

Confidential



Shin Kong Financial Holding

Q1 2009 Results Update

May 19, 2009

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 numbers reviewed by the auditor.

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Life's 2008 EV/AV Results

V. Appendix

- Life Premium Summary

SKFH – Q1 2009 Overview

- Markets started to show signs of recovery, although operating environment is still difficult in 2009
- Driven by stabilizing investment income and lower expenses, loss in Q1 was 91% lower YoY. SKFH recorded after-tax loss of NT\$0.64bn in Q1 2009. EPS was -NT\$0.10.
- Investment income has stabilized; annualized investment return for Q1 was 3.9%
 - Interest income at SKL was 3% higher than 1Q08
 - Strong capital gains from foreign exchange
 - Continued rebound of the Taiwan equity market
- Tight control of expenses
 - SKL: General and administrative expenses controlled at lower level than 1Q08
 - SKB: Overall expenses decreased 10% year-on-year and will continue to come down
- Strong liquidity position and proactive liability management
 - Secured NT\$5bn loan to repay 2004 ECB
 - Bought back and retired NT\$1.3bn of 2004 ECB at yield-to-put 8%
 - Strong liquidity with over NT\$100bn cash at SKL and L/D ratio of 79% at SKB
- Strategy going forward
 - Stabilize and enhance revenue in life and banking businesses
 - Control costs
 - Drive synergies among subsidiaries, e.g., merger of SKSC and Masterlink
 - Tighten risk management – Phase I of Algo system successfully completed in April
 - Enhance customer service – New Core System of SKL went live in February
 - Develop China JV and expand overseas – China JV started operation in April

Financial Highlights – Q1 2009

	Q1 2008	Q1 2009	YoY Growth
NT\$m (except per share data), %			
Group net income	-6,862	-637	-
First year premium (Insurance)	32,106	17,689	-45%
Loans (Bank)	280,219	278,896	0%
Total assets	1,750,740	1,763,250	1%
Total shareholders' equity	101,266	56,036	-45%
ROA (unannualized)	-0.39%	-0.02%	-
ROE (unannualized)	-6.80%	-0.89%	-
Earnings per share	-1.38	-0.10	-

Net Income – Q1 2009

Group net income

NT\$bn



Net income contribution

NT\$bn

Subsidiaries	Q1 09	Q1 08
Shin Kong Life	-1.03	-7.63
Shin Kong Bank	0.17	0.61
Shin Kong Securities	0.08	0.01
Shin Kong Investment Trust	0.00	0.02
Shin Kong Insurance Brokers	0.02	0.02
Others ⁽¹⁾	0.12	0.11
Net income	-0.64	-6.86

Note:

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

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Life's 2008 EV/AV Results

V. Appendix

- Life Premium Summary

SKL – Q1 2009 Overview

- SKL recorded after-tax loss of NT\$1.03bn in Q1 2009 driven by NT\$1.35bn loss from CDO investments. ROE was -4.2%.
- Affected by volatile global markets, demand for investment-linked products remained slow. FYP was NT\$17.69bn, 45% lower than the high basis achieved in 2008. To maintain reasonable overall profit margin, growth rate was lower than market growth of -12%. Market share was 8%.
- Traditional products contributed 74% of FYP. FYP from traditional products was NT\$13.1bn, up 649% YoY. Premium from PA, health and group products also grew by 186% to NT\$1.6bn, driven by strong sales of health products.
- 13-month persistency remained high at 86%. 25-month persistency was 78%.
- Q1 2009 investment return was 3.90%.
- JV with Hainan Airlines Group in China, Shin Kong - HNA Life, started operation in late April.

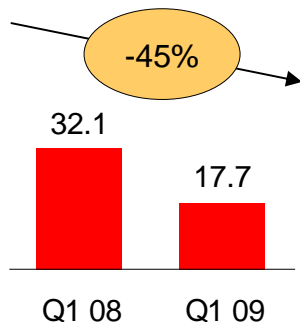
Financial Highlights – Q1 2009

	Q1 2008	Q1 2009	YoY Growth
NT\$mn, %			
First year premium	32,106	17,689	-45%
Total premium	57,912	42,210	-27%
Investment income	440	11,760	2,573%
Net income	-7,603	-1,031	-
Total assets	1,266,003	1,331,708	5%
Total shareholders' equity	53,305	23,975	-55%
ROE (unannualized)	-14.23%	-4.23%	-
ROA (unannualized)	-0.61%	-0.08%	-

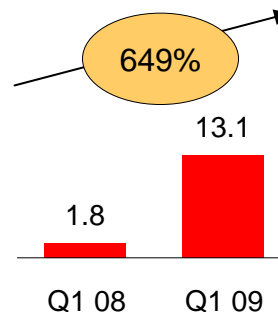
First Year Premium – Q1 2009

NT\$bn

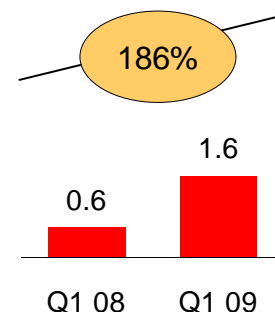
Market share 7.9%



Traditional



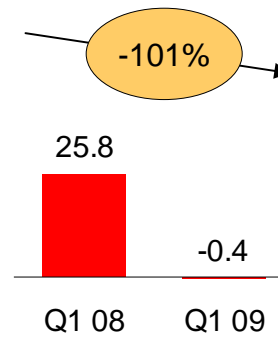
PA, Health and Group



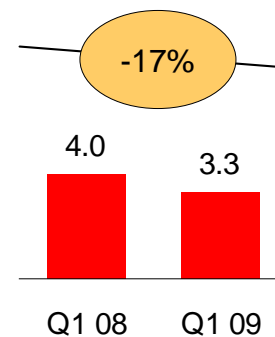
Comments

- To maintain reasonable overall profit margin, FYP was controlled at level lower than last year
- Traditional products contributed significant share (74%) of FYP
- Affected by global market situation, sales of investment-linked products slowed
- In Q1, traditional products and high value health and long-term care products continued to be the focus of sales. FYP growth of traditional products was 649%; PA, health and group also grew by 186%

Investment-linked

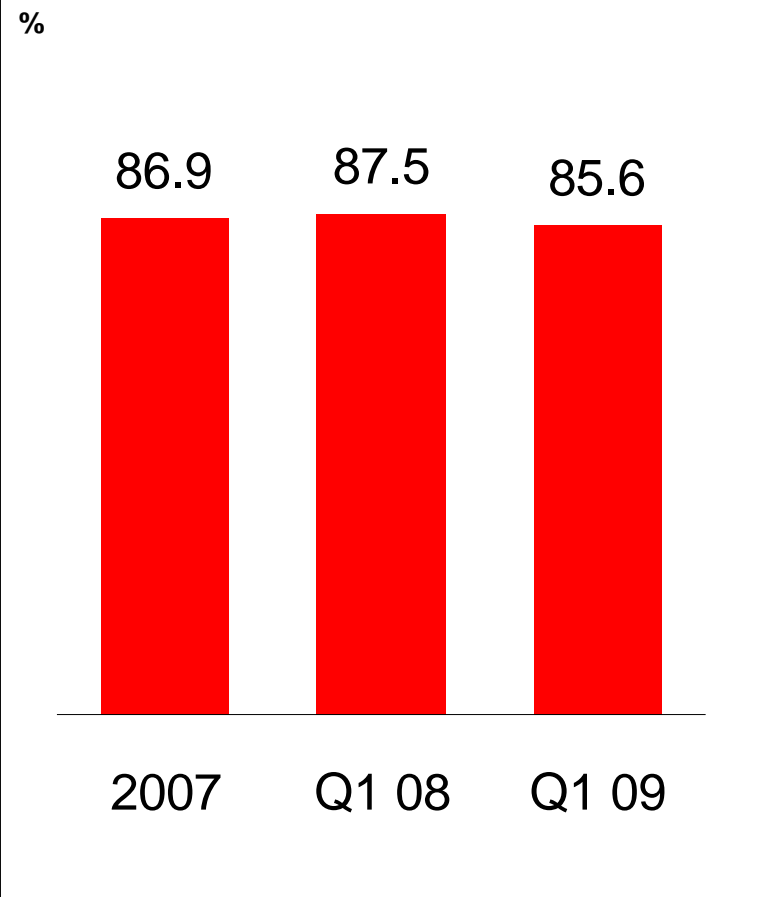


Interest-sensitive

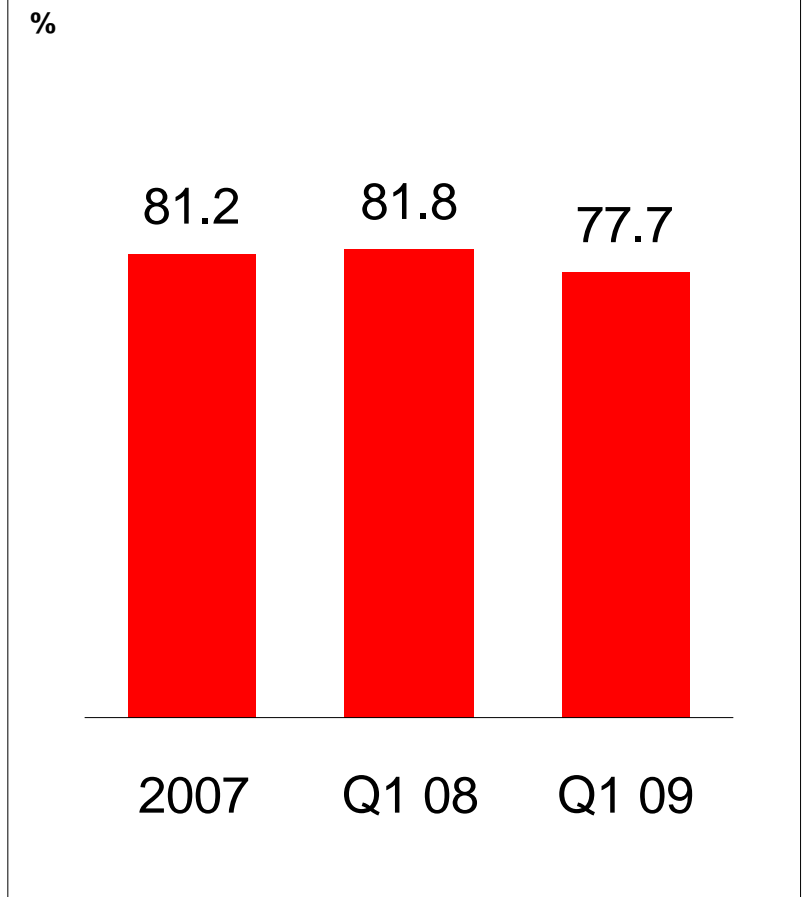


Persistency Ratio

13 month persistency

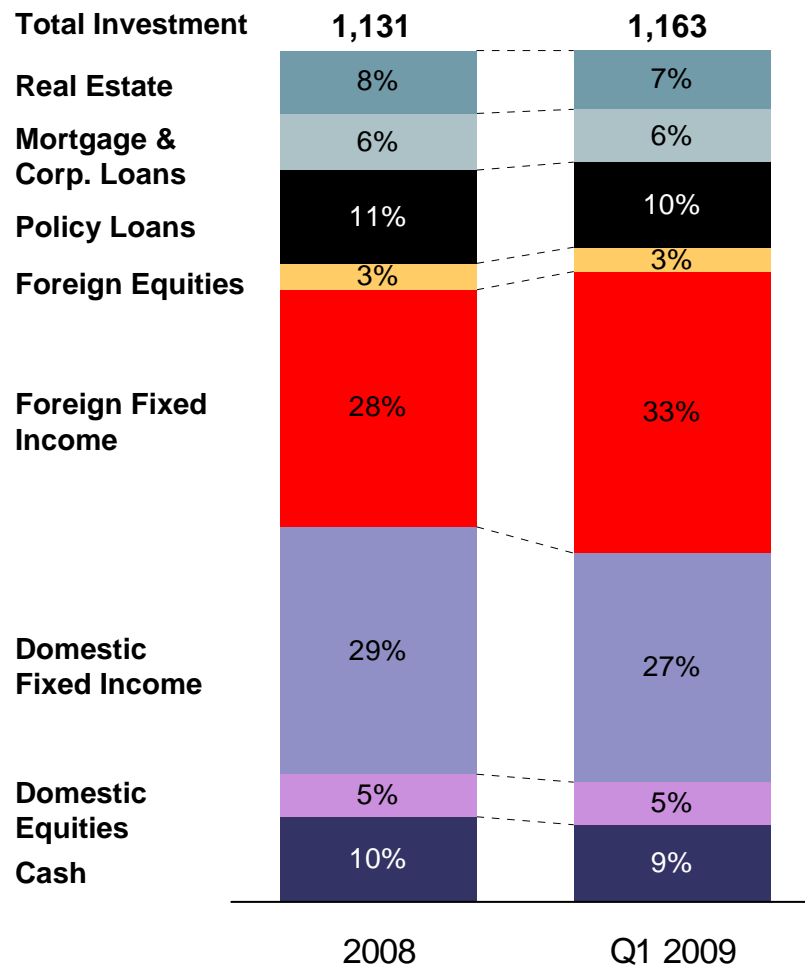
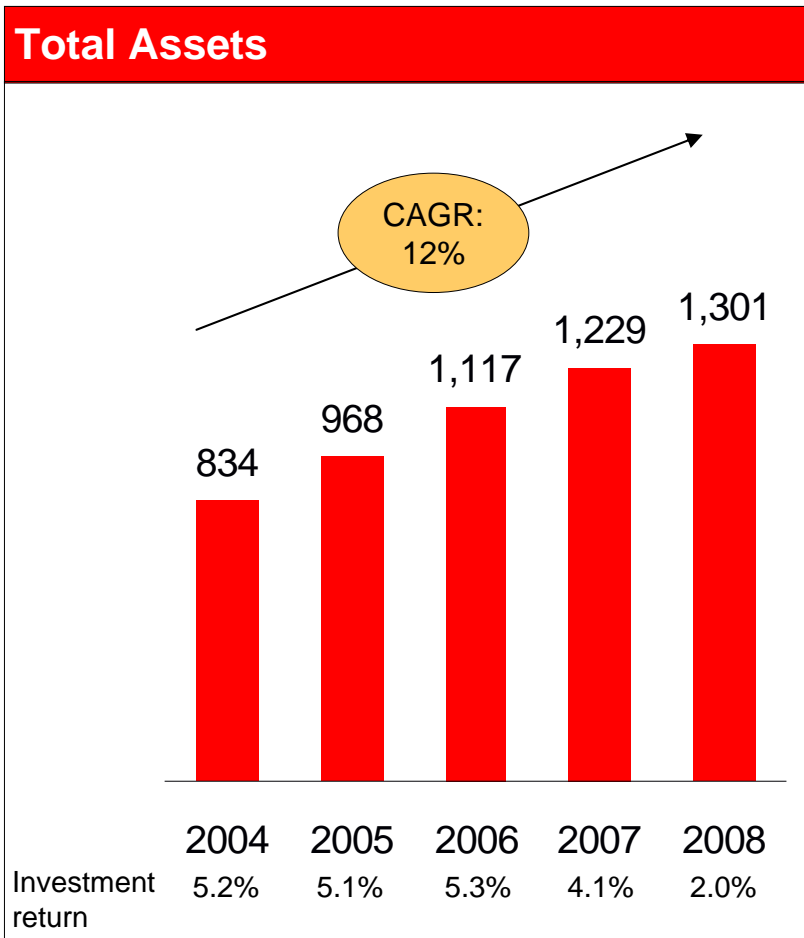


25 month persistency



Investment Portfolio

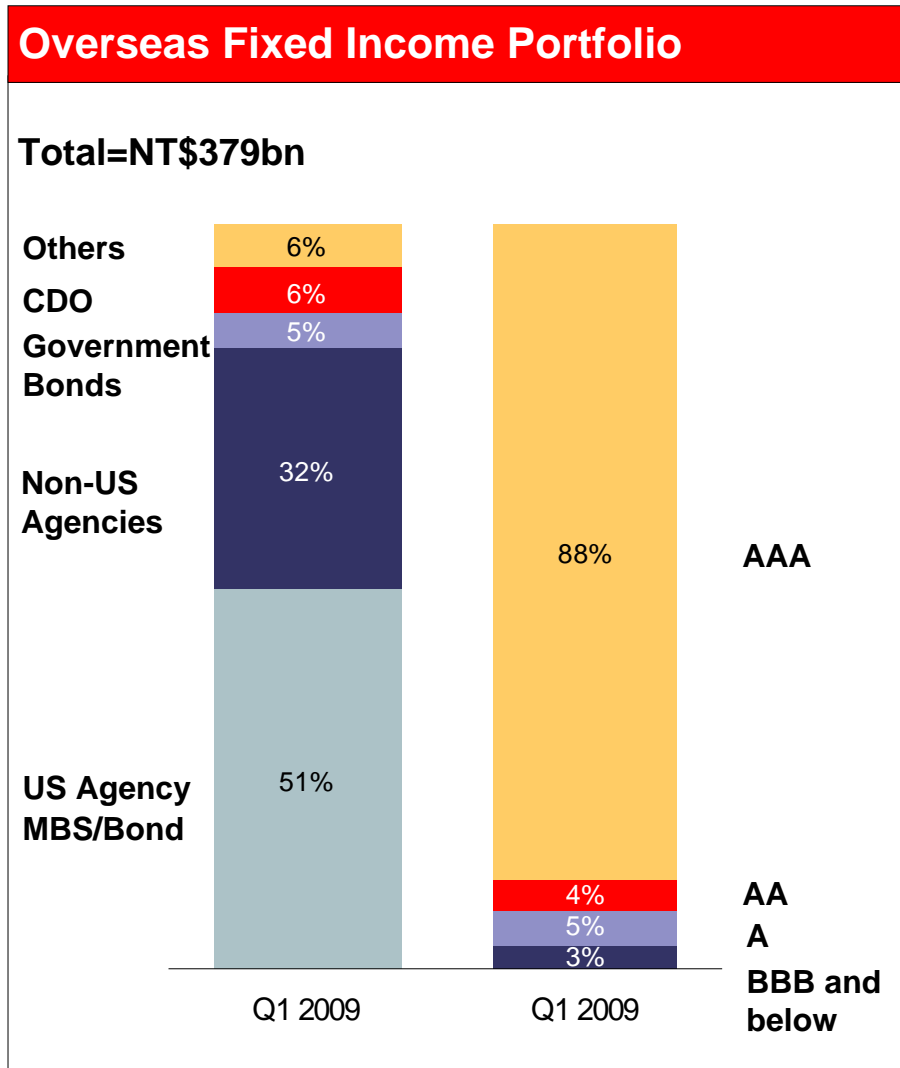
NT\$bn



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 – Prudent Credit Risk



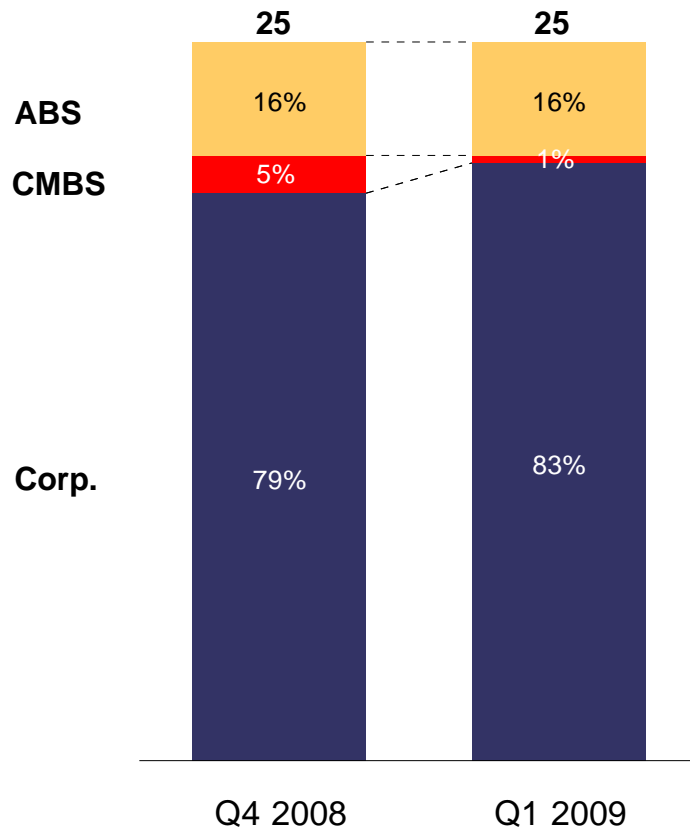
Comments

- Portfolio mainly comprises low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 88% of the portfolio. 97% of the portfolio is rated A and above. Overall credit risk exposure is very limited
- ‘Others’ includes corporate bonds, financial debentures, hedge funds, and money market funds

CDO Exposure

CDO Exposure

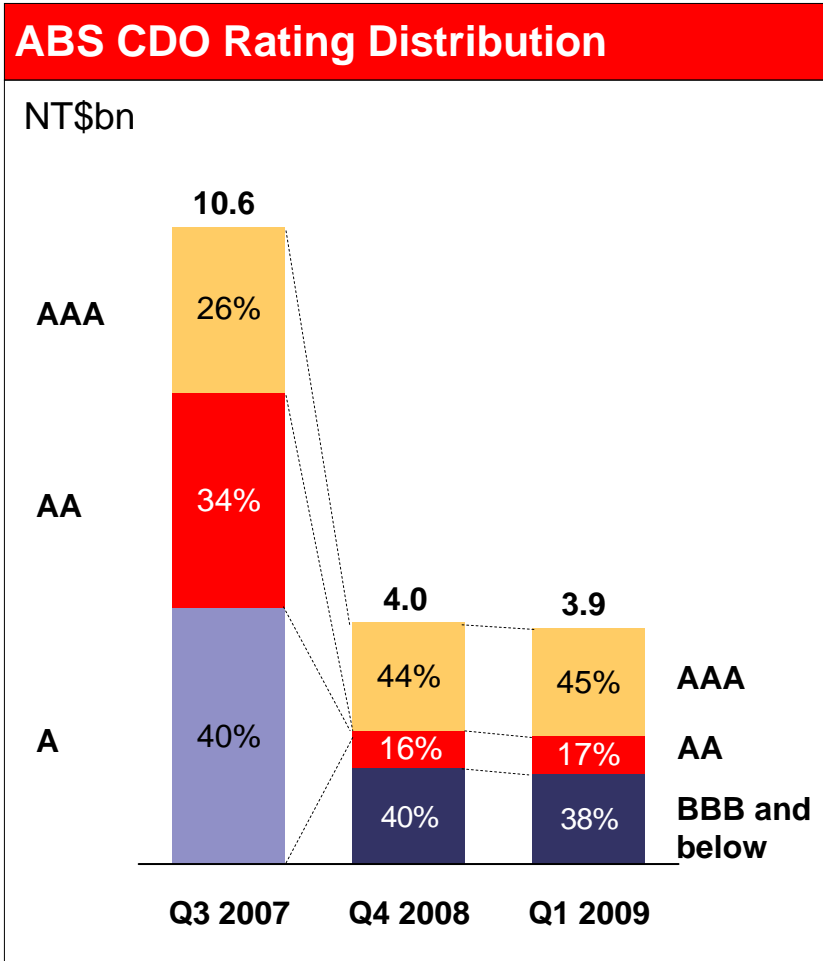
NT\$bn



Comments

- 16% of CDOs were referenced to Asset Backed Securities which consist of RMBS, CMBS, auto loans, etc.
- Accounting treatment is 'no active market'
- Policy is to conduct impairment test when there is significant deterioration in credit quality (downgrade by more than 5 notches or to non-investment grade)
- Total CDO exposure were NT\$25bn
- Due to volatility in CMBS market, one CMBS CDO was sold in Q1 with NT\$1bn loss recognized
- Due to deterioration in credit market, cumulative loss of NT\$1.5bn among corporate CDOs has been recorded. The company will proactively manage the portfolio and deploy necessary hedging strategies to minimize losses. Overall credit risk is expected to be manageable

ABS CDO Rating Distribution

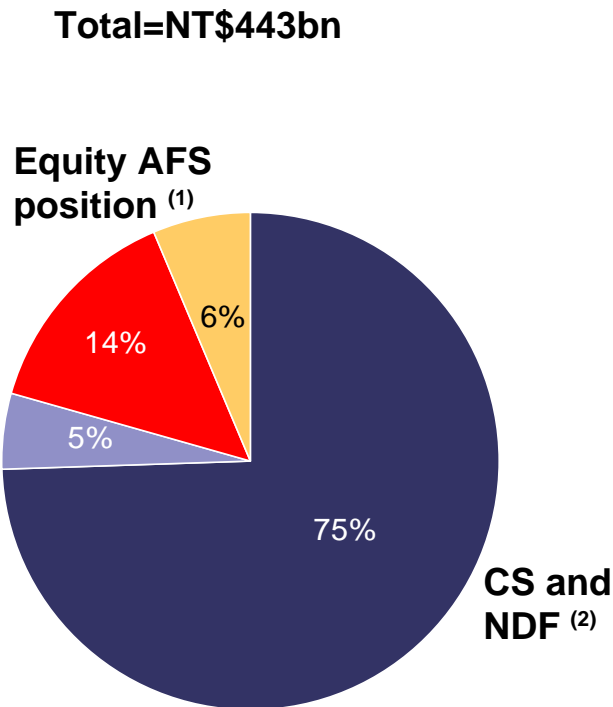


Comments

- 26% of ABS CDO assets are referenced to U.S. sub-prime mortgages
- One ABS CDO sold in Q1 and 0.3bn loss recognized; cumulative loss was NT\$6.1bn
- 57% of ABS CDO has been impaired

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Share of traditional hedges increased to 70~90% in the medium-long term
- Proxy hedging remained low at 5%
- Driven by USD appreciation and effective hedging strategy, foreign exchange gain was recorded in Q1. Hedging cost target of 2% expected to be achievable
- Available for sale position in foreign equities accounted for 6% 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; obtained approval to increase overseas investment to 40%; currently operating between 35~40%

Well-diversified Portfolio

- Diversification by asset class (equity, credit, currency, commodity, real estate)
- Diversification by strategy for uncorrelated sources of alpha (quantitative, value, etc.)

Cost-effective Currency Hedging

- Increase share of traditional hedges to 70~90% in the medium-long term
- Target hedging cost at 200 bps or below

Enhance Investment Risk Management

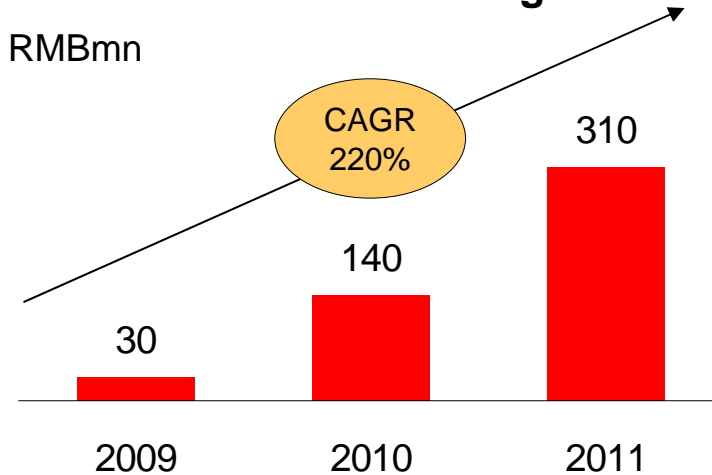
- Manage/ control investment risk by prudent SAA and TAA ranges
- Cooperated with leading consulting company to enhance investment processes and investment risk management
- Completed phase I of the Algo system (a cross-subsidary market risk management platform) in April 2009

Shin Kong - HNA Life Started Operation



3 Year Total Premium Target

RMBmn



SKHNA Life Started Operation in April 2009

- Focus on agency and bancassurance channels:
 - 80 agents now to be expanded to 120 by year-end 2009
 - Bancassurance channel to be established in June
- Target to establish one new branch per year:
 - Cities with direct flights to Taiwan are prioritized
 - Cities with airports managed by HNA will provide additional advantage
- Leverage tourism to Taiwan and Shin Kong Group's medical/ entertainment resources

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Life's 2008 EV/AV Results

V. Appendix

- Life Premium Summary

SKB – Q1 2009 Overview

- After-tax profit increased to NT\$172 million (up 671% from Q4 2008); provision expense decreased to NT\$0.51bn (down 39% from Q4 2008).
- Loan balance shrank 1.8% quarter-on-quarter but remained flat year-on-year. L/D ratio was 79% (incl. credit cards balance). Due to low visibility of economic conditions, corporate risk reviews have been strengthened, high risk loans recovered, and low-yield corporate loans reduced.
- Affected by Central Bank rate cuts, NIM decreased to 1.12%.
- Fee income from wealth management increased 50% quarter-on-quarter due to recovery in global equities markets. SKB achieved bancassurance cross-sales of NT\$3.59bn in Q1 2009, accounting for 25% of SKL bancassurance premium.
- Credit card NPL and coverage ratios slightly increased to 2.11% and 139.17% respectively.
- 6,512 cases (amounting to NT\$523 million) were filed since implementation of the Consumer Debt Clearance Regulations until the end of March 2009. Numbers have increased due to economic downturn but overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 54.32%.
- Asset quality was maintained with overall NPL and coverage at 1.91% and 63.70% respectively. NPL ratio for mortgages remained good at 1.02%.

Net Income – Q1 2009

	Q1 2008	Q1 2009	YoY Growth
NT\$mn, %			
Net interest income	1,560	1,006	-35%
Net fee income	353	285	-19%
Other income	682	665	-3%
Operating expense	(1,400)	(1,253)	-10%
Pre-provision operating income	1,195	703	-41%
Provision expense	(540)	(513)	-5%
Income tax benefit (expense)	(48)	(18)	-62%
Net Income	607	172	-72%

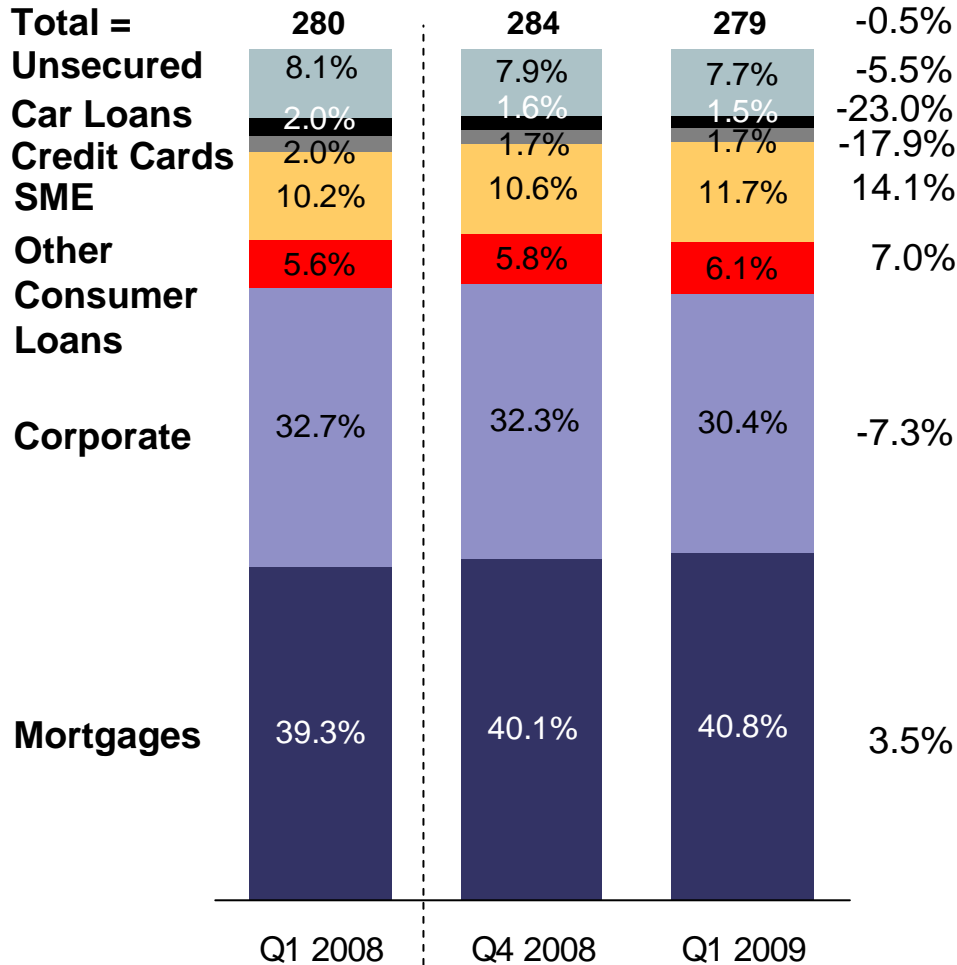


SKFH

Loan Mix

NT\$bn

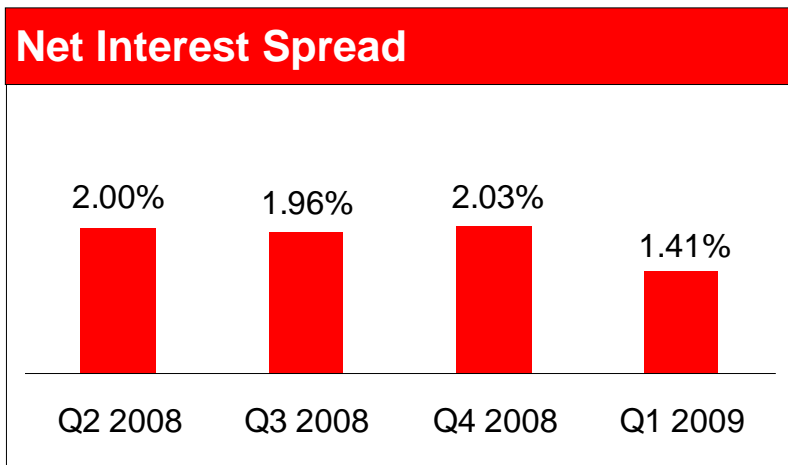
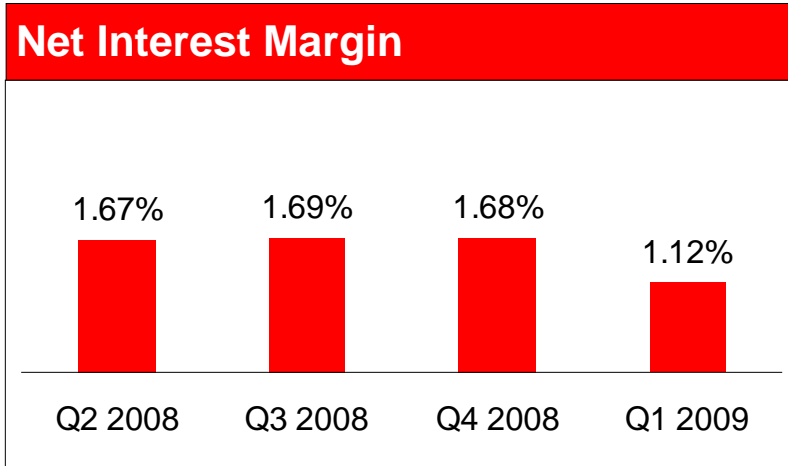
YoY Growth



Comments

- Loan balance decreased 1.8% quarter-on-quarter but remained stable year-on-year.
- Despite stringent credit policies, mortgage business grew stably ; LTV ratio for Taipei city adjusted to 75% and for Taipei County and Taichung City adjusted to 70%; for other cities and counties, LTV ratio was reduced from 70% to 60% for urban planning areas, and from 60% to 50% for non-urban planning areas.
- L/D ratio was 79%. (incl. credit cards balance)

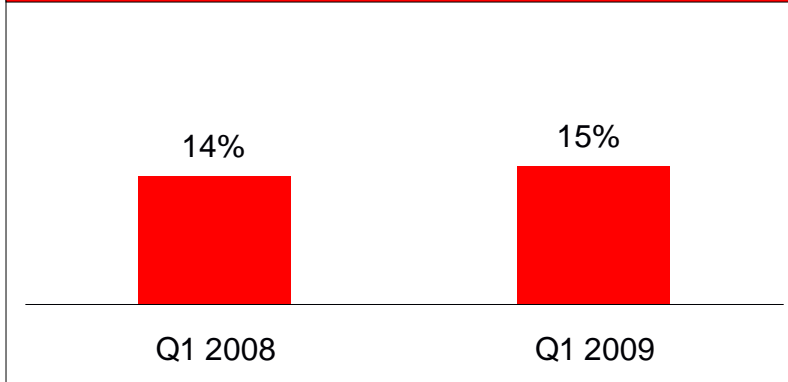
Interest Yield



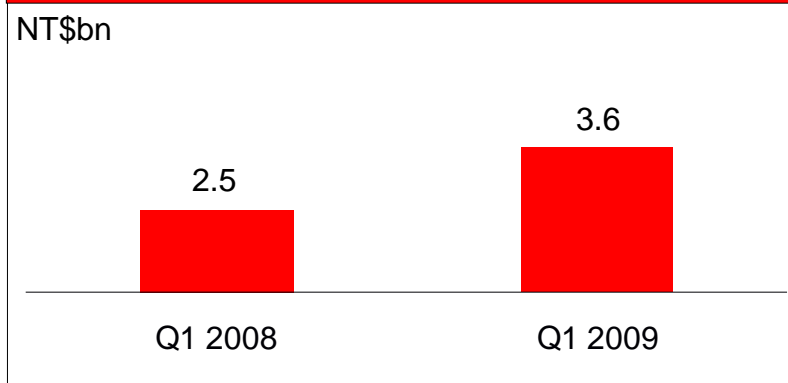
- Comments**
- Affected by Central Bank rate cuts, NIM decreased to 1.12% in Q1 2009. With renewed focus on risk and yield considerations, efforts were made to negotiate with customers for reasonable rates
 - New mortgage rate down 59bps in Q1 2009, a smaller decline than the decrease in deposit index
 - Impact of Central Bank rate cuts largely reflected in Q1 2009. NIM expected to bottom in Q1 and move higher as high rate deposits mature. NIM will gradually improve and recover to 2008 level

Fee Income

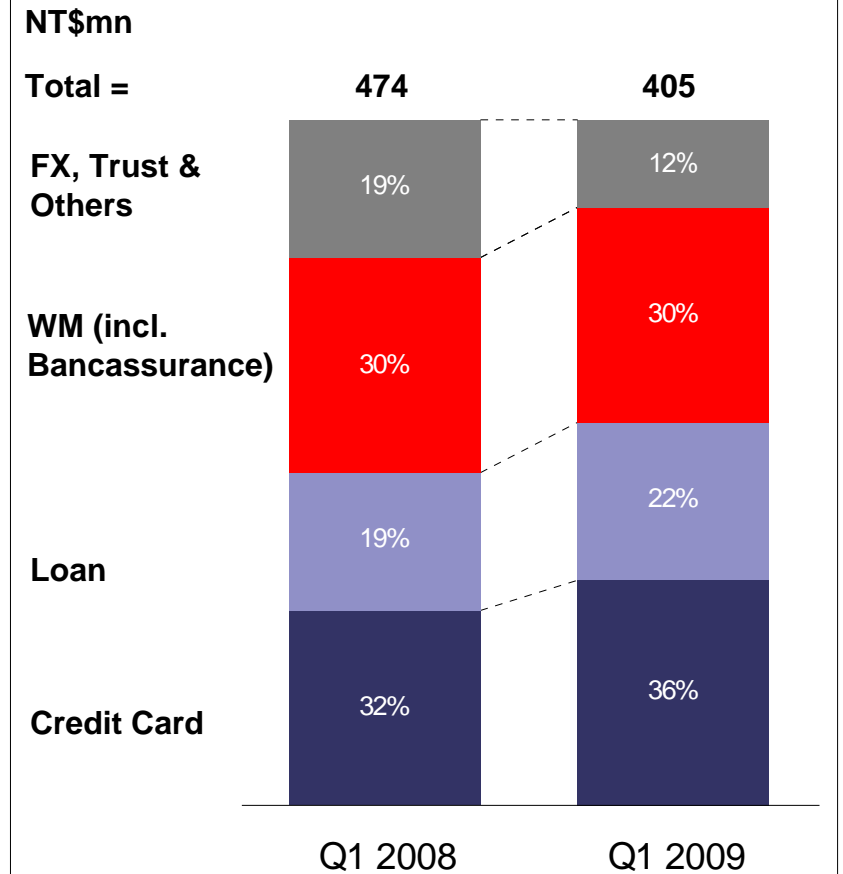
Net Fee Income / Total Income



Bancassurance (SKL) - FYP



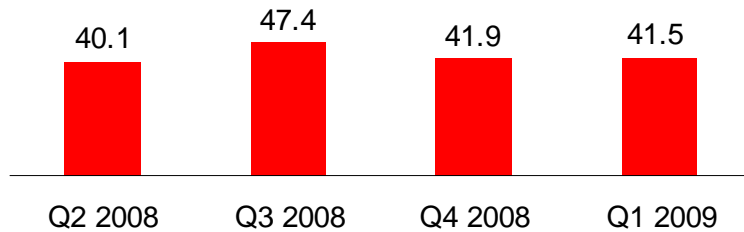
Fee Income Breakdown



Wealth Management

AUM

NT\$bn

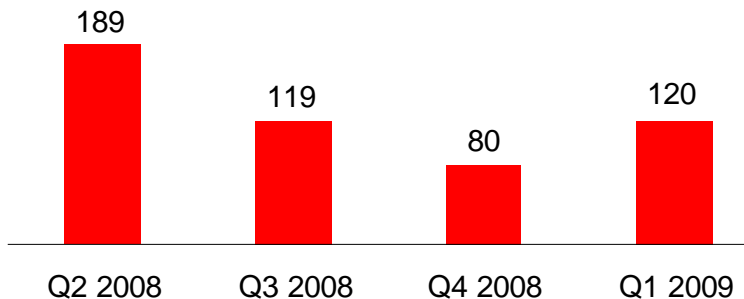


Wealth Management Center



WM Fee Income

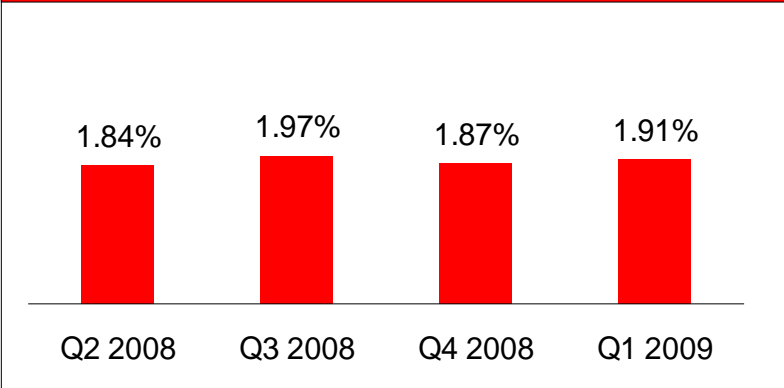
NT\$m



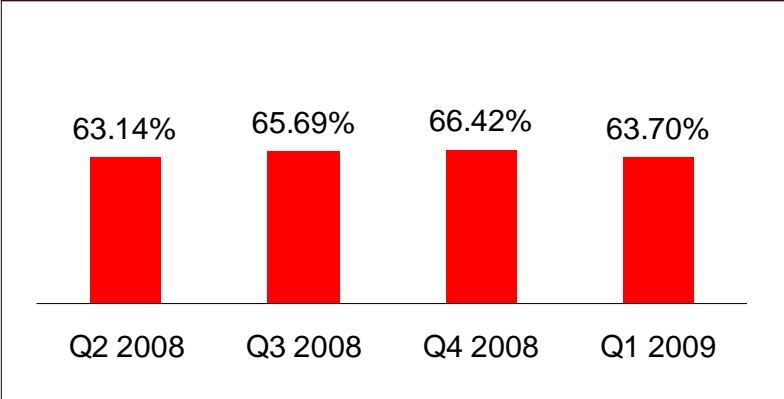
- Fee income from wealth management increased 50% quarter-on-quarter due to recovery in global equities markets and accounted for 30% of total fee income
- Strengthened sales of insurance products (e.g., Traditional, Health and PA) and introduced ETF funds that meet customers' investment needs to increase fee income

Asset Quality

NPL Ratio



Coverage Ratio



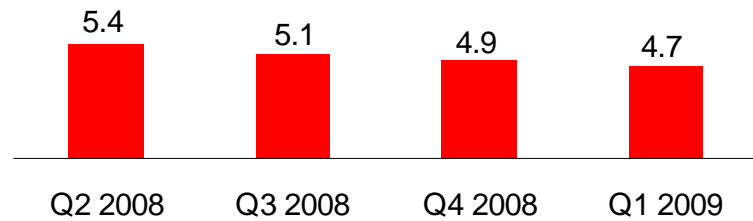
Comments

- Asset quality was maintained with overall NPL at 1.91%
- NPL ratio for mortgages remained good at 1.02%.
- Coverage was 63.70% - above the Company's medium term target
- 6,512 cases (amounting to NT\$523 million) were filed since implementation of the Consumer Debt Clearance Regulations until the end of March 2009. Numbers have increased due to economic downturn but overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 54.32%.
- As of March 31, 2009, loan balances on DRAM and TFT-LCD industries were NT\$5.69 billion and NT\$1.25 billion respectively, accounting for 2% and 0.4% of total loans. Exposures were limited.

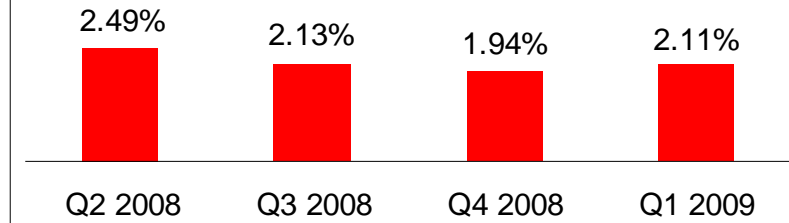
Credit Cards Metrics

Revolving Balance

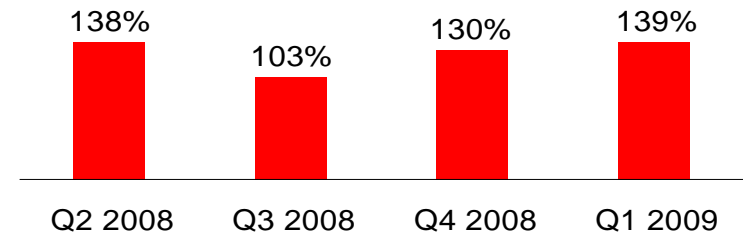
NT\$bn



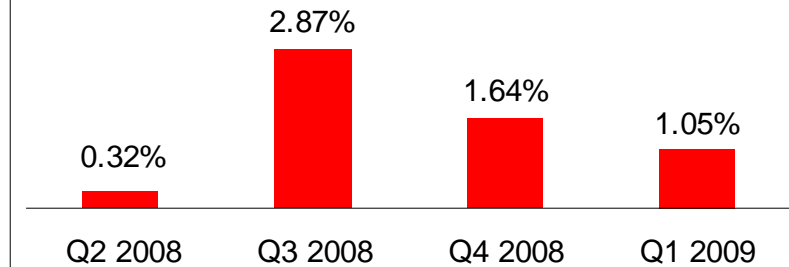
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

- (1) Actual reserves / NPL
- (2) Unannualized numbers

Agenda

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

IV. Life's 2008 EV/AV Results

- V. Appendix
 - Life Premium Summary

SKL - EV & AV Results

Unit : NT\$bn

	2007.12	2008.12	YoY growth
Adjusted NAV	89.8	70.2	-21.8%
VIF	56.2	37.5	-33.3%
COC	32.0	27.0	-15.7%
EV	114.0	80.7	-29.2%
V1NB	12.8	10.7	-16.3%
AV (5 years NB)	156.7	117.9	-24.8%
AV (20 years NB)	205.0	161.0	-21.5%

Note:

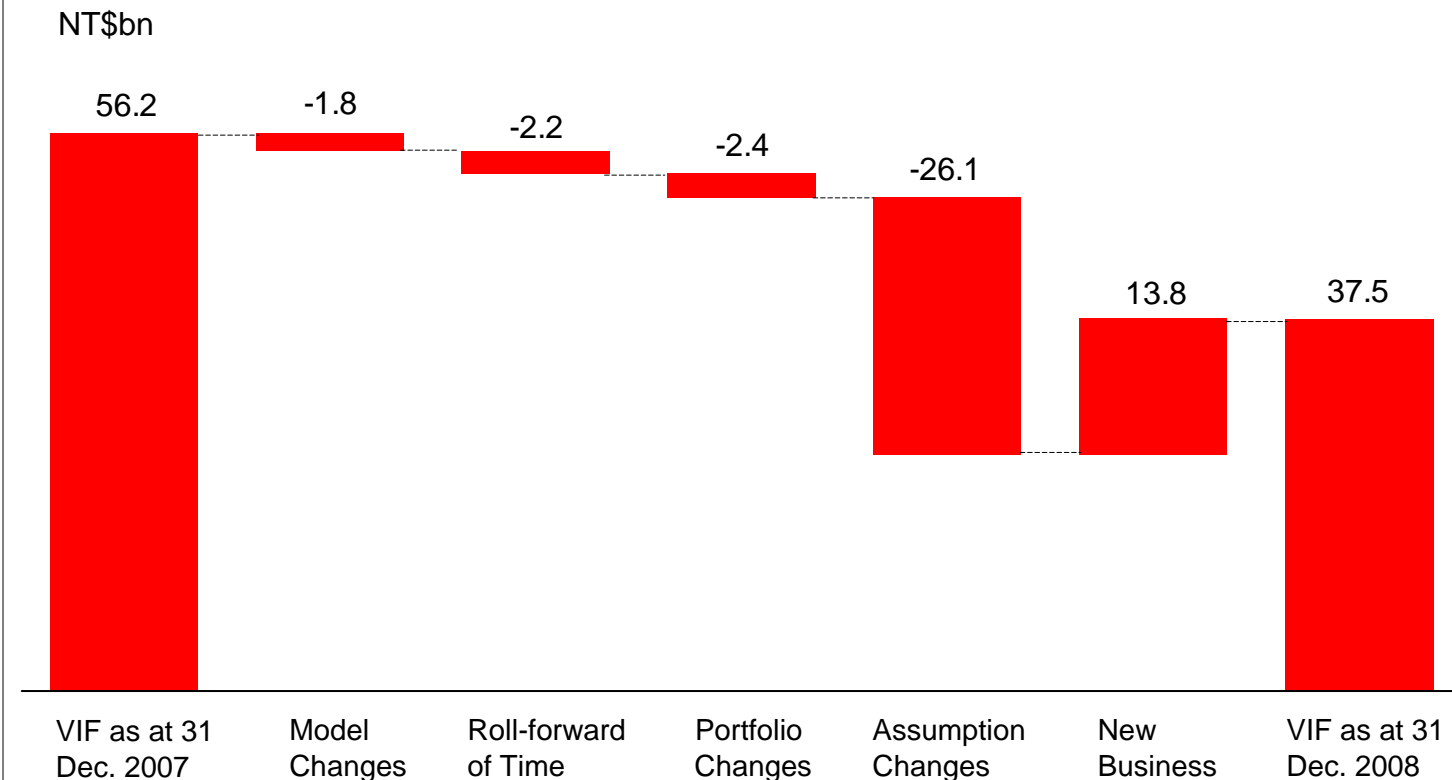
(1) Based on SKFH's outstanding shares of 6.2bn as of the end of Q1 09, per share AV (5 year NB) = NT\$19 and per share AV (20 year NB) = NT\$26

SKL - Estimate of Embedded/ Appraisal Value

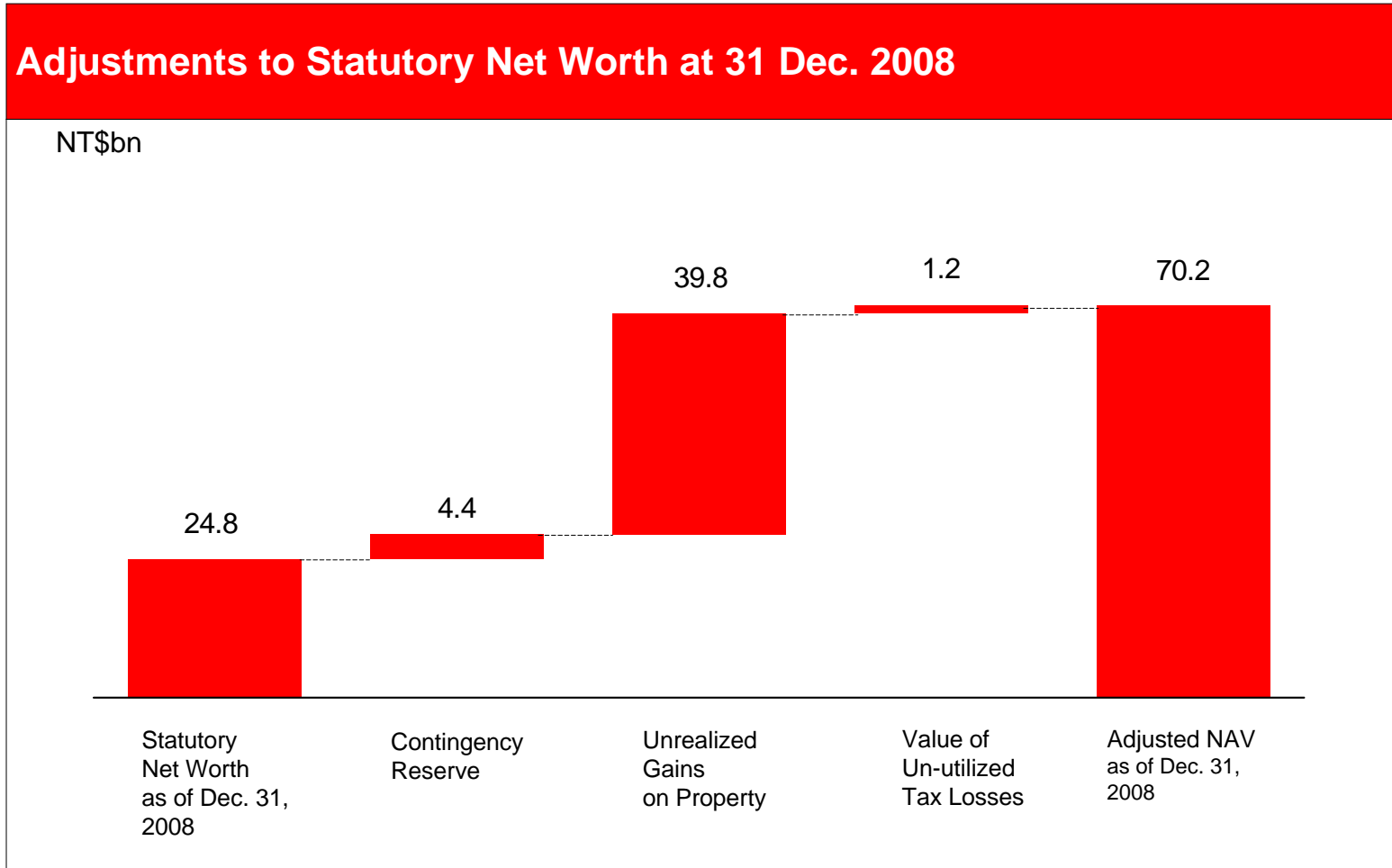
Unit: NT\$bn Valuation Date: 31 Dec, 08 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except		Inv Return 4.65% p.a. RDR 9.5% p.a.	All else equal except	
	Inv Return 4.4%	Inv Return 4.9%		RDR 8.5%	RDR 10.5%
Adjusted Net Worth	70.2	70.2	70.2	70.2	70.2
VIF	5.4	67.8	37.5	40.6	35.1
Cost of Capital (COC)	29.2	24.9	27.0	24.6	28.8
EV after COC	46.4	113.1	80.7	86.2	76.5
V1NB after COC	10.1	11.4	10.7	11.9	9.7
AV (5 years NB)	81.2	152.6	117.9	128.8	109.0
AV (20 years NB)	121.6	198.4	161.0	182.4	143.8

SKL – Analysis of Change in VIF

**Changes between 31 Dec. 2007 and 31 Dec. 2008
broken down by components**



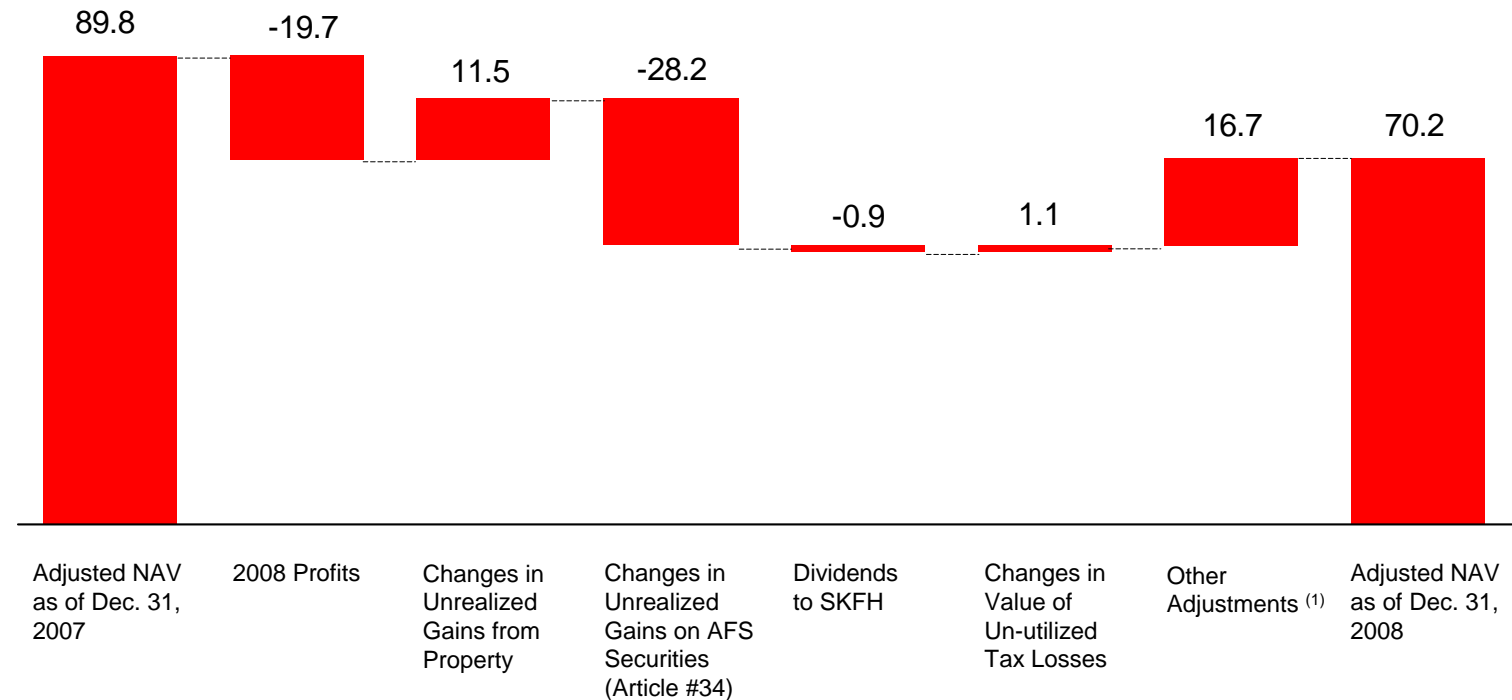
SKL – Adjusted NAV



SKL – Analysis of Change in NAV

Changes between 31 Dec. 2007 and 31 Dec. 2008 broken down by components

NT\$bn



Note:

(1)

Included rights issue, changes in contingency reserve, and other items.

Agenda

- I. SKFH
- II. Life Insurance Business
- III. Banking Business
- IV. Life's 2008 EV/AV Results

V. Appendix

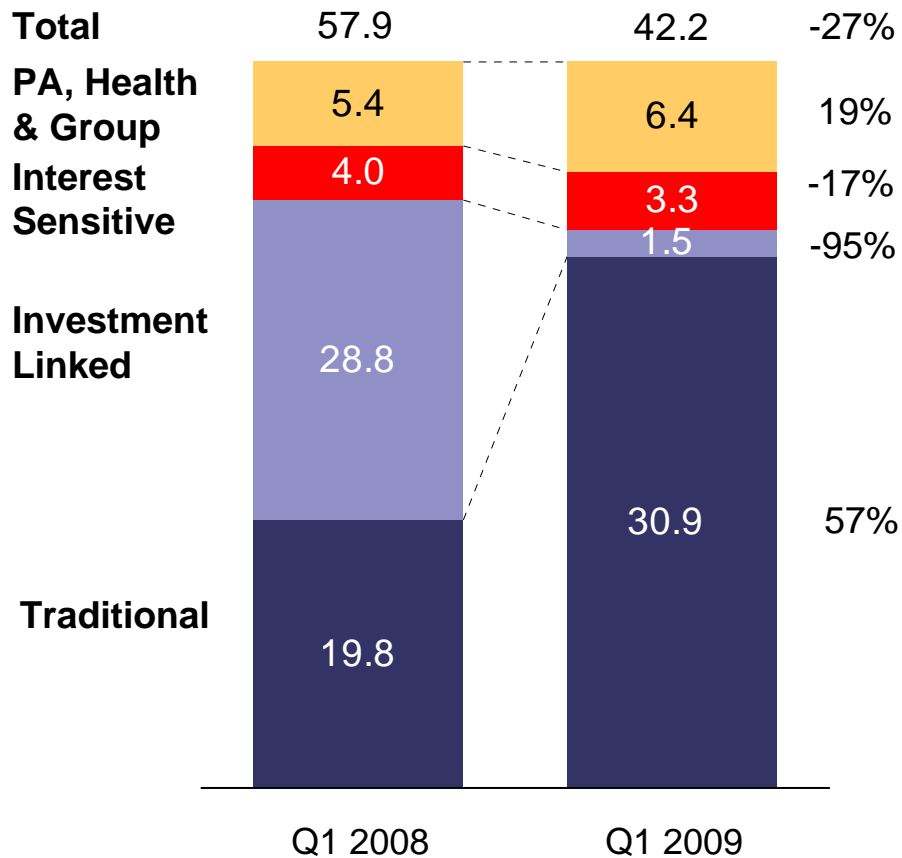
- Life Premium Summary

Total Premium – Q1 2009

NT\$bn

Market Share = 8.7%

Growth



Comments

- Total premium decreased by 27%, mainly due to slow sales of investment-linked products
- Share of variable rate products decreased to 12%, driven by robust sales in traditional policies
- Traditional and related policies (mostly recurring premium) accounted for 57% of total premiums

SP / RP Breakdown – Q1 2009

NT\$bn

Q1 2009 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	10.50	2.63		13.13
Investment-linked				
VUL			-0.37	-0.37
Structured note				0.00
Interest Sensitive				
Annuity	3.15			3.15
Life			0.19	0.19
PA, health and others		1.59		1.59
Total	13.65	4.22	-0.18	17.69

Website : www.skfh.com.tw

E-mail : ir@skfh.com.tw

Shin Kong Financial Holding

Financial Summary

(NT\$m)

Income Statement Data	2007	2008	2008/2007 % change	Q1 2008	Q1 2009	Q109/Q108 % change
Net interest income	94	(54)	-157%	3	(21)	-800%
Income from subsidiaries						
Shin Kong Life	2,174	(19,844)	-1013%	(7,629)	(1,030)	-86%
Shin Kong Bank	1,423	220	-85%	607	172	-72%
Shin Kong Securities	192	(383)	-299%	8	78	875%
MasterLink Securities	(33)	(459)	1291%	(5)	48	-1060%
Shin Kong Insurance Brokers	46	50	9%	17	18	6%
Shin Kong Investment Trust	112	(2)	-102%	23	(2)	-109%
Total income from subsidiaries	3,914	(20,418)	-622%	(6,979)	(716)	-90%
Other income	487	250	-49%	152	116	-24%
Administrative and general expenses	(282)	(834)	196%	(80)	(51)	-36%
Income tax benefit (expense)	795	34	-96%	41	35	-15%
Cumulative effect of changes in accounting principle	0	0		0	0	
Net income	5,008	(21,022)	-520%	(6,862)	(637)	-91%

Balance Sheet Data	2007	2008	2008/2007 % change	Q1 2008	Q1 2009	Q109/Q108 % change
Long term investment	91,059	55,703	-39%	85,279	55,281	-35%
Total assets	1,688,114	1,740,173	3%	1,750,740	1,763,250	1%
Total shareholders' equity	100,113	56,194	-44%	101,266	56,036	-45%

Note:

(1) Quarterly numbers have been reviewed by the auditors

Shin Kong LifeFinancial Summary
(NT\$m)

Income Statement Data	2007	2008	2008/2007		Q1 09/Q1 08	
			% change	Q1 2008	Q1 2009	% change
Premium income	150,311	152,347	1%	31,667	41,230	30%
Investment income						
Interest income	38,195	38,668	1%	9,544	9,810	3%
Gains on investments in securities	8,111	(4,780)	-159%	3,113	(1,452)	-147%
Gains on real estate investments	3,234	6,098	89%	783	793	1%
FX	(2,382)	(12,552)	427%	(9,724)	2,702	-128%
FX gain or loss	609	(1,434)	-336%	(21,567)	11,074	-151%
Hedging	(2,991)	(11,118)	272%	11,843	(8,372)	-171%
Impairment loss	(5,253)	(5,801)	10%	(3,275)	(93)	-97%
Total Investment income	41,905	21,632	-48%	440	11,760	2573%
Other operating income	3,883	5,733	48%	2,001	681	-66%
Provision for reserves						
Provisions	(155,147)	(170,844)	10%	(33,307)	(45,940)	38%
Recoveries	78,311	83,159	6%	13,636	11,181	-18%
Total provisions for reserves, net	(76,836)	(87,685)	14%	(19,671)	(34,759)	77%
Insurance payments	(90,528)	(94,758)	5%	(18,259)	(14,863)	-19%
Commission expense	(8,183)	(5,542)	-32%	(1,625)	(1,202)	-26%
Separate account revenue	107,465	145,493	35%	45,377	19,990	-56%
Separate account expenses	(107,465)	(145,493)	35%	(45,377)	(19,990)	-56%
General and administrative expenses	(16,062)	(15,150)	-6%	(4,438)	(3,197)	-28%
Other operating costs and expenses	(3,014)	(2,944)	-2%	(581)	(572)	-1%
Operating income	1,477	(26,367)	-1886%	(10,466)	(923)	-91%
Non-operating income and expenses	1,293	737	-43%	122	31	-74%
Income taxes	(353)	5,892	-1768%	2,741	(139)	-105%
Cumulative effect of changes in accounting principle	0	0		0	0	
Net income	2,417	(19,738)	-917%	(7,603)	(1,031)	-86%

Balance Sheet Data	2007	2008	2008/2007		Q1 09/Q1 08	
			% change	Q1 2008	Q1 2009	% change
Total assets	1,229,222	1,301,251	6%	1,266,003	1,331,708	5%
Total shareholders' equity	59,996	24,779	-59%	53,305	23,975	-55%

Note:

(1) Quarterly numbers have been reviewed by the auditors

Shin Kong Bank

Financial Summary

(NT\$m)

Income Statement Data	2007	2008/2007		Q1 2008	Q1 2009	Q1 09/Q1 08 % change
		2008	% change			
Interest income	12,266	13,220	8%	3,245	2,216	-32%
Interest expense	(5,925)	(7,001)	18%	(1,685)	(1,210)	-28%
Net interest income	6,341	6,219	-2%	1,560	1,006	-35%
Fee income	2,228	1,881	-16%	474	405	-15%
Fee expense	(486)	(488)	0%	(121)	(120)	-1%
Net fee income	1,742	1,393	-20%	353	285	-19%
Gains on bill & securities	(392)	(160)	-59%	252	581	131%
Gains recognized under equity method, net	170	(195)	-215%	43	9	-80%
Gains on foreign exchange, net	64	106	65%	(0)	168	-72115%
Other gains or losses, net	1,040	54	-95%	387	(93)	-124%
Operating expense	(5,776)	(5,262)	-9%	(1,400)	(1,253)	-10%
Pre-provision income or loss	3,189	2,155	-32%	1,195	703	-41%
Provision expense	(1,728)	(1,933)	12%	(540)	(513)	-5%
Income tax (expense) benefit	(38)	5	-113%	(48)	(18)	-62%
Net income	1,423	227	-84%	607	172	-72%

Balance Sheet Data	2007	2008/2007		Q1 2008	Q1 2009	Q1 09/Q1 08 % change
		2008	% change			
Total assets	385,663	402,856	4%	397,145	395,342	0%
Total shareholders' equity	21,225	20,605	-3%	22,127	20,800	-6%
Total loans, net ⁽²⁾	275,867	280,063	2%	275,922	275,341	0%
Total deposits	326,012	356,193	9%	335,217	354,618	6%

Operating Metrics (cumulative)	2007	2008	Q1 2008	Q1 2009
Fee income ratio	19%	19%	14%	15%
Cost income ratio	64%	71%	54%	64%
Loan/deposit ratio (excl. credit card)	85%	79%	82%	78%
Loan/deposit ratio (incl. credit card)	86%	80%	84%	79%
Net interest margin	1.92%	1.69%	1.73%	1.12%
Net interest spread	2.38%	2.02%	2.05%	1.41%
Pre-provision earnings/assets	0.87%	0.55%	0.31%	0.18%
Pre-provision earnings/equity	15.51%	10.31%	5.51%	3.40%

Note:

(1) Quarterly numbers have been reviewed by the auditors

(2) Exclude credit cards but include overdue receivables