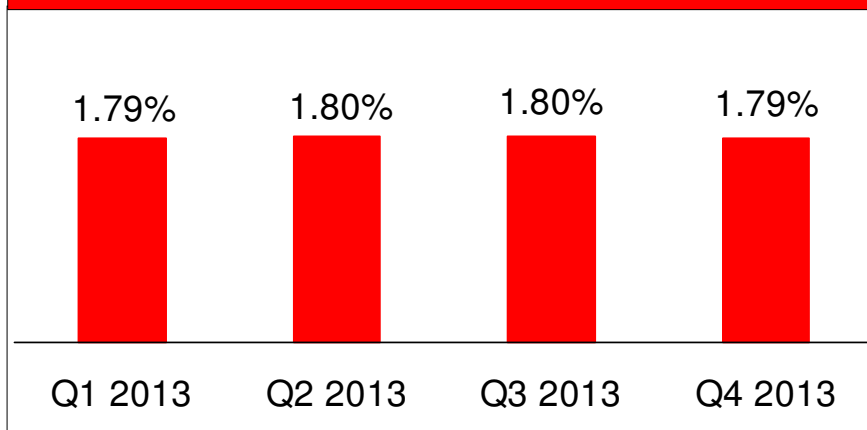
Note: Due to rounding, loan mix may not add up to 100%

Interest Income

Net Interest Margin



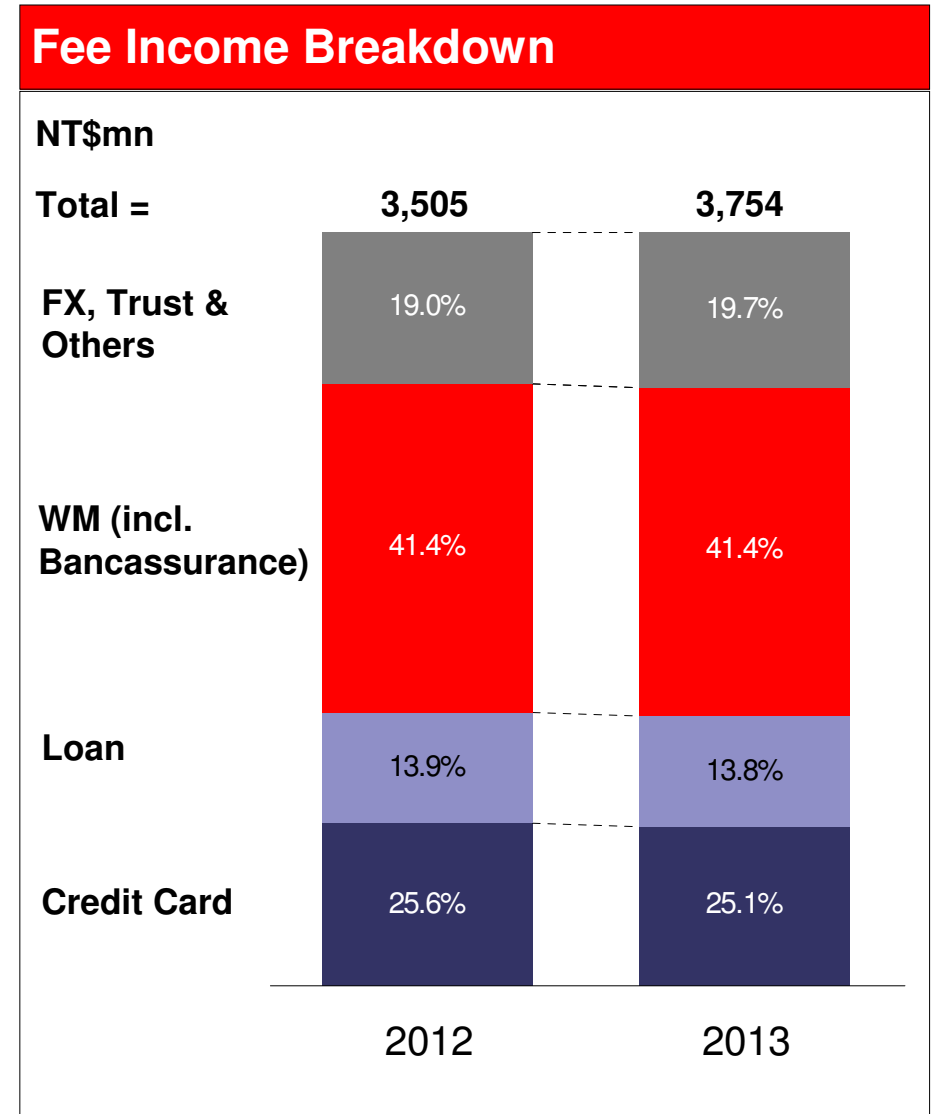
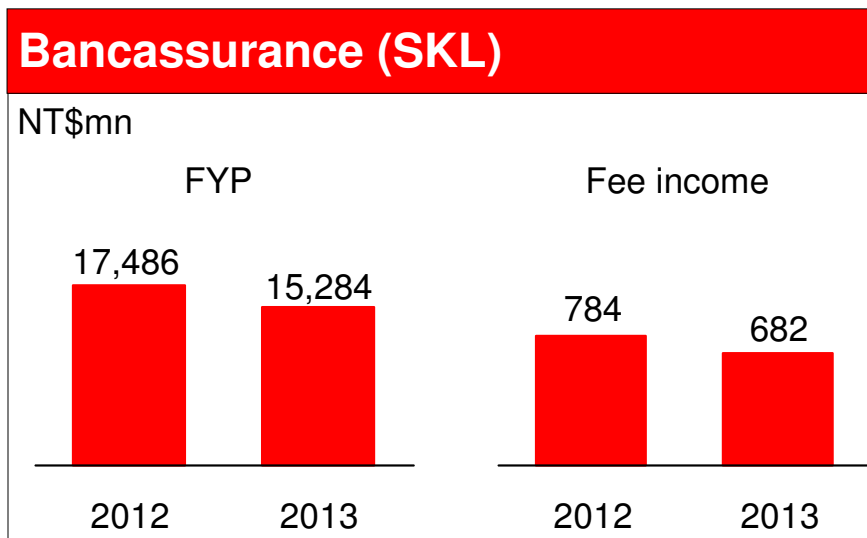
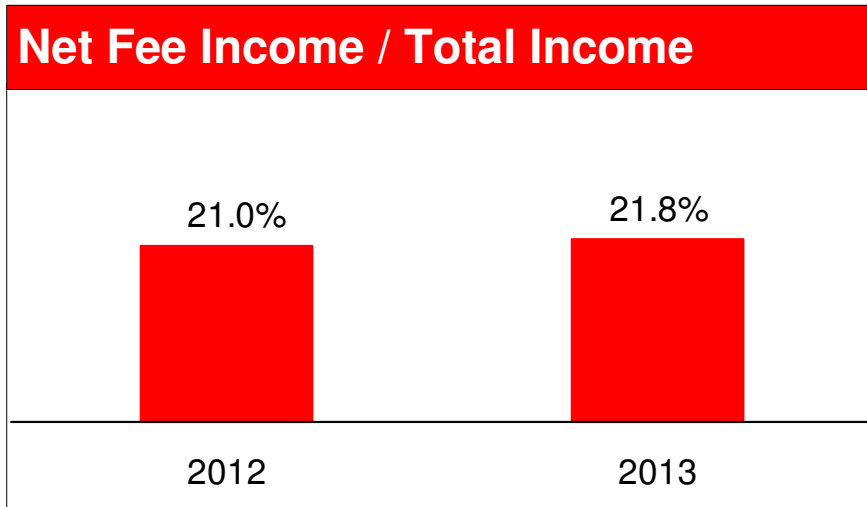
Net Interest Spread



Comments

- NIM for Q4 2013 was 1.40%
- SKB will continue to :
 - Solidify corporate client base 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

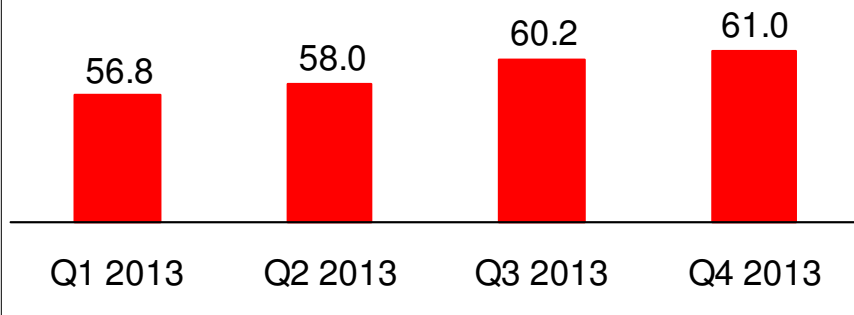


Note: Due to rounding, fee income breakdown may not add up to 100%

Wealth Management

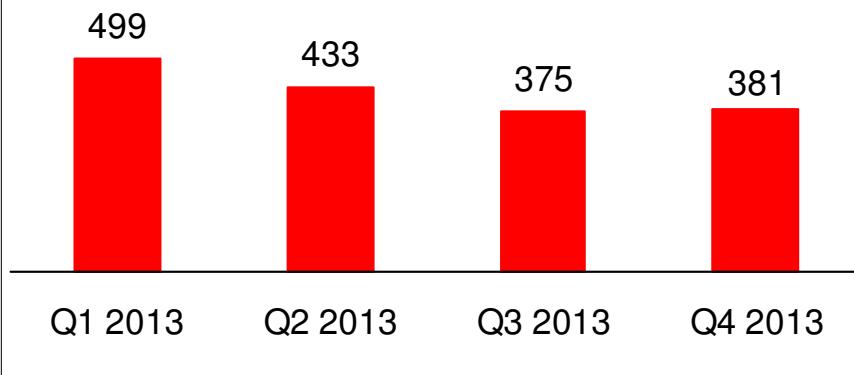
AUM

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

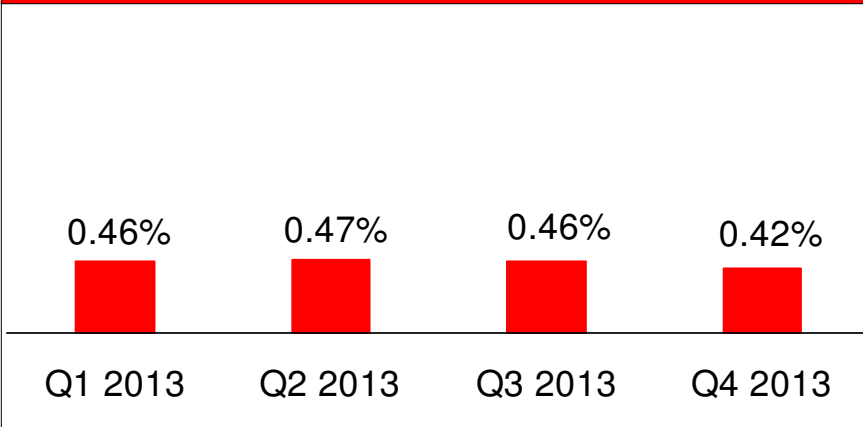
Wealth Management Center



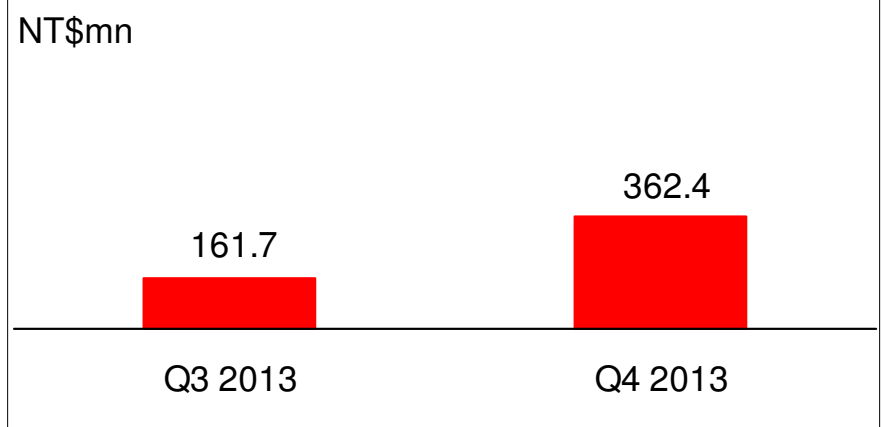
- Driven by strong sales of overseas securities and mutual funds, wealth management income for 2013 was NT\$1.69bn, up 13.4% YoY
- Fee income from wealth management accounted for 41.4% of total fee income
- Hong Kong Branch will launch wealth management business in late May, 2014
- In 2014, SKB will continuously develop new products and boost sales of foreign currency regular premium policies

Asset Quality

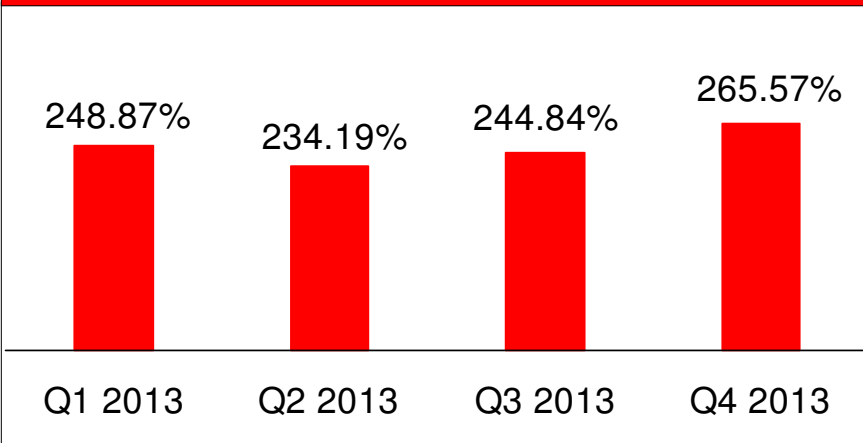
NPL Ratio



New NPL Generation



Coverage Ratio



- New NPL generated in Q4 2013 was NT\$362mn, up by NT\$200mn QoQ
- Most of new NPL came from loans to Chi Mei Lighting Technology, 70% of which had been provisioned
- In Q4 2013, NPL ratio declined to 0.42% and coverage ratio rose to 265.57%. NPL ratio of corporate loans declined slightly to 0.58%; NPL ratio of SME loans dropped 5 bps to 0.48%

Agenda

- I. SKFH
- II. Life Insurance Business
- III. Banking Business

IV. Appendix

- **Life Premium Summary**

SP / RP Breakdown

NT\$bn

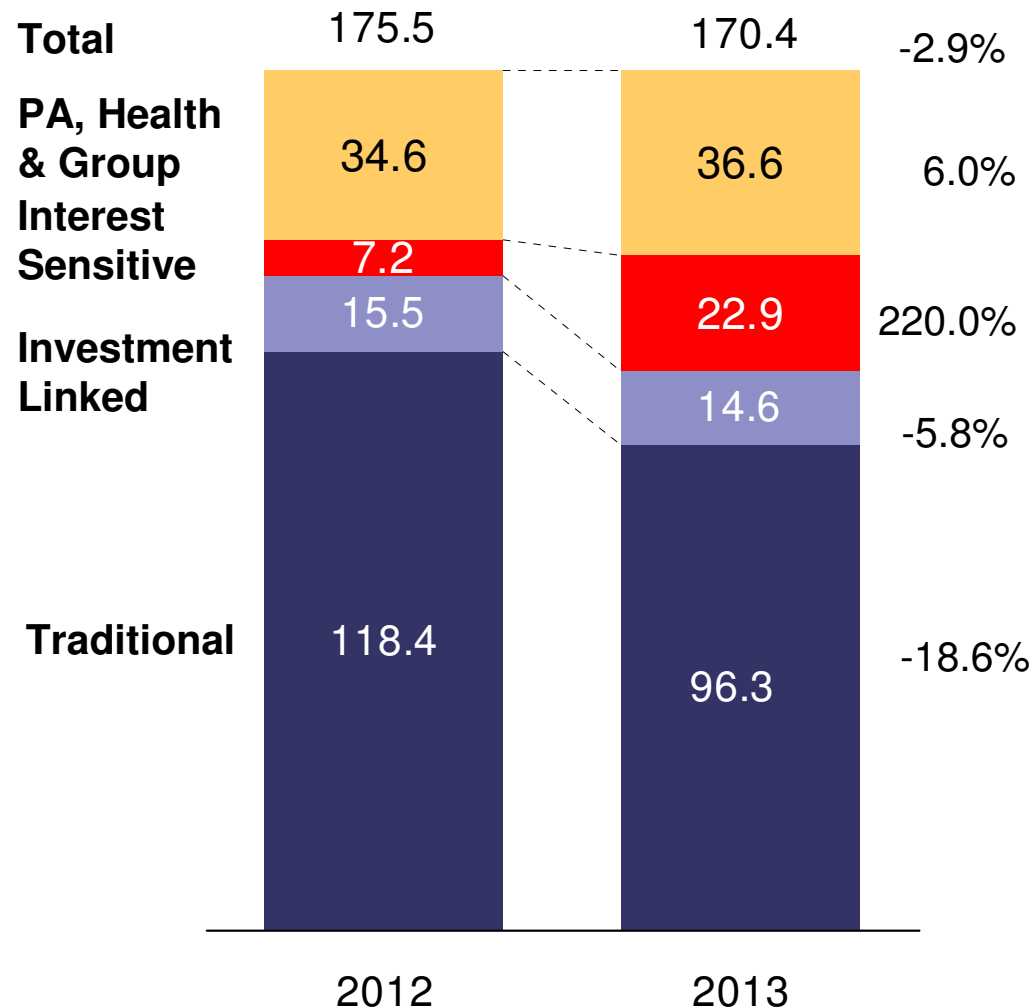
2013 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	4.90	13.03		17.93
Investment-linked				
VUL		0.63	0.64	1.27
Structured note	9.89			9.89
Interest Sensitive				
Annuity	22.63		0.28	22.91
Life				
PA, health and others		4.39		4.39
Total	37.42	18.05	0.92	56.38
Share	66.4%	32.0%	1.6%	100.0%

Total Premium – 2013

NT\$bn

Market Share = 6.6%

Growth



Comments

- Driven by declining of FYP, total premium down 2.9% YoY. However, renewal premium grew 6.5% YoY due to strong sales of regular premium products
- Renewal premium of traditional products grew 8.1% YoY
- To diversify risk and increase protection, VUL products are promoted by unit-cost-averaging method. Structured note products mainly linked to government bonds and principal-protected funds
- PA, Health & Group products grew YoY

Website : www.skfh.com.tw

E-mail : ir@skfh.com.tw

Shin Kong Financial HoldingFinancial Summary
(NT\$m)

Income Statement Data	2012	2013	2013/2012		Q4 13/Q4 12	
			% change	Q4 2012	Q4 2013	% change
Net interest income	(171)	(90)	-47.5%	(41)	(6)	-86.0%
Income from subsidiaries						
Shin Kong Life	5,759	6,525	13.3%	(1,092)	(1,879)	72.1%
Shin Kong Bank	4,281	4,062	-5.1%	667	861	29.0%
MasterLink Securities	289	273	-5.5%	56	91	63.0%
Shin Kong Insurance Brokers	43	(3)	-107.6%	5	(20)	-516.2%
Shin Kong Investment Trust	35	29	-17.6%	13	13	-3.8%
Shin Kong Venture Capital International	2	12	387.0%	1	6	371.5%
Shin Kong Property Insurance Agency	0	0		0	(0)	
Total income from subsidiaries	10,410	10,898	4.7%	(348)	(928)	166.7%
Other income	(6)	104	-1739.9%	(11)	19	-266.4%
Administrative and general expenses	(235)	(272)	15.8%	(73)	(77)	4.7%
Income tax benefit (expense)	84	(654)	-880.1%	23	10	-58.3%
Cumulative effect of changes in accounting principle	0	0		0	0	
Net income	10,082	9,986	-0.9%	(451)	(982)	117.7%
Other comprehensive income (loss), after tax	(421)	2,080	-594.5%	(644)	3,689	-672.7%
Total comprehensive income (loss)	9,661	12,067	24.9%	(1,095)	2,706	-347.1%

Balance Sheet Data	2012	2013	2013/2012		Q4 13/Q4 12	
			% change	Q4 2012	Q4 2013	% change
Long term investment	93,951	110,233	17.3%	93,951	110,233	17.3%
Total assets	2,351,243	2,535,233	7.8%	2,351,243	2,535,233	7.8%
Shareholders' equity (excl. minority)	82,586	100,948	22.2%	82,586	100,948	22.2%

Note:

(1) Numbers have not been audited by the auditors.

Shin Kong Bank
Financial Summary
(NT\$m)

Income Statement Data			2013/2012			Q4 13/Q4 12
	2012	2013	% change	Q4 2012	Q4 2013	% change
Interest income	12,393	13,500	8.9%	3,234	3,541	9.5%
Interest expense	(4,805)	(5,102)	6.2%	(1,240)	(1,324)	6.8%
Net interest income	7,588	8,398	10.7%	1,994	2,217	11.2%
Fee income	3,505	3,754	7.1%	934	940	0.7%
Fee expense	(1,066)	(1,037)	-2.7%	(245)	(294)	20.0%
Net fee income	2,439	2,716	11.4%	688	646	-6.1%
Gains on bill & securities	1,426	843	-40.9%	189	35	-81.3%
Gains on foreign exchange, net	19	304	1514.6%	(57)	173	-400.9%
Other gains or losses, net	165	180	8.9%	9	46	430.5%
Operating expense	(6,081)	(6,526)	7.3%	(1,629)	(1,660)	1.9%
Pre-provision income or loss	5,557	5,915	6.5%	1,193	1,458	22.2%
Provision expense	(701)	(1,167)	66.5%	(414)	(437)	5.7%
Income tax (expense) benefit	(575)	(686)	19.5%	(112)	(160)	42.5%
Net income	4,281	4,062	-5.1%	667	861	29.0%
Other comprehensive income (loss)						
Exchange differences on translation of foreign operations financial statements	(10)	7	-172.8%	(2)	12	-751.1%
Unrealized gains (losses) on available-for-sale financial assets	529	(345)	-165.2%	277	141	-49.0%
Actuarial gains and losses on defined benefit plans	(90)	(193)	115.0%	(90)	(193)	115.0%
Income tax relating to components of other comprehensive income	15	32	112.0%	15	32	112.0%
Other comprehensive income (loss), after tax	445	(498)	-211.9%	201	(8)	-103.8%
Total comprehensive income (loss)	4,727	3,563	-24.6%	868	853	-1.7%

Balance Sheet Data			2013/2012			Q4 13/Q4 12
	2012	2013	% change	Q4 2012	Q4 2013	% change
Total assets	633,815	693,244	9.4%	633,815	693,244	9.4%
Total shareholders' equity	31,561	36,630	16.1%	31,561	36,630	16.1%
Total loans, net ⁽¹⁾	421,359	444,642	5.5%	421,359	444,642	5.5%
Total deposits	556,230	614,517	10.5%	556,230	614,517	10.5%

Operating Metrics				
	2012	2013	Q4 2012	Q4 2013
Fee income ratio	21.0%	21.8%	24.4%	20.7%
Cost income ratio	51.9%	52.0%	56.0%	52.8%
Loan/deposit ratio (excl. credit card)	75.7%	72.3%	75.7%	72.3%
Loan/deposit ratio (incl. credit card)	76.2%	72.7%	76.2%	72.7%
Net interest margin	1.40%	1.40%	1.41%	1.40%
Net interest spread	1.79%	1.80%	1.76%	1.79%
Pre-provision earnings/assets	0.93%	0.89%	0.20%	0.22%
Pre-provision earnings/equity	18.87%	17.35%	4.05%	4.28%

Note:

(1) Excludes credit cards but include overdue receivables.

(2) Numbers have not been audited by the auditors.