



SKFH

Q2 2018 Results Update

2018/8/30

Disclaimer

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Figures of 1H 2017 and 1H 2018 in this presentation and the presentation materials distributed herewith are audited numbers.

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- Capital Adequacy

SKFH – 1H 2018 Overview

- SKFH recorded consolidated after-tax profit of NT\$16.71bn for 1H 2018; profit attributable to SKFH was NT\$16.17bn. EPS was NT\$1.54. Consolidated shareholders' equity increased 8.7% YTD to NT\$169.56bn, and book value per share was NT\$13.98.
- Subsidiaries' core business remained robust.
 - SKL:
 - ◆ Consolidated after-tax profit was NT\$14.27bn for 1H 2018, driven by solid investment income and lowered cost of liabilities. Shareholders' equity amounted to NT\$99.85bn, 10.0% higher YTD.
 - ◆ FYP was NT\$55.29bn, representing market share of 7.8%. Annualized cost of liabilities declined 4 bps QoQ to 4.16%.
 - ◆ Annualized investment return and recurring yield before hedging for 1H 2018 were 4.57% and 3.57%, respectively.
 - SKB:
 - ◆ Consolidated after-tax profit was NT\$2.55bn for 1H 2018, up 29.4% YoY.
 - ◆ NIM was 1.57% and NIS was 1.98%, both higher than previous quarter.
 - ◆ NPL ratio and coverage ratio were 0.24% and 562.33%, respectively, better than industry average.
- SKFH approved by competent authorities to acquire MasterLink Securities Corp. as wholly-owned subsidiary through issuance of new shares and share swap. Share swap effective date is set as October 1, 2018.

Financial Highlights – 1H 2018

	1H 2017	1H 2018	YoY Growth
NT\$m (except per share data), %			
Consolidated net income	1,813	16,712	821.9%
Consolidated comprehensive income	13,874	-8,723	-
First year premium (Insurance)	57,842	55,286	-4.4%
Loans (Bank)	518,648	549,087	5.9%
Consolidated total assets	3,262,830	3,576,476	9.6%
Shareholders' equity ⁽¹⁾	133,075	154,188	15.9%
Consolidated ROA (unannualized)	0.06%	0.48%	
Consolidated ROE (unannualized)	1.28%	10.27%	
Earnings per share ⁽²⁾	0.15	1.54	

Note:

(1) Consolidated shareholders' equity 1H 2017 and 1H 2018 were NT\$147,444mn and NT\$169,556mn, respectively

(2) The after-tax earnings per share (EPS) in 1H 2017 and 1H 2018 would be NT\$0.03 and NT\$1.63, respectively, if the foreign exchange valuation reserve mechanism were not adopted

(3) Audited numbers

Net Income – 1H 2018

Net income contribution

NT\$bn

Subsidiaries	1H 2017	1H 2018	YoY Growth
Shin Kong Life	-0.39	14.24	-
Shin Kong Bank	1.97	2.55	29.4%
Shin Kong Investment Trust	0.02	0.01	-31.3%
Shin Kong Venture Capital International	0.03	0.03	-3.6%
Shin Kong Property Insurance Agency	0.03	0.03	2.7%
Others ⁽¹⁾	-0.15	-0.69	-
Net income ⁽²⁾	1.51	16.17	972.3%

Note:

- (1) Includes other income of SKFH, income taxes, and profit from MasterLink Securities
- (2) Net income attributable to SKFH
- (3) Audited numbers

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SKL – 1H 2018 Overview

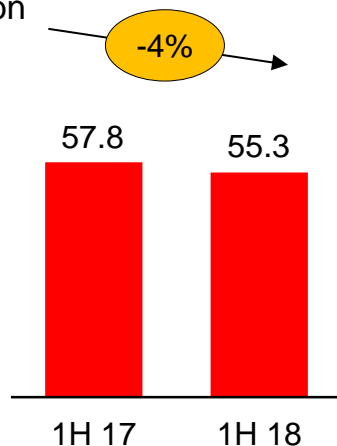
- SKL posted consolidated after-tax profit of NT\$14.27bn for 1H 2018 with solid investment income and lowered cost of liabilities. Shareholders' equity was NT\$99.85bn, up 10.0% YTD.
- FYP for Q2 2018 was NT\$28.56bn, 6.8% higher QoQ. FYP for 1H 2018 reached NT\$55.29bn, representing market share of 7.8%.
- FX policies and protection products remain marketing focus for the year. FYP of FX polices for 1H 2018 grew 24.6% YoY to NT\$32.02bn, and sales of protection products grew 29.0% YoY to NT\$2.51bn.
- Annualized cost of liabilities decreased 4 bps QoQ from 4.20% to 4.16%.
- Annualized investment return for 1H 2018 reached 4.57%, and recurring yield before hedging was 3.57%.
- With increased exposure to high-dividend yield stocks, domestic and foreign cash dividend income expected to reach NT\$12.5bn for 2018, NT\$2.0bn higher YoY.

Financial Highlights – 1H 2018

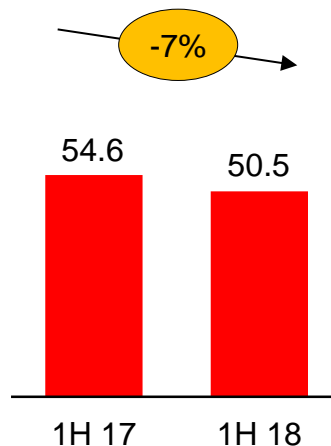
	1H 2017	1H 2018	YoY Growth
NT\$mn, %			
First year premium	57,842	55,286	-4.4%
Total premium	142,850	145,601	1.9%
Investment income	37,970	56,403	48.5%
Consolidated net income	-368	14,266	-
Consolidated total assets	2,414,077	2,656,621	10.0%
Consolidated total shareholders' equity	85,586	99,851	16.7%
ROE (unannualized)	-0.46%	14.97%	
ROA (unannualized)	-0.02%	0.55%	

First Year Premium – 1H 2018

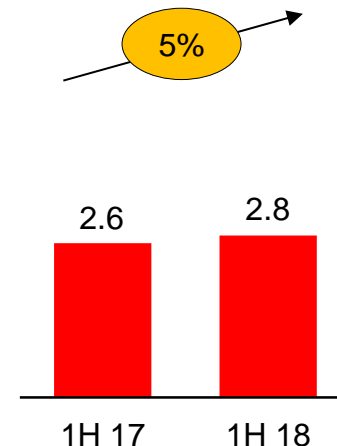
NT\$bn



Traditional (1)



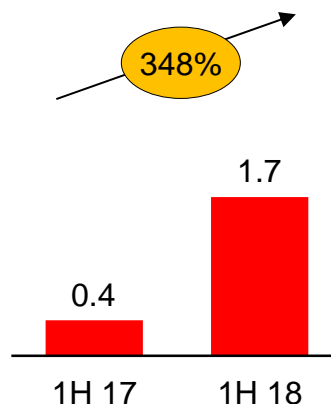
PA, Health and Group (2)



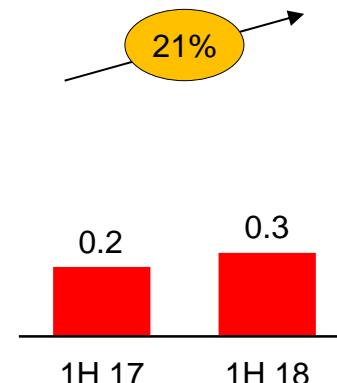
Comments

- FYP for 1H 2018 decreased 4.4% YoY to NT\$55.29bn, representing market share of 7.8%
- FX policies remained strategic focus, growing 24.6% YoY to NT\$32.02bn and accounting for 57.9% of total FYP
- Traditional products contributed 91.4% of total FYP, driving down annualized cost of liabilities by 7 bps YTD to 4.16%. Recurring yield before hedging expected to cover cost of liabilities in 2018
- FX policies and protection products to be actively promoted for ALM matching and VNB growth

Investment-linked



Interest-sensitive



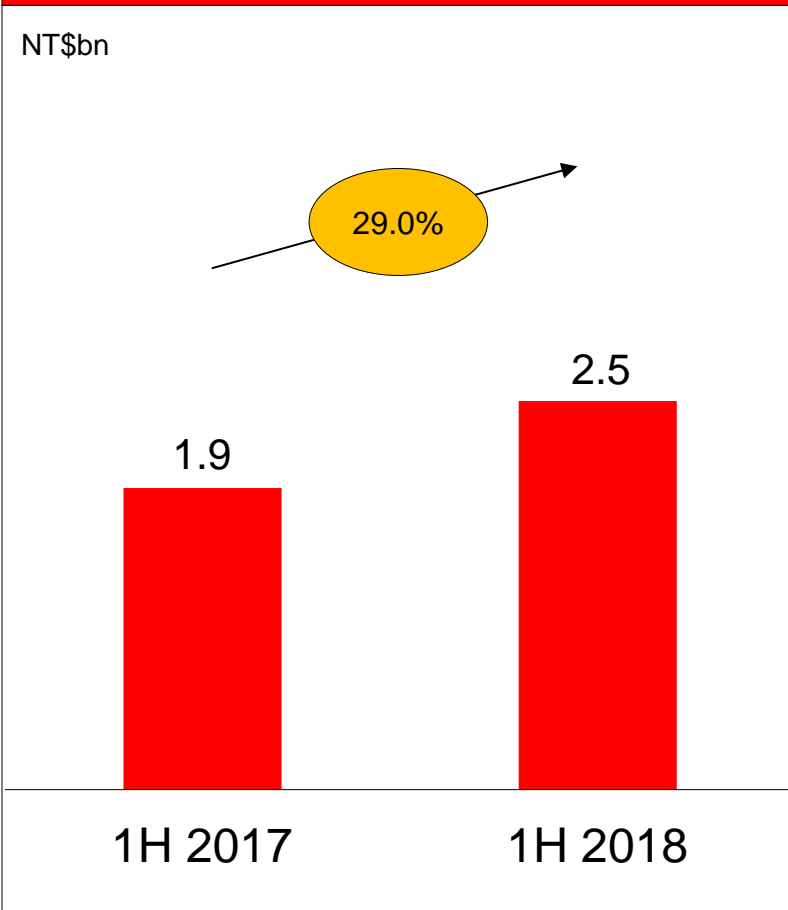
Note:

(1) Includes interest-sensitive life insurance

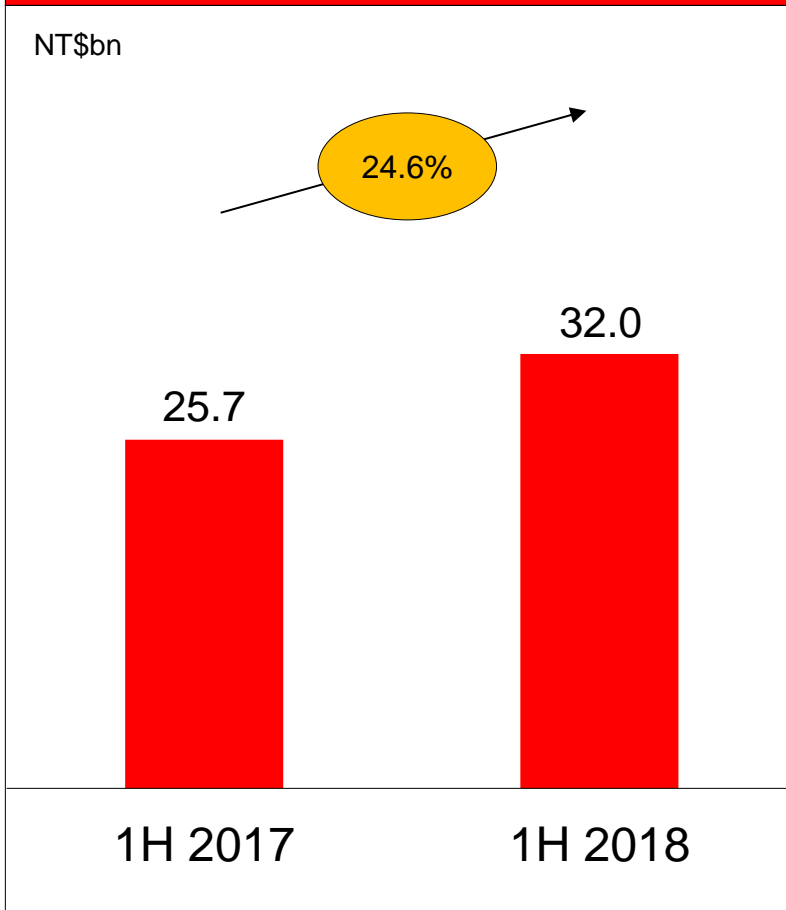
(2) Long-term disability Type A policies are classified as health insurance

Continued Growth in Focus Products

FYP of Protection Products ⁽¹⁾



FYP of FX Policies

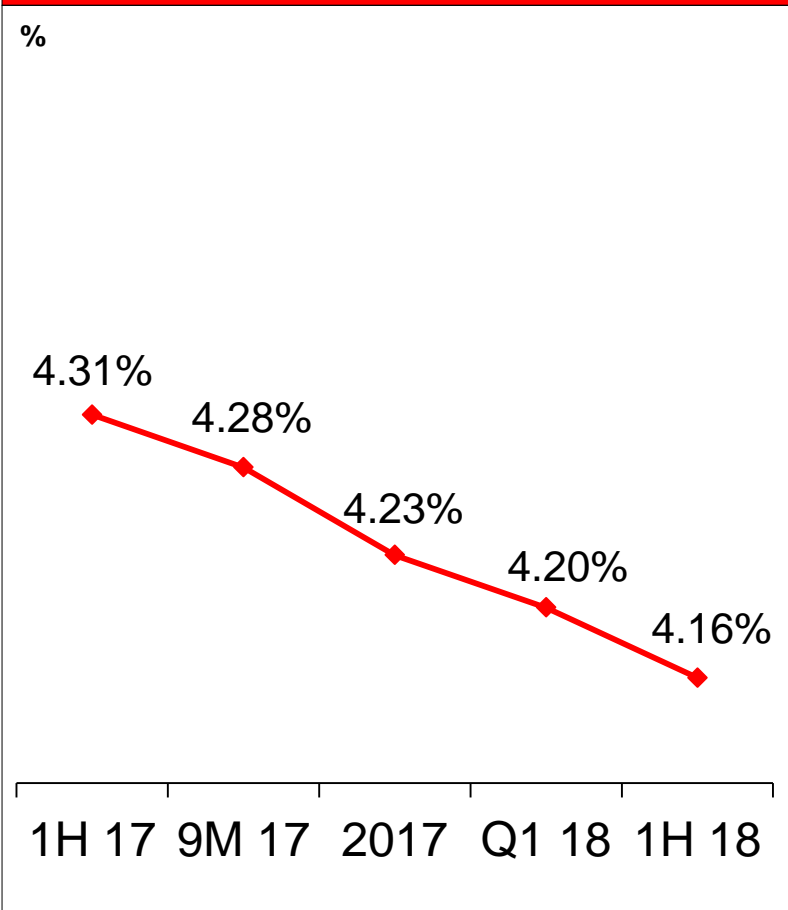


Note:

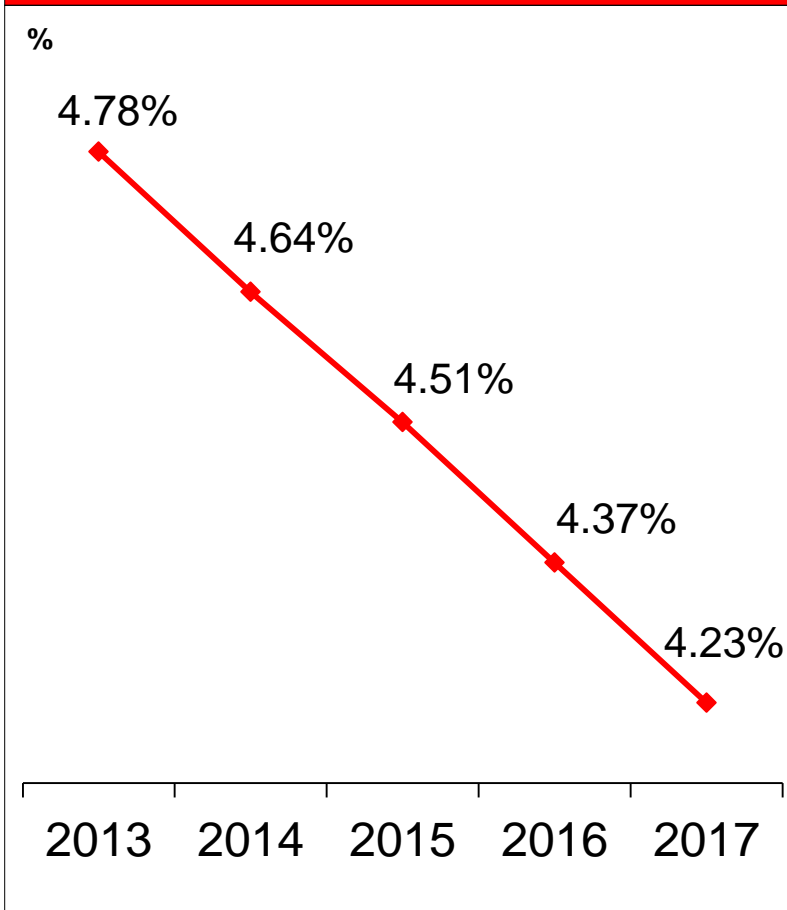
(1) Includes whole life insurance, accident insurance, health insurance and riders

Cost of Liabilities

Cost of Liabilities (quarterly)

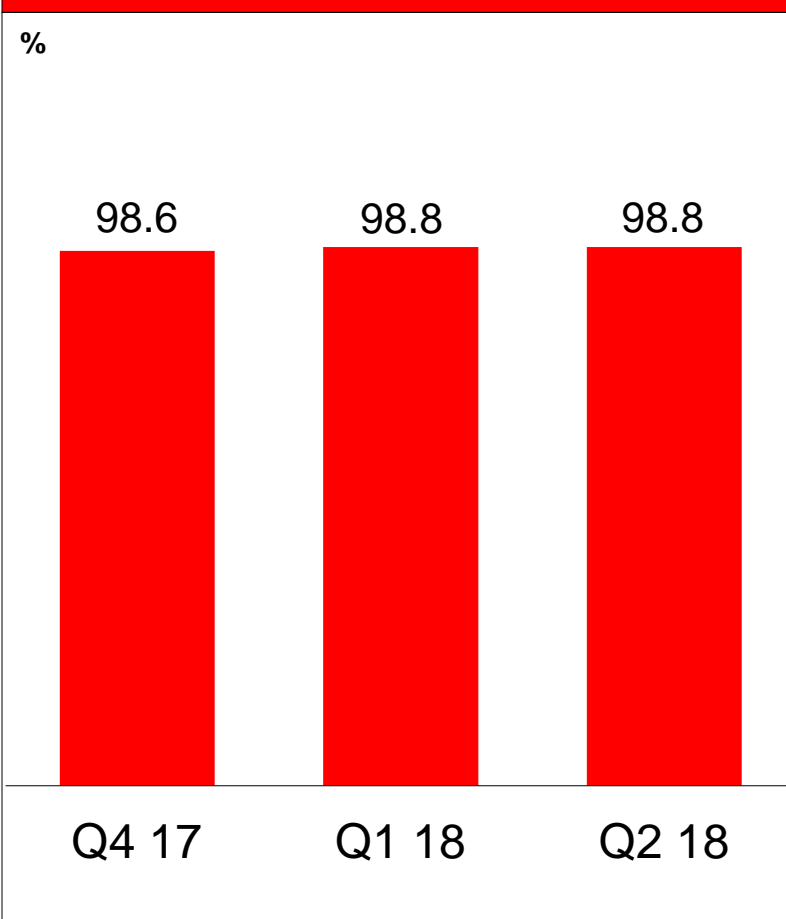


Cost of Liabilities (annual)

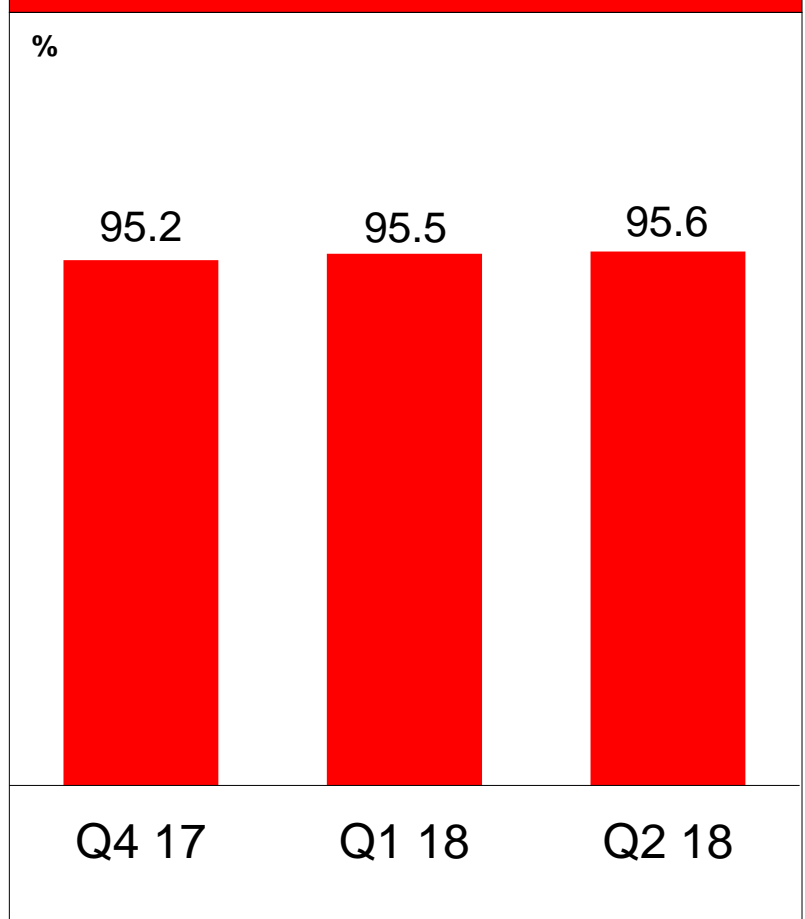


Persistency Ratio

13 Month Persistency

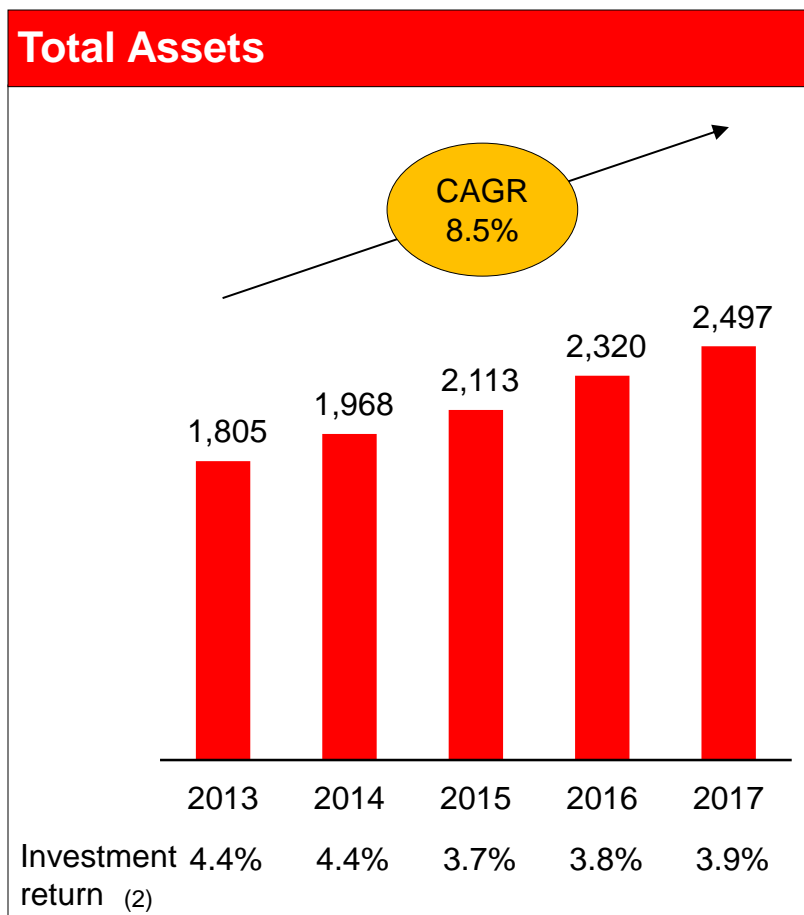


25 Month Persistency



Investment Portfolio

NT\$bn

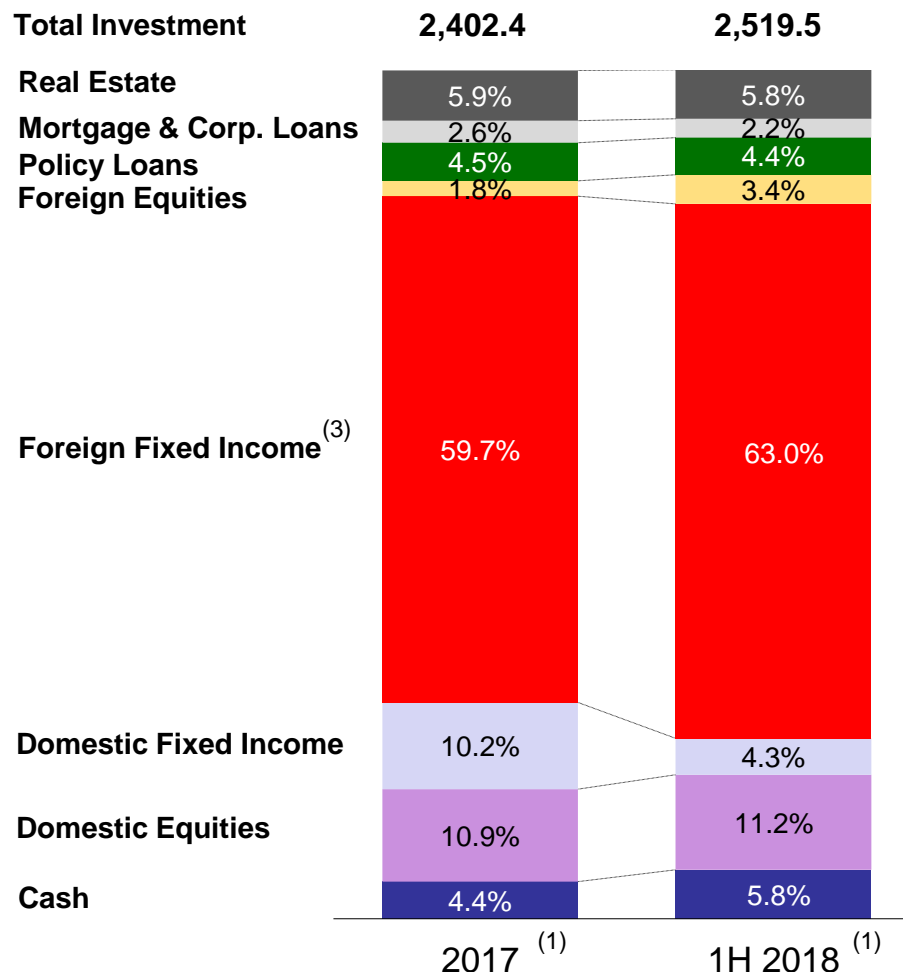


Note:

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

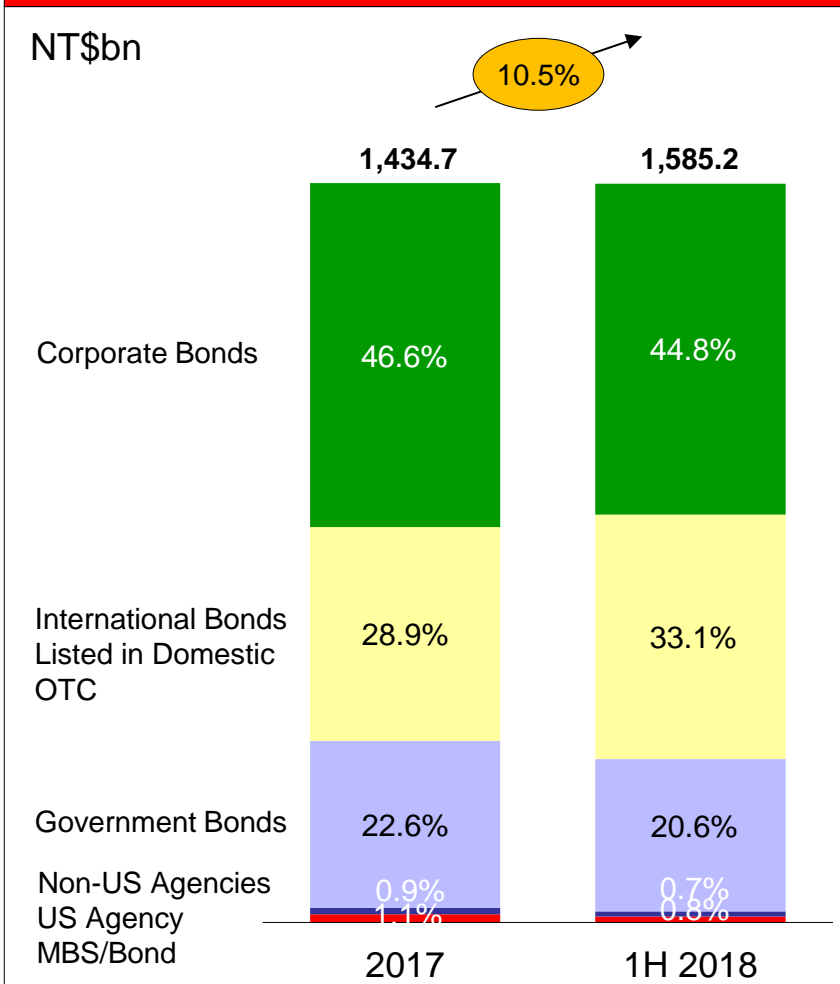
(2) Includes capital gains and FX hedging cost

(3) Includes international bonds listed in domestic OTC

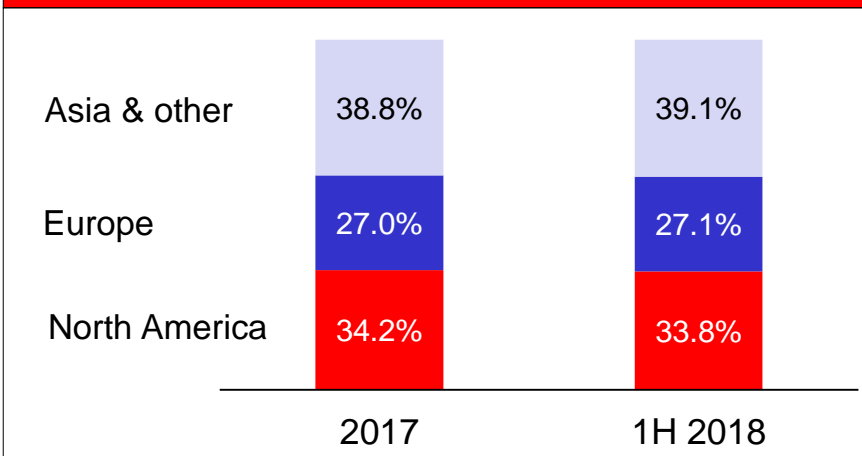


Overseas Fixed Income

Overseas Fixed Income Portfolio



Overseas Fixed Income by Region



Comments

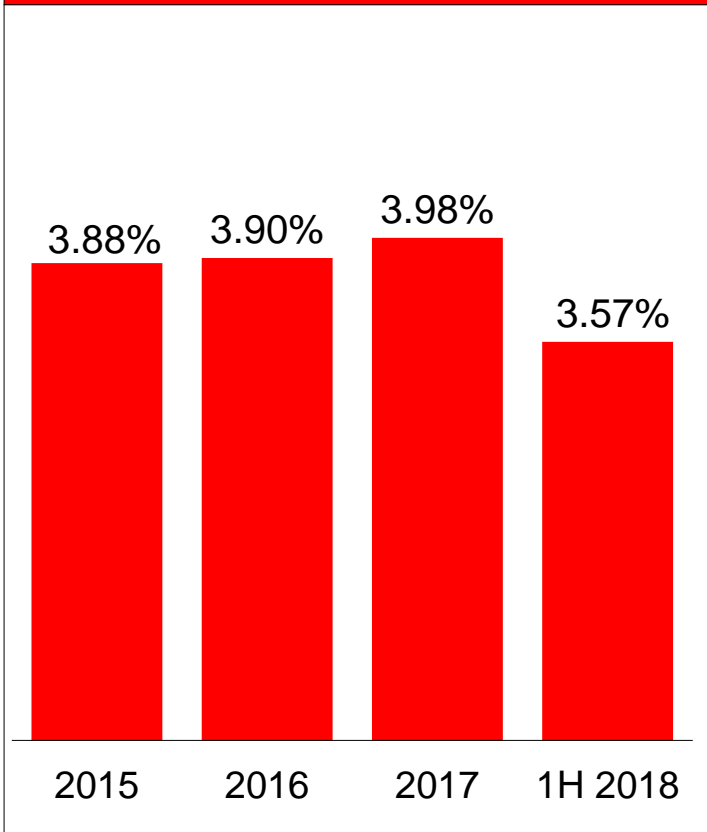
- Overseas fixed income position grew 10.5% YTD, mainly deployed in corporate bonds and international bonds listed in domestic OTC
- Average yield before hedging of overseas fixed incomes was around 4.7% for 1H 2018; new money yield was 40 bps higher QoQ
- SKL holds corporate bonds with stable credit quality across sectors, including communication, consumer, utilities and financials

Note:

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

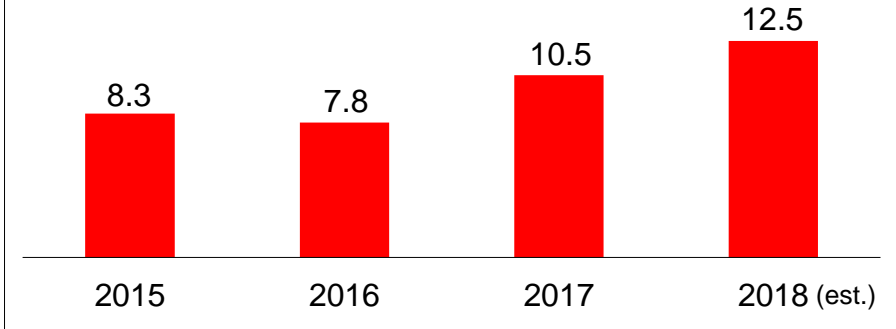
Recurring Income

Recurring Yield Before Hedging



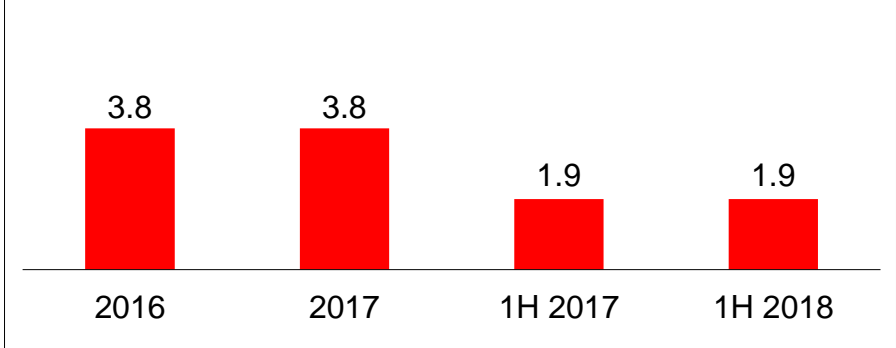
Domestic and Foreign Cash Dividend

NT\$bn



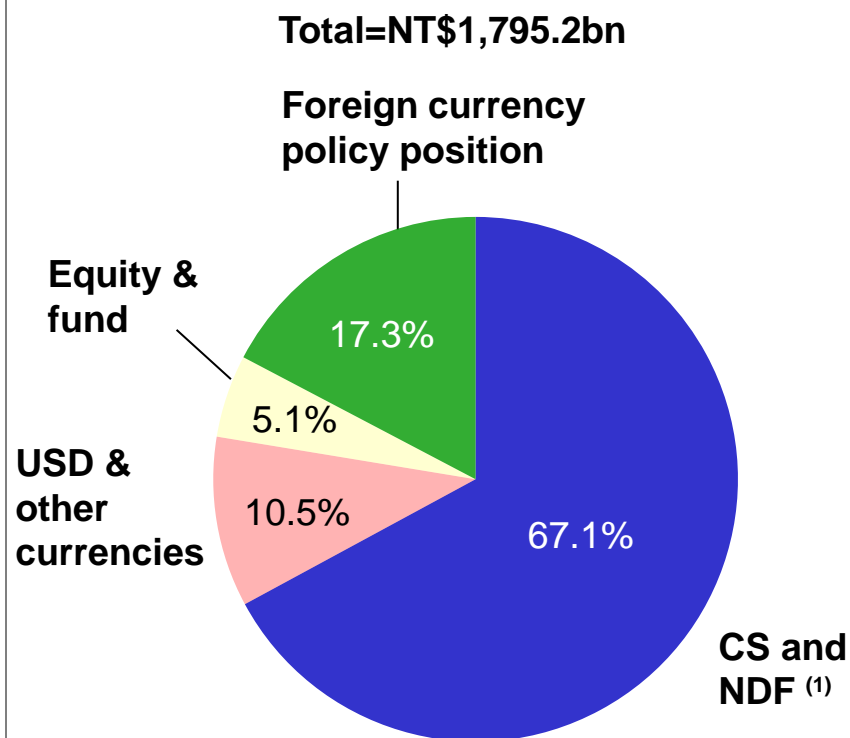
Real Estate Rental Income

NT\$bn



Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Annualized hedging cost for 1H 2018 was 1.66%; FX volatility reserve was NT\$3.85bn
- Hedging ratio was 84.4%, including CS, NDF, and naturally-hedged foreign currency policy position
- Among traditional hedges, CS and NDF accounted for 62% and 38%, respectively

Note:

(1) Currency swaps and non-delivery forwards

Investment Strategy

Strong ALM Discipline

- Promote FX policy sales to control hedging cost and enhance recurring income
- Develop Strategic Asset Allocation based on liability profile and capital budget

Well-diversified Portfolio

- Diversification by asset class (equity, credit, currency, commodity, real estate)
- Achieve diversification and yield pick-up through overseas investments. Continue to deploy in investment grade bonds to grow interest income
- Increase exposure to low beta, high-dividend yield stocks classified as FVOCI for cash dividend income

Cost-effective Currency Hedging

- Dynamically adjust FX hedging ratio. Mid- to long-term target ranges from 80% to 100%
- Target hedging cost at 100~150 bps or below in 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 strictly manage market, credit and business risks

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SKB – 1H 2018 Overview

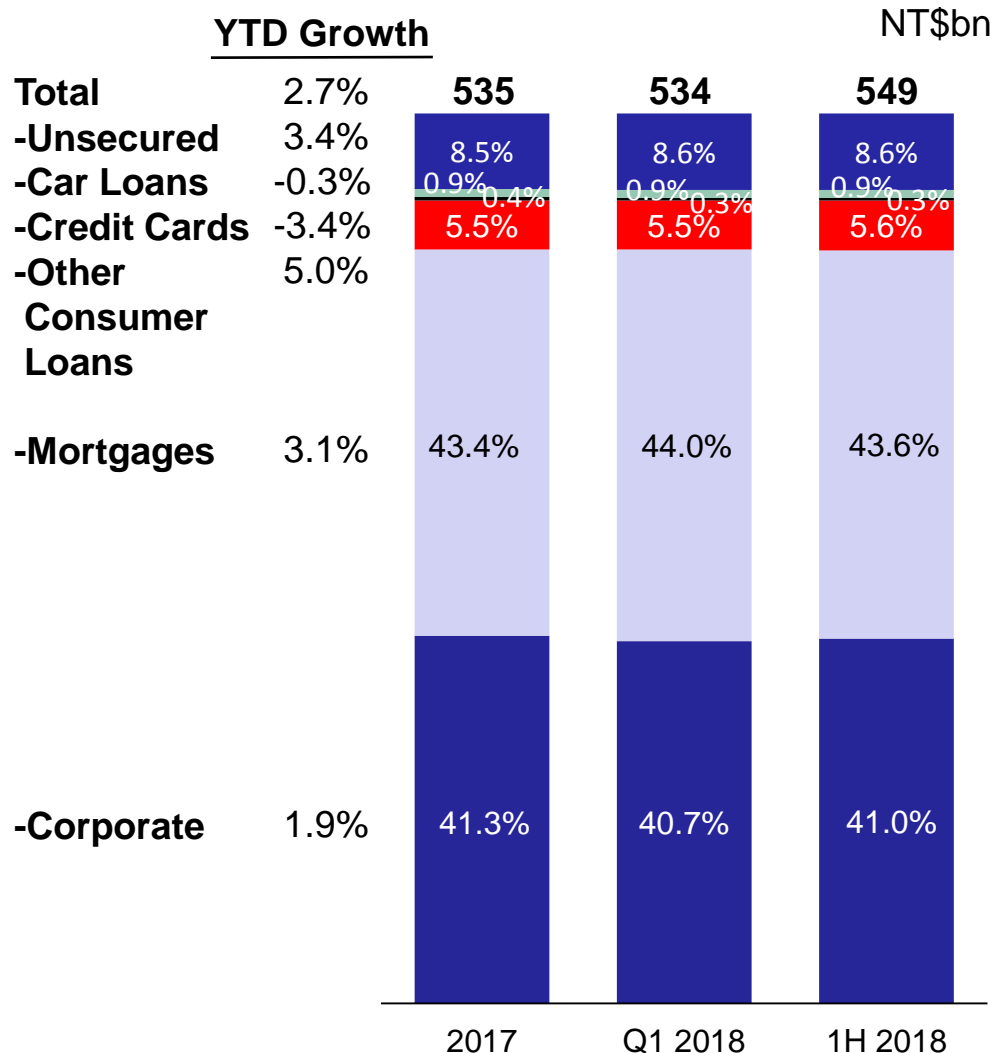
- Consolidated net income for 1H 2018 was NT\$2.55bn, up 29.4% YoY. Net fee income and investment income increased 6.6% and 31.5% YoY, respectively; provision expense for 1H 2018 decreased 33.7% YoY.
- Deposit as of 1H 2018 was NT\$728.27bn, up 2.2% YTD. Loan balance grew 2.8% QoQ to NT\$549.09bn, partly driven by corporate loan starting to grow in Q2 2018.
- Benefited from higher bond yield and loan-to-deposit ratio (incl. credit card balance), NIM for Q2 2018 increased 2 bps QoQ to 1.57%. Driven by continuous expansion of overseas syndicated loans, NIS for Q2 2018 rose 1 bp QoQ to 1.98%.
- Wealth management income for 1H 2018 was NT\$1.06bn, up 7.8% YoY. Momentum contributed by investment products, with fee income up 17.5% YoY.
- Asset quality remained solid. As of Q2 2018, NPL and coverage ratios were 0.24% and 562.33%. Both were better than industry average.

Net Income – 1H 2018

	1H 2017	1H 2018	YoY Growth
NT\$m, %			
Net interest income	5,502	5,865	6.6%
Net fee income	1,577	1,596	1.2%
Investment income and other income	458	510	11.2%
Operating expense	-4,076	-4,246	4.2%
Pre-provision operating income	3,461	3,724	7.6%
Provision expense	-1,082	-717	-33.7%
Income tax benefit (expense)	-410	-460	12.1%
Consolidated Net Income	1,968	2,547	29.4%

Note: Total may not add up exactly due to rounding

Loan Mix

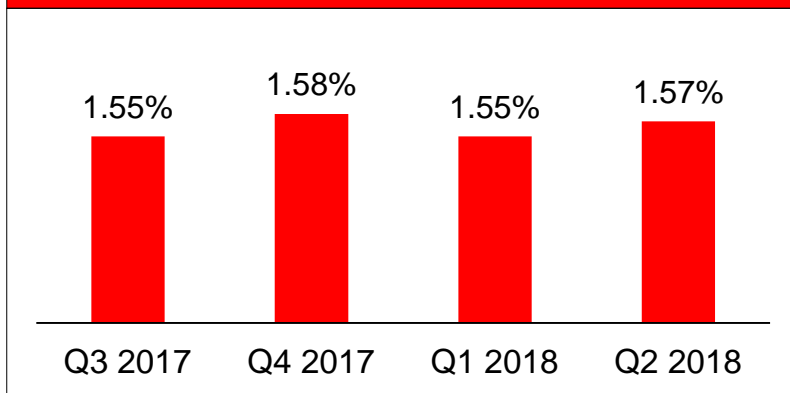


Comments

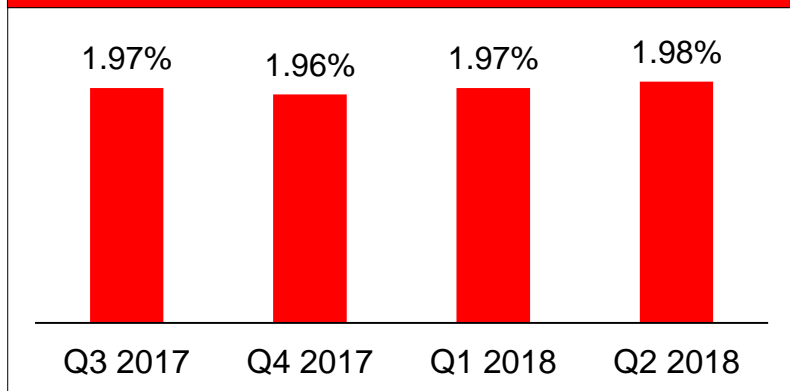
- Loan balance as of 1H 2018 was NT\$549.09bn, up 2.7% YTD. With higher momentum, corporate and consumer loans grew 3.6% and 2.2% QoQ, respectively
- Corporate loan growth was mainly driven by overseas syndicated loans, with loan balance as of 1H 2018 reaching NT\$20.06bn, up 15.5% YTD
- Loan growth targeted at 6% for 2018

Interest Income

Net Interest Margin



Net Interest Spread

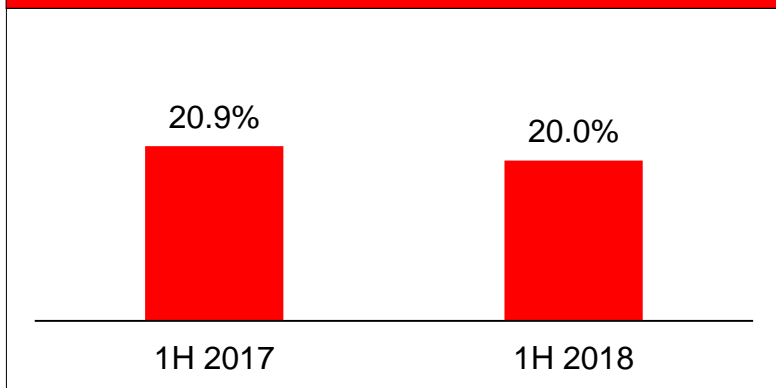


Comments

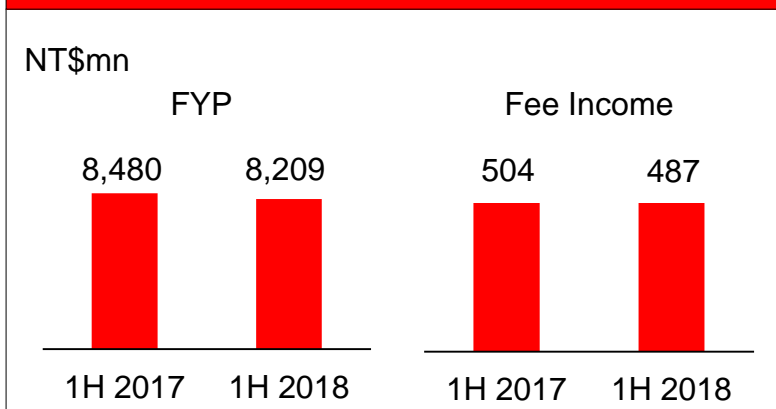
- Benefited from higher bond yield and loan-to-deposit ratio (74.5%, 1.6% higher QoQ), NIM for Q2 2018 increased 2 bps to 1.57%
- Driven by continuous expansion of overseas syndicated loans, NIS for Q2 2018 rose 1 bp QoQ to 1.98%
- SKB will continue to:
 - Increase demand deposit to lower cost of funds
 - Stably expand investments and overseas loans to sustain interest spread
 - Continuously promote foreign deposit to expand wealth management and overseas business

Fee Income

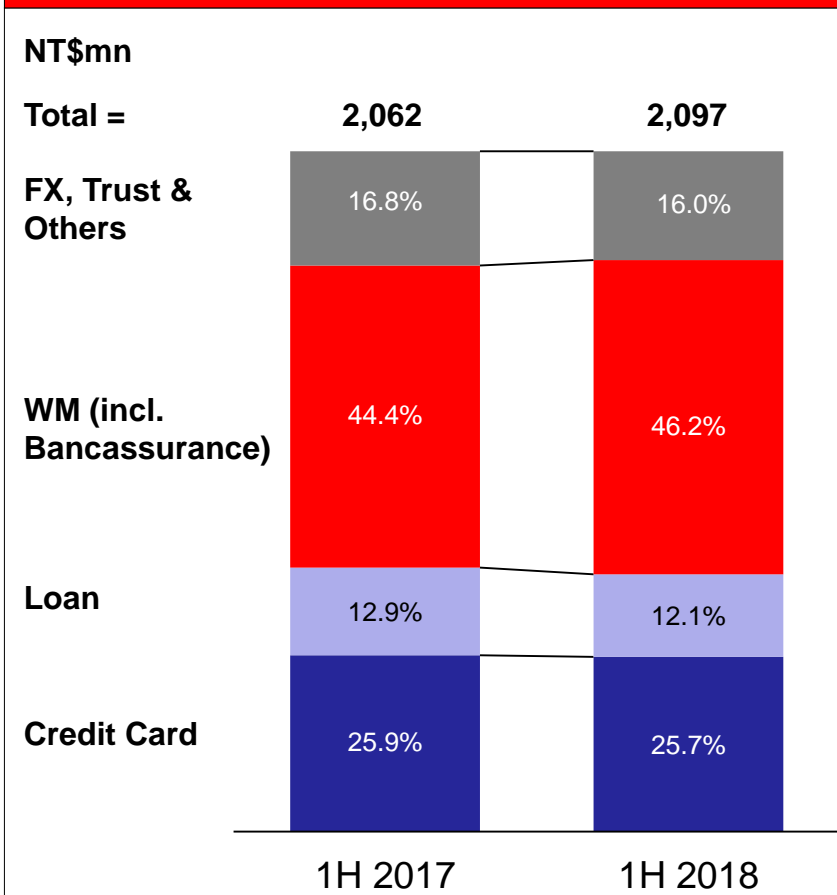
Net Fee Income / Total Income



Bancassurance



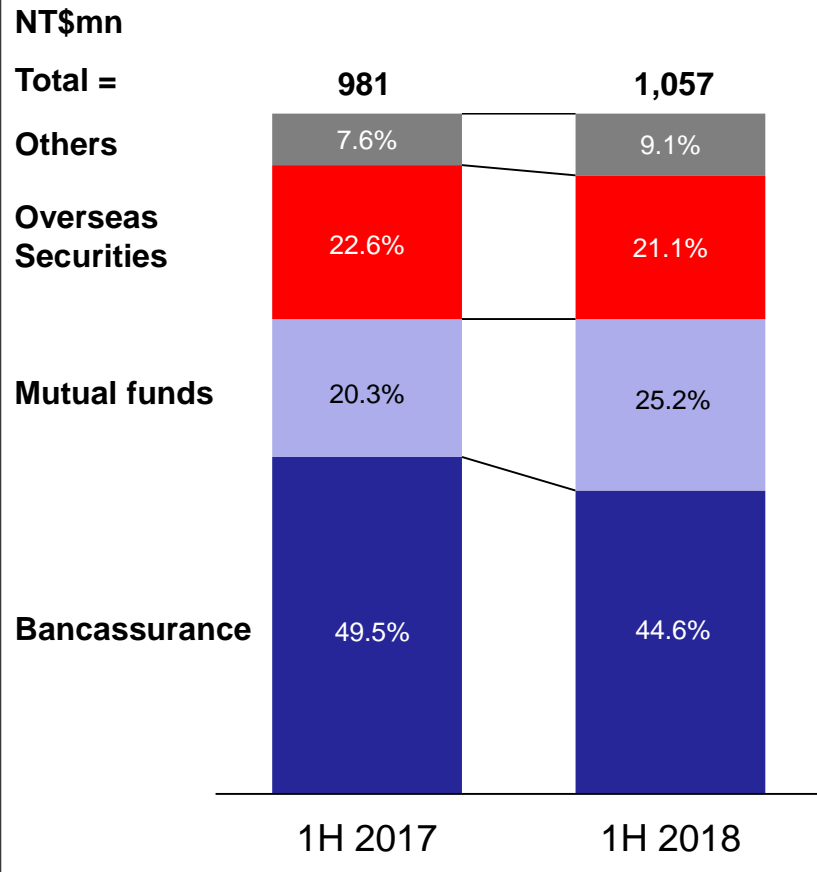
Fee Income Breakdown



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

Wealth Management

Wealth Management Income Breakdown



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

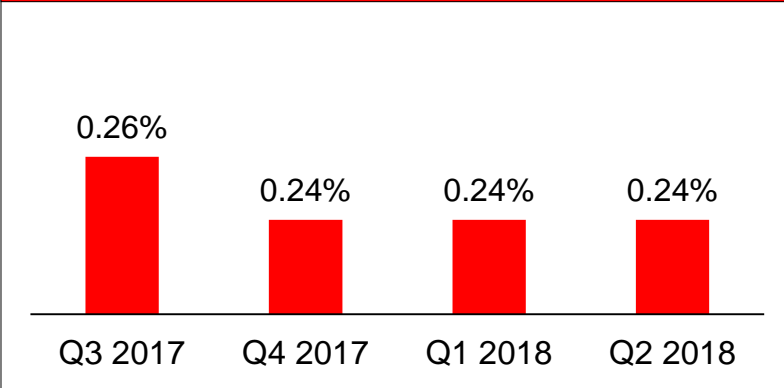
Wealth Management Center



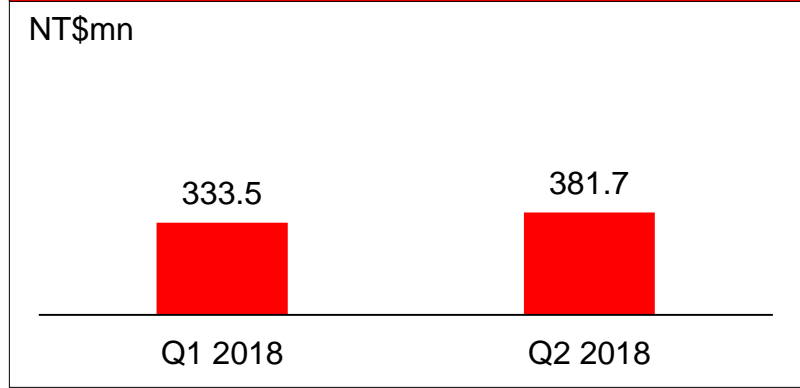
- Wealth management income for 1H 2018 was NT\$1.06bn, up 7.8% YoY. Momentum contributed by investment products, with fee income up 17.5% YoY
- Regular-paid products and USD policies to be actively promoted in 2H 2018 for growing bancassurance fee income
- Online marketing campaigns with client segmentation conducted for younger target group. Preferential time deposits promoted to attract new funds for future business growth

Asset Quality

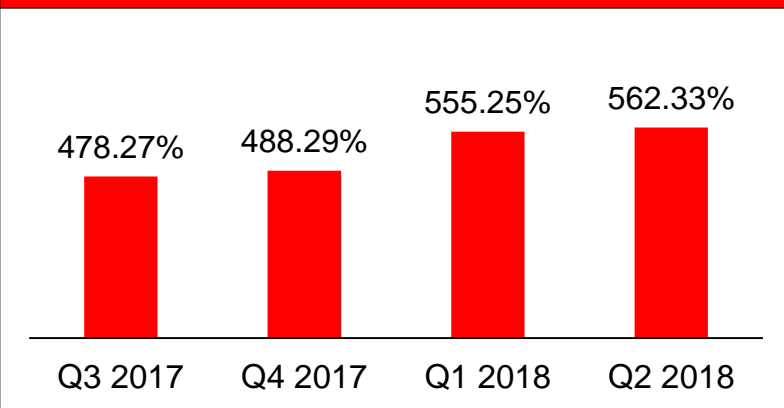
NPL Ratio



New NPL Generation



Coverage Ratio



- New NPL generated in Q2 2018 was NT\$382mn, accounting only for 0.07% of total loans
- Asset quality remained solid. NPL ratio for Q2 2018 was 0.24%, and coverage ratio was 562.33%. Both were better than industry average

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SP / RP Breakdown

NT\$bn

1H 2018 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	37.06	13.48		50.54
Investment-linked				
VUL / VA	0.39	0.06	1.22	1.67
Structured note				
Interest sensitive				
Annuity / UL	0.16		0.14	0.29
PA, health and others ⁽¹⁾		2.77		2.77
Total	37.62	16.31	1.36	55.29
Share	68.0%	29.5%	2.5%	100.0%

Note :

(1) Long-term disability Type A policies are classified as health insurance

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

Total Premium – 1H 2018

NT\$bn

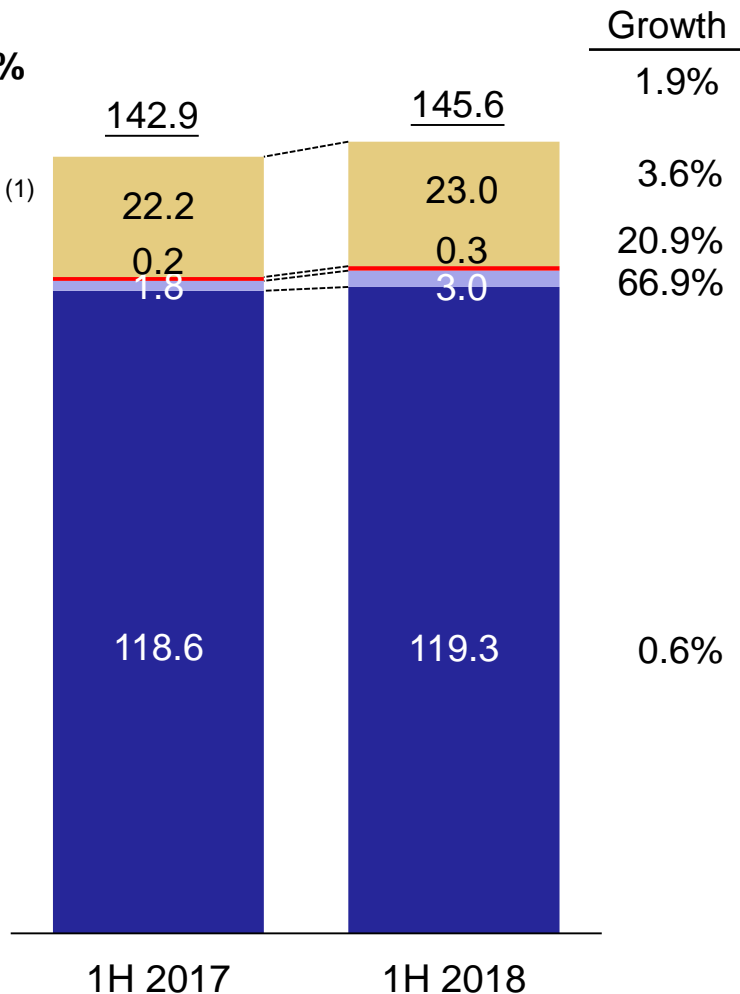
Market Share = 8.3%

Total

PA, Health & Group ⁽¹⁾

Interest Sensitive
Investment Linked

Traditional



Comments

- Driven by renewal premium up 6.2% YoY, total premium increased 1.9% YoY
- Total premium of FX policies for 1H 2018 reached NT\$47.19bn, up 22.0% YoY
- PA, Health & Group products continued to grow steadily, 3.6% higher YoY

Note :

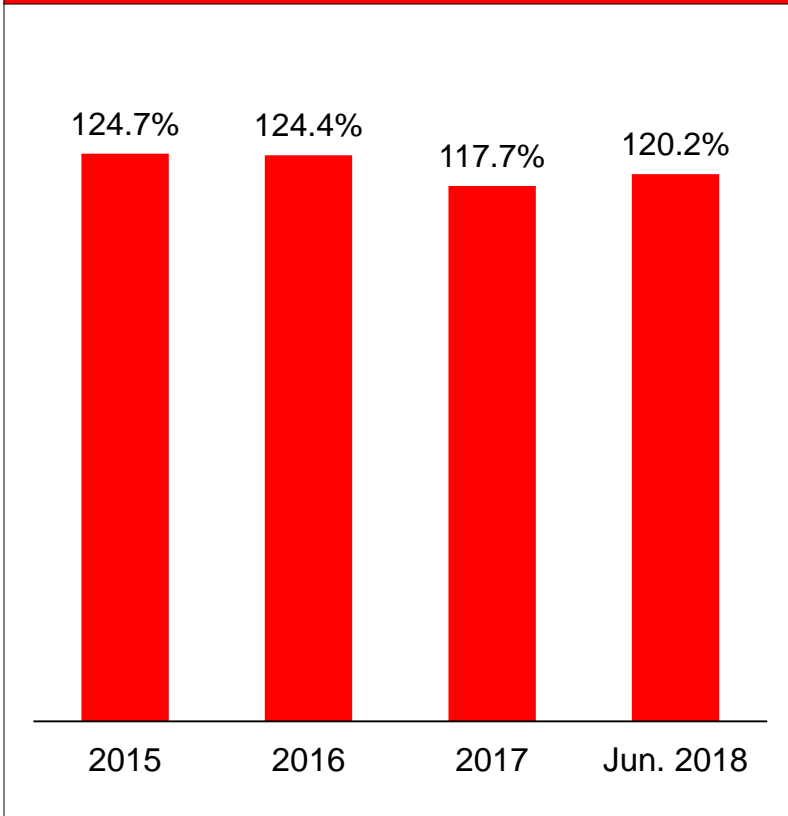
(1) Long-term disability Type A policies are classified as health insurance

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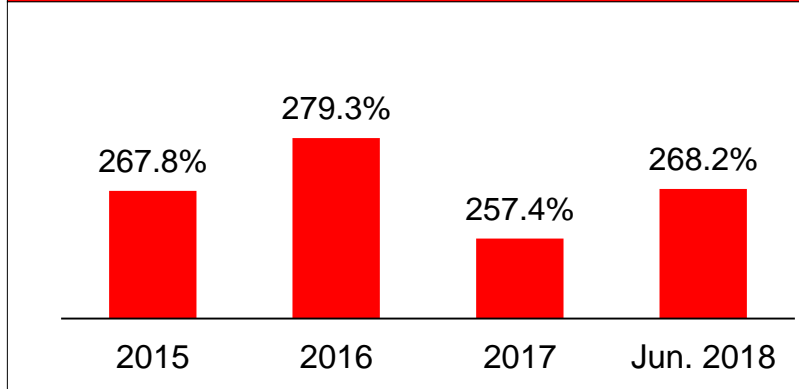
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Capital Adequacy

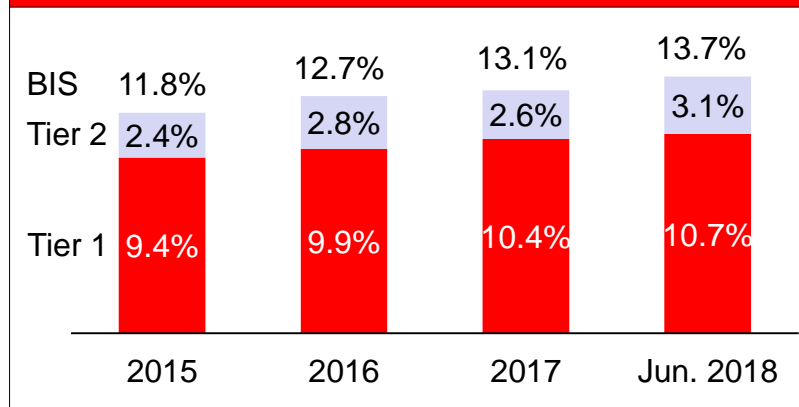
CAR of SKFH



RBC of Shin Kong Life



BIS of Shin Kong Bank





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Shin Kong Financial Holding

Financial Summary

(NT\$m)

Income Statement Data	2017	1H 2017	1H 18/1H 17		Q2 2017	Q2 2018	Q2 18/Q2 17	
			1H 2018	% change			% change	
Net interest income	(191)	(93)	(77)	-17.1%	(46)	(32)	-31.0%	
Income from subsidiaries								
Shin Kong Life	6,918	(389)	14,236	-3762.5%	3,541	(472)	-113.3%	
Shin Kong Bank	4,059	1,968	2,547	29.4%	1,000	1,294	29.5%	
MasterLink Securities	315	141	254	79.7%	92	129	40.1%	
Shin Kong Investment Trust	31	17	12	-31.3%	12	6	-49.7%	
Shin Kong Venture Capital International	53	29	28	-3.6%	20	12	-39.1%	
Shin Kong Property Insurance Agency	56	29	30	2.7%	13	14	8.2%	
Total income from subsidiaries	11,433	1,796	17,106	852.2%	4,677	983	-79.0%	
Other income	247	210	24	-88.3%	12	8	-33.5%	
Administrative and general expenses	(522)	(120)	(123)	2.4%	(64)	(63)	-2.0%	
Income tax benefit (expense)	(436)	(286)	(765)	167.8%	(144)	(741)	414.9%	
Net income	10,531	1,507	16,166	972.3%	4,435	156	-96.5%	
Other comprehensive income (loss), after tax	9,434	12,112	(25,300)	-308.9%	6,214	(1,207)	-119.4%	
Total comprehensive income (loss)	19,965	13,620	(9,135)	-167.1%	10,649	(1,052)	-109.9%	

Balance Sheet Data	2017	1H 2017	1H 18/1H 17		Q2 2017	Q2 2018	Q2 18/Q2 17	
			1H 2018	% change			% change	
Long term investment	153,482	146,524	164,194	12.1%	146,524	164,194	12.1%	
Total assets	3,384,388	3,262,830	3,576,476	9.6%	3,262,830	3,576,476	9.6%	
Shareholders' equity (excl. minority)	141,310	133,075	154,188	15.9%	133,075	154,188	15.9%	

Note:

(1) Numbers have been audited by the auditors.

Shin Kong LifeFinancial Summary
(NT\$m)

Income Statement Data	1H 18/1H 17				Q2 18/Q2 17		
	2017	1H 2017	1H 2018	% change	Q2 2017	Q2 2018	% change
Premium income	275,305	141,312	142,718	1.0%	77,231	76,573	-0.9%
Investment income							
Interest income	77,226	37,652	40,243	6.9%	19,127	20,718	8.3%
Gains on investments in securities	31,232	12,812	28,320	121.0%	7,856	6,126	-22.0%
Gains on real estate investments	3,849	1,891	1,944	2.8%	946	971	2.7%
FX	(22,959)	(15,779)	(12,004)	-23.9%	(4,626)	(4,055)	-12.3%
FX gain or loss	(87,152)	(65,282)	27,755	-142.5%	4,107	54,837	1235.3%
Hedging	64,193	49,503	(39,759)	-180.3%	(8,732)	(58,892)	574.4%
FX Reserve	555	1,415	(1,303)	-192.1%	309	(1,730)	-659.4%
Expected credit losses	(26)	(21)	(797)	3776.3%	(21)	(725)	3427.3%
Total Investment income	89,877	37,970	56,403	48.5%	23,592	21,306	-9.7%
Other operating income	1,700	1,035	1,275	23.1%	681	537	-21.1%
Provisions for reserves							
Provisions	(320,849)	(161,114)	(166,493)	3.3%	(87,366)	(88,457)	1.2%
Recoveries	120,263	49,945	64,282	28.7%	28,314	37,464	32.3%
Total provisions for reserves, net	(200,586)	(111,169)	(102,210)	-8.1%	(59,052)	(50,993)	-13.6%
Insurance payments	(133,935)	(57,484)	(74,792)	30.1%	(32,156)	(41,656)	29.5%
Commission expenses	(11,480)	(6,120)	(5,345)	-12.7%	(2,708)	(2,415)	-10.8%
Separate account revenues	7,782	3,007	2,795	-7.1%	2,117	2,691	27.1%
Separate account expenses	(7,782)	(3,007)	(2,795)	-7.1%	(2,117)	(2,691)	27.1%
General and administrative expenses	(13,730)	(6,533)	(7,129)	9.1%	(3,585)	(3,444)	-3.9%
Other operating costs and expenses	(2,214)	(1,056)	(1,140)	8.0%	(501)	(516)	3.1%
Operating income	4,937	(2,044)	9,779	-578.5%	3,500	(608)	-117.4%
Non-operating income and expenses	(404)	95	126	32.8%	53	128	140.2%
Income taxes	2,438	1,581	4,360	175.9%	6	31	390.1%
Net income	6,972	(368)	14,266	-3975.1%	3,560	(449)	-112.6%
Other comprehensive income (loss), after tax	9,798	11,924	(24,934)	-309.1%	6,041	(921)	-115.3%
Total comprehensive income (loss)	16,770	11,556	(10,668)	-192.3%	9,600	(1,371)	-114.3%

Balance Sheet Data	1H 18/1H 17				Q2 18/Q2 17		
	2017	1H 2017	1H 2018	% change	Q2 2017	Q2 2018	% change
Total assets	2,496,691	2,414,077	2,656,621	10.0%	2,414,077	2,656,621	10.0%
Total shareholders' equity	90,801	85,586	99,851	16.7%	85,586	99,851	16.7%

Note:

(1) Numbers have been audited by the auditors.

Shin Kong Bank
Financial Summary
(NT\$m)

Income Statement Data	2017	1H 2017	1H 2018	1H 18/1H 17		Q2 18/Q2 17	
				% change	Q2 2017	Q2 2018	% change
Interest income	15,516	7,615	8,266	8.5%	3,838	4,188	9.1%
Interest expense	(4,325)	(2,113)	(2,401)	13.6%	(1,068)	(1,219)	14.2%
Net interest income	11,191	5,502	5,865	6.6%	2,771	2,970	7.2%
Fee income	4,247	2,062	2,097	1.7%	1,072	1,015	-5.3%
Fee expense	(1,044)	(485)	(501)	3.3%	(245)	(247)	1.0%
Net fee income	3,203	1,577	1,596	1.2%	827	768	-7.1%
Gains on bill & securities	938	478	(95)	-119.9%	244	(174)	-171.4%
Gains on foreign exchange, net	(3)	(83)	615	842.7%	(28)	499	1866.3%
Other gains or losses, net	108	63	(10)	-116.1%	30	11	-63.5%
Operating expense	(8,250)	(4,076)	(4,246)	4.2%	(2,060)	(2,144)	4.1%
Pre-provision income or loss	7,187	3,461	3,724	7.6%	1,784	1,930	8.2%
Provision expense	(2,322)	(1,082)	(717)	-33.7%	(568)	(361)	-36.5%
Income tax (expense) benefit	(806)	(410)	(460)	12.1%	(217)	(275)	26.8%
Net income	4,059	1,968	2,547	29.4%	1,000	1,294	29.5%
Other comprehensive income (loss), after tax	(269)	237	(303)	-227.8%	169	(166)	-198.3%
Total comprehensive income (loss)	3,790	2,205	2,244	1.7%	1,169	1,128	-3.5%

Balance Sheet Data	2017	1H 2017	1H 2018	1H 18/1H 17		Q2 18/Q2 17	
				% change	Q2 2017	Q2 2018	% change
Total assets	812,488	783,454	848,035	8.2%	783,454	848,035	8.2%
Total shareholders' equity	52,488	50,903	53,903	5.9%	50,903	53,903	5.9%
Total loans, net ⁽¹⁾	527,759	511,475	541,164	5.8%	511,475	541,164	5.8%
Total deposits	712,253	686,359	728,272	6.1%	686,359	728,272	6.1%

Operating Metrics	2017	1H 2017	1H 2018	Q2 2017		Q2 2018	
Fee income ratio	20.7%	20.9%	20.0%	21.5%	18.9%		
Cost income ratio	53.2%	53.8%	53.0%	53.3%	52.3%		
Loan/deposit ratio (excl. credit card)	74.1%	74.5%	74.3%	74.5%	74.3%		
Loan/deposit ratio (incl. credit card)	74.3%	74.8%	74.5%	74.8%	74.5%		
Net interest margin	1.57%	1.58%	1.56%	1.57%	1.57%		
Net interest spread	1.96%	1.96%	1.98%	1.96%	1.98%		
Pre-provision earnings/assets	0.90%	0.44%	0.45%	0.23%	0.23%		
Pre-provision earnings/equity	14.14%	6.91%	7.00%	3.56%	3.63%		

Note:

(1) Excludes credit cards but include overdue receivables.

(2) Numbers have been audited by the auditors.