



Q1 2015 Results Update

2015/05/14

Disclaimer

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

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SKFH – Q1 2015 Overview

- SKFH recorded consolidated comprehensive income of NT\$7.52bn and consolidated after-tax profit of NT\$3.60bn for Q1 2015; profit attributable to SKFH was NT\$3.36bn. EPS was NT\$0.34. Shareholders' equity increased 6.7% QoQ to NT\$118.27bn, and book value per share was NT\$12.03.
- Subsidiaries' core business remained solid.
 - SKL:
 - ◆ FYP amounted to NT\$28.51bn, up 76.8% YoY. Annualized cost of liability decreased 3 bps to 4.61% compared to 2014.
 - ◆ Recurring yield before hedging increased 20 bps YoY to 3.37%, with investments in international bonds listed in domestic OTC reaching NT\$161.7bn.
 - ◆ SKL obtained approval from competent authorities in March for recovering special reserve on property unrealized gains of NT\$7bn to boost sales momentum and lower cost of liability, as well as increase shareholders' equity.
 - SKB:
 - ◆ NIS climbed 3 bps to 1.91% QoQ; NIM was 1.46%. Net interest income grew 6.4% YoY.
 - ◆ Overseas profit for Q1 2015 reached NT\$501mn, up 13.6% YoY, representing 34.9% of earnings before tax.
- Second issue of domestic unsecured convertible bonds of NT\$5bn was listed in 2012. Bondholders may exercise put option 3 years after issuance (April 23, 2015). As investment value emerged, only NT\$864mn were put back, representing 17.3% of total principal raised.
- Life insurance EV per share of SKFH was NT\$24.3 (not including net worth of bank and other subsidiaries)
 - EV of SKL was NT\$238.4bn, up 11.2% YoY, including property unrealized gains of NT\$78.0bn re-appraised at the end of 2014, up NT\$14.5bn YoY.
 - Driven by rising business momentum, V1NB grew 21.9% YoY to NT\$17.8bn.

Financial Highlights – Q1 2015

	Q1 2014	Q1 2015	YoY Growth
NT\$m (except per share data), %			
Consolidated net income	1,386	3,598	159.6%
Net income attributable to SKFH	1,163	3,359	188.8%
First year premium (Insurance)	16,120	28,506	76.8%
Loans (Bank)	474,853	483,604	1.8%
Total assets (Consolidated)	2,608,110	2,809,234	7.7%
Shareholders' equity ⁽¹⁾	100,537	118,267	17.6%
ROA (unannualized)	0.95%	2.42%	
ROE (unannualized)	1.15%	2.93%	
Earnings per share	0.12	0.34	183.3%

Note:

(1) Consolidated shareholders' equity for Q1 2014 and Q1 2015 were NT\$114,635mn and NT\$132,989mn, respectively

Net Income – Q1 2015

Net income contribution

NT\$bn

Subsidiaries	Q1 2014	Q1 2015	YoY Growth
Shin Kong Life	-0.08	2.05	-
Shin Kong Bank	1.19	1.22	2.4%
Shin Kong Investment Trust	0.01	0.00	-68.6%
Shin Kong Venture Capital Int'l	-0.01	0.01	-
Shin Kong Property Insurance Agency	0.01	0.01	61.0%
Others ⁽¹⁾	0.04	0.07	75.0%
Net income	1.16	3.36	188.8%

Note:

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

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SKL – Q1 2015 Overview

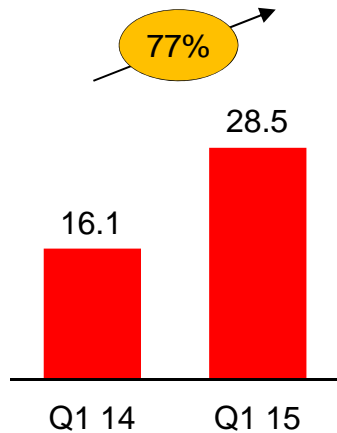
- Consolidated after-tax profit and comprehensive income for Q1 2015 were NT\$2.05bn and NT\$5.84bn, respectively. Shareholders' equity increased by 8.4% QoQ to NT\$75.47bn.
- FYP for Q1 2015 amounted to NT\$28.51bn, up 76.8% YoY, propelling market share to 10.1%. Annualized cost of liability decreased from 4.64% in 2014 to 4.61%.
- FX traditional products remained marketing focus in 2015. Sales reached NT\$7.20bn in Q1 2015, up 35.6% YoY.
- Number of long-term care/disability health insurance sold in Q1 2015 was 47,260 with FYP of NT\$714mn, 60.1% higher YoY.
- Annualized investment return was 3.76% in Q1 2015. Recurring yield before hedging was 3.37%, up 20 bps YoY

Financial Highlights – Q1 2015

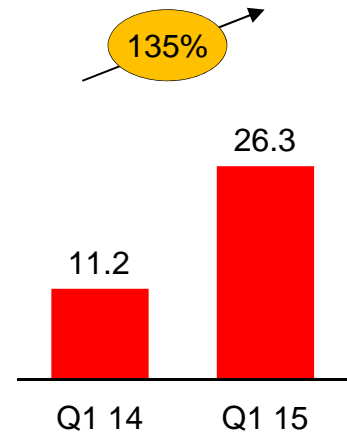
	Q1 2014	Q1 2015	YoY Growth
NT\$mn, %			
First year premium	16,120	28,506	76.8%
Total premium	41,945	59,160	41.0%
Investment income	17,596	18,537	5.3%
Consolidated net income	-74	2,048	-
Consolidated total assets	1,835,211	1,988,483	8.4%
Consolidated total shareholders' equity	63,404	75,470	19.0%
ROE (unannualized)	-0.11%	2.82%	
ROA (unannualized)	-0.004%	0.10%	

First Year Premium – Q1 2015

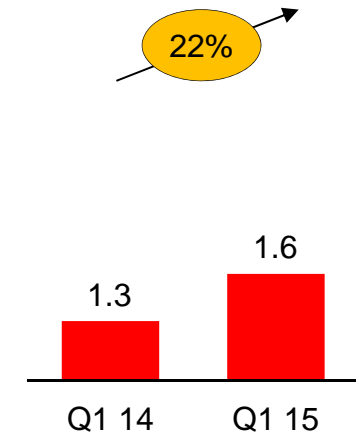
NT\$bn



Traditional



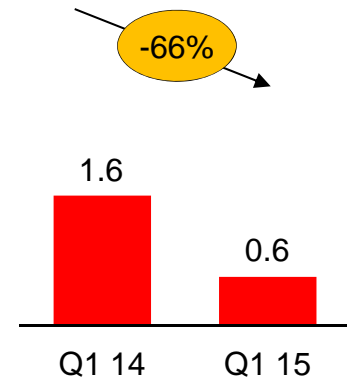
PA, Health and Group ⁽¹⁾



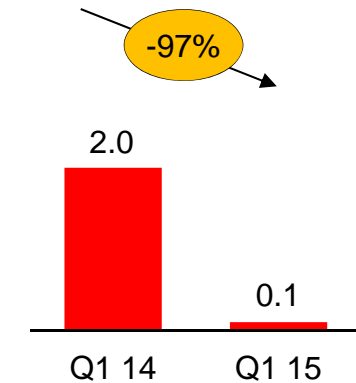
Comments

- Driven by strong sales of NTD and FX whole life products, FYP of traditional products grew 135% YoY. Total FYP reached NT\$28.5bn, up 77% YoY
- FX traditional products remained marketing focus in 2015. Sales in Q1 reached NT\$7.2bn, up 36% YoY. Such products brought SKL stable interest spread with proper asset-liability match and no hedging cost
- In response to government's new measure allowing life insurance conversion, as of end of Q1, 546 policies were converted with original policy value reserve of NT\$155mn
- NTD and FX whole life products and health insurance continuously promoted for VNB growth and decrease in cost of liability. Annualized cost of liability declined 3 bps to 4.61% compared to 2014

Investment-linked



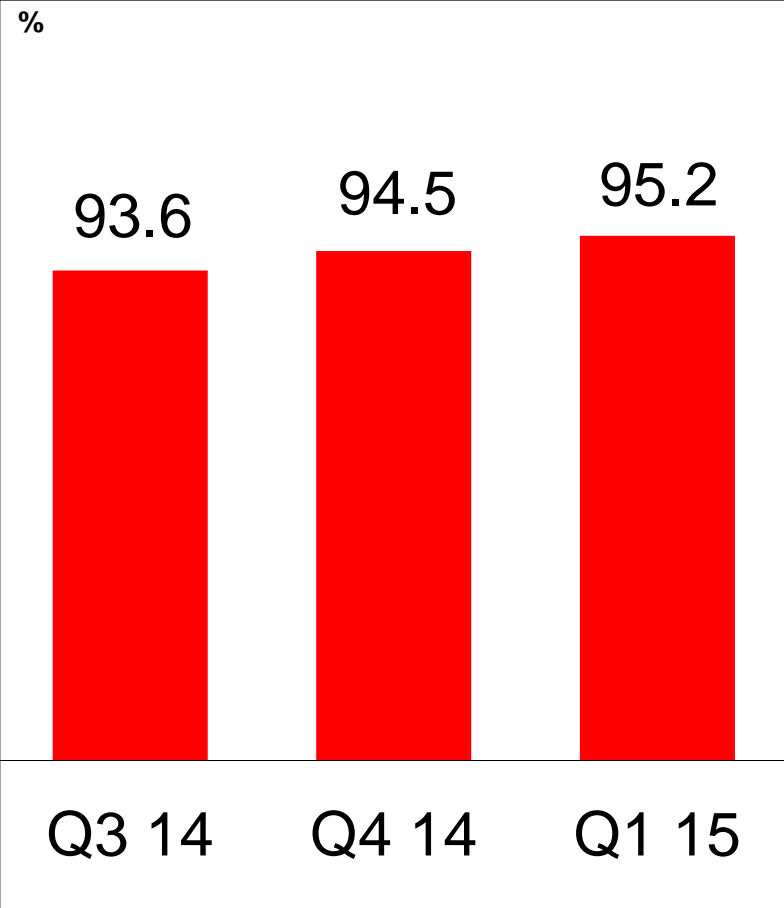
Interest-sensitive



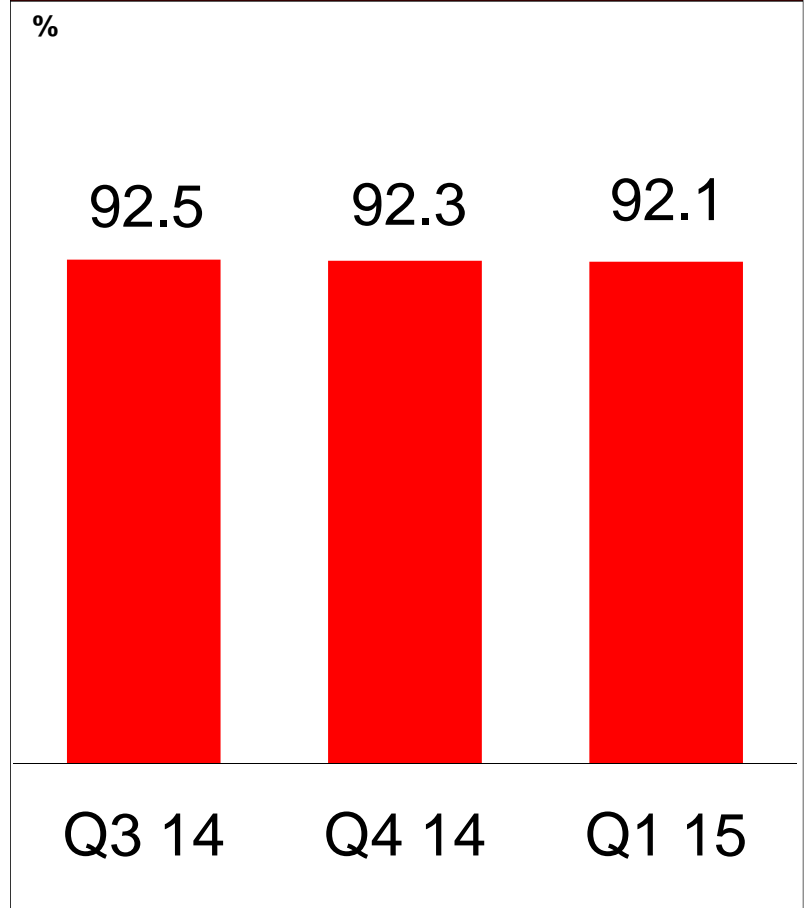
Note :
 (1) Long-term disability Type A policy is classified as health insurance

Persistency Ratio

13 month persistency ⁽¹⁾



25 month persistency ⁽¹⁾

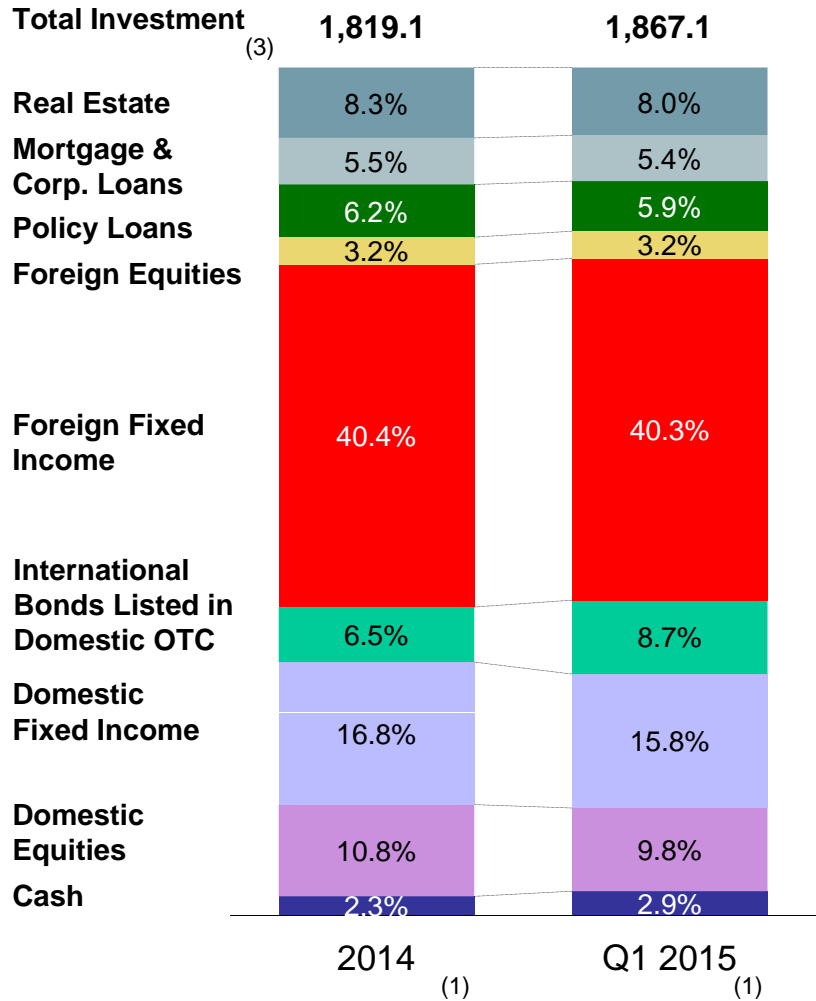
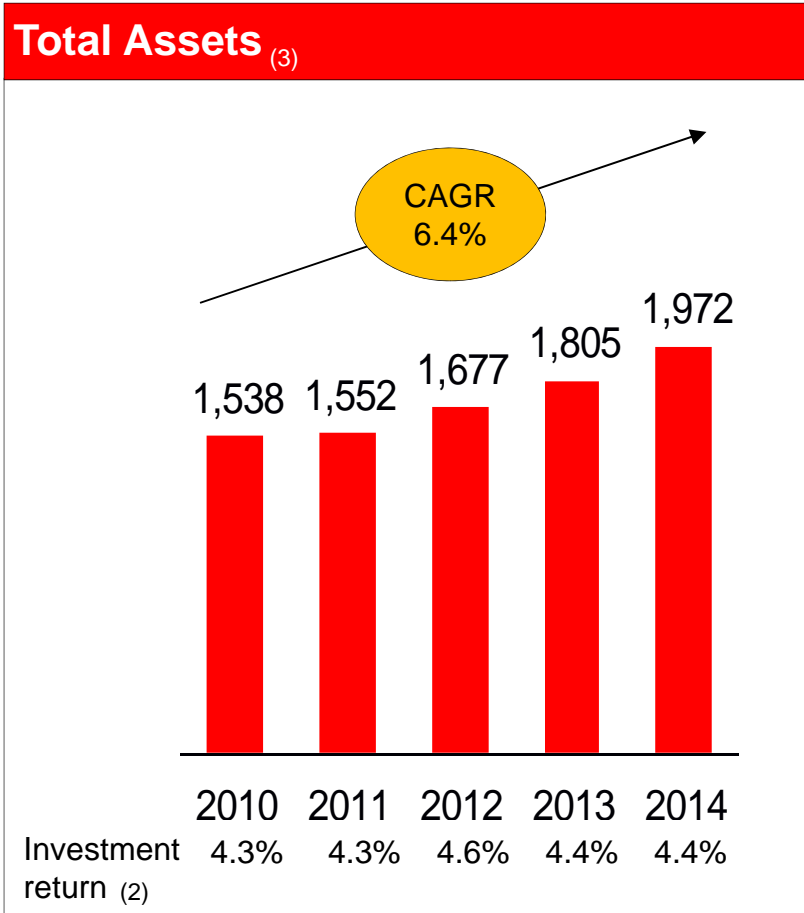


Note :

(1) Since Q2 2014, the data of persistency ratios include foreign currencies denominated traditional products

Investment Portfolio

NT\$bn



Note:

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

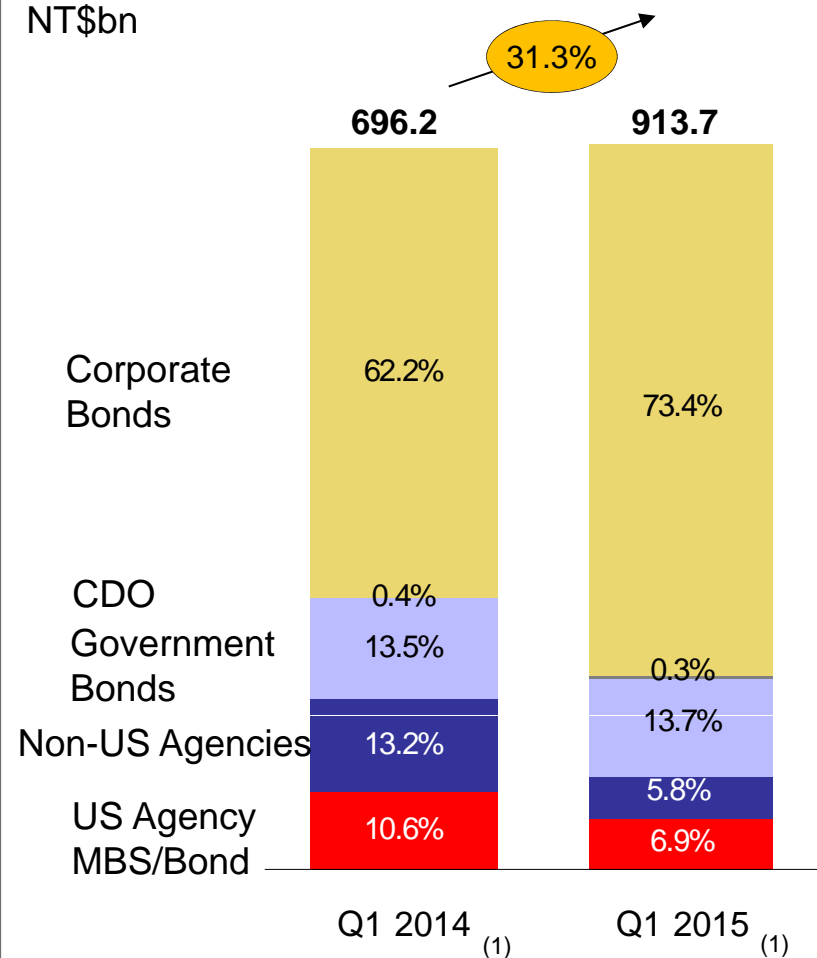
(2) Includes capital gains and FX hedging cost

(3) Since 2012, total assets and total investment include impact on investment real estate from first time adoption of IFRSs

Overseas Fixed Income

Overseas Fixed Income Portfolio⁽²⁾

NT\$bn



Comments

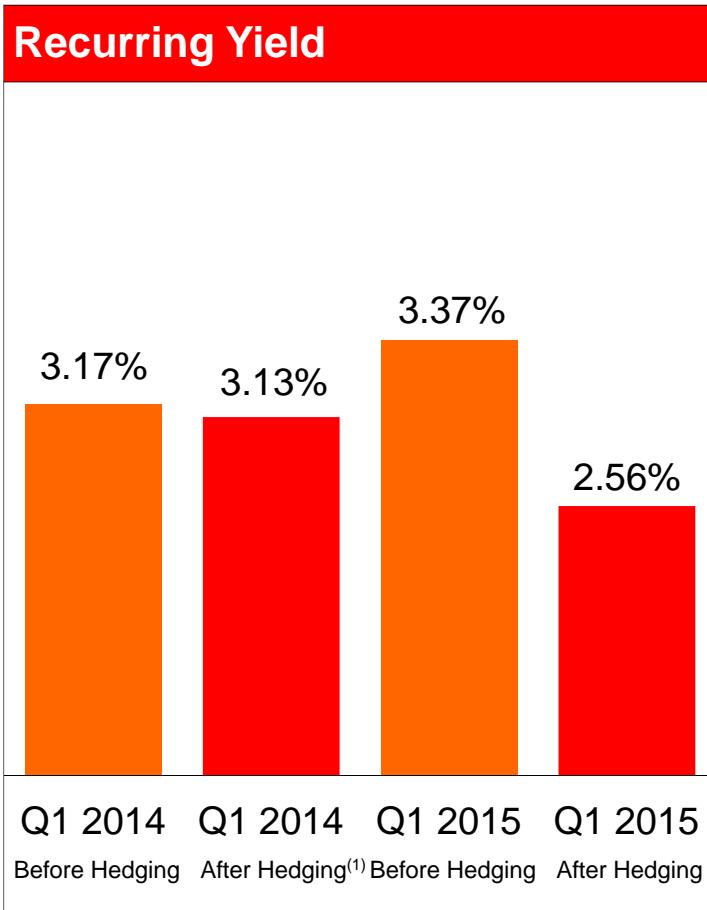
- Investments in corporate bonds increased 55% YoY, mainly deployed in international bonds listed in domestic OTC. As of the end of Q1 2015, SKL has invested NT\$161.70bn in international bonds
- International bonds listed in domestic OTC offer average yield before hedging of 4.4%, which after hedging is still significantly higher than domestic bond. Position expected to continuously increase and reach NT\$200bn at the end of 2015
- Portfolio reallocation enhanced interest rates. Recurring yield before hedging in Q1 2015 grew 20 bps YoY

Note :

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

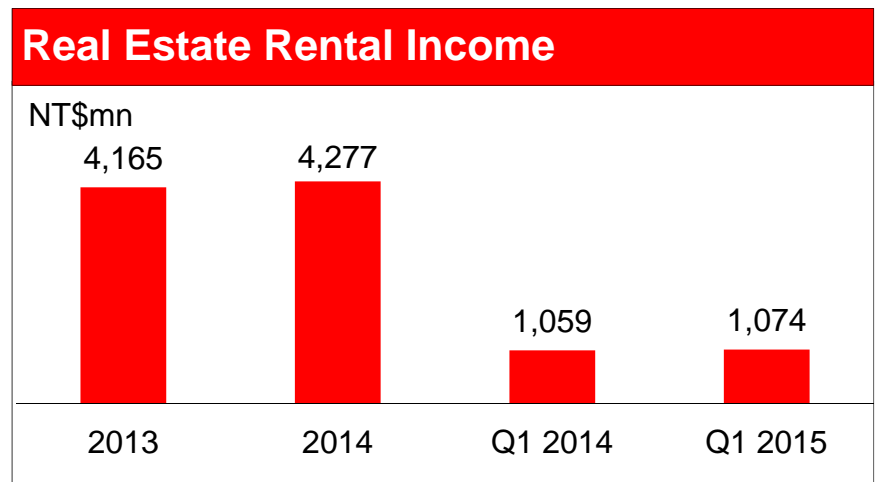
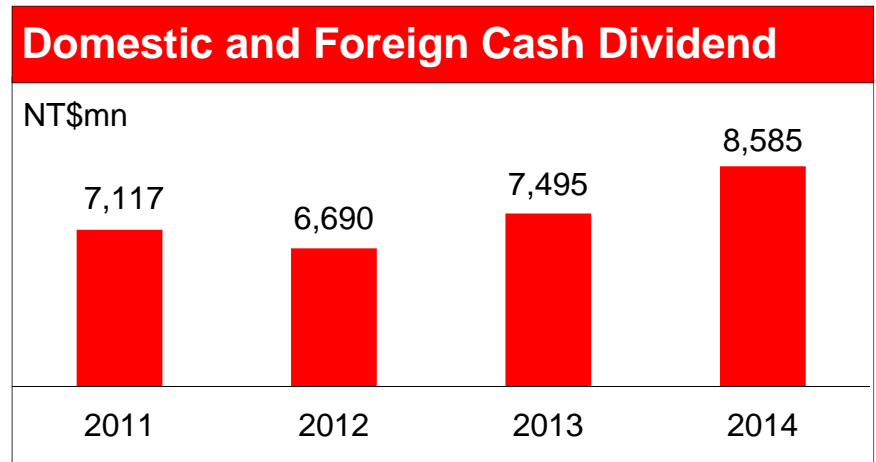
(2) Includes international bonds listed in domestic OTC

Recurring Yield



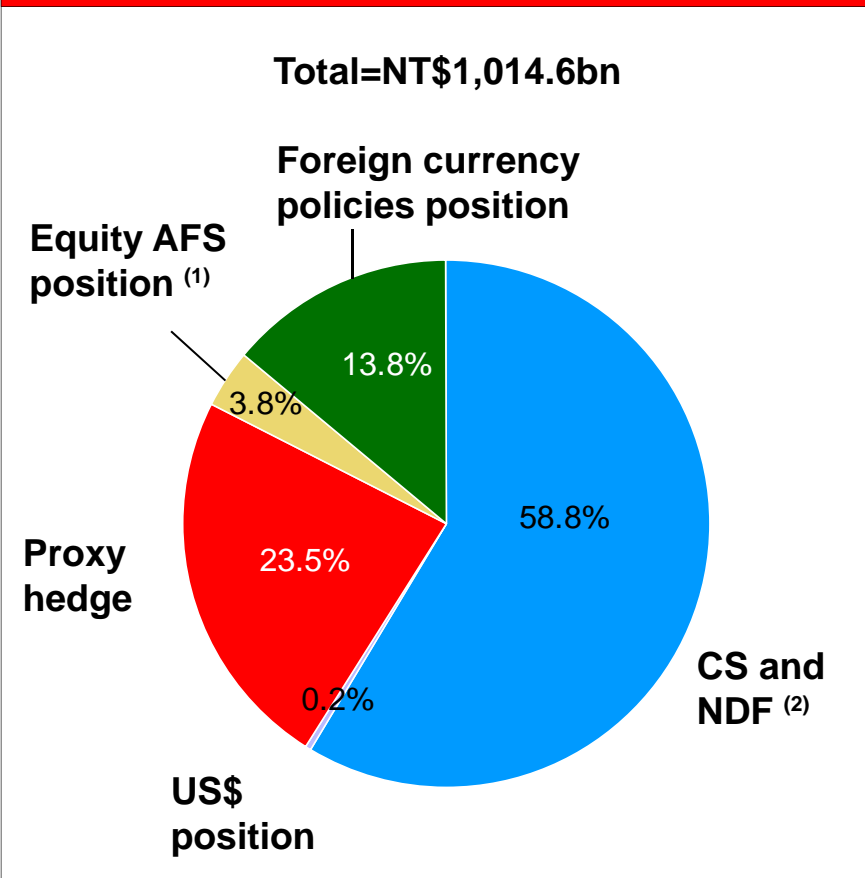
Note :

(1) Recurring yield after hedging for Q1 2014 is calculated based on the annual hedging cost of 0.37%



Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Annualized hedging cost for Q1 2015 was 1.58%
- Hedging ratio was 72.5%, including CS, NDF, and naturally-hedged foreign currency policies position. Mid- to long-term target of hedging ratio ranges from 65% to 90% under stringent risk management
- Among traditional hedges, CS and NDF accounted for 81% and 19%, respectively
- AFS⁽¹⁾ position in foreign equities accounted for 3.8% 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
- Deploy funds from NTD policies in international bonds listed in domestic OTC and funds from FX policies in foreign bonds to enhance recurring yield
- Achieve diversification and yield pick-up through overseas investments. Continue to deploy in corporate bonds with rating of A- and above to increase fixed interest 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

- Dynamically adjust FX hedging ratio. Mid- to long-term target of CS, NDF, and naturally-hedged foreign currency policies position together ranges from 65% to 90%
- Target hedging cost at 100 bps or below in the mid- to long-term

Enhance Investment Risk Management

- Consider current situations and characteristics of asset and liability to effectively manage overall investment risks through stringent SAA and TAA plans
- Enhance VAR models under risk management system to cope with changes in financial markets and strengthen risk control on equity and FX exposures

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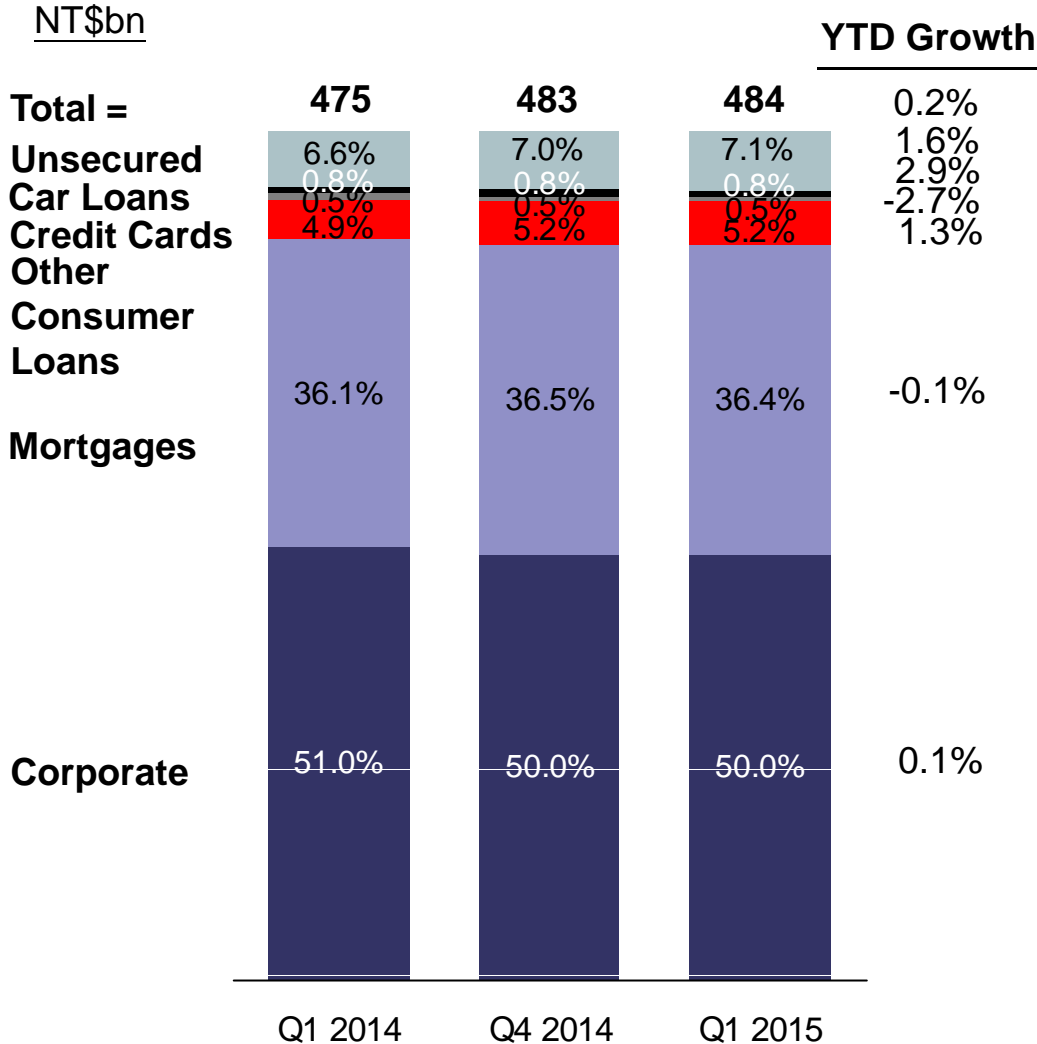
SKB – Q1 2015 Overview

- Consolidated after-tax profit for Q1 2015 reached NT\$1.22bn, up 2.4% YoY, due to net interest income increasing 6.4%.
- Fuelled by strong hedging demand and increase of number of clients, TMU income for Q1 2015 surged to NT\$316mn, up 57.2% QoQ. Number of TMU clients expected to grow 25% in 2015.
- Loan balance and deposit balance rose 0.2% and 2.4% YTD respectively, amounting to NT\$483.60bn and NT\$659.23bn; demand deposit ratio was 39.6%. From Q2 2015, growth of consumer and SME loans expected to rise gradually.
- NIS climbed 3 bps to 1.91% QoQ. NIM was 1.46%, expected to remain at similar level to 2014.
- Wealth management income for Q1 2015 was NT\$384mn. Fee income from bancassurance was NT\$221mn, NT\$82mn lower than Q1 2014. Starting from 2H 2015, SKB will actively recruit financial consultants and focus on developing clients with AUM above NT\$3mn.
- Asset quality strengthened continuously. NPL ratio decreased from 0.26% to 0.24%, and coverage ratio advanced from 486.14% to 529.76% in Q1 2015.
- Overseas profit for Q1 2015 reached NT\$501mn, up 13.6% YoY, representing 34.9% of earnings before tax.

Net Income – Q1 2015

	Q1 2014	Q1 2015	YoY Growth
NT\$mn, %			
Net interest income	2,335	2,484	6.4%
Net fee income	755	717	-5.0%
Investment income and other income	452	460	1.8%
Operating expense	-1,735	-1,885	8.6%
Pre-provision operating income	1,807	1,776	-1.7%
Provision expense	-403	-340	-15.7%
Income tax benefit (expense)	-216	-220	1.9%
Consolidated Net Income	1,188	1,217	2.4%

Loan Mix

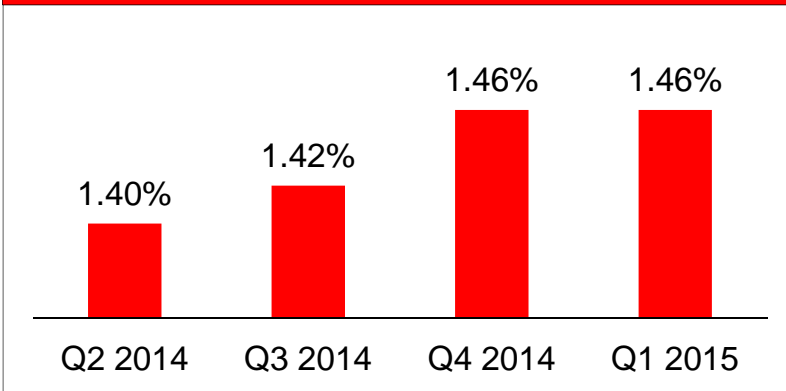


Comments

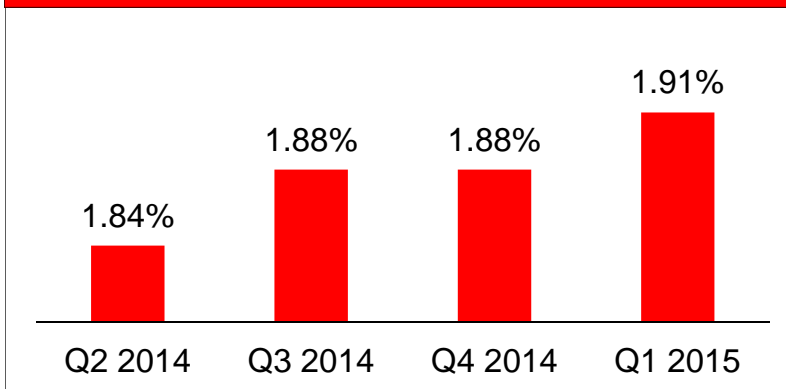
- Loan balance in Q1 2015 was NT\$483.60bn. From Q2 2015, growth of consumer and SME loans expected to rise gradually
- Due to higher required reserve for performing loans related to real estate, SKB focuses more to develop SME loans
- Credit quality of SME loans was closely monitored and mainly collateralized by credit guarantee funds, as well as movable and immovable properties. Developing SME loans also drives wealth management and TMU business

Interest Income

Net Interest Margin



Net Interest Spread

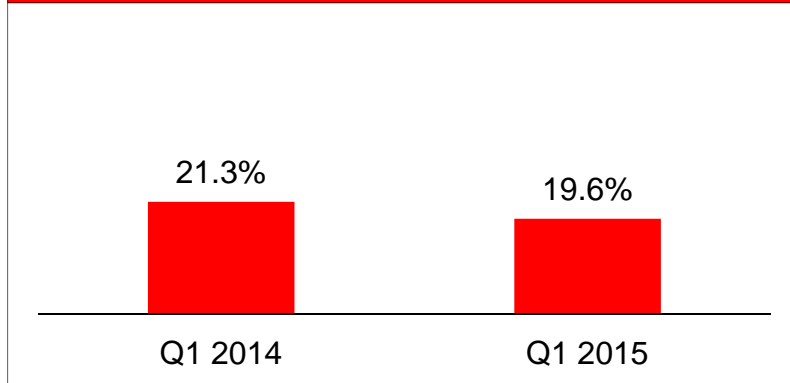


Comments

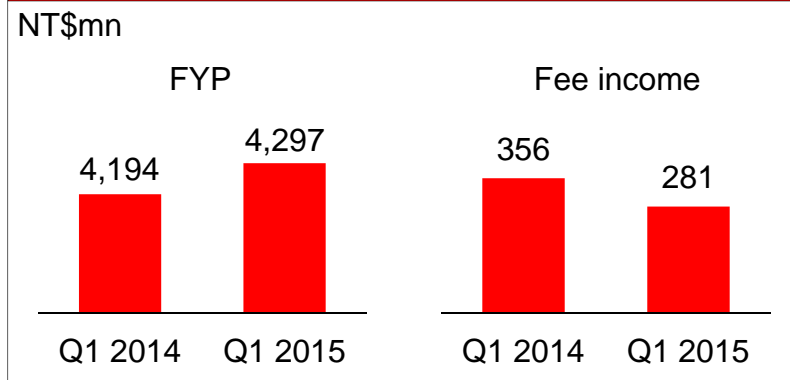
- NIS climbed 3 bps to 1.91% compared to Q4 2014
- NIM was 1.46% in Q1, expected to remain at similar level to 2014
- SKB will continue to :
 - Strengthen cash management business, increase demand deposits and lower cost of funds, and
 - Develop SME and consumer loans with stringent risk control to enhance interest income

Fee Income

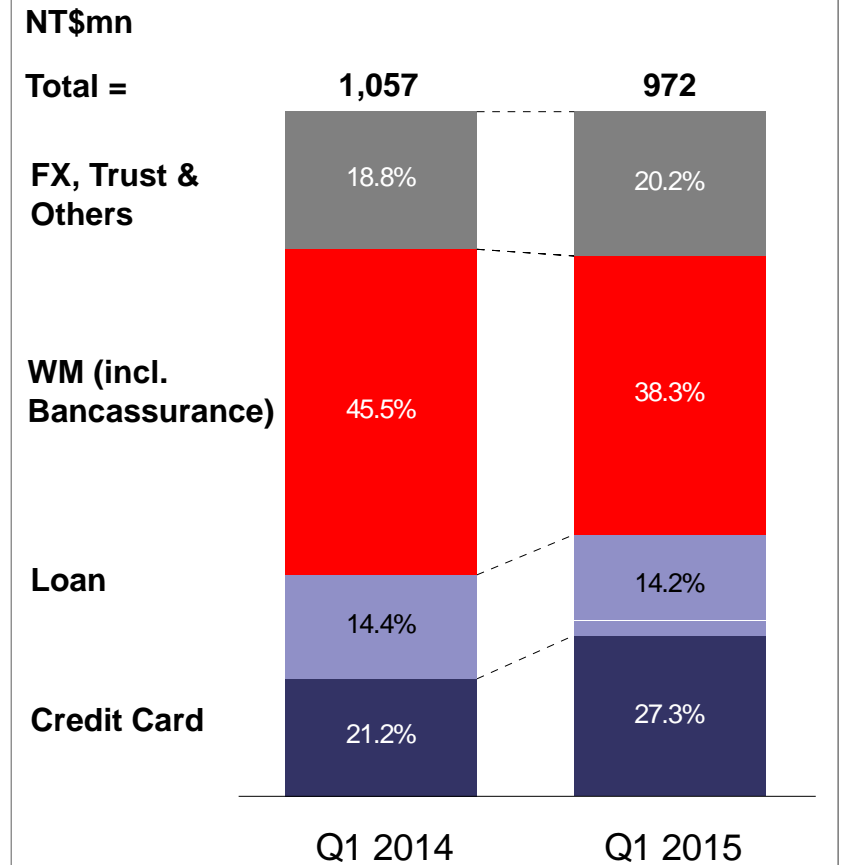
Net Fee Income / Total Income



Bancassurance (SKL)



Fee Income Breakdown

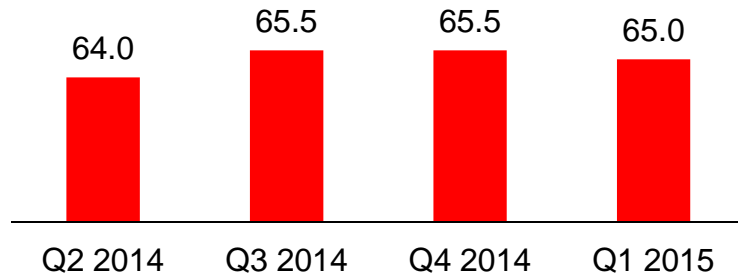


Note: Due to rounding, fee income breakdown may not add up to 100%

Wealth Management

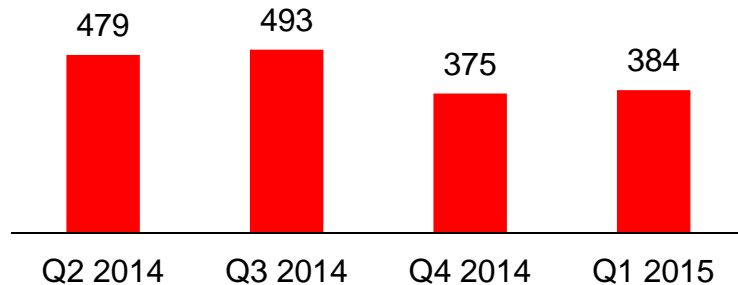
AUM

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

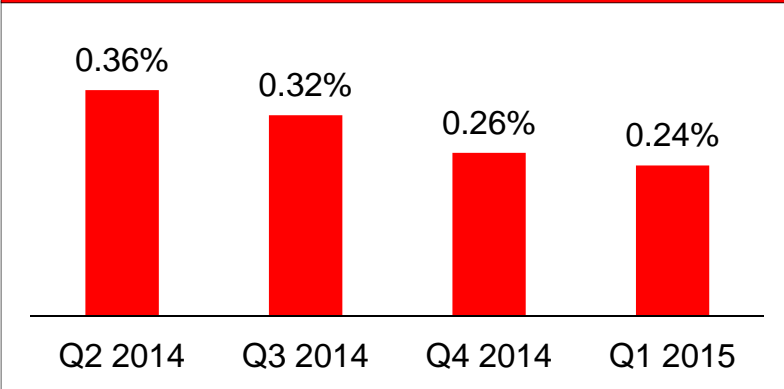
Wealth Management Center



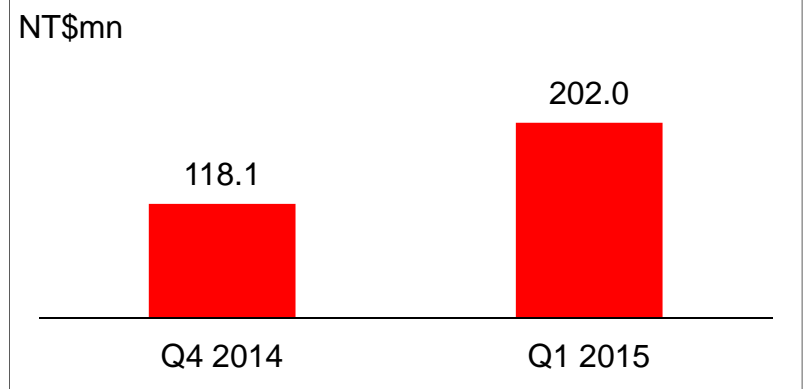
- Wealth management income for Q1 2015 was NT\$384mn, with fee income from bancassurance of NT\$221mn
- Number and quality of financial consultants expected to be elevated by recruiting sales heads, in order to provide more personalized services to clients with AUM above NT\$3mn
- To enhance fee income, Hong Kong Branch started to actively promote wealth management business in Q2 2015

Asset Quality

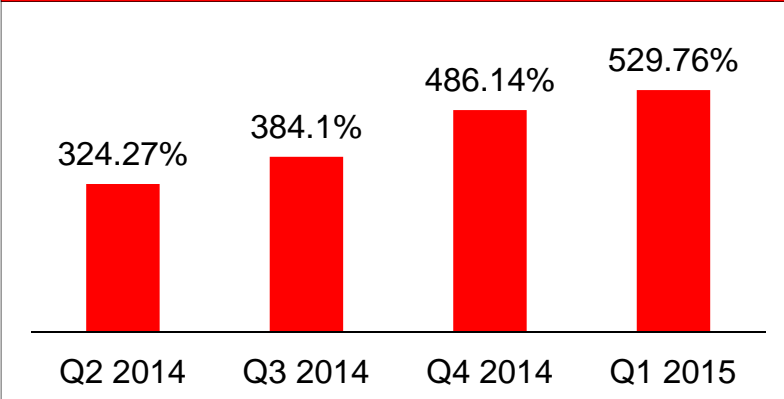
NPL Ratio



New NPL Generation



Coverage Ratio



- New NPL generated in Q1 2015 was only NT\$202mn, which was in line with expectation and mainly from smaller individual cases
- SKB wrote-off bad debt from ProMOS and Chi Mei Lighting. NPL ratio decreased from 0.26% to 0.24%, and coverage ratio advanced from 486.14% to 529.76%

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SKL - EV & AV Results

Unit: NT\$bn

	2013.12	2014.12	YoY growth
In-force business investment yield	NTD 4.21% ~ 5.10% USD 4.81%~6.09% Equivalent investment yield: 4.63%	NTD 4.08% ~ 5.10% USD 4.64%~6.09% Equivalent investment yield: 4.46%	--
Future one year's new business investment yield	NTD 4.29% ~ 5.10% USD 5.14%~6.09%	NTD 4.13% ~ 5.10% USD 4.63%~6.02%	--
Adjusted NAV	163.5	185.4	13.4%
VIF	102.1	111.7	9.4%
COC	51.3	58.7	14.4%
EV	214.3	238.4	11.2%
EV / per share (SKL / SKFH)	38.7 / 23.0	41.1 / 24.3	--
V1NB	14.6	17.8	21.9%
AV – 5 years NB	268.2	297.1	10.8%
5-year AV / per share (SKL / SKFH)	48.4 / 28.8	51.2 / 30.2	--
AV – 20 years NB	345.4	383.1	10.9%
20-year AV / per share (SKL / SKFH)	62.3 / 37.0	66.1 / 39.0	--

Note: Based on SKFH's outstanding shares of 9.83bn as of the end of 2014 (9.33bn as of the end of 2013)

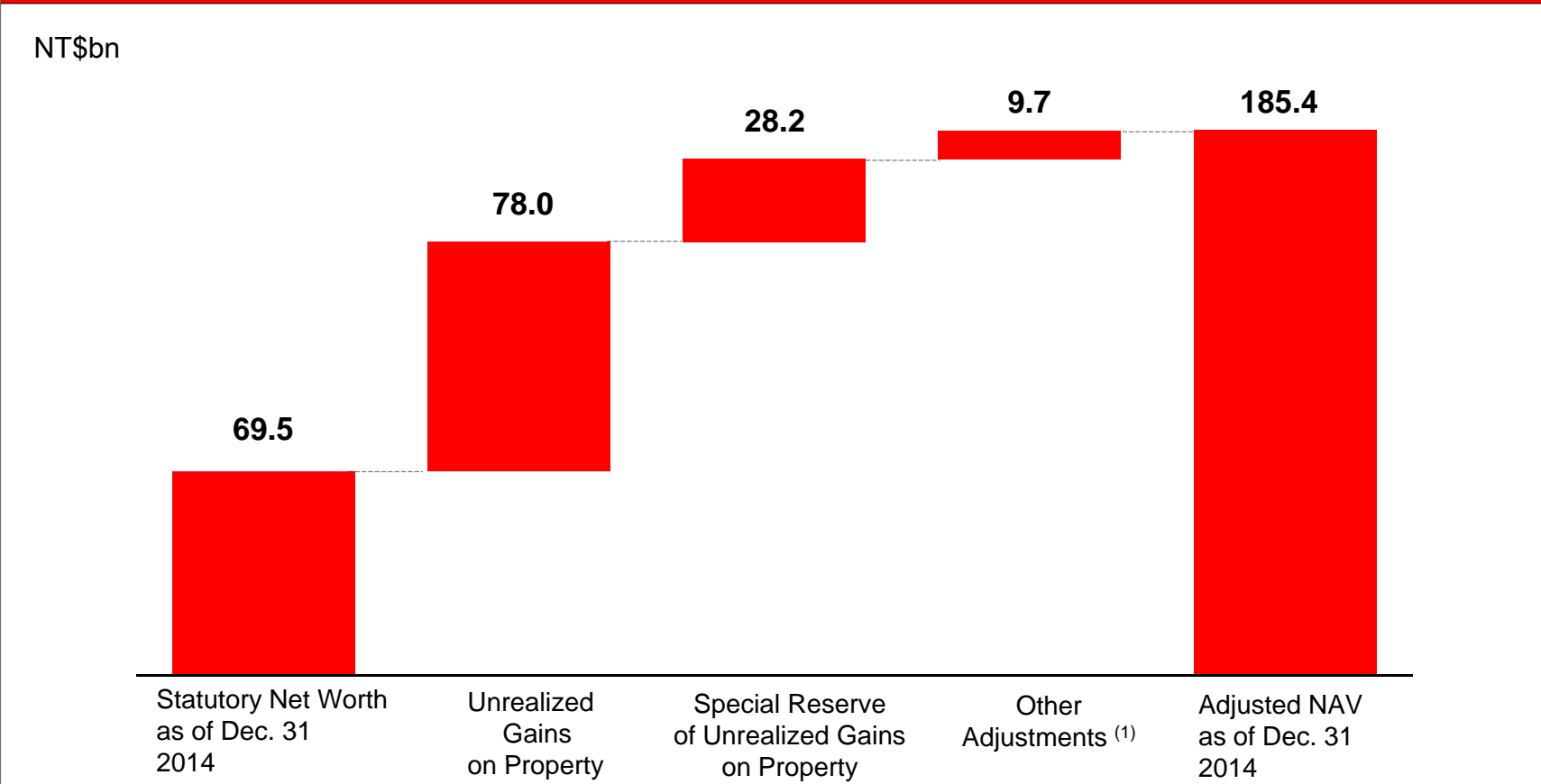
SKL - Estimate of Embedded / Appraisal Value

Unit: NT\$bn Valn Date: 31 Dec. 2014 Solvency Basis: 200% RBC K=0.5			Base Case Scenario		
	All else equal except		VIF 4.08% ~ 5.10% (USD 4.64%~6.09%) V1NB 4.13% ~ 5.10% (USD 4.63%~6.02%) RDR 10.5%	All else equal except	
	Inv Return -0.25%	Inv Return +0.25%		RDR -1.0%	RDR +1.0%
Adjusted NAV	185.4	185.4	185.4	185.4	185.4
VIF	74.9	157.6	111.7	127.4	99.1
Cost of Capital (COC)	60.8	56.9	58.7	55.0	62.1
EV after COC	199.5	286.1	238.4	257.8	222.4
V1NB after COC	16.2	19.2	17.8	20.6	15.4
AV (5 years NB)	252.4	350.0	297.1	328.0	271.6
AV (20 years NB)	329.9	443.9	383.1	440.2	337.9

Note: Figures may not add up exactly due to rounding

SKL – Adjusted NAV

Adjustments to Statutory Net Worth at 31 Dec. 2014



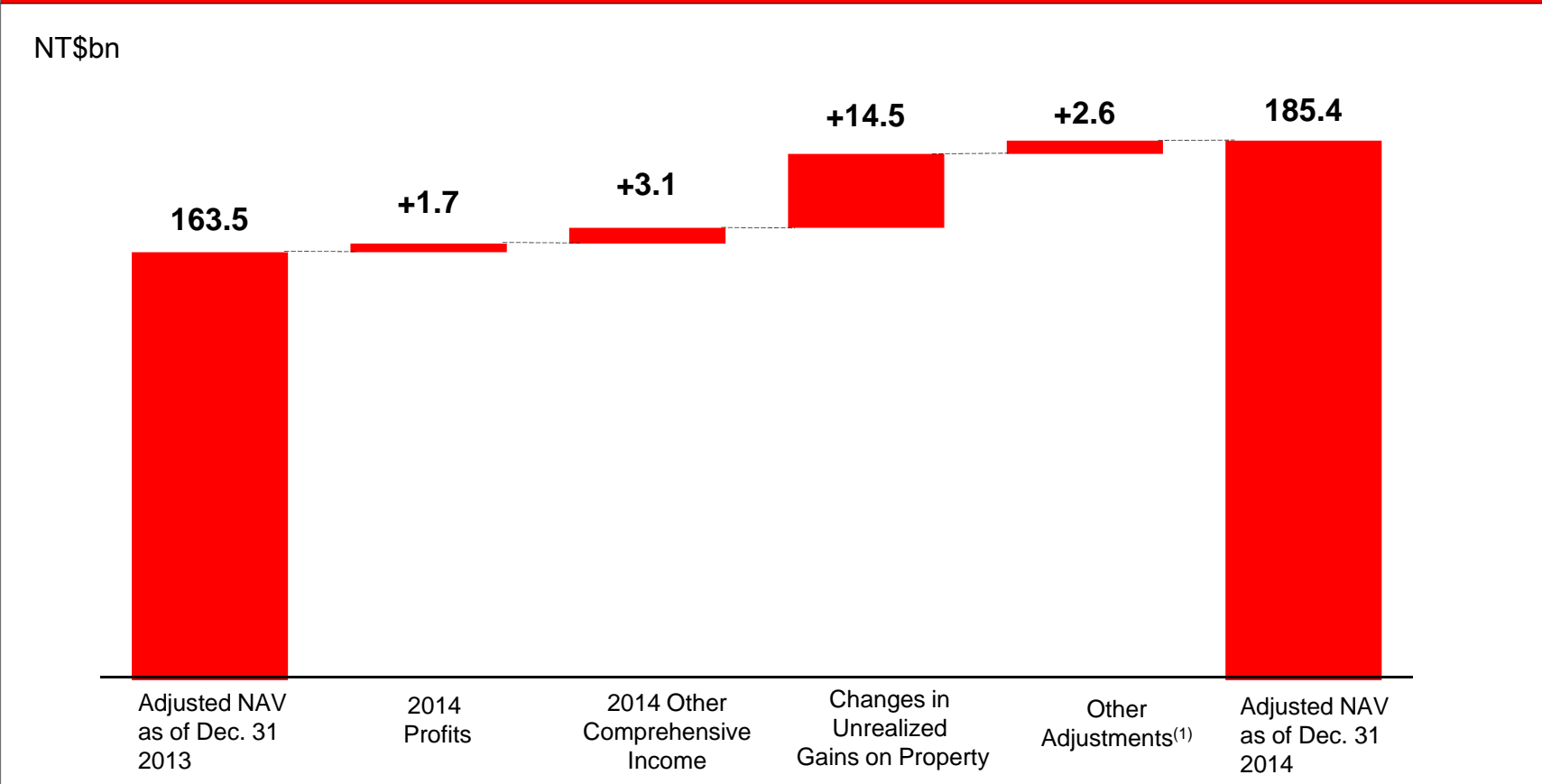
Note:

(1) Included foreign exchange volatility reserve, and other items

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

SKL – Analysis of Change in NAV

**Changes between 31 Dec. 2013 and 31 Dec. 2014
broken down by components**

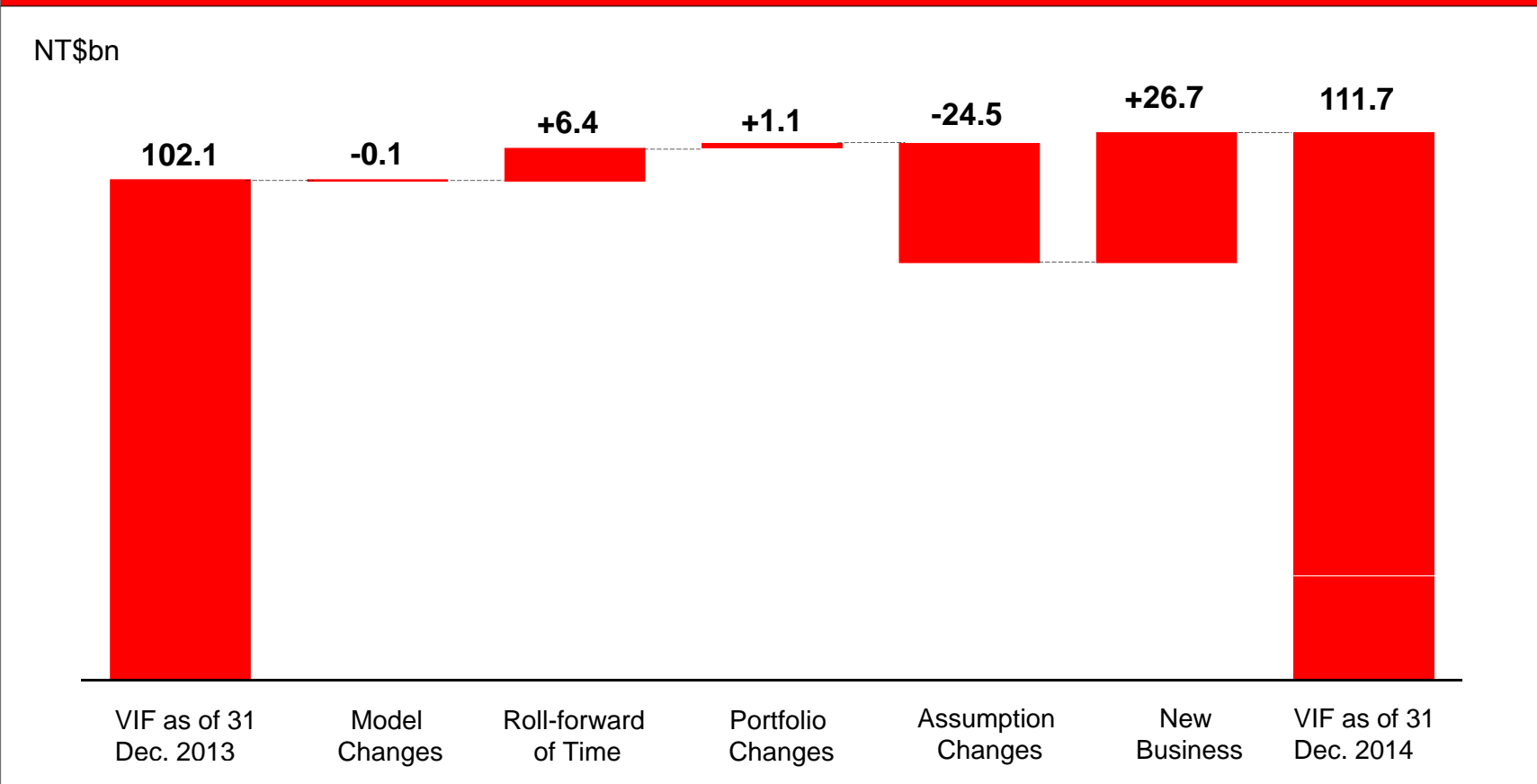


Note:

- (1) Included changes in foreign exchange volatility reserve, and other items
- (2) Figures may not add up exactly due to rounding

SKL – Analysis of Change in VIF

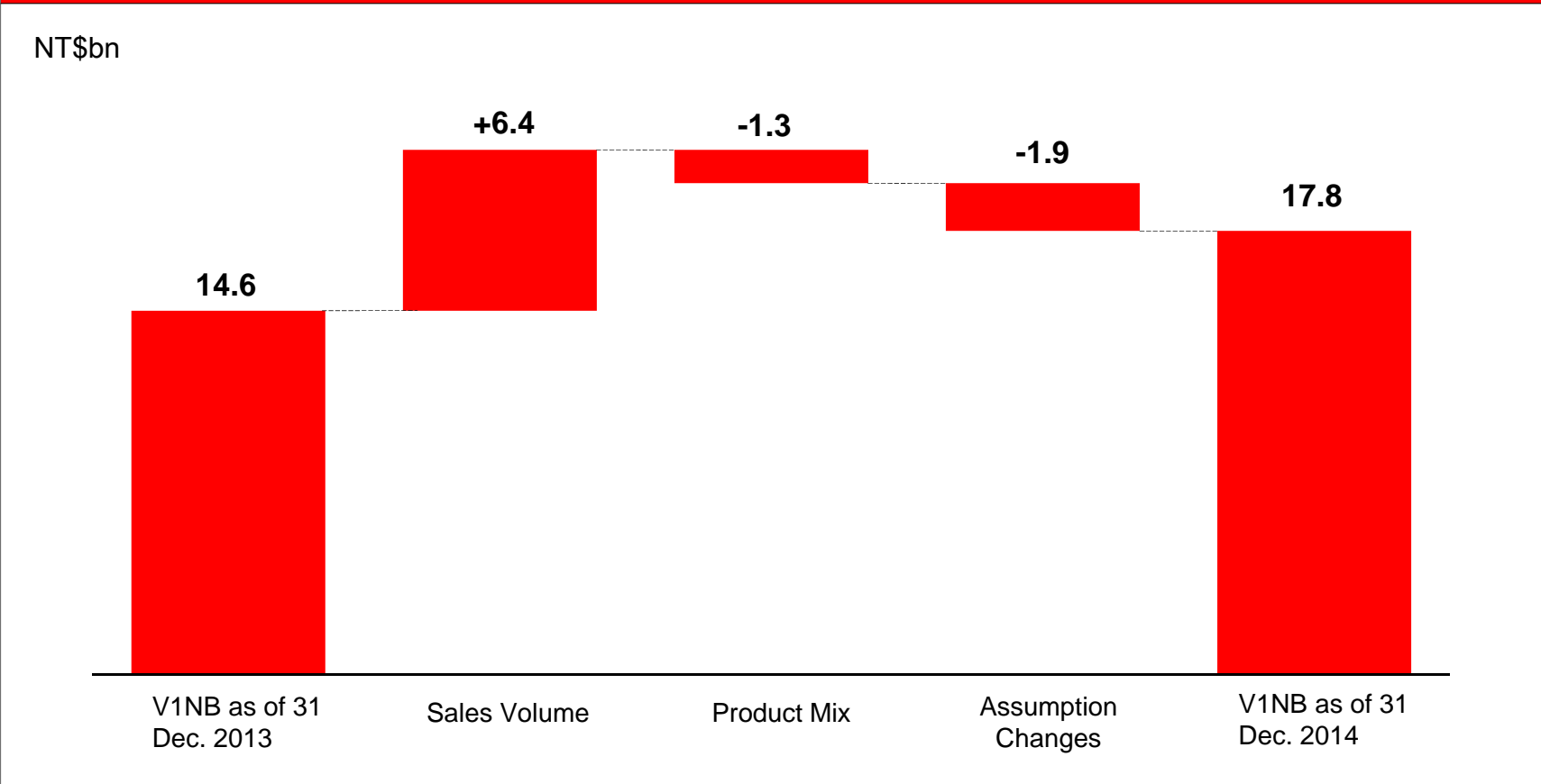
**Changes between 31 Dec. 2013 and 31 Dec. 2014
broken down by components**



Note: Figures may not add up exactly due to rounding

SKL – Analysis of Change in V1NB

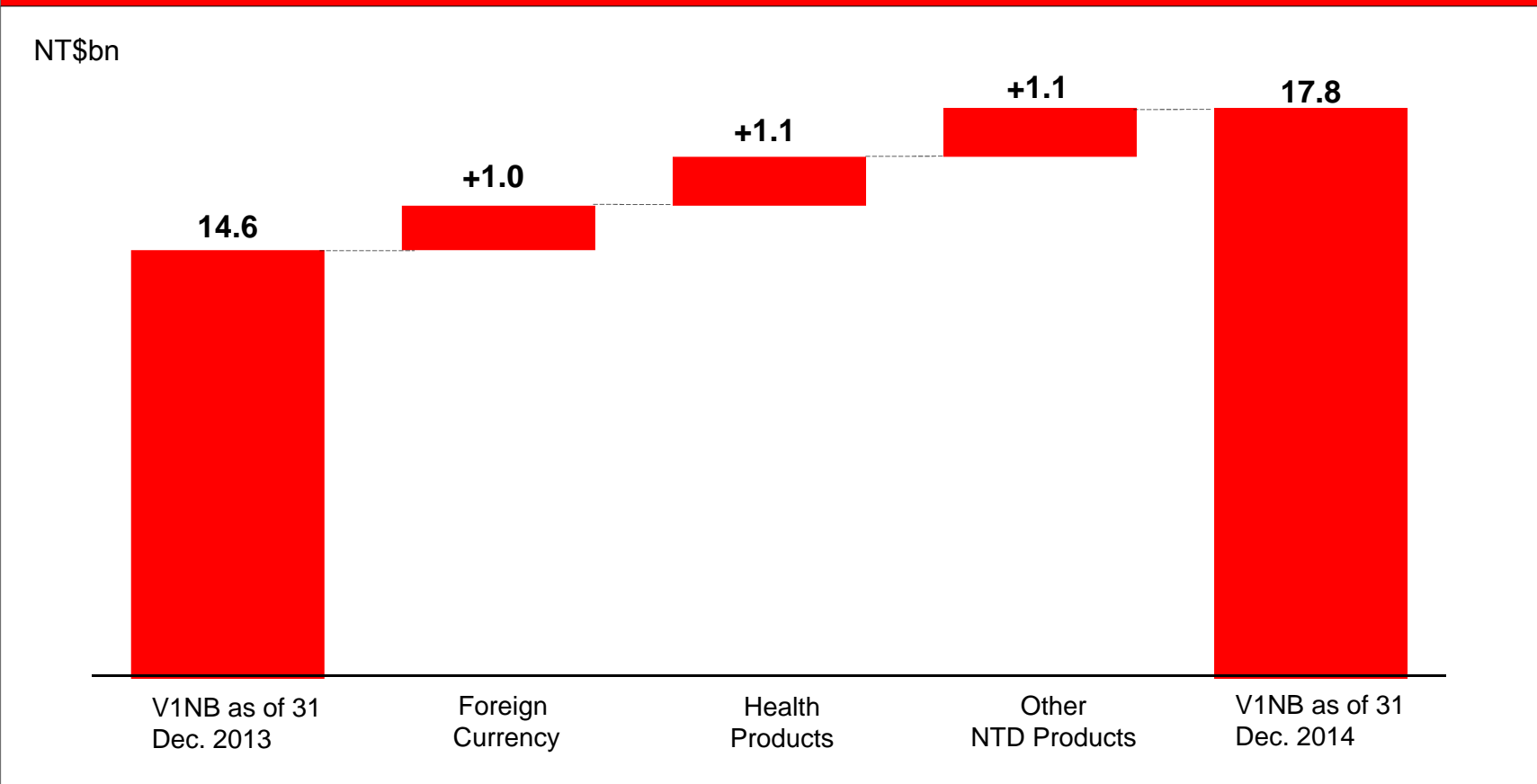
**Changes between 31 Dec. 2013 and 31 Dec. 2014
broken down by components**



Note: Figures may not add up exactly due to rounding

SKL – Analysis of Change in V1NB

**Changes between 31 Dec. 2013 and 31 Dec. 2014
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Note: Figures may not add up exactly due to rounding

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SP / RP Breakdown

NT\$bn

Q1 2015 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	20.77	5.53		26.30
Investment-linked				
VUL / VA		0.08	0.47	0.55
Structured note	0.00			0.00
Interest Sensitive				
Annuity	0.05		0.01	0.06
Life				
PA, health and others ⁽¹⁾		1.59		1.59
Total	20.82	7.21	0.48	28.51
Share	73.0%	25.3%	1.7%	100.0%

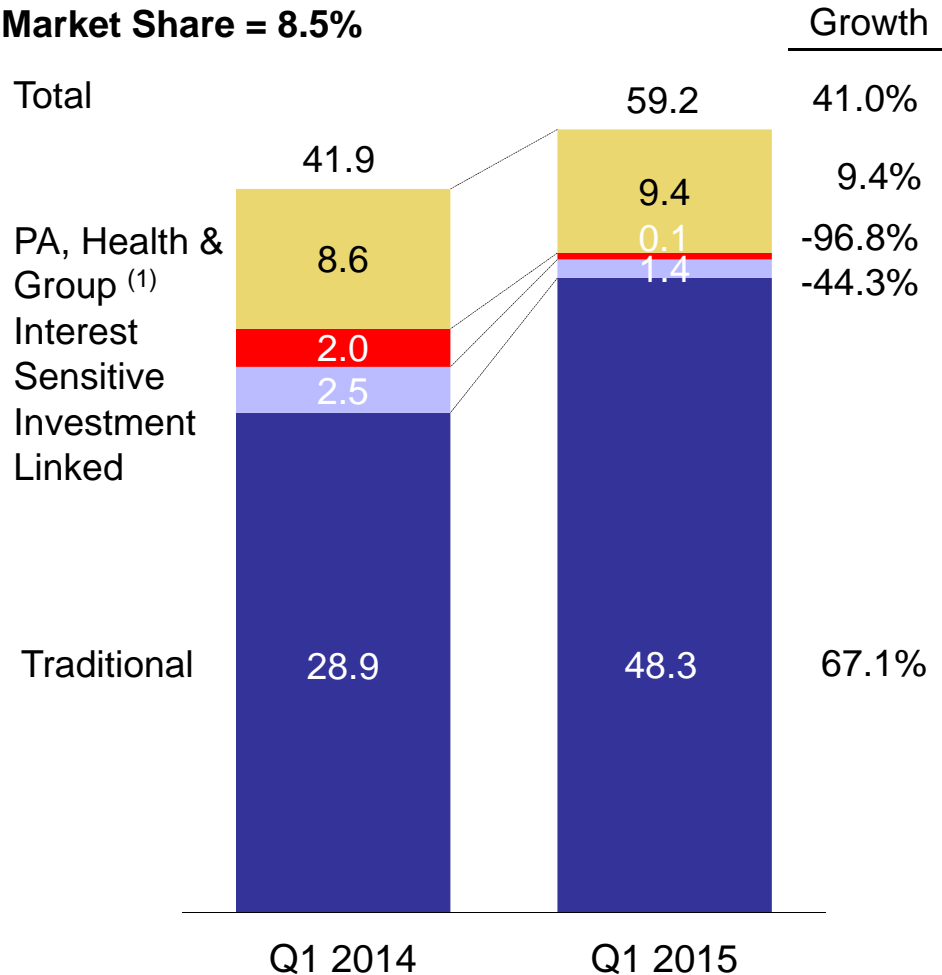
Note :

(1) Long-term disability Type A policy is classified as health insurance

Total Premium – Q1 2015

NT\$bn

Market Share = 8.5%



Comments

- Driven by FYP of traditional products up 134.7% YoY, total premium of traditional products grew 67.1% YoY and overall total premium increased 41.0% YoY
- Total investment-linked premium declined 44.3% YoY without promotion of single premium structured note products
- PA, Health & Group products grew steadily YoY due to strong sales of long-term care health insurance

Note :

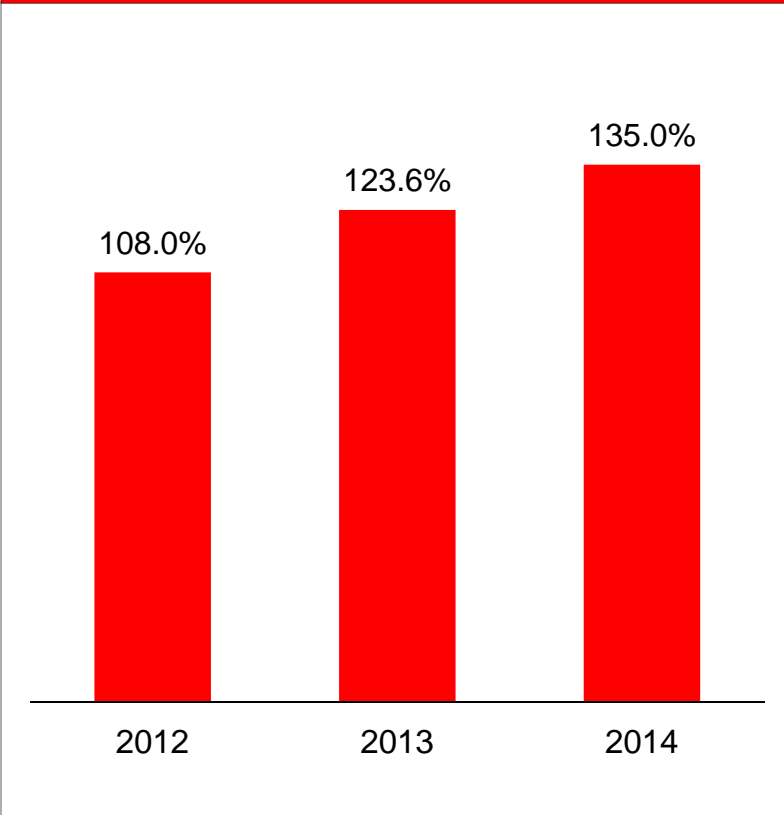
(1) Long-term disability Type A policy is classified as health insurance

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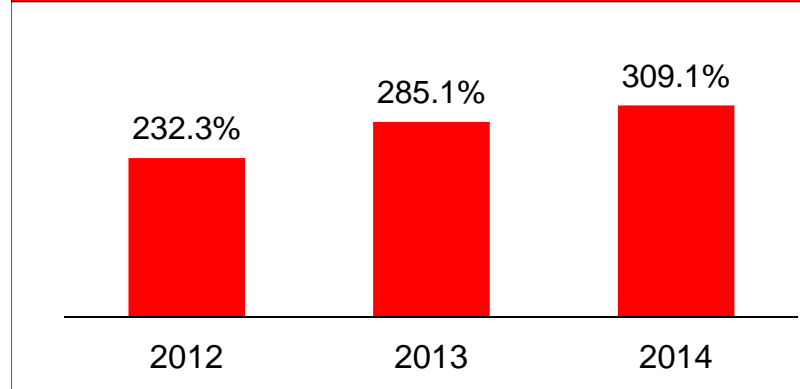
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 - **Capital Adequacy**

Capital Adequacy

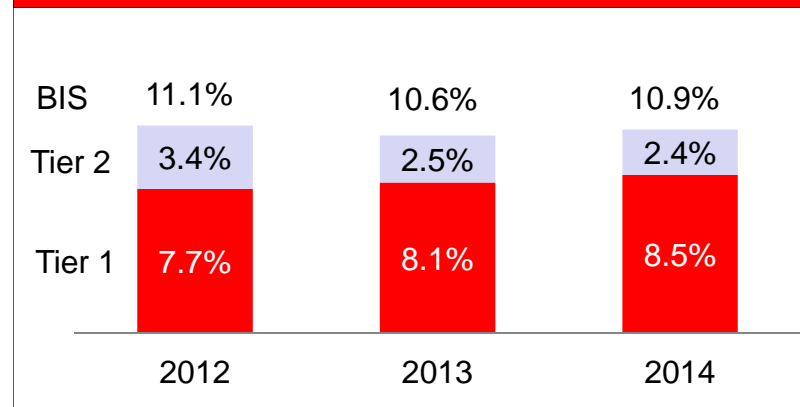
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Shin Kong Financial Holding

Financial Summary

(NT\$mn)

Income Statement Data	2013	2014	2014/2013		Q1 14/Q1 15	
			% change	Q1 2014	Q1 2015	% change
Net interest income	(90)	(185)	106.5%	(40)	(58)	44.5%
Income from subsidiaries						
Shin Kong Life	6,525	1,695	-74.0%	(76)	2,047	-2793.8%
Shin Kong Bank	4,062	5,159	27.0%	1,188	1,217	2.4%
MasterLink Securities	273	483	76.7%	104	112	7.9%
Shin Kong Investment Trust	29	21	-27.4%	8	2	-68.6%
Shin Kong Venture Capital International	12	(82)	-777.3%	(5)	7	-247.6%
Shin Kong Property Insurance Agency	0	40	16069.6%	8	12	61.0%
Total income from subsidiaries	10,898	7,316	-32.9%	1,228	3,398	176.8%
Other income	104	28	-73.6%	(26)	8	-130.3%
Administrative and general expenses	(272)	(268)	-1.6%	(58)	(57)	-1.6%
Income tax benefit (expense)	(654)	(0)	-99.9%	59	68	14.2%
Cumulative effect of changes in accounting principle	0	0		0	0	
Net income	9,986	6,890	-31.0%	1,163	3,359	188.8%
Other comprehensive income (loss), after tax	2,080	3,241	55.8%	(1,573)	4,058	-358.0%
Total comprehensive income (loss)	12,067	10,132	-16.0%	(410)	7,416	-1910.5%

Balance Sheet Data	2013	2014	2014/2013		Q1 14/Q1 15	
			% change	Q1 2014	Q1 2015	% change
Long term investment	110,233	121,034	9.8%	109,351	127,975	17.0%
Total assets	2,535,233	2,797,837	10.4%	2,608,110	2,809,234	7.7%
Shareholders' equity (excl. minority)	100,948	110,852	9.8%	100,537	118,267	17.6%

Note:

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

Shin Kong Bank
Financial Summary
(NT\$m)

Income Statement Data			2014/2013		Q4 14/Q4 13	
	2013	2014	% change	Q1 2014	Q1 2015	% change
Interest income	13,500	15,410	14.1%	3,716	3,913	5.3%
Interest expense	(5,102)	(5,692)	11.6%	(1,381)	(1,428)	3.4%
Net interest income	8,398	9,717	15.7%	2,335	2,484	6.4%
Fee income	3,754	4,051	7.9%	1,057	972	-8.1%
Fee expense	(1,037)	(1,013)	-2.3%	(303)	(254)	-15.9%
Net fee income	2,716	3,038	11.8%	755	717	-5.0%
Gains on bill & securities	843	1,379	63.7%	235	272	15.7%
Gains on foreign exchange, net	304	443	45.8%	251	141	-43.6%
Other gains or losses, net	180	638	254.2%	(33)	47	-239.1%
Operating expense	(6,526)	(7,233)	10.8%	(1,735)	(1,885)	8.6%
Pre-provision income or loss	5,915	7,983	35.0%	1,807	1,776	-1.7%
Provision expense	(1,167)	(1,892)	62.2%	(403)	(340)	-15.7%
Income tax (expense) benefit	(686)	(931)	35.6%	(216)	(220)	1.9%
Net income	4,062	5,159	27.0%	1,188	1,217	2.4%
Other comprehensive income (loss)						
Exchange differences on translation of foreign operations financial statements	7	89	1167.9%	8	4	-49.2%
Unrealized gains (losses) on available-for-sale financial assets	(345)	84	-124.4%	(69)	339	-593.1%
Actuarial gains and losses on defined benefit plans	(193)	(153)	-20.6%	0	0	
Income tax relating to components of other comprehensive income	32	26	-19.5%	0	0	
Other comprehensive income (loss), after tax	(498)	46	-109.2%	(60)	343	-668.1%
Total comprehensive income (loss)	3,563	5,205	46.1%	1,128	1,560	38.3%

Balance Sheet Data			2014/2013		Q4 14/Q4 13	
	2013	2014	% change	Q1 2014	Q1 2015	% change
Total assets	693,244	759,912	9.6%	738,609	755,849	2.3%
Total shareholders' equity	36,630	41,335	12.8%	37,258	42,395	13.8%
Total loans, net ⁽¹⁾	444,642	475,282	6.9%	468,553	476,213	1.6%
Total deposits	614,517	643,680	4.7%	642,765	659,227	2.6%

Operating Metrics				
	2013	2014	Q1 2014	Q1 2015
Fee income ratio	21.8%	20.0%	21.3%	19.6%
Cost income ratio	52.0%	47.1%	48.6%	51.1%
Loan/deposit ratio (excl. credit card)	72.3%	73.8%	72.8%	72.2%
Loan/deposit ratio (incl. credit card)	72.7%	74.2%	73.2%	72.5%
Net interest margin	1.40%	1.43%	1.44%	1.46%
Net interest spread	1.80%	1.85%	1.80%	1.91%
Pre-provision earnings/assets	0.89%	1.10%	0.25%	0.23%
Pre-provision earnings/equity	17.35%	20.48%	4.89%	4.24%

Note:

(1) Excludes credit cards but include overdue receivables.

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