



Shin Kong Financial Holding

Company Overview

September 2016

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

- Market opportunities
- SKL Premium
- EV & AV Result
- Agents and Marketing Transformation Projects
- SKL China Development Strategy
- Capital Adequacy

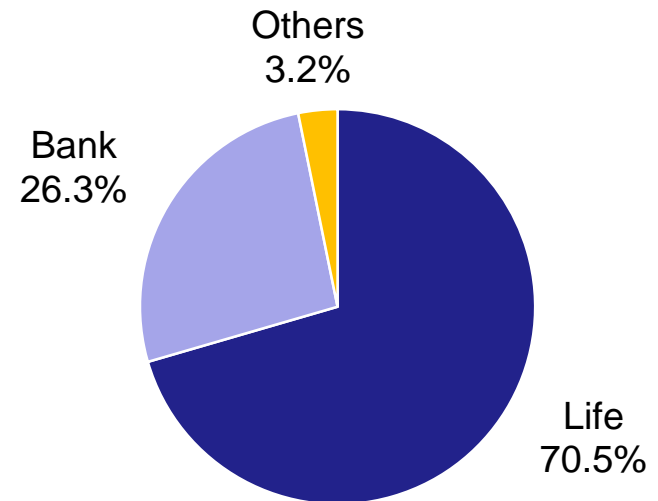
Who We Are

- Major financial holding company in Taiwan
 - Subsidiaries including life insurance, bank, securities, asset management, property insurance agency and venture capital
 - 5th largest life insurer by first year premiums with 6.6% market share in 2015
 - 10th largest domestic private bank by total assets with 106 branches
- FHC with significant presence in both insurance and banking

Financial Overview

NT\$bn	2013	2014	2015
Total Assets	2,535.2	2,793.8	2,963.1
Shareholders' Equity	114.8	125.5	123.1
Market Value	96.1	88.6	73.1
Net Income ⁽¹⁾	10.0	6.8	5.8
ROA	0.43%	0.29%	0.24%
ROE	10.04%	6.53%	5.50%
Foreign Ownership	24.87%	24.44%	22.29%

2015 Asset Mix

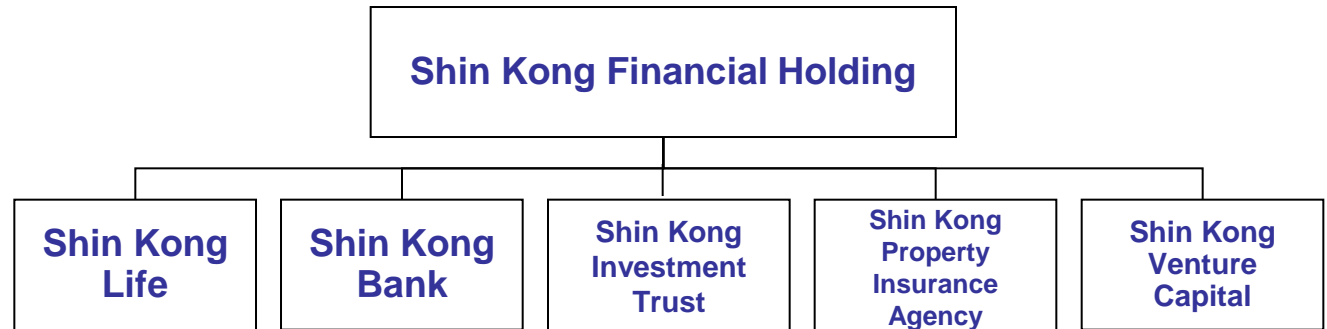


Note:

(1) Excludes minority interest income

Corporate Structure

Integrated Financial Services Platform



Date of Incorporation	7/1963	1/1997	9/1992	1/2003	4/2011
Assets (NT\$bn)	2,113.49	788.39	0.73	0.10	1.53
% of Group Assets	70.5%	26.3%	<0.1%	<0.1%	<0.1%
Earnings (NT\$m)	150	5,033	16	46	17
Branches/Offices	324	106	3	1	1
Market Share	6.6%	1.8%	1.3%	-	-

Seasoned Management Team



**Hsu,
Victor**

Vice Chairman & Spokesperson,
Shin Kong Financial Holding

Experiences:

- First Vice President, Shin Kong Financial Holding
- CFO, Shin Kong Life

Membership & others:

- Director, Life Insurance Association of R.O.C.
- Member, Financial Holding Business Committee



**Lee,
Jih-Chu**

President, Shin Kong Financial Holding
Vice Chairperson, Shin Kong Life

Experiences:

- Chairperson, Taiwan Financial Holdings & Bank of Taiwan
- Chairperson, Bankers Association of the Republic of China
- Vice Chairperson, Financial Supervisory Commission R.O.C. (Taiwan)
- Chairperson, Chunghwa Post Co., Ltd.
- Legislator, Legislative Yuan, R.O.C.
- Professor, Department of Economics, National Chengchi University



**Tsai,
Jason**

President, Shin Kong Life

Experiences:

- EVP, Shin Kong Life
- SVP, Shin Kong Life

Membership & others:

- Executive Director, Life Insurance Management Institute of the Republic of China



**Hsieh,
Charles**

President, Shin Kong Bank

Experiences:

- SEVP, Ta Chong Bank
- SVP, Taishin International Bank
- VP, JP Morgan Chase Bank, Taipei Branch



**Fang,
Matthew**

Chairman & President, Shin Kong Property
Insurance Agency

Experiences:

- President, Shin Kong-HNA Life
- SVP, Shin Kong Life
- VP of Training & Education Dept., Shin Kong Life
- VP of Overseas Affairs Dept., Shin Kong Life

Strong Track Record of Attracting and Integrating Outside Talent



**Chu,
Grace**

CRO, Shin Kong Financial Holding
CRO, Shin Kong Life

Experiences:

- Senior Vice President, Taiwan International Securities Company
- Co-Chair, Risk Control Committee, Taiwan Securities Association
- Executive Vice President, Taiwan Ratings Corporation



**Yuan,
James**

CIO, Shin Kong Life

Experiences:

- CIO, Everbright Pramerica Fund Management
- CIO, ABN AMRO Securities Investment Trust
- SVP, Equities, London Life
- CFA



**Chang,
K.T.**

Chief Information Officer, Shin Kong Financial Holding
Chief Information Officer, Shin Kong Bank

Experiences:

- Chief Operation Officer, Cathay United Bank
- Chief Information Officer, Cathay United Bank



**Lin,
Sunny**

VP, Wealth Management, Shin Kong Bank

Experiences:

- SVP, Wealth Management, Fuhwa Bank
- AVP, Int'l Private Client Group, Merrill Lynch (Taiwan)
- AVP, Personal Banking Center, Citibank, N.A. (Taiwan)



**Lin,
Han Wei**

SVP, Actuarial Valuation & Reporting, ALM, Actuarial & Planning, and Product Development Department, Shin Kong Life

Experiences:

- Assistant Actuary, New York Life (USA)
- Director and Actuary, Lincoln Financial Group (USA)
- FSA
- MAAA
- CFA

Sound Policies and Practices to Ensure Proper Corporate Governance

Board Control

- Diversified shareholding structure with about 20% foreign ownership and ~2% employee ownership
- 3 independent non-executive Board directors appointed in 2014
 - Mei-Hwa Lin: Professor of Department of Accounting, National Chengchi University
 - Sheng-Yann Li: Honorary consultant of Center for Asian Studies, National Taipei University
 - Cheng-Yi Li: Former Director and President of Hua Nan Financial Holding Company

Legal Compliance

- Appointed Compliance Officer to further strengthen internal risk control and legal compliance
- Compliance officer is appointed by the Board and reports to the FHC President; he submits a report to the Board on a half-yearly basis

Internal Audit

- Chief Auditor reports directly to the Board
- One business audit every year
- One finance, risk management and compliance audit every half year

Disclosure

- Spokesperson and Deputy spokesperson appointed
- Upload information to public information website regularly
- Dedicated IR team established to respond to investor questions
- Quarterly result meeting to update media / investors on operational performance

SKFH – 1H 2016 Overview

- SKFH recorded consolidated after-tax profit of NT\$1.87bn for Q2 2016; for 1H 2016, consolidated after-tax loss was NT\$0.69bn, and consolidated comprehensive profit was NT\$0.48bn. Shareholders' equity increased 1.5% QoQ to NT\$108.64bn, and book value per share was NT\$10.83.
- Subsidiaries' core business remained solid.
 - SKL:
 - ◆ FYP for 1H 2016 reached NT\$58.04bn, 21.1% higher YoY, boosting market share to 8.9%. Annualized cost of liabilities decreased to 4.44%, 7 bps lower compared to 2015.
 - ◆ Interest income grew 16.6% YoY to NT\$34.49bn, boosted by allocation to overseas fixed incomes. Recurring yield before hedging reached 3.69%, up 20 bps YoY.
 - Shin Kong Bank:
 - ◆ Net interest income grew 3.2% YoY, reflecting prudently controlled funding cost. Driven by growth in wealth management fee income, net fee income increased 8.1% YoY. Consolidated after-tax profit reached NT\$2.22bn.
 - ◆ BIS and Tier 1 ratio were 12.5% and 9.6% respectively, higher than 2015.
- In order to enhance core business, including tied agent management, customer resources, and product marketing, SKL has partnered with international consulting firms, BCG and Oliver Wyman, to execute agents and marketing transformation projects:
 - Increase agent productivity and optimize organization structure through comprehensive marketing planning and standardized activity management.
 - Strengthen customer management strategy and big data analysis.

Net Income – 1H 2016

Net income contribution

NT\$bn

Subsidiaries	1H 2015	1H 2016	YoY Growth
Shin Kong Life	3.51	-3.32	-194.5%
Shin Kong Bank	2.59	2.22	-14.3%
Shin Kong Investment Trust	0.01	0.01	49.0%
Shin Kong Venture Capital Int'l	0.02	0.01	-36.1%
Shin Kong Property Insurance Agency	0.02	0.03	17.6%
Others ⁽¹⁾	0.11	0.01	-90.9%
Net income	6.26	-1.04	-116.7%

Note:

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

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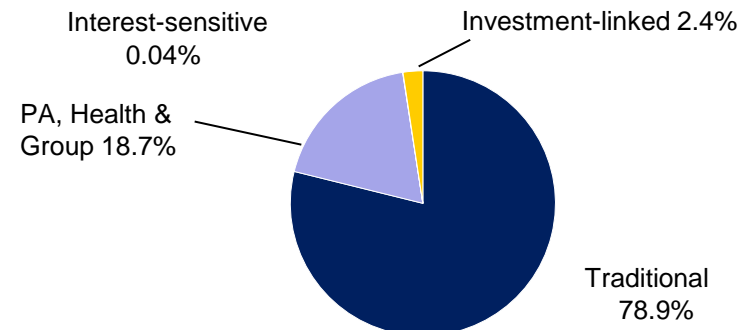
Shin Kong Life

- 5th largest life insurer by first year premiums in Taiwan with 6.6% market share and 3.6 million customers in 2015
- Strong distribution network around 9,000 agents, 324 sales offices and bancassurance relationships with around 40 financial institutions
- Offer a wide range of life insurance products, including traditional life, accident and health, interest-sensitive and investment-linked products

Financial Overview

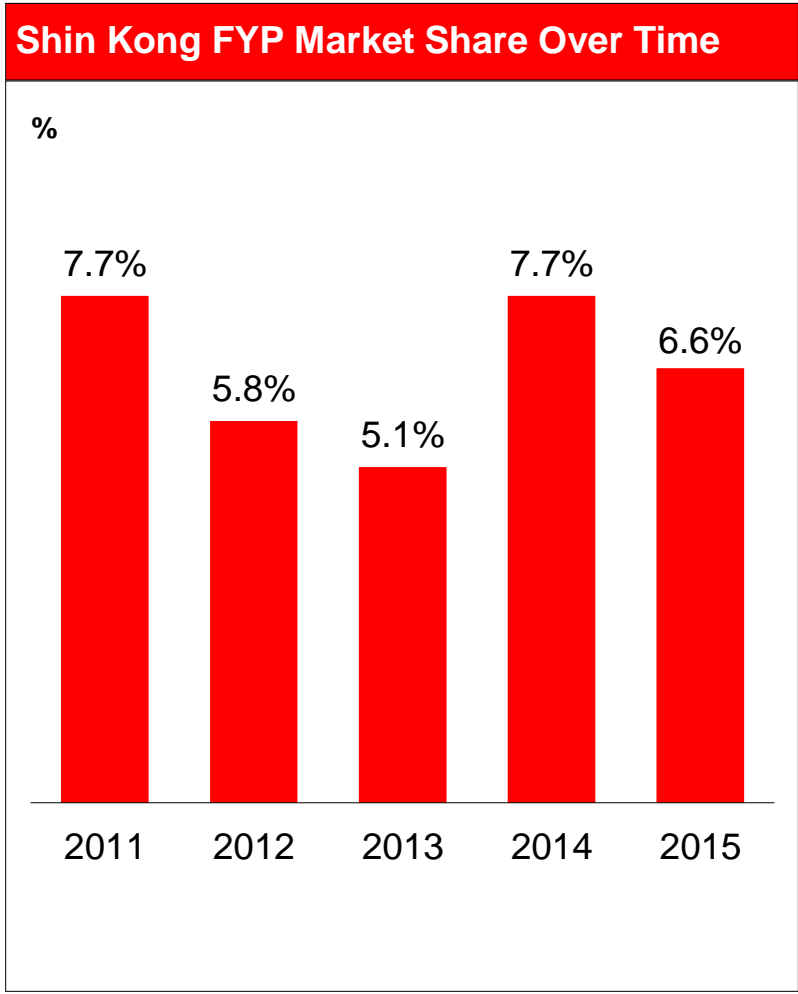
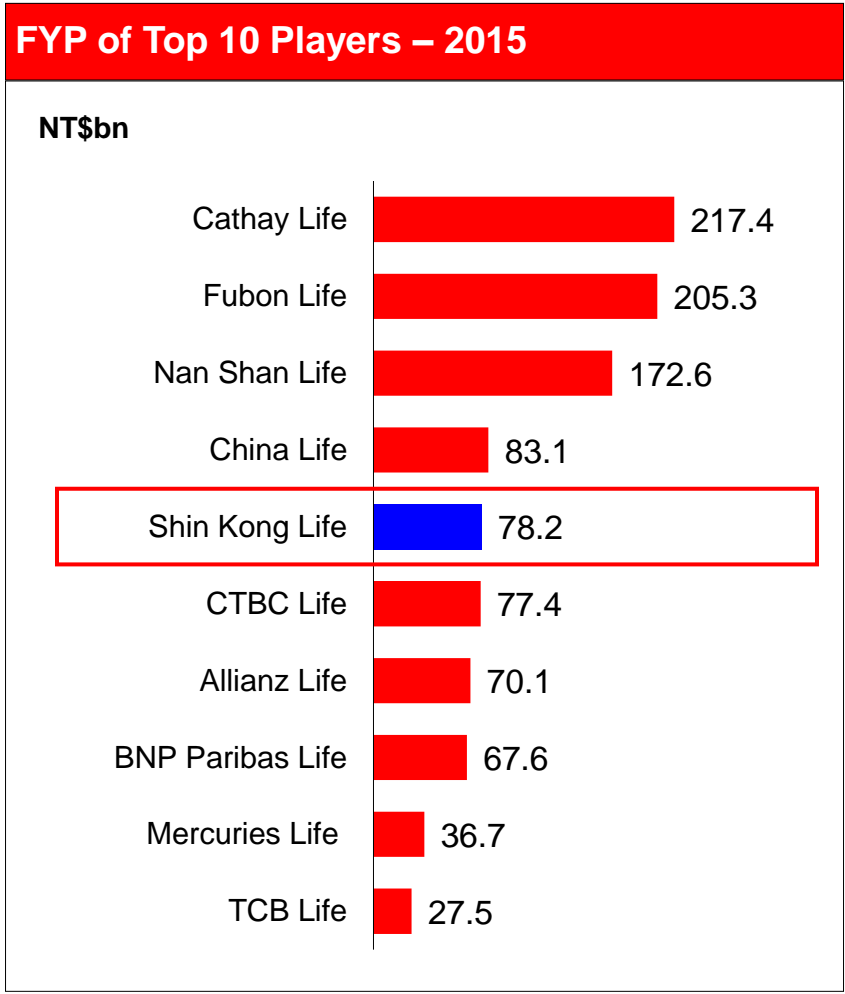
NT\$bn	2013	2014	2015
Total Premium	170.4	210.2	227.8
Net Income	6.53	1.63	0.15
Total Assets	1,804.6	1,972.0	2,113.5
Shareholders' Equity	65.0	69.6	64.4
ROE	10.98%	2.34%	0.22%
ROA	0.38%	0.08%	0.01%

2015 Total Premium Written



Total Premium Written: NT\$227.8bn

Shin Kong Market Share



Source: Life Insurance Association of R.O.C.

Awards and Recognition



Taiwan Superbrand (2006)
by Superbrands International



Information Disclosure A+
(2006, 2007, 2008, 2009, 2010,
2012) and **Information Disclosure
A++** (2013, 2014, 2015, 2016) by
Securities & Futures Institute



**Institutional Investor of the Year
(2006)** by Finance Asia



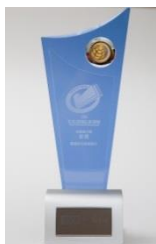
**Taiwan Capital Markets Deal of
the Year (2009)** by IFR Asia



**National Quality Award
(2004)** by MOEA



**National Community
Service Award (2007)**
by Ministry of the Interior



**Global Views Excellent Service
Award (2008)** by Taiwan Global
Views Magazine



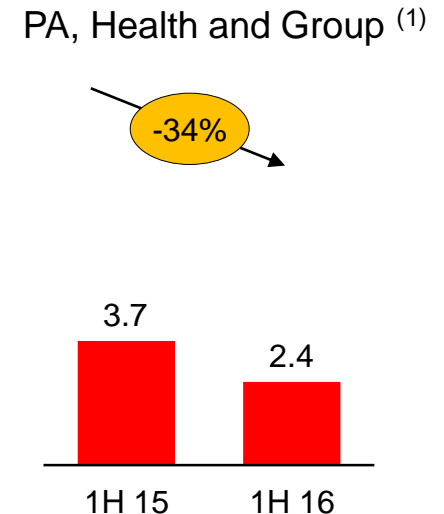
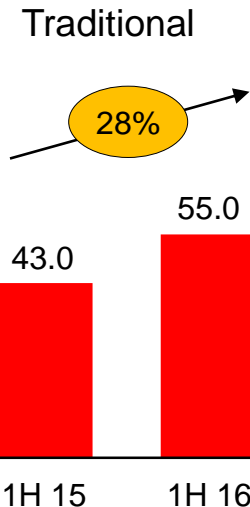
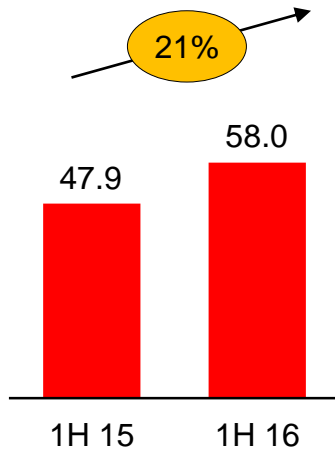
**Top 5 IR Website in Asia &
Pacific (2012), Best IR
Website in Taiwan (2010 &
2011) and Top 5 Websites in
Greater China (2009)** by IR
Global Rankings

SKL – 1H 2016 Overview

- FYP for Q2 2016 was NT\$37.06bn, 76.6% higher QoQ. FYP for 1H 2016 reached NT\$58.04bn, up 21.1% YoY, boosting market share to 8.9%.
- Through promotion of whole life savings products, FYPE for 1H 2016 amounted to NT\$27.62bn, up 81.3% YoY. Annualized cost of liabilities decreased to 4.44%, 7 bps lower compared to 2015.
- Focused on recurring yield, overseas fixed incomes increased continuously, enabling interest income to grow NT\$4.90bn YoY. Recurring yield before hedging increased 20 bps YoY to 3.69%.
- Consolidated after-tax profit for Q2 2016 was NT\$0.35bn. For 1H 2016, consolidated after-tax loss was NT\$3.32bn, and other comprehensive income was NT\$1.25bn.
- Annualized investment return was 3.4% for 1H 2016. Domestic and foreign cash dividend income expected to reach NT\$7.6bn for 2016.

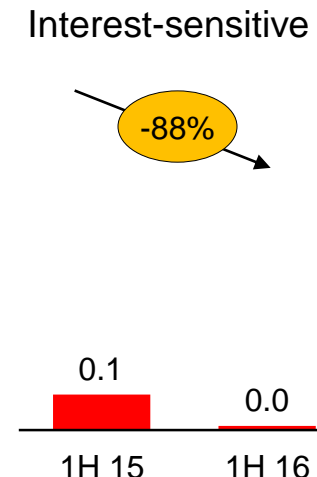
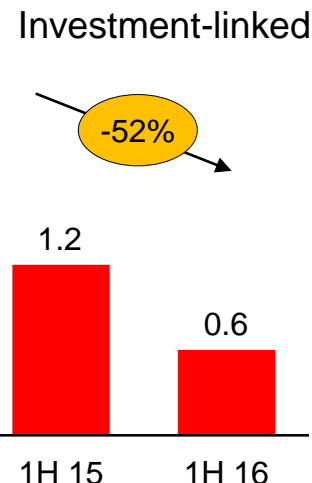
First Year Premium – 1H 2016

NT\$bn



Comments

- FYP momentum has picked up, driven by policyholders' demand for whole life savings triggered by persisting low interest rates. Market share increased from 6.6% in Q1 to 8.9% in 1H
- FYP reached NT\$58.04bn, 21.1% higher YoY; FYPE amounted to NT\$27.62bn, up 81.3% YoY
- Traditional products remained marketing focus and contributed 94.8% of total FYP, allowing annualized cost of liabilities to decline to 4.44%, 7 bps lower compared to 2015
- FX policies and health insurance to be actively promoted in 2H 2016 for VNB growth

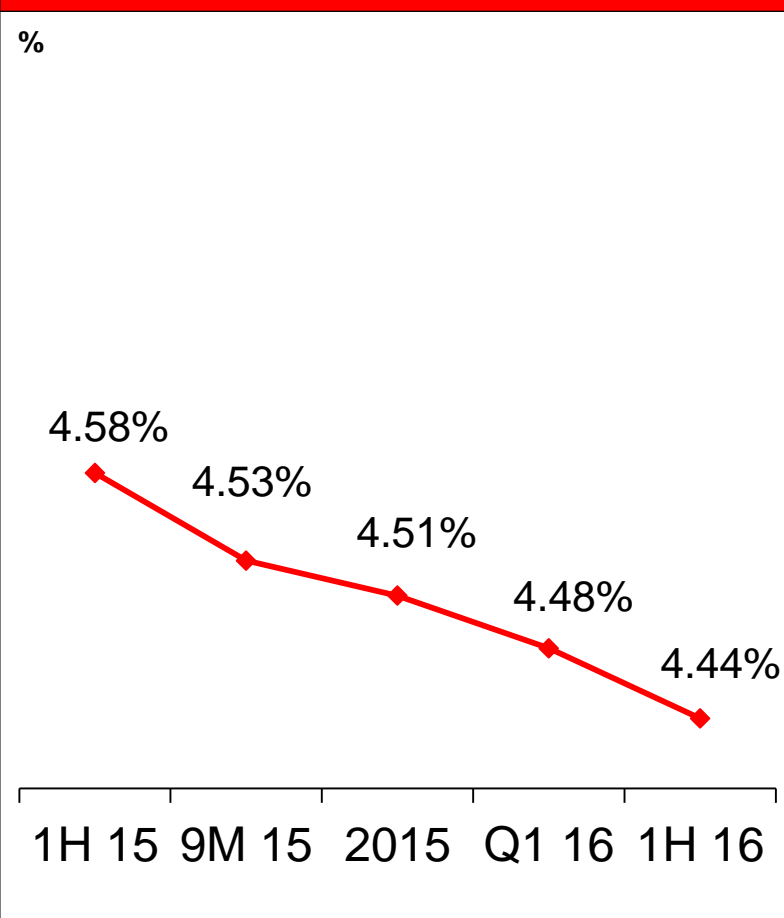


Note :

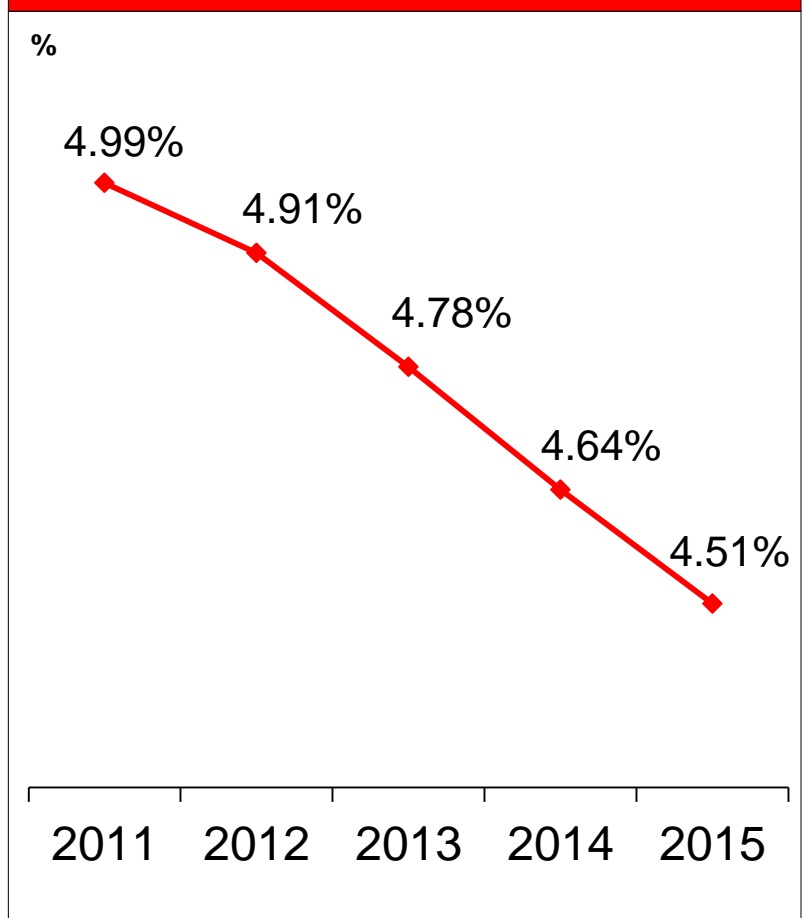
(1) Long-term disability Type A policies are classified as health insurance

Cost of Liabilities

Cost of Liabilities (quarterly)

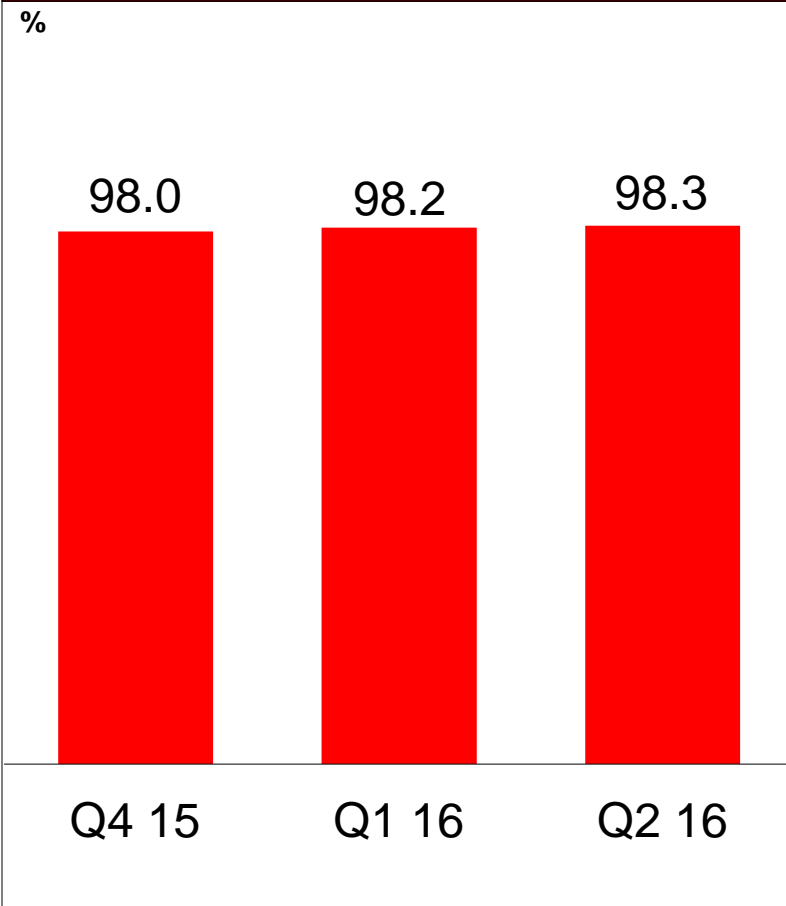


Cost of Liabilities (annual)

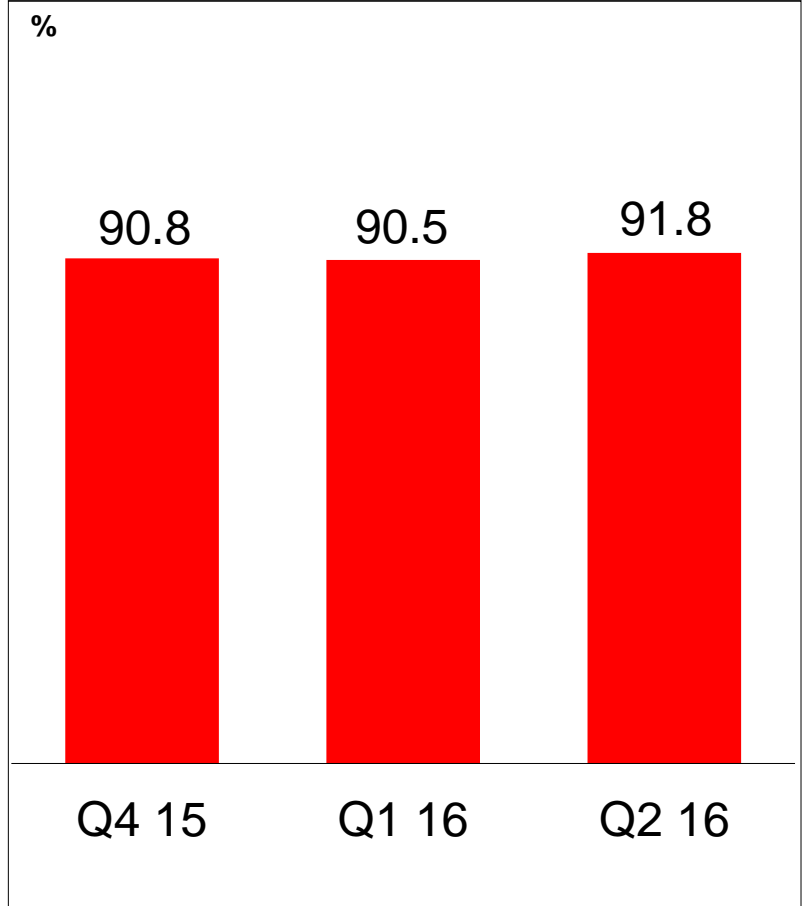


Persistency Ratio

13 Month Persistency

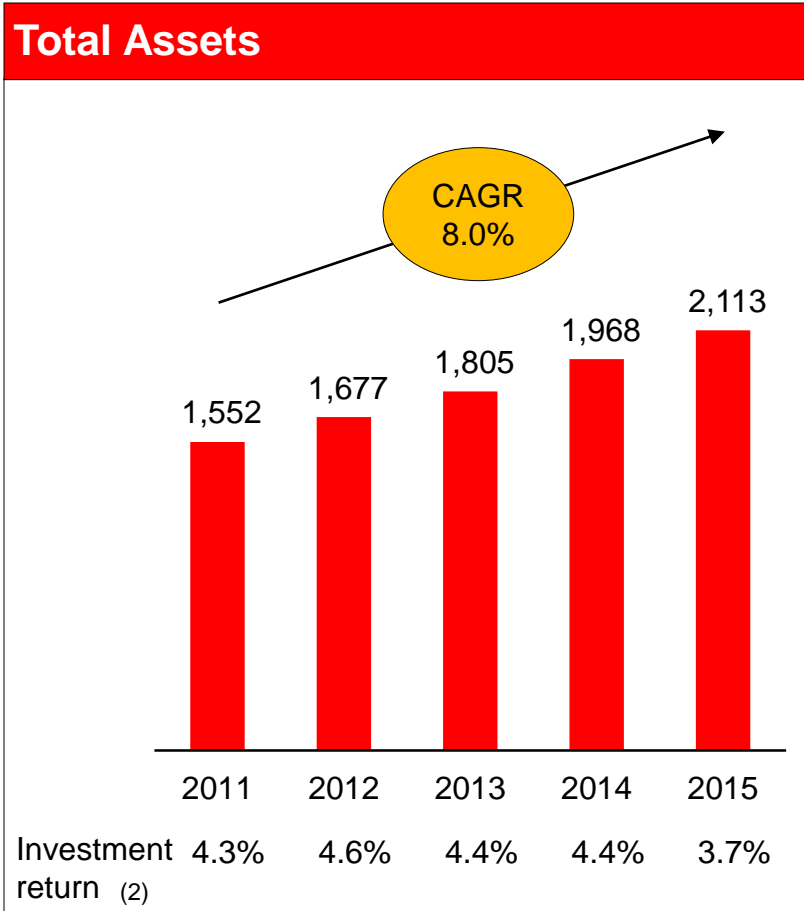


25 Month Persistency



Investment Portfolio

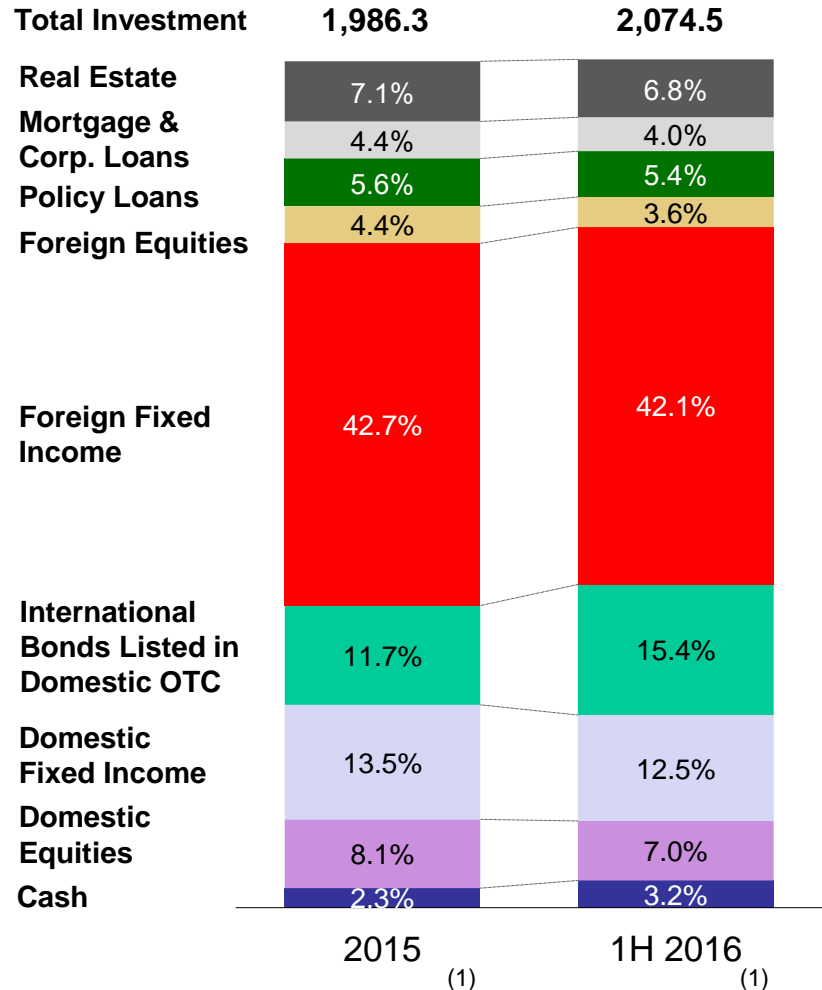
NT\$bn



Note:

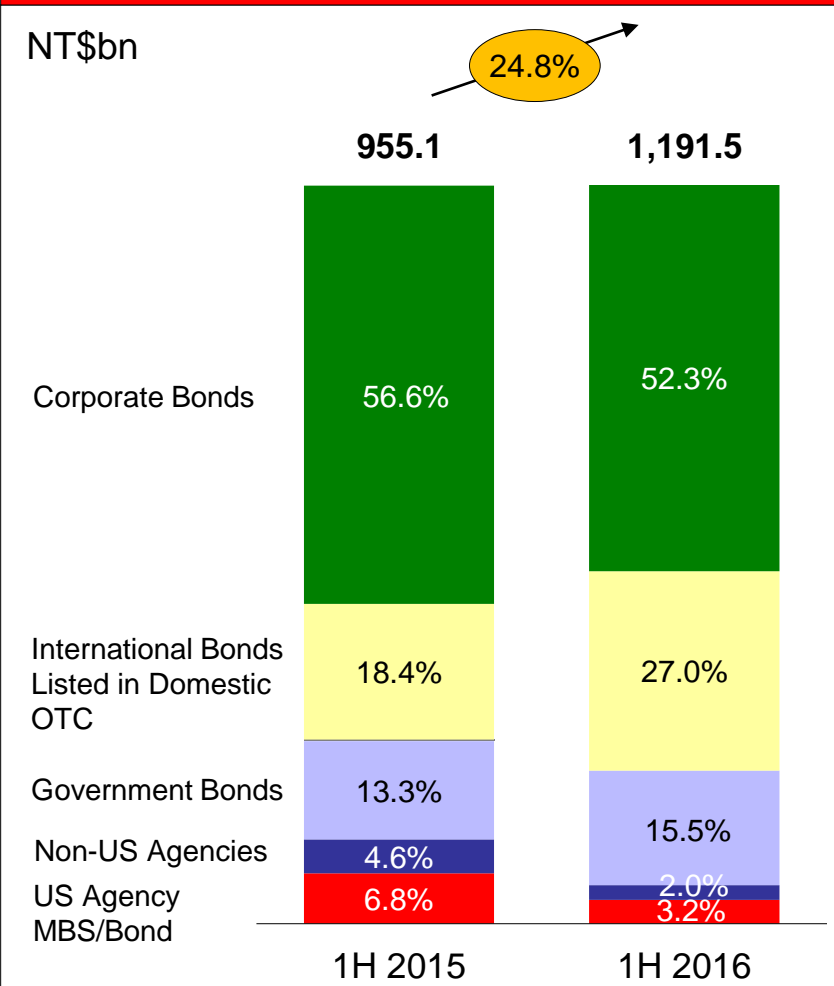
(1) Due to rounding, asset allocation figures may not add up to 100%

(2) Includes capital gains and FX hedging cost



Overseas Fixed Income

Overseas Fixed Income Portfolio



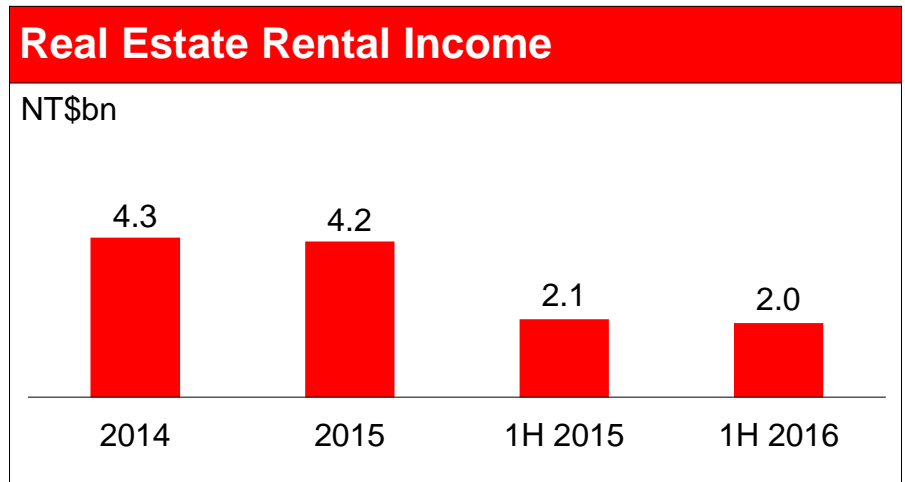
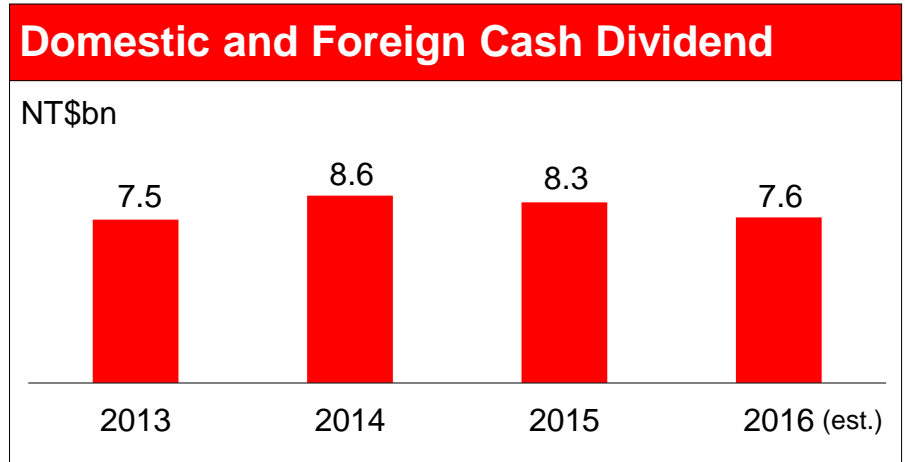
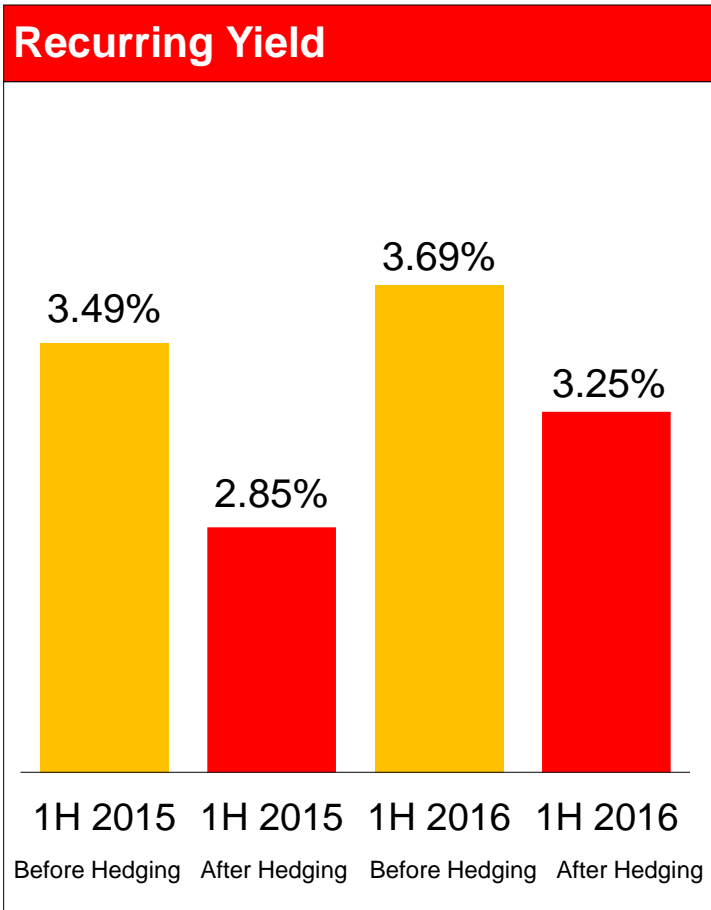
Comments

- Overseas fixed income grew 24.8% YoY, mainly deployed in emerging market USD-denominated government bonds and international bonds listed in domestic OTC
- International bonds offer average yield before hedging of 4.5%, which after hedging is still significantly higher than domestic bonds. As of end of 1H 2016, SKL held international bonds of NT\$318.7bn
- Driven by portfolio reallocation, interest income for 1H 2016 increased NT\$4.90bn compared to 1H 2015, up 16.6%
- As low interest rates persist, SKL will invest in emerging market government bonds and overseas corporate bonds to stabilize recurring income

Note :

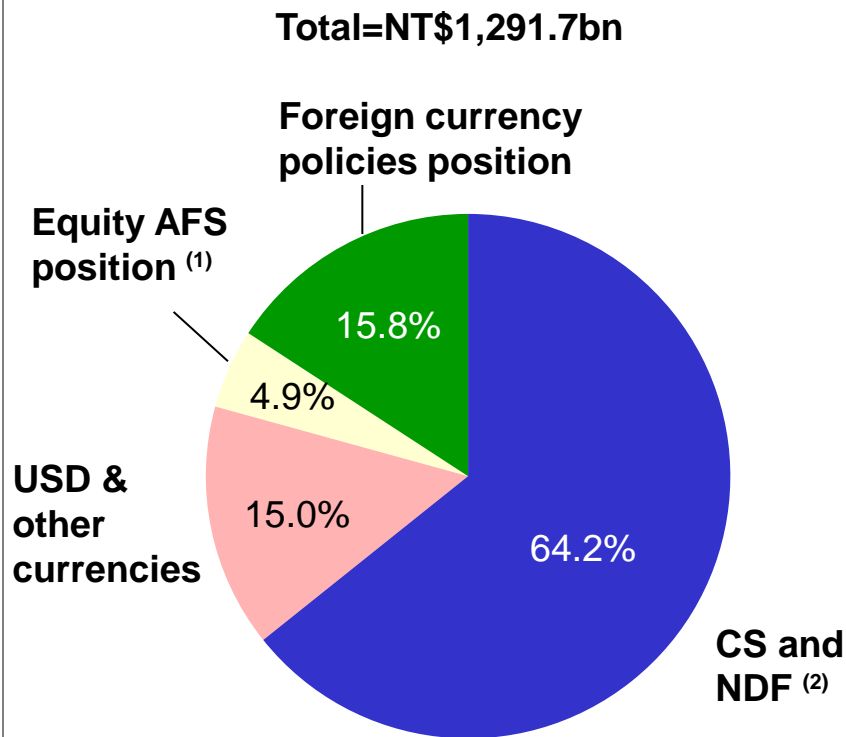
(1) Due to rounding, asset allocation figures may not add up to 100%

Recurring Income



Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Annualized hedging cost for 1H 2016 was 0.73%; FX volatility reserve was NT\$5.44bn
- Hedging ratio was 80.1%, 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 71% and 29%, respectively
- AFS⁽¹⁾ position in foreign equities accounted for 4.9% 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

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 corporate bonds with rating of A- and above to increase fixed interest income
- Control exposure to assets with higher volatility

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
- Strictly manage market, credit and business risks to cope with impacts of low interest rates on financial markets

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Shin Kong Bank

- 10th largest domestic private bank by total assets in Taiwan
- Over 2 million customers and 106 branches with 51 located in the Greater Taipei area and 1 in Hong Kong
- Offer a wide range of banking products including credit cards, mortgages, car loans, deposits, other consumer finance and corporate products
- Established a representative office in Ho Chi Minh City, Vietnam in 2007
- Hong Kong branch was officially opened for operations in May, 2011
- Set up a representative office in Yangon, Myanmar in September, 2015

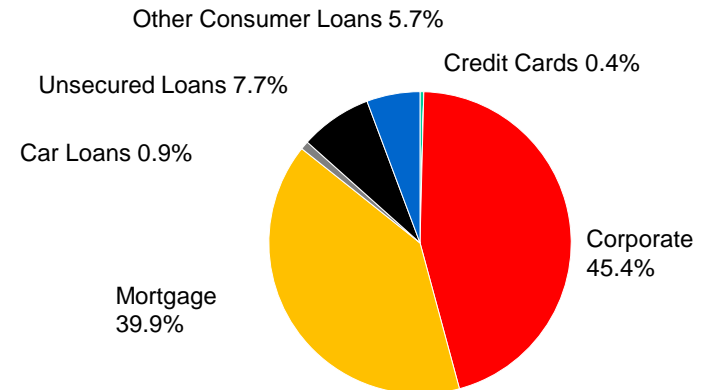
Financial Overview

NT\$bn	2013	2014	2015
Total Loans ⁽¹⁾	450.82	482.54	487.73
Total Deposits	614.52	643.68	679.59
Net Income	4.06	5.16	5.03
Total Assets	693.24	759.91	788.39
Shareholders' Equity	36.63	41.34	45.78

Note:

(1) Includes credit cards revolving balance but excludes overdue receivables

2015 Loan Breakdown

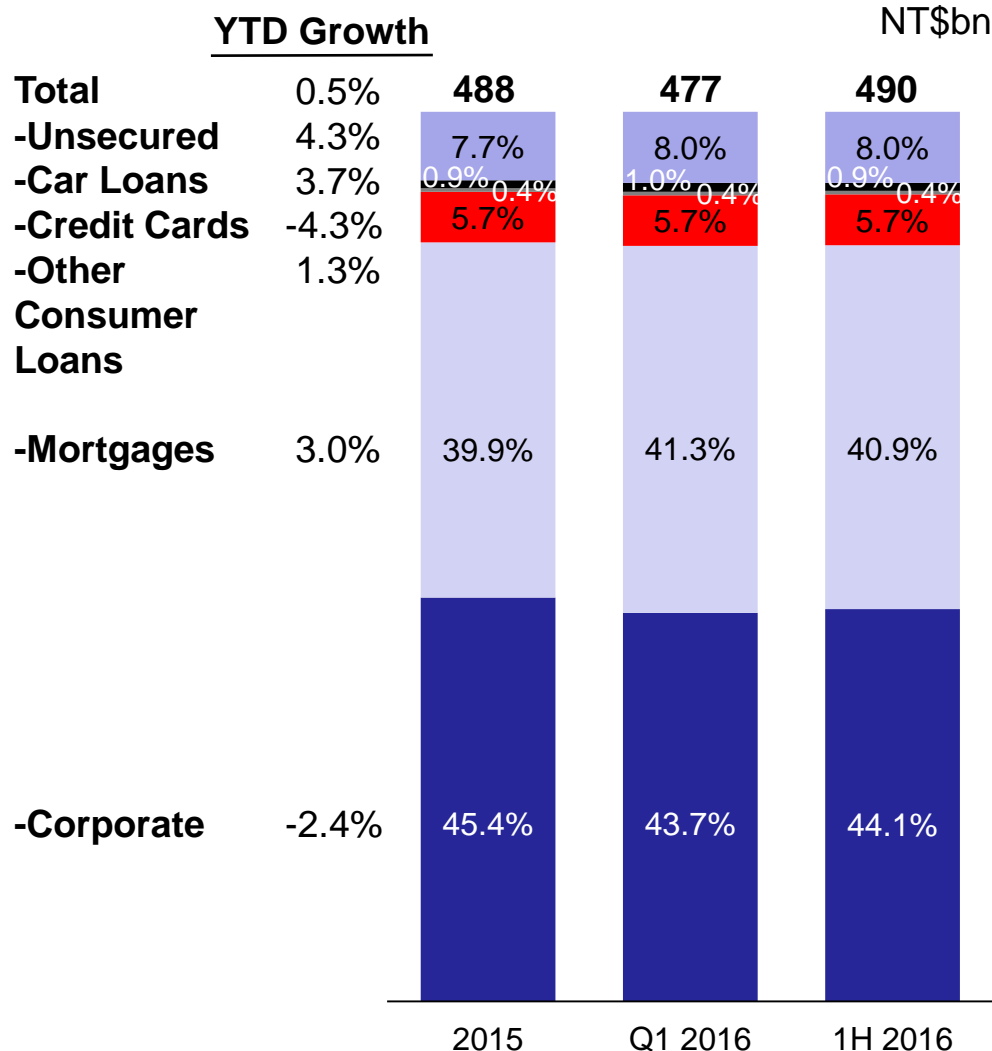


Total Loan: NT\$487.73bn⁽¹⁾

SKB – 1H 2016 Overview

- Due to prudently controlled funding cost, net interest income increased 3.2% YoY to NT\$5.21bn. Driven by growth in wealth management fee income, net fee income grew 8.1% YoY to NT\$1.63bn. Consolidated after-tax profit for 1H 2016 was NT\$2.22bn.
- Deposit balance was NT\$644.24bn; demand deposit ratio increased from 38.90% to 41.14% in Q2 2016. Corporate loan started to grow in Q2 2016; total loan balance reached NT\$490.20bn, 2.8% higher QoQ.
- NIM and NIS was 1.46% and 1.96% respectively as of end of Q2 2016. SKB will continue to optimize deposit and loan structure and keep interest spread stable.
- Bancassurance fee income for Q2 2016 grew 50.5% QoQ to NT\$429mn, driving wealth management income for 1H 2016 to NT\$992mn, up 21.4% YoY.
- NPL ratio and coverage ratio were 0.19% and 647.29% respectively, better than industry average.

Loan Mix



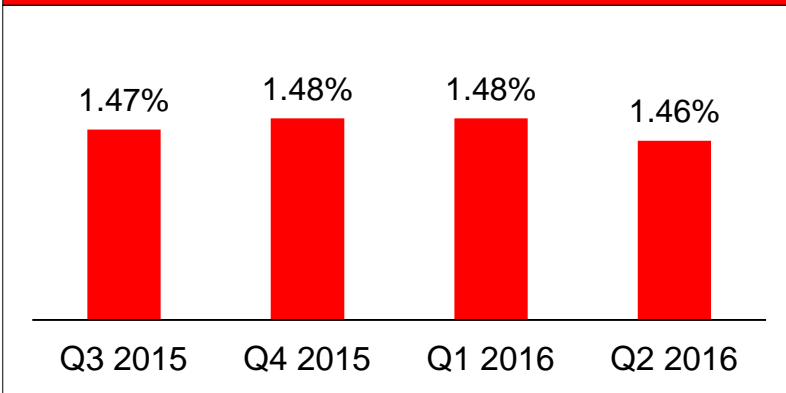
Note: Due to rounding, loan mix may not add up to 100%

Comments

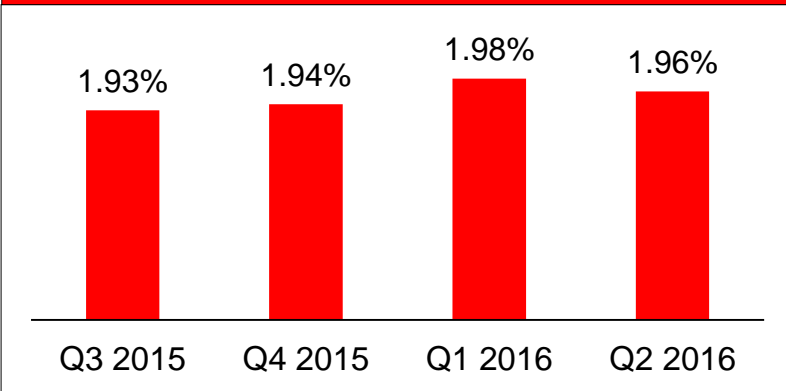
- Loan balance as of end of Q2 2016 was NT\$490.20bn, up 0.5% YTD. Corporate and consumer loans grew 3.7% and 2.0% QoQ respectively, indicating recovery of loan growth momentum
- SKB will actively participate in overseas syndicated loan to increase loan-to-deposit ratio and keep interest spread stable
- Focused on risk control, SME loans mainly with collaterals or backed by Credit Guarantee Fund

Interest Income

Net Interest Margin



Net Interest Spread

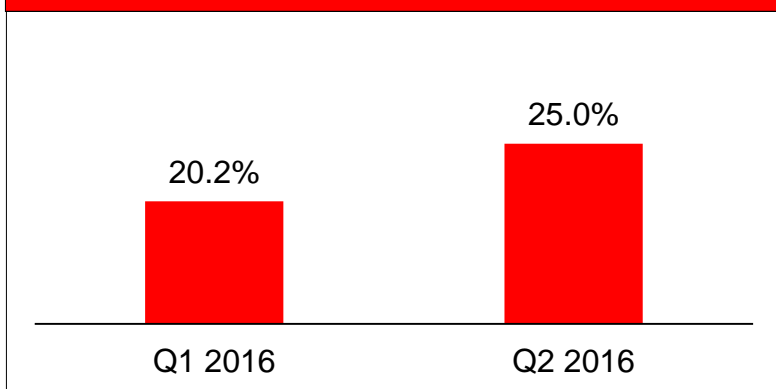


Comments

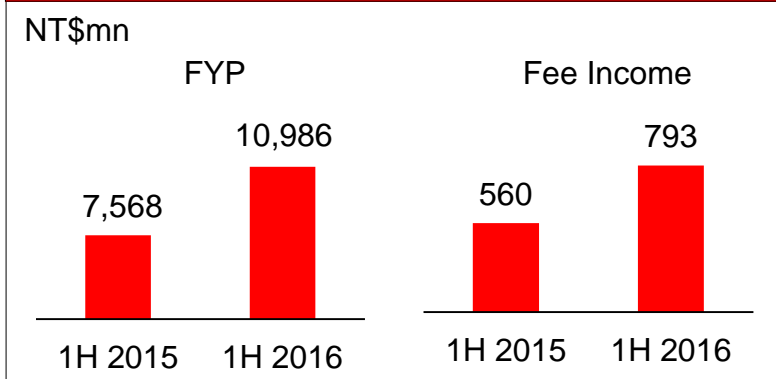
- SKB will continue to optimize deposit and loan structure to keep interest spread stable
- NIM and NIS was 1.46% and 1.96% respectively for Q2 2016. NIS for 2016 expected to remain at similar level of 2015
- SKB will continue to:
 - Strengthen cash management business and lower cost of funds, and
 - Adjust deposit and loan structure, as well as enhance fund utilization, and
 - Grow overseas syndicated loan to facilitate international business

Fee Income

Net Fee Income / Total Income



Bancassurance



Fee Income Breakdown

NT\$m

Total =

2,008

2,153

FX, Trust & Others

19.3%

18.7%

WM (incl. Bancassurance)

39.9%

44.3%

Loan

13.9%

12.1%

Credit Card

26.9%

24.9%

1H 2015

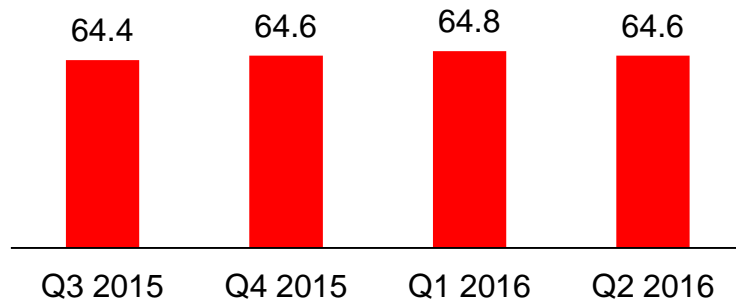
1H 2016

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

Wealth Management

AUM

NT\$bn

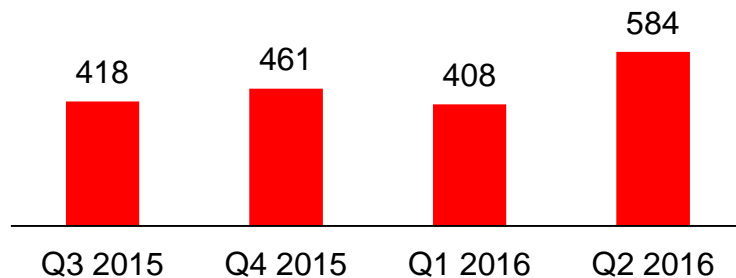


Wealth Management Center



WM Income

NT\$m



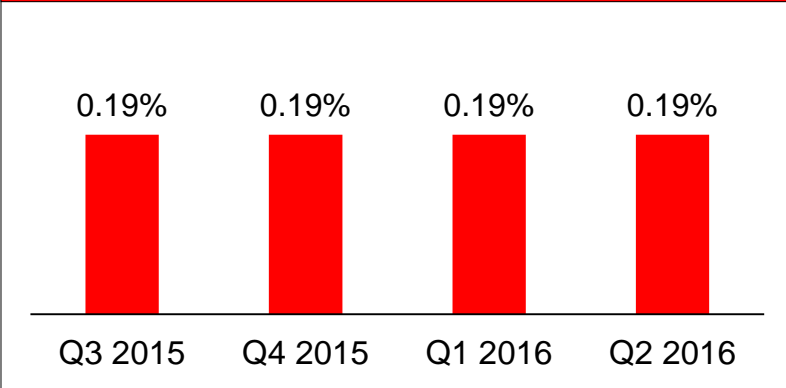
- Bancassurance fee income for Q2 2016 grew 50.5% QoQ to NT\$429mn, driving wealth management income for 1H 2016 to NT\$992mn, up 21.4% YoY
- Marketing efforts to be refocused on insurance in August and September to extend bancassurance momentum
- Besides insurance products, mutual funds actively promoted in 2H 2016, driving number of orders through regular saving plan significantly higher in July

Note:

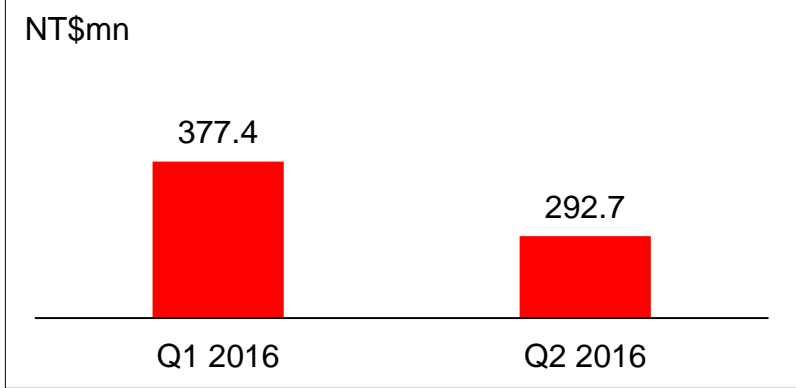
- (1) Wealth management income includes income from structured deposits
- (2) AUM does not include policy value reserve

Asset Quality

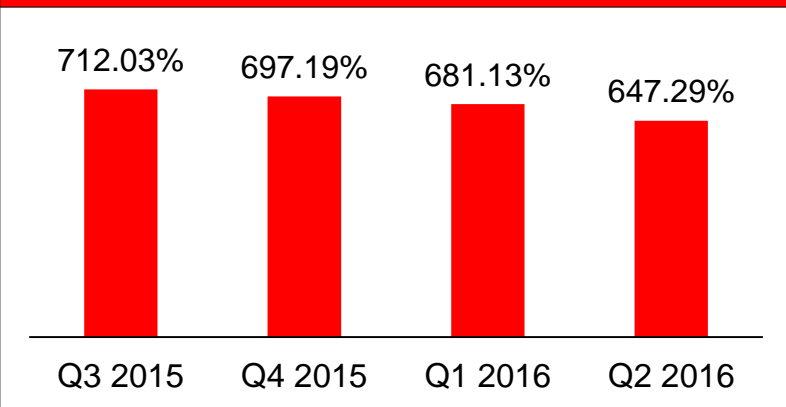
NPL Ratio



New NPL Generation



Coverage Ratio



- New NPL generated in Q2 2016 was NT\$293mn, decreasing consecutively for 2 quarters since Q4 2015
- NPL ratio was 0.19%, and coverage ratio was 647.29%, better than industry average

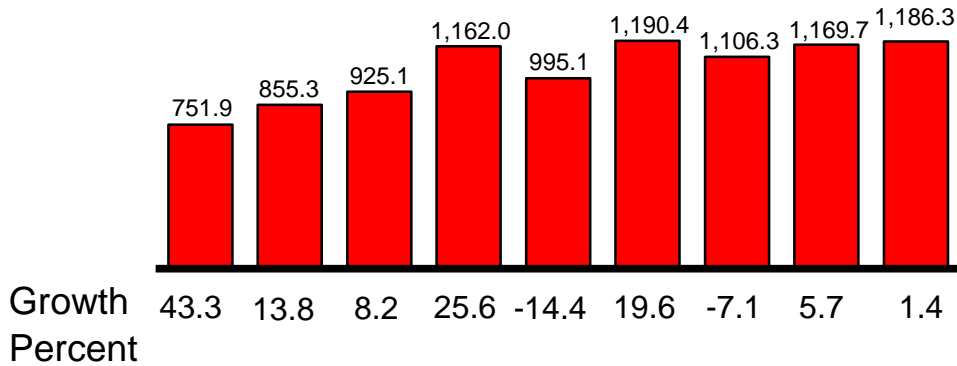
Agenda

- I. SKFH
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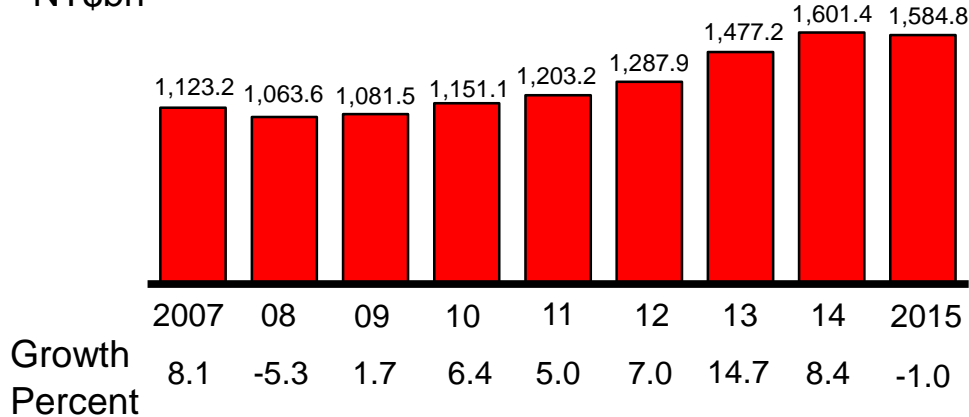
- **Market opportunities**
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Insurance opportunity: Changes in products and channels

Life FYP
NT\$bn

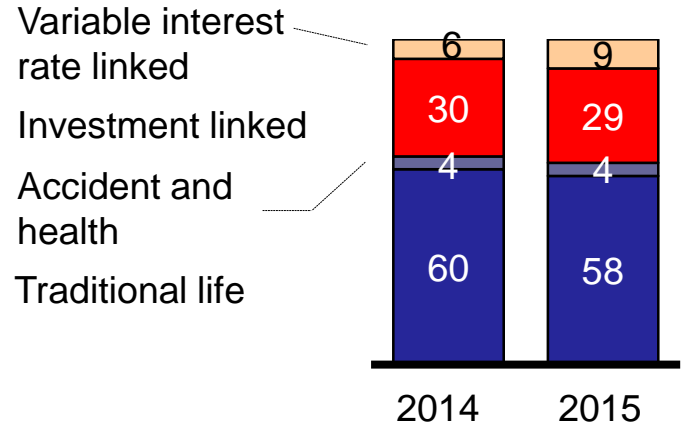


Life renewal premium
NT\$bn



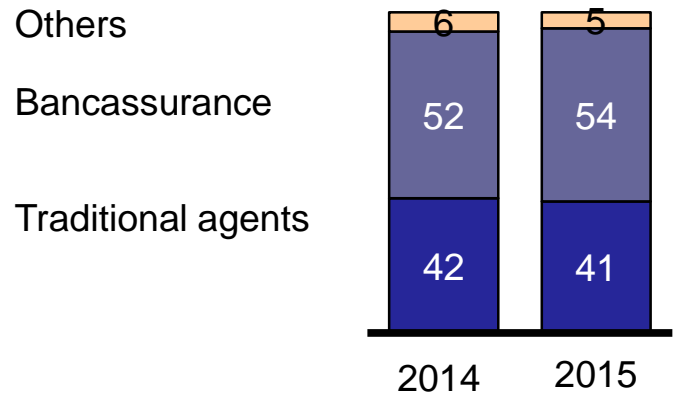
New business breakdown

Percentage



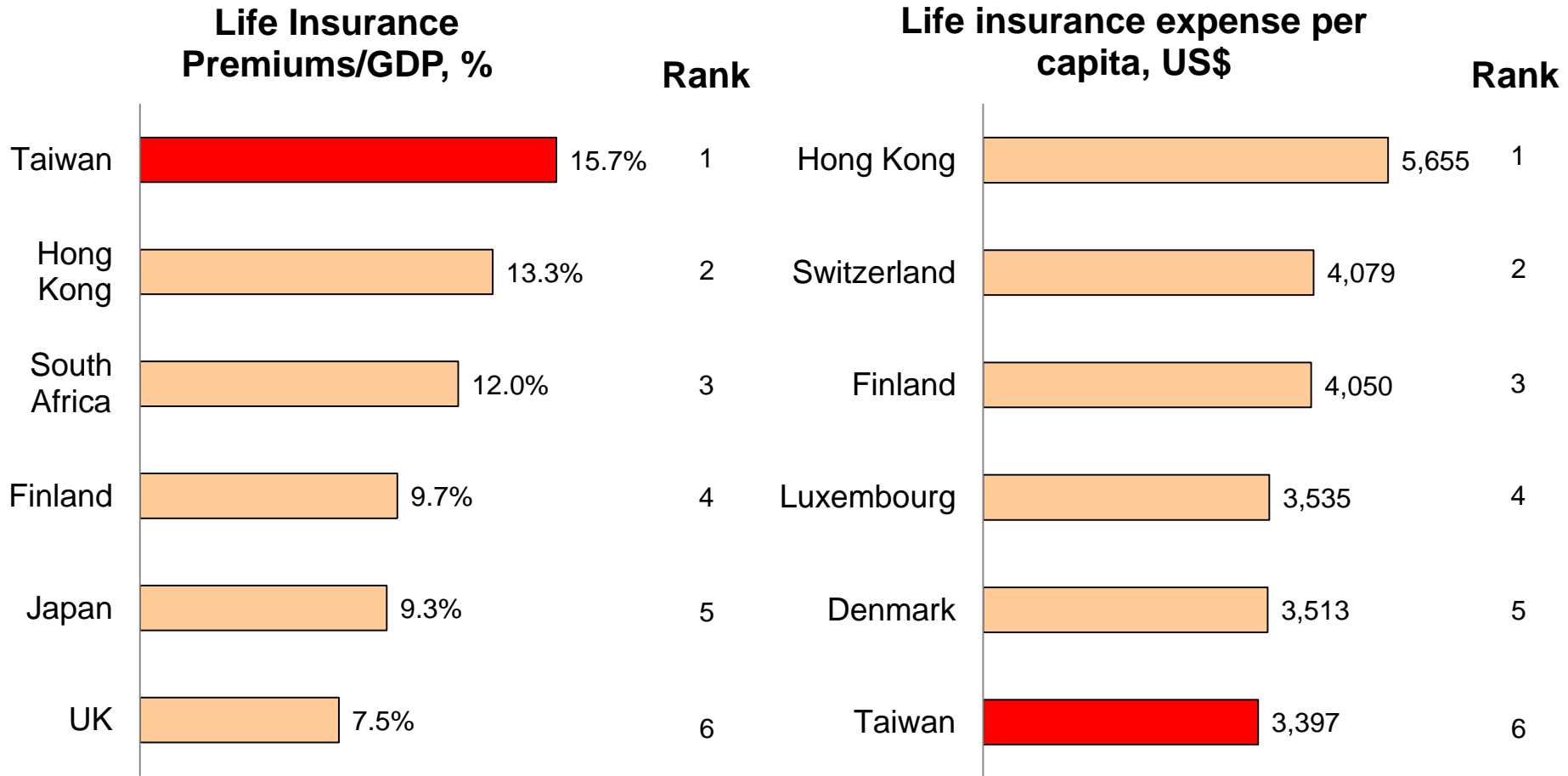
New business channel mix

Percentage



Insurance opportunity:

High penetration but low density

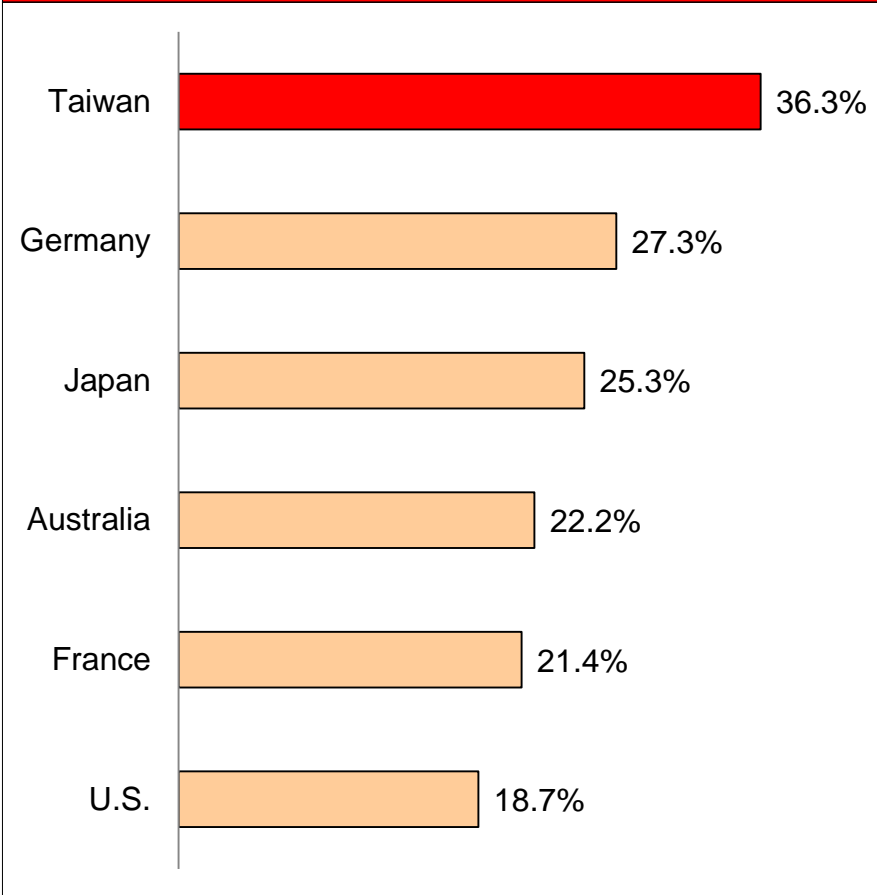


Source: Swiss Re, Sigma No.3/2016

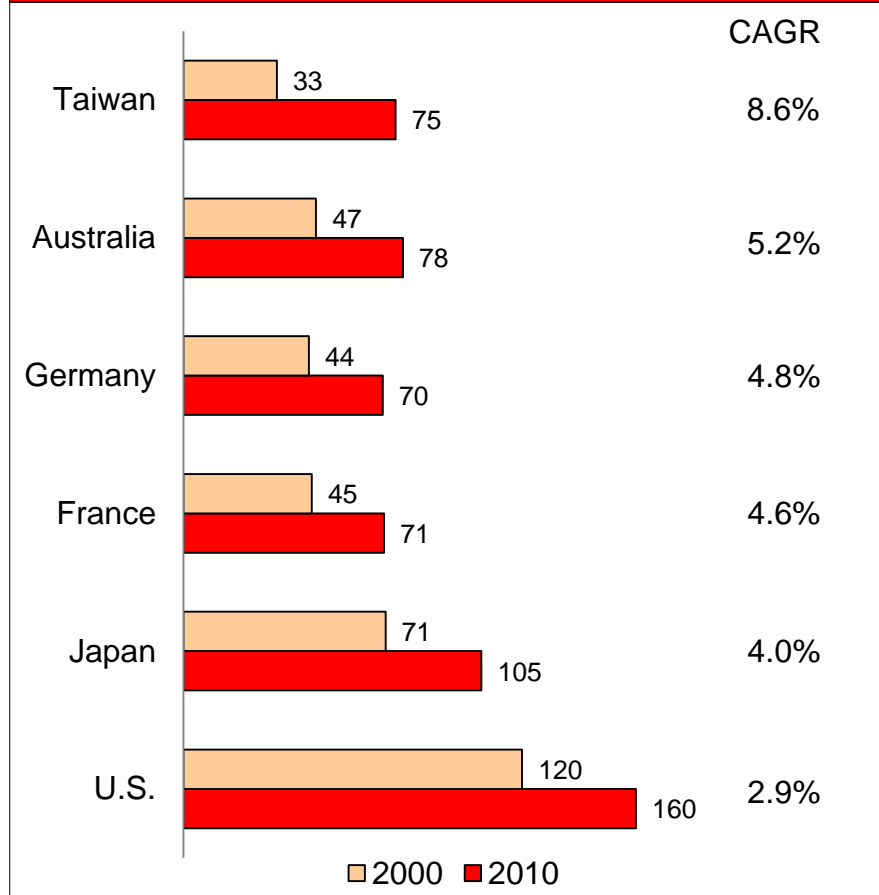
Wealth management opportunity:

High savings rate and rapid growth in wealth

Savings rate ⁽¹⁾



Household financial asset per capita(US\$1,000)⁽²⁾



Note: (1) Source: The World Factbook, CIA

(2) Source: National Accounts at a Glance 2013, OECD

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SP / RP Breakdown

NT\$bn

1H 2016 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	31.58	23.46		55.04
Investment-linked				
VUL		0.03	0.32	0.35
Structured note	0.23			0.23
Interest sensitive				
Annuity	0.00		0.01	0.01
Life				
PA, health and others ⁽¹⁾		2.41		2.41
Total	31.81	25.90	0.33	58.04
Share	54.8%	44.6%	0.6%	100.0%

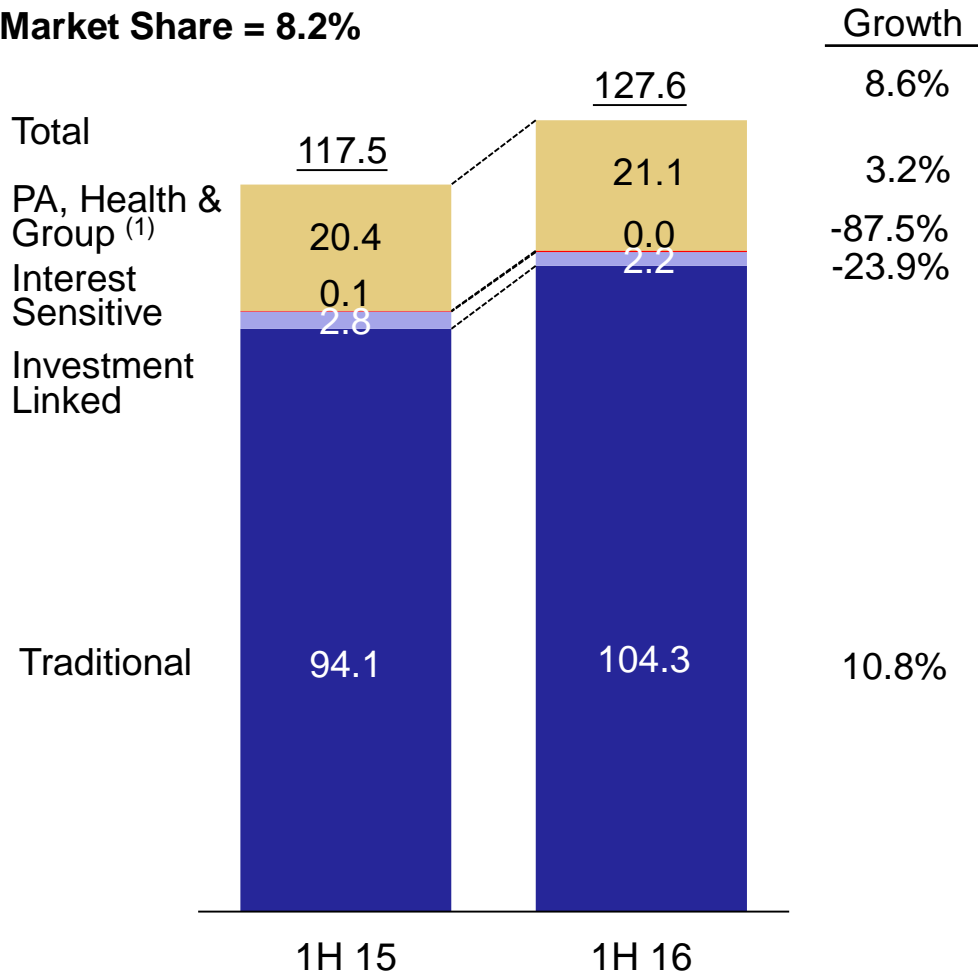
Note :

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

Total Premium – 1H 2016

NT\$bn

Market Share = 8.2%



Comments

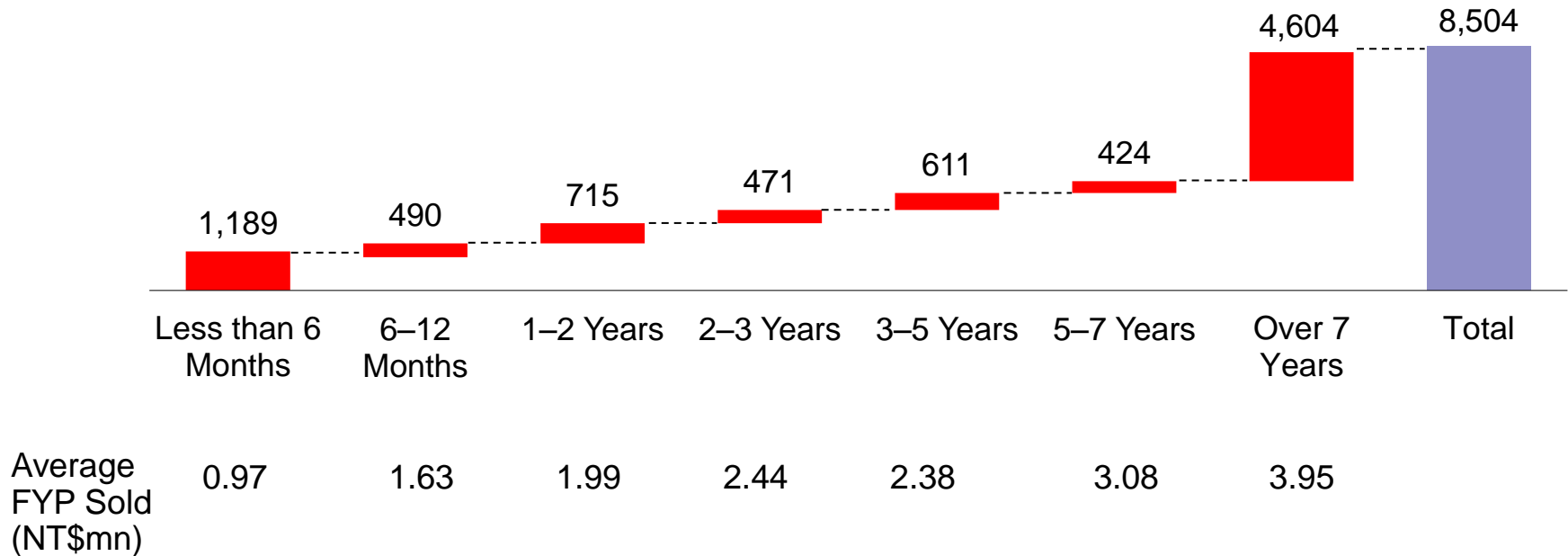
- Driven by FYP of traditional products up 28.0% YoY, total premium of traditional products grew 10.8% YoY and overall total premium increased 8.6% YoY
- Bancassurance channels focused primarily on sales of whole life savings products, rather than interest-sensitive annuities
- PA, Health & Group products grew steadily YoY

Note :

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

Agent Number and Productivity by Tenure

2015



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SKL - EV & AV Results

Unit: NT\$bn

	2014.12	2015.12	YoY growth
In-force business investment yield	NTD 4.08%~5.10% USD 4.64%~6.09% Equivalent investment yield: 4.53% (rolling over to 2015: 4.57%)	NTD 4.05%~5.10% USD 4.32%~6.09% Equivalent investment yield: 4.46%	--
Future one year's new business investment yield	NTD 4.13%~5.10% USD 4.63%~6.02%	NTD 4.06%~5.10% USD 4.25%~5.68%	--
Adjusted NAV	185.4	164.8	-11%
VIF	111.7	121.4	9%
COC	58.7	70.6	20%
EV	238.4	215.7	-10%
EV / per share (SKL / SKFH)	41.1 / 24.3	37.2 / 21.1	--
V1NB	17.8	16.8	-6%
AV – 5 years NB	297.1	273.8	-8%
5-year AV / per share (SKL / SKFH)	51.2 / 30.2	47.2 / 26.8	--
AV – 20 years NB	383.1	349.8	-9%
20-year AV / per share (SKL / SKFH)	66.1 / 39.0	60.3 / 34.2	--

Note: Based on SKL's outstanding shares of 5.80bn as of the end of 2015 (5.80bn as of the end of 2014)

Based on SKFH's outstanding shares of 10.23bn as of the end of 2015 (9.83bn as of the end of 2014)

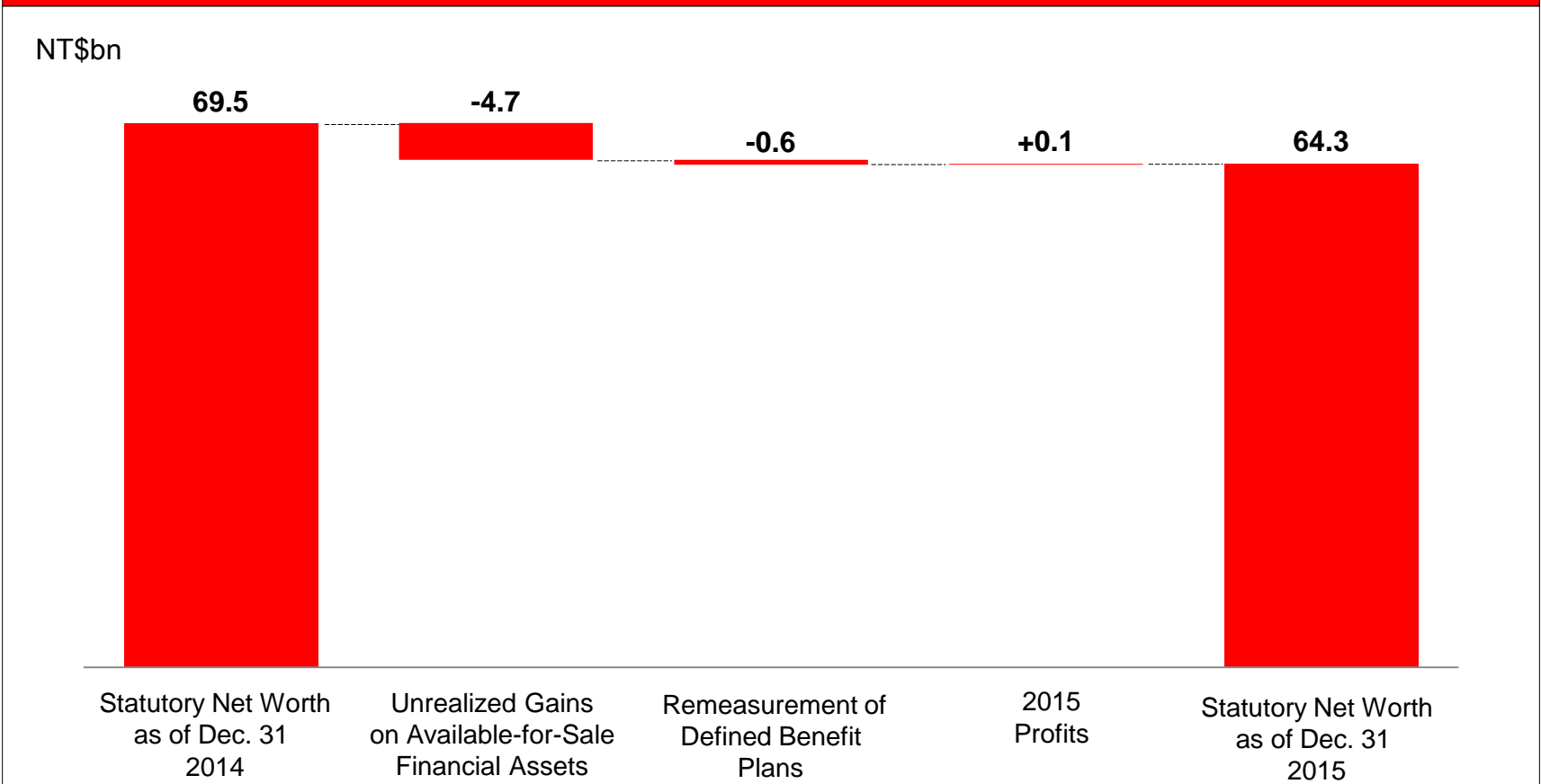
SKL - Estimate of Embedded / Appraisal Value

Unit: NT\$bn Valn Date: 31 Dec. 2015 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except		VIF 4.05%~5.10% (USD 4.32%~6.09%) V1NB 4.06%~5.10% (USD 4.25%~5.68%) RDR 10.5%	All else equal except	
	Inv Return -0.25%	Inv Return +0.25%		RDR -1.0%	RDR +1.0%
Adjusted NAV	164.8	164.8	164.8	164.8	164.8
VIF	78.3	161.4	121.4	139.9	106.8
Cost of Capital (COC)	72.8	68.2	70.6	66.0	74.2
EV after COC	170.3	258.0	215.7	238.7	197.4
V1NB after COC	15.5	18.1	16.8	19.4	14.6
AV (5 years NB)	223.8	320.6	273.8	307.5	246.6
AV (20 years NB)	293.8	402.8	349.8	405.6	305.9

Note: Figures may not add up exactly due to rounding

SKL – Analysis of Change in Net Worth

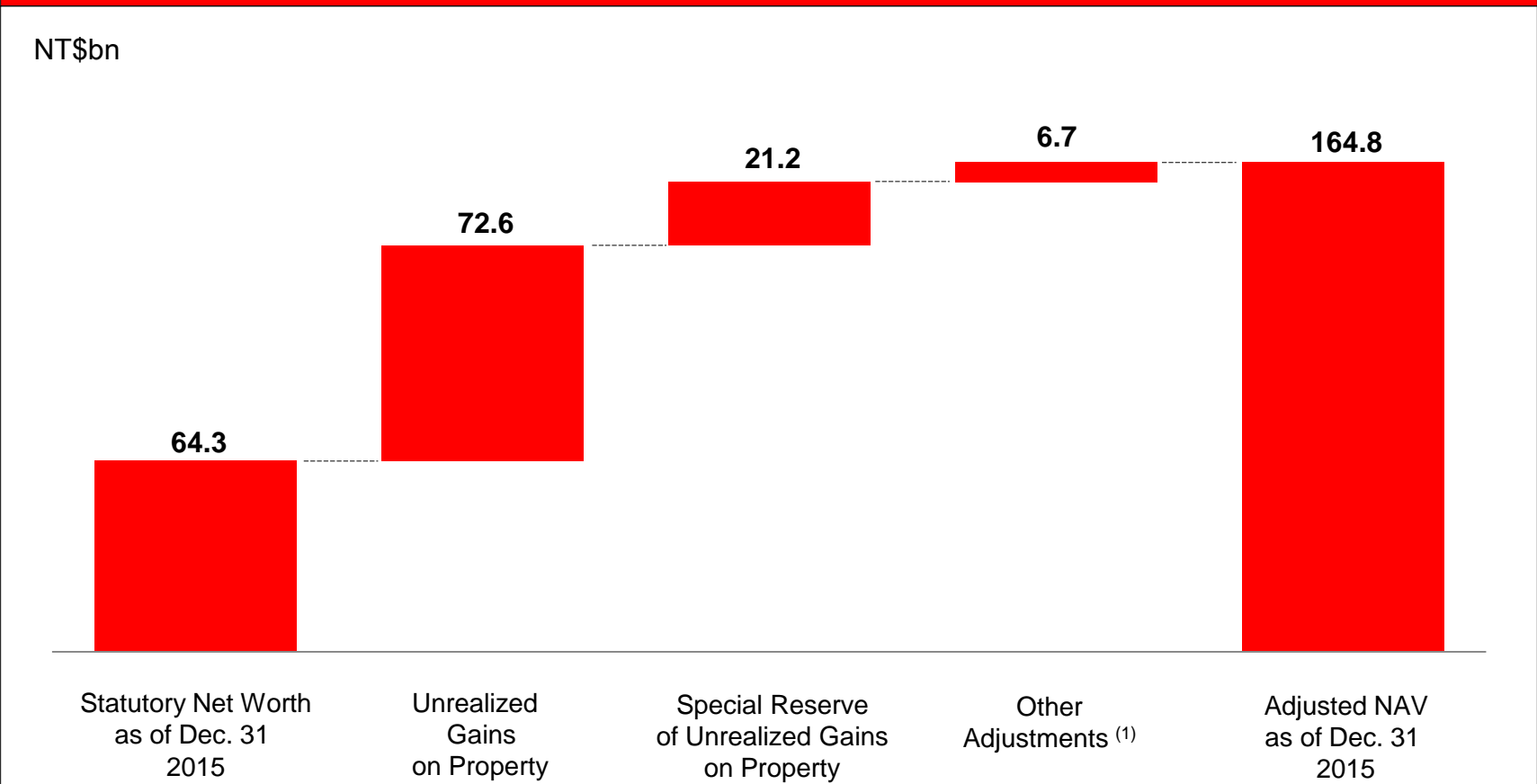
**Changes between 31 Dec. 2014 and 31 Dec. 2015
broken down by components**



Note: Figures may not add up exactly due to rounding

SKL – Adjusted NAV

Adjustments to Statutory Net Worth at 31 Dec. 2015



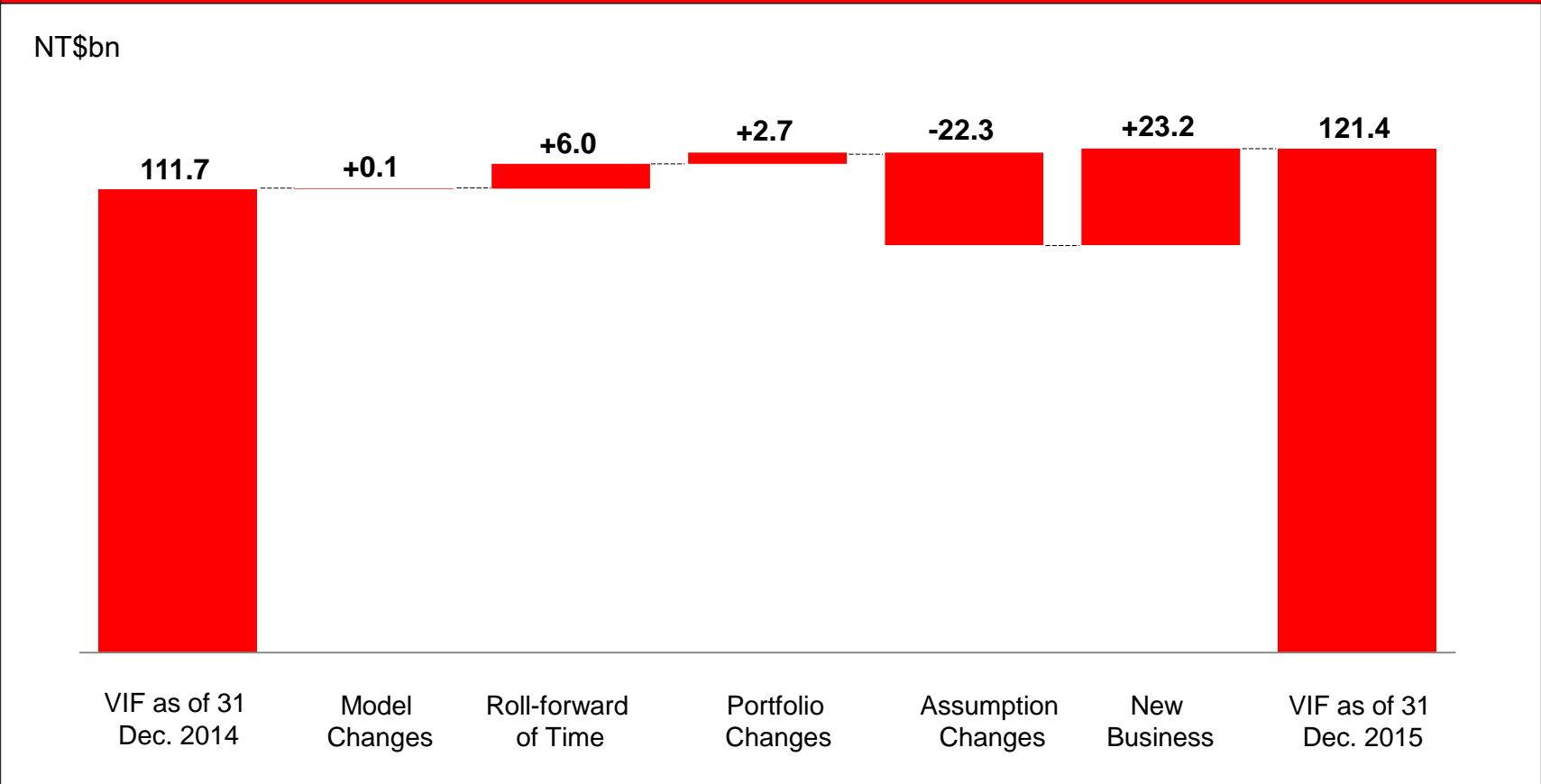
Note:

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

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

SKL – Analysis of Change in VIF

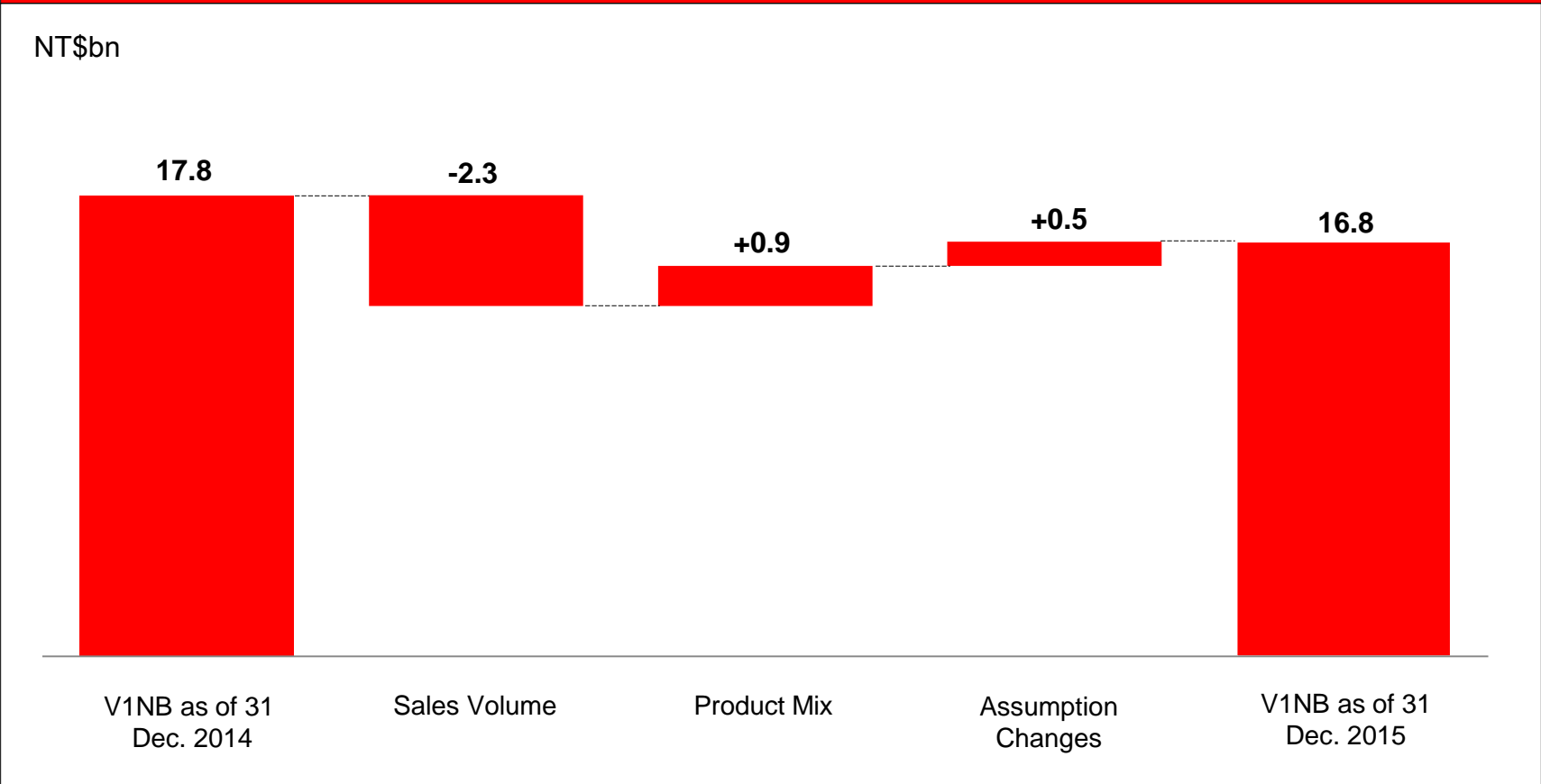
**Changes between 31 Dec. 2014 and 31 Dec. 2015
broken down by components**



Note: Figures may not add up exactly due to rounding

SKL – Analysis of Change in V1NB

**Changes between 31 Dec. 2014 and 31 Dec. 2015
broken down by components**



Note: Figures may not add up exactly due to rounding

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Project objectives: core business enhancement, including tied agent management, customer resources, and product marketing

- Tied agent management (Agent+ Project):
 1. Since January 2016, SKL has been working on Agent+ Project, cooperating with the Boston Consulting Group (BCG) to drive agent force transformation. This project, coupled with a three-year strategy, aims at increasing agent productivity and optimizing organization structure through comprehensive marketing planning and standardized activity management.
 2. With enhancement on standardized activity management, tailored team-managing system, younger recruits and practical training, FYPE per agent expected to grow at CAGR of over 15%, and young talent expected to account for 45% of the new recruits.
 3. Pilot program started in July 2016. Formal implementation throughout nationwide branches expected to start sequentially from Q4 2016.
- Customer resources and product marketing (Inforce 2.0 Project):
 1. SKL has partnered with Oliver Wyman to analyze in-force policies with big data based on customer characteristics and identified segments. The deliberated action plan expected to maintain customer stickiness and further create business leads and VNB.
 2. SKL will integrate and strengthen the customer resource management (the "Turf"), optimizing marketing effectiveness through systematic and transparent agent activity management.

Optimize agent management: build standards → optimize organization → recruit young talent




Key Strategies

Elevate productivity via standardized process

Adjust role positioning through solid system and gradually cut low performers

After improvements, actively recruit young talent and help them build careers

Management



Standardize sales management

Optimize resource allocation mechanism

System



Differentiate management of agents

Encourage organization development by managers

Recruitment



Optimize recruiting propositions/channels

Standardize recruiting methods

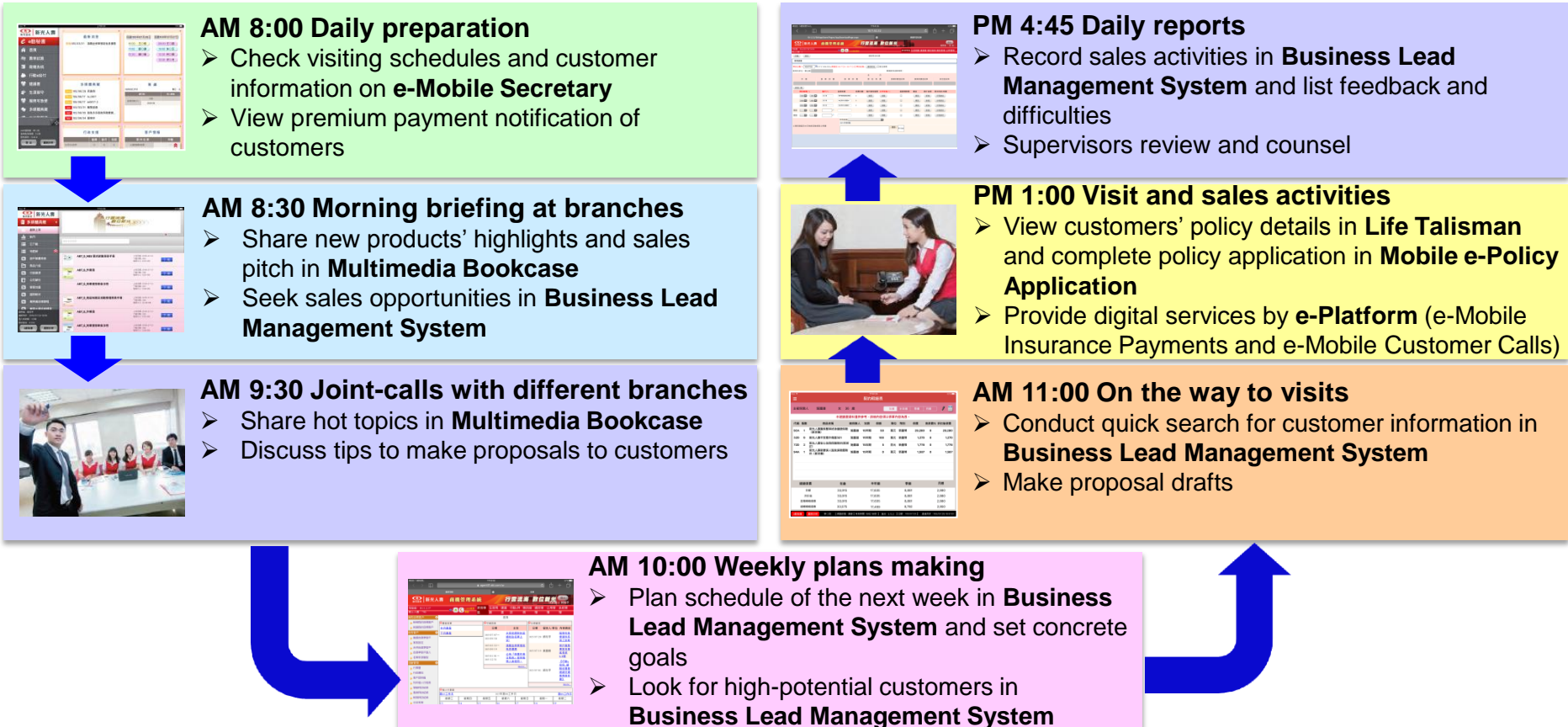
Training



Optimize lecturer allocation

Elevate teaching methods

Implement transparent, standardized and mobile activity management





Conclusion

- Activity management platforms have mostly been completed. The project focuses on implementation with discipline throughout all branches
- Standardized activity management and follow-up with e-tools expected to fulfill procedures of planning, executing, and reporting
- Record and analyze how tied agents use digitized sales tools, provide optimal training to enhance sales behavior and efficiency

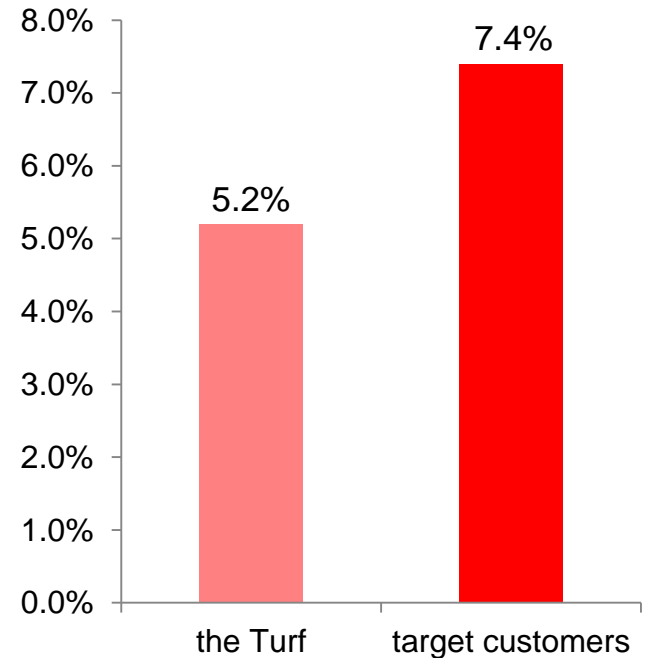
Digitized customer resource management

- Analyze customer segments (the "Turf") through big data, exploring customer value and needs, as well as generating target customer list (Business Lead Management System).
- Integrate mobile marketing tools and internal resources, including products, services and activities to boost business growth.



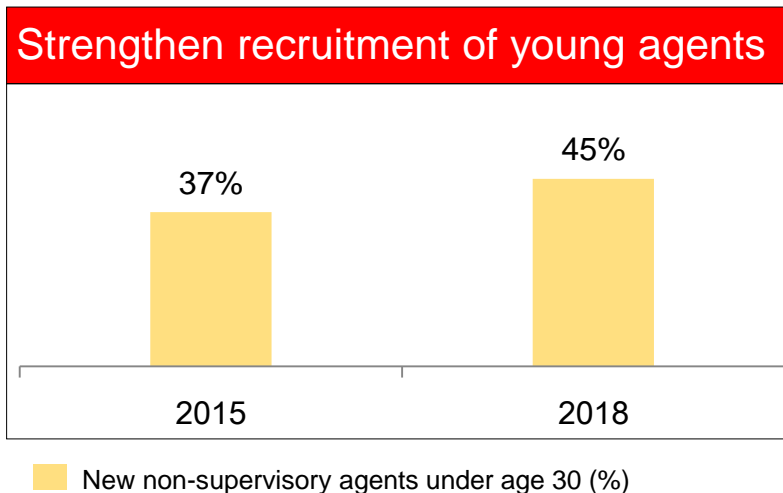
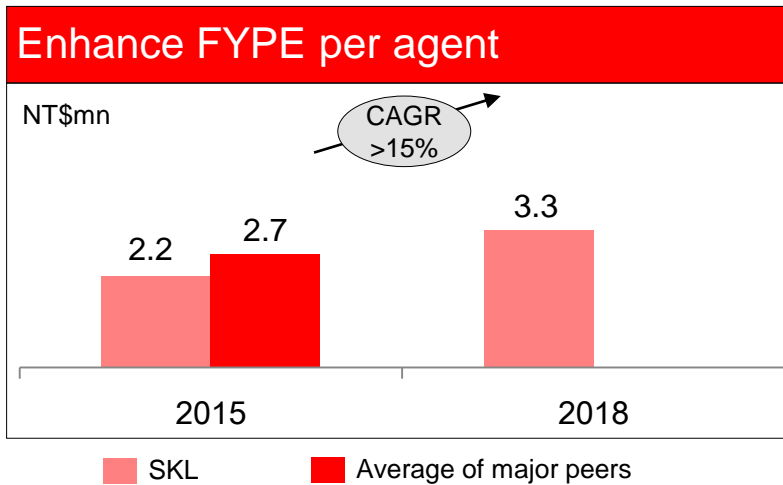
 Indicates actions by agents
 Indicates actions by headquarters

Business Lead Management System facilitates precise marketing, enhancing customer repurchase rate



Note: Data gathered in the first half of 2016

Three-year target: increase productivity per agent and strengthen recruitment of young agents



Comment

- With FYPE per agent growing at CAGR of over 15%, SKL expected to catch up and lead peers in agent productivity within three years
- The percentage of new recruits under age 30 expected to reach 45%, building more youthful agent force

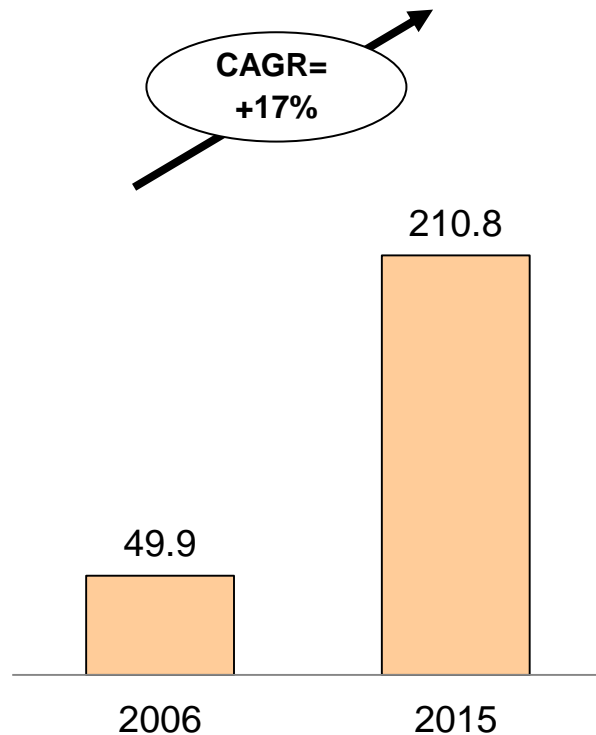
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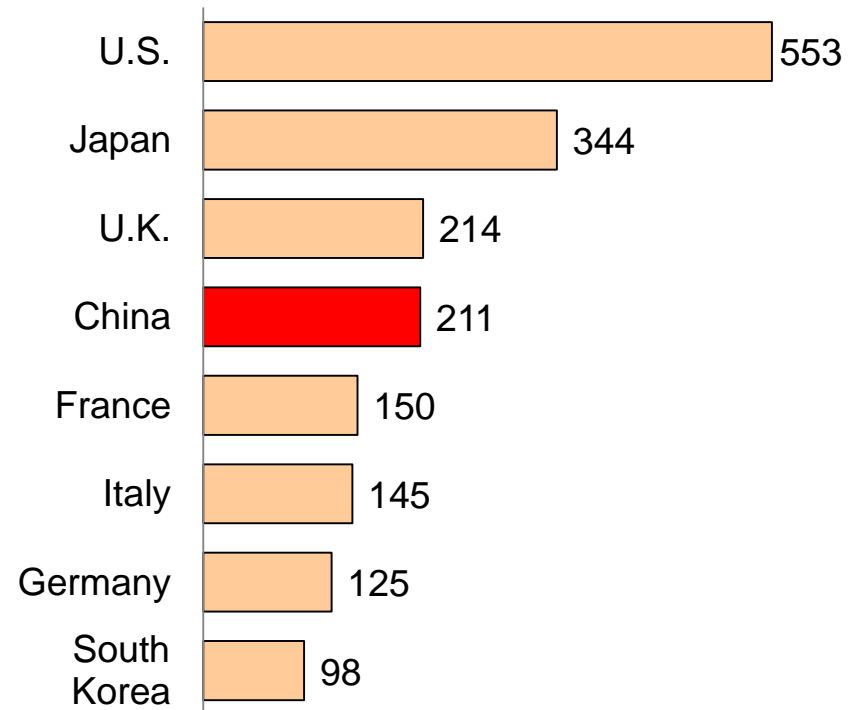
China insurance market is growing rapidly and ranked number 4 in the world

US\$bn

Total life premium



Total life premium 2015



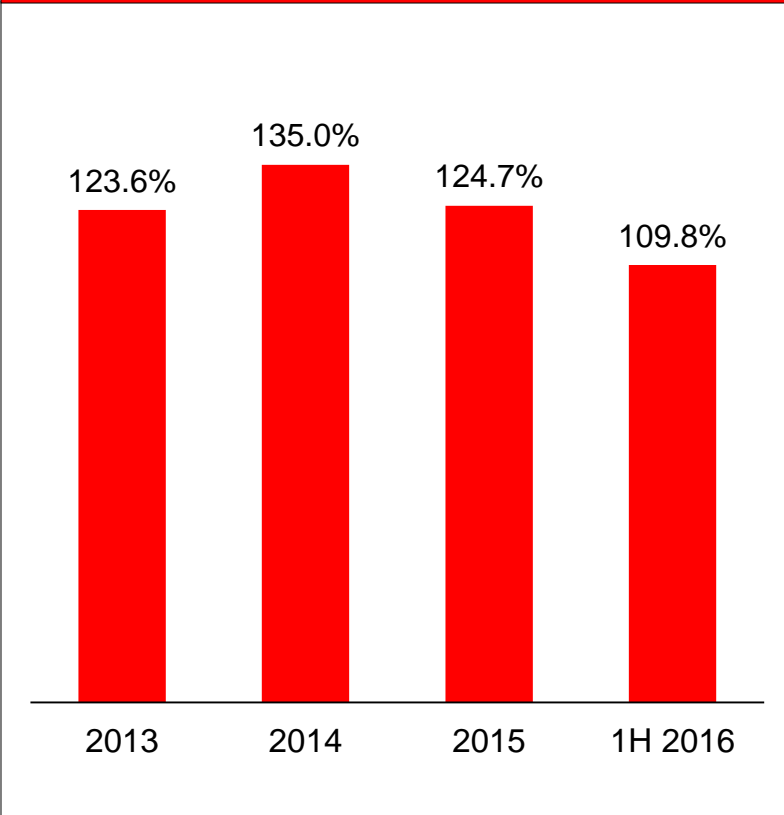
Source: Swiss Re, Sigma No.3/2016

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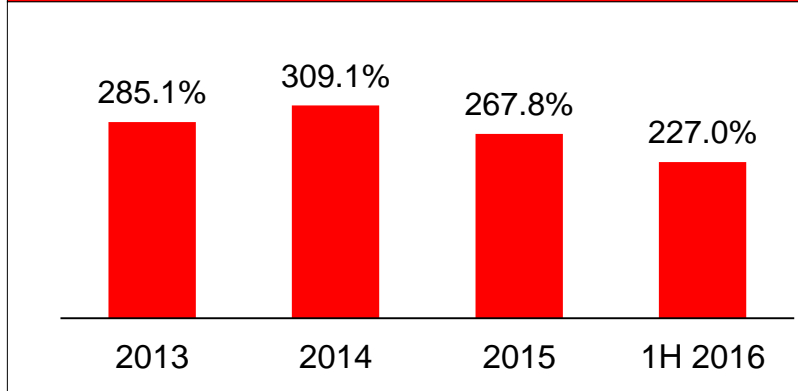
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Capital Adequacy

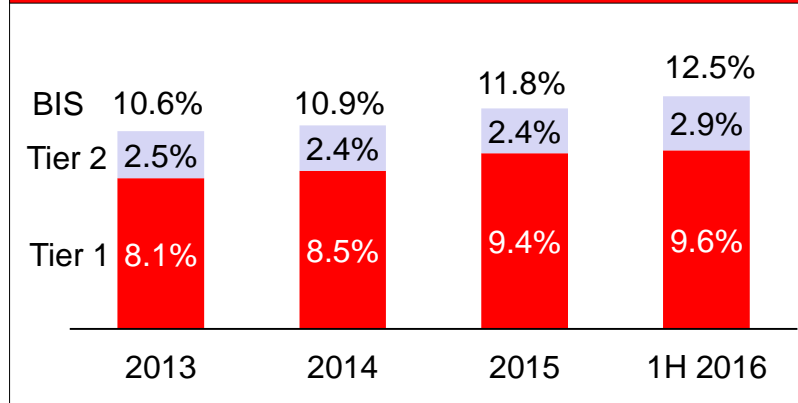
CAR of SKFH



RBC of SKL



BIS of Shin Kong Bank





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