

Confidential



Shin Kong Financial Holding

Q2 2009 Results Update

August 20, 2009

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

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Appendix

- Life Premium Summary

SKFH – 1H 2009 Overview

- Markets started to show signs of recovery, although operating environment is likely to remain difficult in 2H 2009
- Driven by stabilizing investment income and lower expenses, loss in 1H was 95.0% lower YoY. SKFH recorded after-tax loss of NT\$0.62bn in 1H 2009. EPS was -NT\$0.10.
- Excluding one-off items such as CDO losses (NT\$2.81bn) and DTA adjustment (NT\$1.00bn), profit would have been NT\$3.19bn
- Investment income has stabilized; annualized investment return for 1H was 3.6%
- Tight control of expenses
 - SKL: Operating expenses were 17.6% lower than 1H08
 - SKB: Operating expenses decreased 11.6% year-on-year and will continue to come down
- Successful 2009 GDR issuance
 - NT\$13.13bn GDRs listed on 7/27 at NT\$11.71 per common share
 - SKFH 2009 GDR was the largest equity offering among Taiwanese financials after the global financial crisis. The GDR was met with strong demand and upsized 25%.
 - Diversified mix of investors including long funds, sovereign wealth funds, and hedge funds in Asia and North America

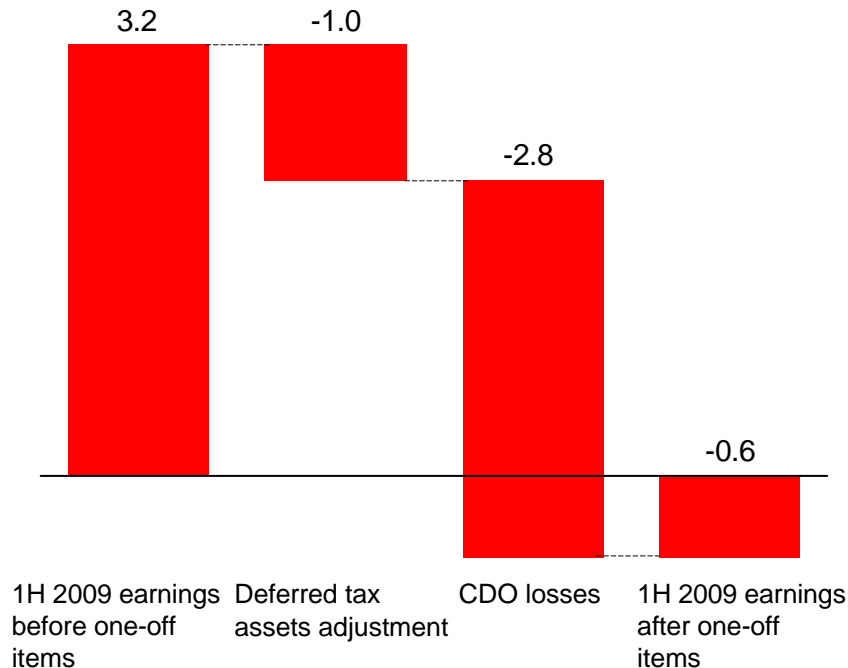
Financial Highlights – 1H 2009

	1H 2008	1H 2009	YoY Growth
NT\$m (except per share data), %			
Group net income	-12,347	-622	-
First year premium (Insurance)	56,249	31,296	-44.4%
Loans (Bank)	285,036	282,899	-0.7%
Total assets	1,770,338	1,813,009	2.4%
Total shareholders' equity	84,224	63,375	-24.8%
ROA (unannualized)	-0.72%	-0.02%	-
ROE (unannualized)	-13.66%	-1.04%	-
Earnings per share	-2.27	-0.10	-

Net Income – 1H 2009

Group net income

NT\$bn



Net income contribution

NT\$bn

Subsidiaries	1H 09	1H 08
Shin Kong Life	-1.32	-12.93
Shin Kong Bank	0.23	0.68
Shin Kong Securities	0.27	-0.03
Shin Kong Investment Trust	0.00	0.05
Shin Kong Insurance Brokers	0.03	0.03
Others ⁽¹⁾	0.17	-0.15
Net income	-0.62	-12.35

Note:

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

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SKL – 1H 2009 Overview

- SKL recorded after-tax loss of NT\$1.32bn in 1H 2009 driven by NT\$2.81bn loss from CDO investments and NT\$1.00bn loss from deferred tax assets adjustment. ROE was -5.0%. Excluding one-off items, after-tax profit would have been NT\$2.49bn.
- Affected by volatile global markets, demand for investment-linked products remained slow. FYP was NT\$31.30bn, 44.4% lower than the high basis achieved in 2008. To maintain reasonable overall profit margin, growth rate was lower than market growth of -16.6%. Market share was 7.8%.
- Traditional products contributed 53.1% of FYP. FYP from traditional products was NT\$16.62bn, up 342.6% YoY. Premium from health products grew by 556.2% with market share of 17.0%
- VNB grew strongly compared to 1H 2008.
- 13-month persistency remained high at 86.5%. 25-month persistency was 81.1%.
- 1H 2009 annualized investment return was 3.64%, significantly higher than 1.96% in 2008.
- Shareholders' equity improved from NT\$23.98bn to NT\$28.17bn, up 17.5% YoY.
- On overseas expansion, SKHNA Life signed bancassurance distribution agreement with SPD Bank and started selling policies through their branches in August 2009.

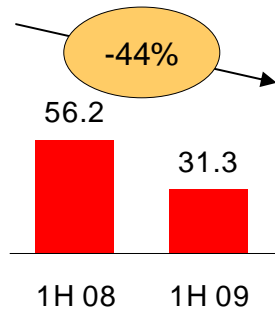
Financial Highlights – 1H 2009

	1H 2008	1H 2009	YoY Growth
NT\$mn, %			
First year premium	56,249	31,296	-44.4%
Total premium	114,533	87,129	-23.9%
Investment income	5,611	24,427	335.3%
Net income	-12,871	-1,321	-
Total assets	1,293,658	1,352,583	4.6%
Total shareholders' equity	49,200	28,169	-42.7%
ROE (unannualized)	-25.07%	-4.99%	-
ROA (unannualized)	-1.02%	-0.10%	-

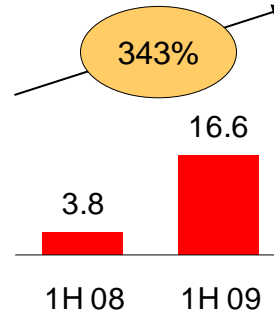
First Year Premium – 1H 2009

NT\$bn

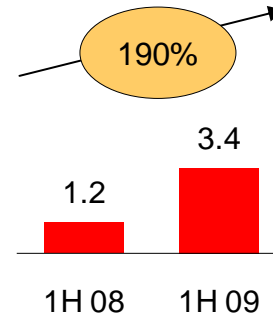
Market share 7.8%



Traditional



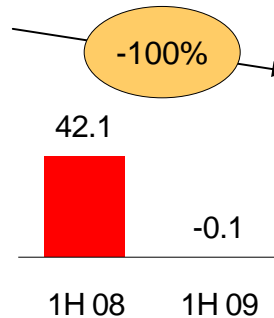
PA, Health and Group



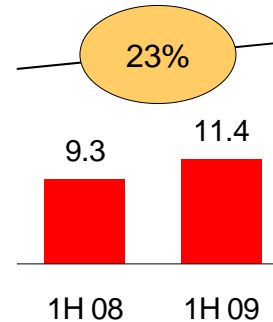
Comments

- To maintain reasonable overall profit margin, FYP was controlled at level lower than last year
- Traditional products contributed significant share (53.1%) of FYP
- Affected by global market situation, sales of investment-linked products slowed
- In 1H, traditional products and high value health products continued to be the focus of sales. FYP growth of health products was 556.2%; market share was 17.0%

Investment-linked

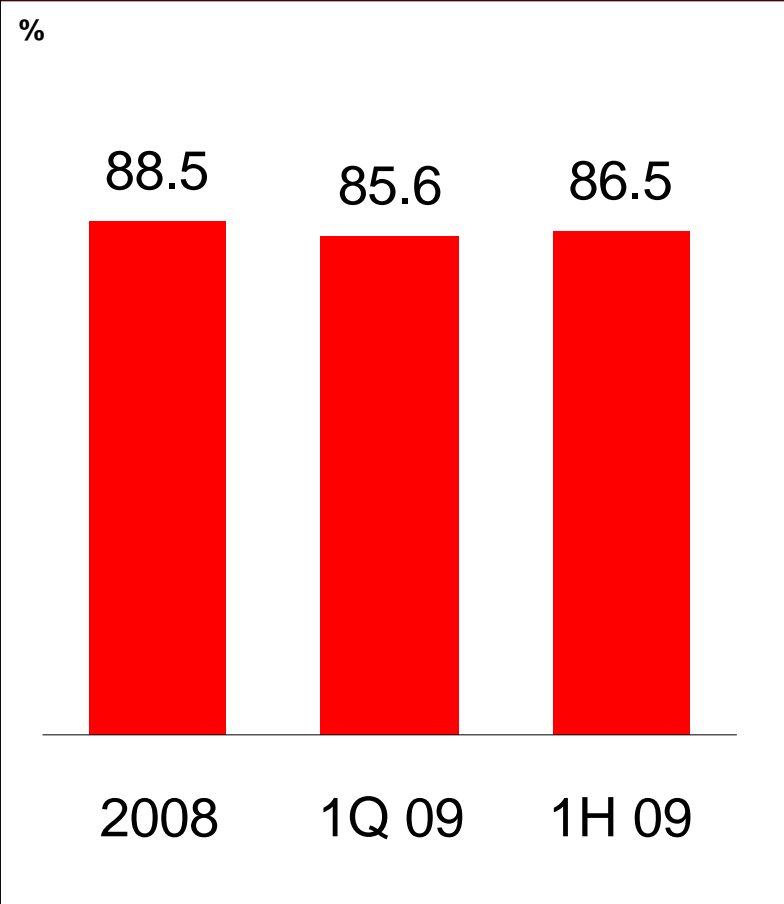


Interest-sensitive

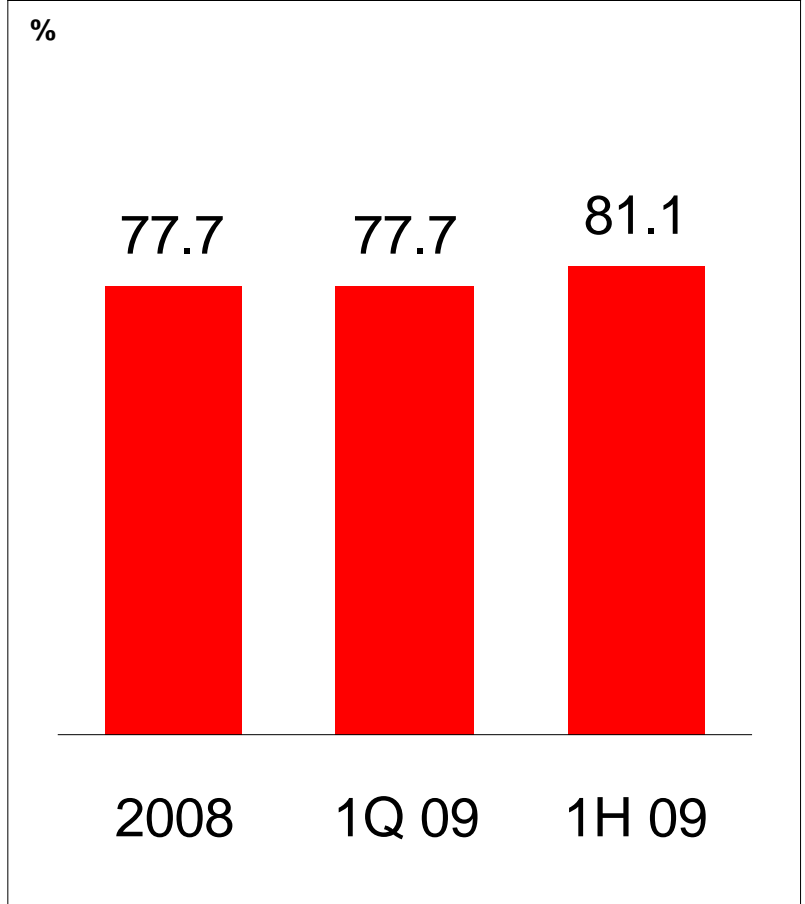


Persistency Ratio

13 month persistency



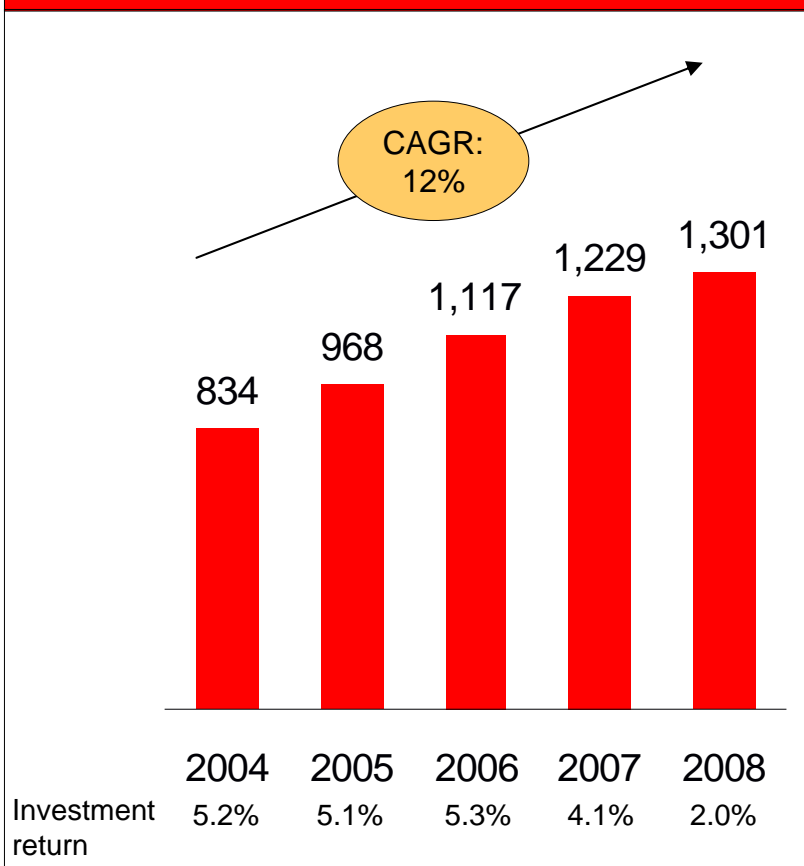
25 month persistency



Investment Portfolio

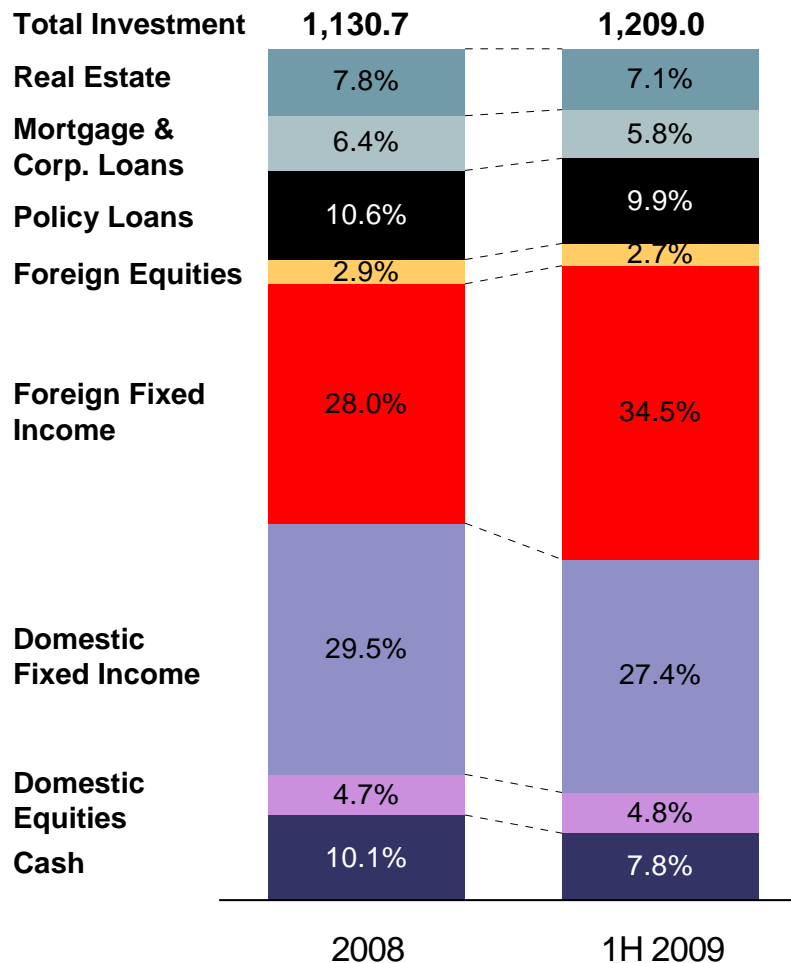
NT\$bn

Total Assets



Note:

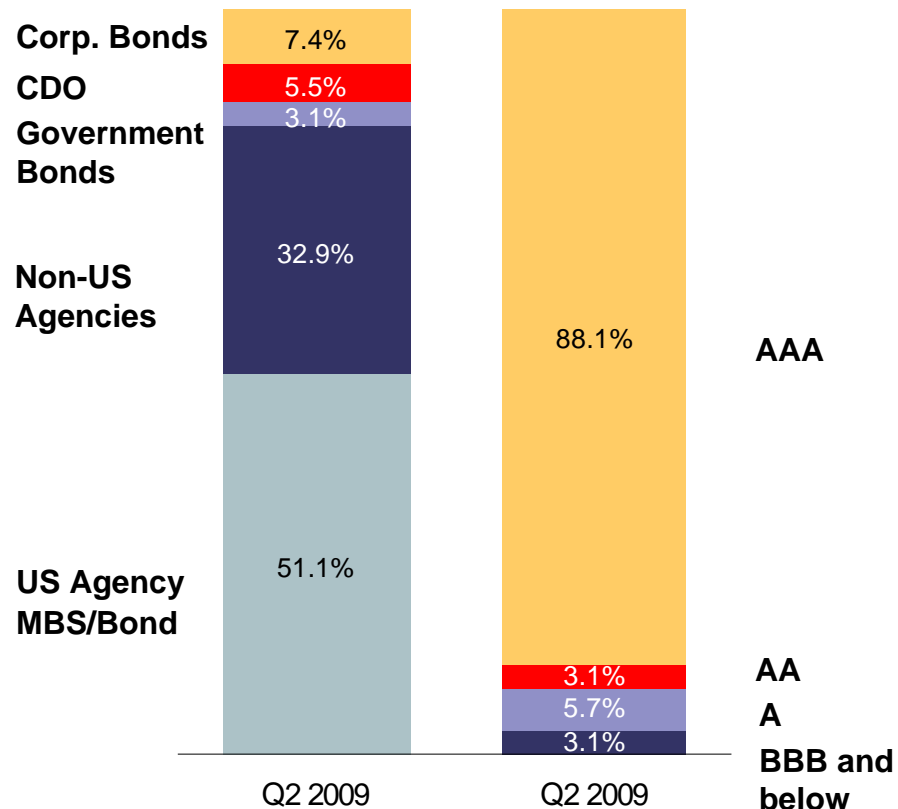
- (1) Due to rounding, asset allocation figures may not add up to 100%
- (2) Includes capital gains and FX hedging cost



Overseas Fixed Income – Prudent Credit Risk

Overseas Fixed Income Portfolio

Total=NT\$417.57bn



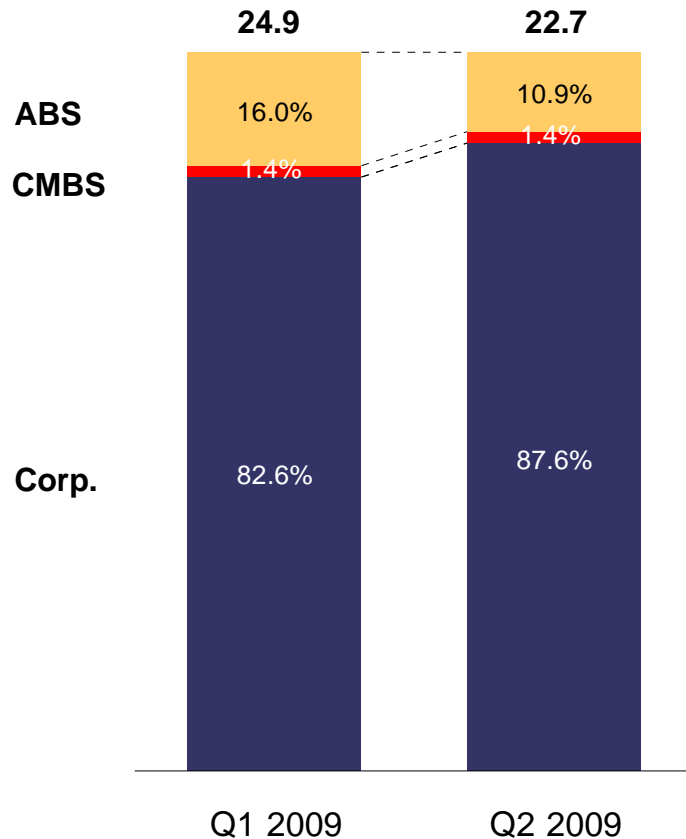
Comments

- Portfolio mainly comprises low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 88.1% of the portfolio. 96.9% of the portfolio is rated A and above. Overall credit risk exposure is very limited
- Corporate bond portfolio comprises leading investment grade names with stable credit quality (e.g., Dell, AT&T, Wal-Mart, Du Pont)

CDO Exposure

CDO Exposure

NT\$bn



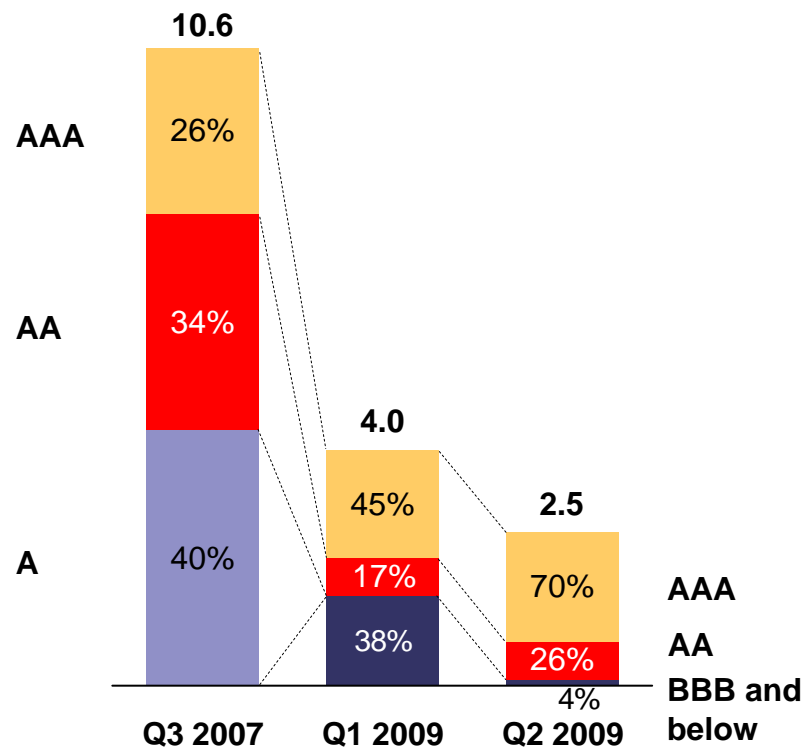
Comments

- 10.9% 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\$22.69bn
- Due to deterioration in credit market, cumulative loss of NT\$1.49bn 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

ABS CDO Rating Distribution

NT\$bn

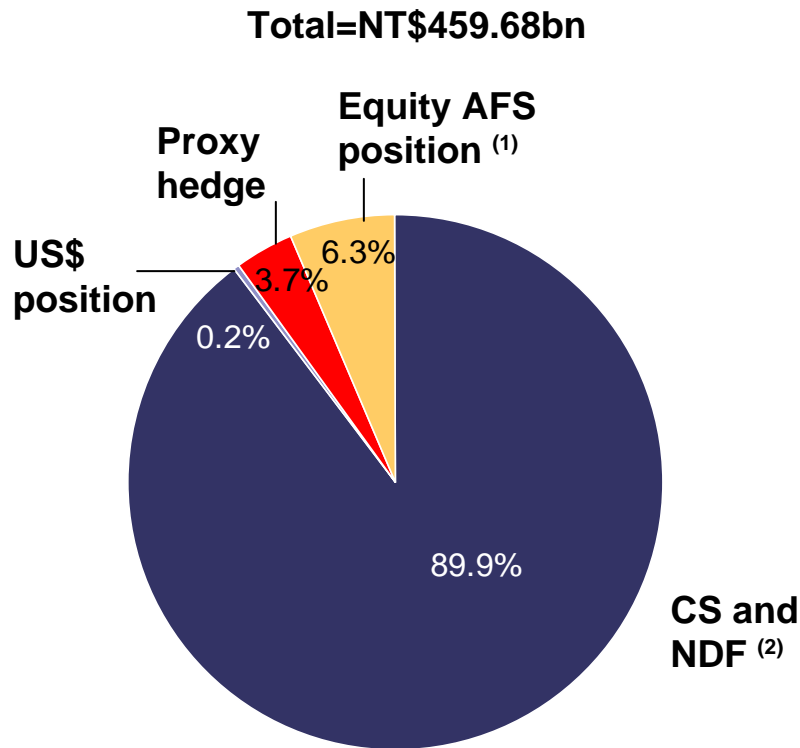


Comments

- 12.7% of ABS CDO assets are referenced to U.S. sub-prime mortgages
- Two ABS CDOs sold in Q2 and 1.46bn loss recognized; cumulative loss was NT\$7.56bn
- 68.8% of ABS CDO has been impaired

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Share of traditional hedges increased to the upper limit of medium-long term target 70~90%
- Proxy hedging remained low at 3.7%
- Driven by effective hedging strategy, annualized hedging cost was lower than 1% in 1H
- Available for sale position in foreign equities accounted for 6.3% of the portfolio and was not marked to market in income statement

Note:

(1) Available for sale position

(2) Currency swaps and non-delivery forwards

Investment Strategy

Strong ALM Discipline

- Develop Strategic Asset Allocation based on liability profile and capital budget
- Build core portfolio of recurring income
- Achieve diversification and yield pick-up through overseas investments; 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

- Target share of traditional hedges at 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-subsidiary market risk management platform) in April 2009

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- Life Premium Summary

SKB – 1H 2009 Overview

- After-tax profit was NT\$230 million (down 66.2% from 1H 2008); provision expense decreased to NT\$872 million (down 2.2% from 1H 2008).
- Loan balance increased 1.4% quarter-on-quarter. L/D ratio was 79.9% (incl. credit cards balance). Due to uncertain economic conditions, corporate risk reviews have been strengthened, high risk loans recovered, and low-yield corporate loans reduced.
- NIM improved to 1.19% in Q2 2009
- Fee income from wealth management increased 39.2% quarter-on-quarter due to recovery in global equities markets. SKB achieved bancassurance cross-sales of NT\$8.70 billion in 1H 2009, accounting for 39.1% of SKL bancassurance premium.
- Credit card NPL ratio decreased to 2.04% and coverage ratio increased to 149.64%.
- 7,683 cases (amounting to NT\$677 million) were filed from implementation of the Consumer Debt Clearance Regulations to the end of June, 2009; overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 53.71%.
- Asset quality improved with overall NPL and coverage at 1.85% and 68.22% respectively. NPL ratio for mortgages remained low at 0.91%.

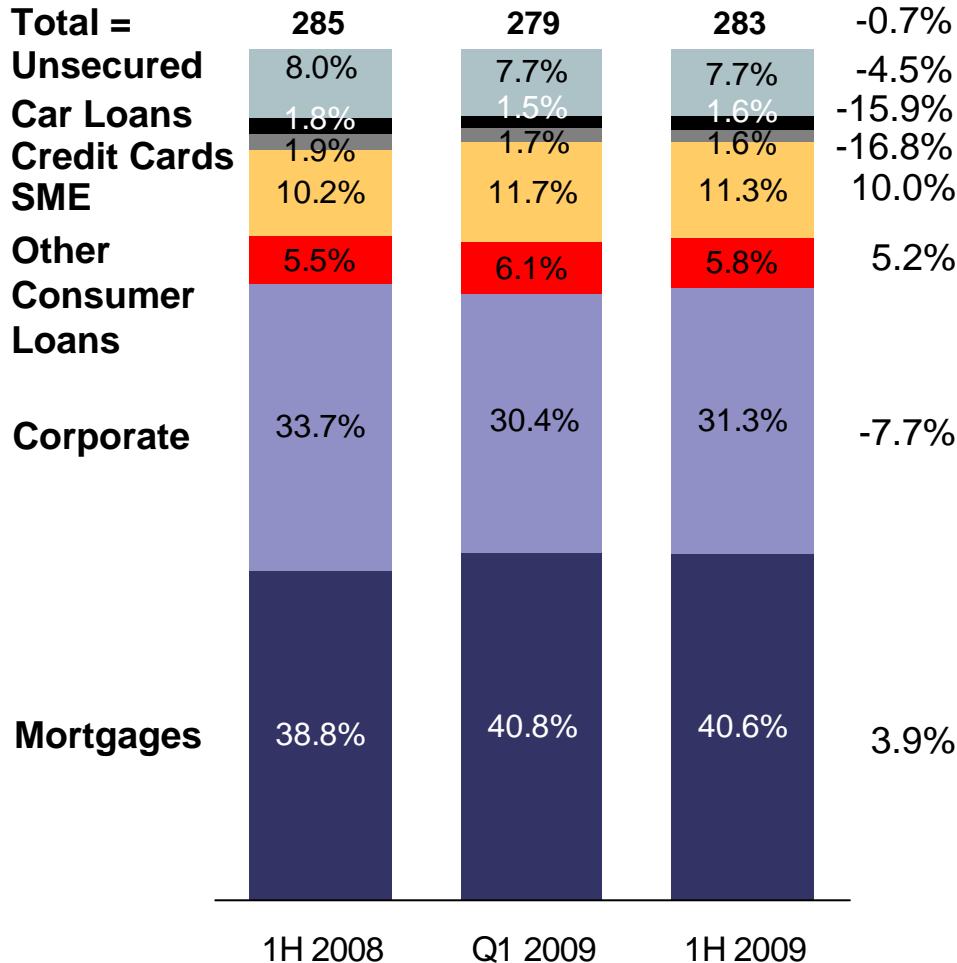
Net Income – 1H 2009

	1H 2008	1H 2009	YoY Growth
NT\$m, %			
Net interest income	3,100	2,095	-32.4%
Net fee income	760	664	-12.7%
Other income	622	831	33.6%
Operating expense	(2,779)	(2,456)	-11.6%
Pre-provision operating income	1,702	1,133	-33.5%
Provision expense	(891)	(872)	-2.2%
Income tax benefit (expense)	(130)	(31)	76.2%
Net Income	682	230	-66.2%

Loan Mix

NT\$bn

YoY Growth

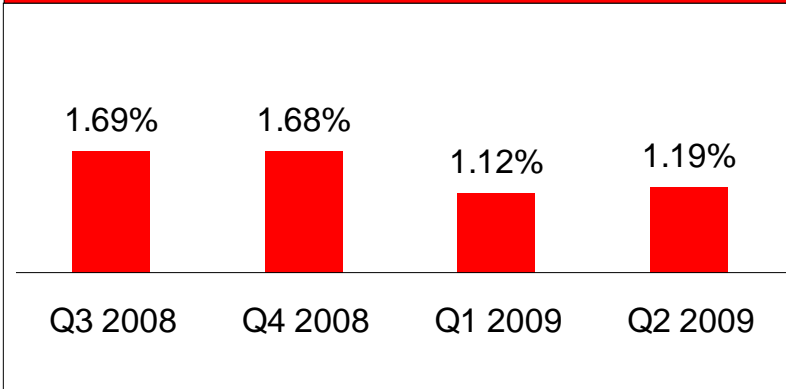


Comments

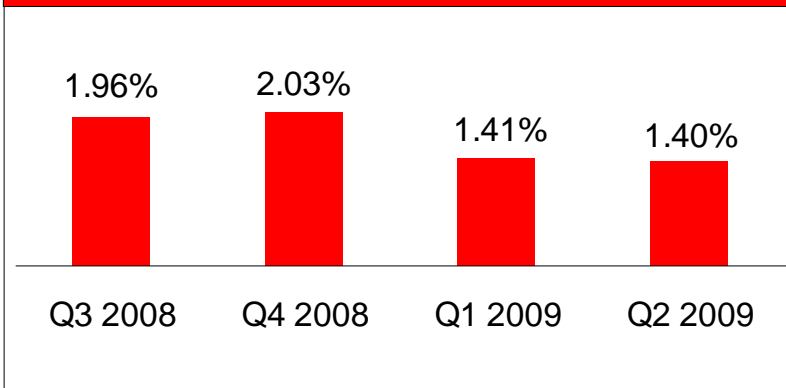
- Loan balance increased 1.4% quarter-on-quarter but remained stable year-on-year.
- Despite stringent credit policies, mortgages achieved stable growth; maximum LTV ratio for mortgages was 80%.
- L/D ratio was 79.9% (incl. credit cards balance)

Interest Yield

Net Interest Margin



Net Interest Spread

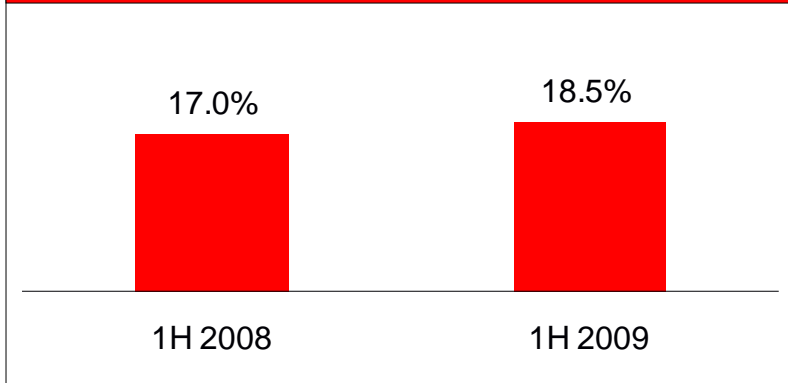


Comments

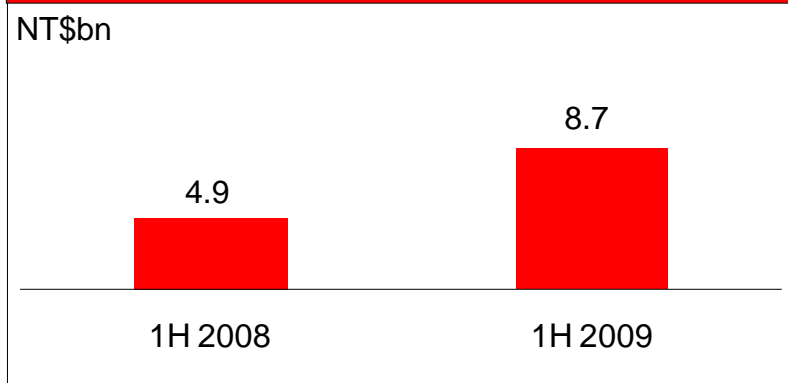
- NIM improved to 1.19% in Q2 2009
- Impact of Central Bank rate cuts on loan rates has been largely reflected. Loan rates have stabilized
- Average deposit rate decreased 30bps from Q1 2009 as high rate deposits mature
- SKB will continue to :
 - Develop cash management to increase demand deposits and lower cost of funds
 - Increase fee income and non-interest income from corporate customers, and
 - Develop SME and consumer loans with appropriate risk control to enhance interest income

Fee Income

Net Fee Income / Total Income



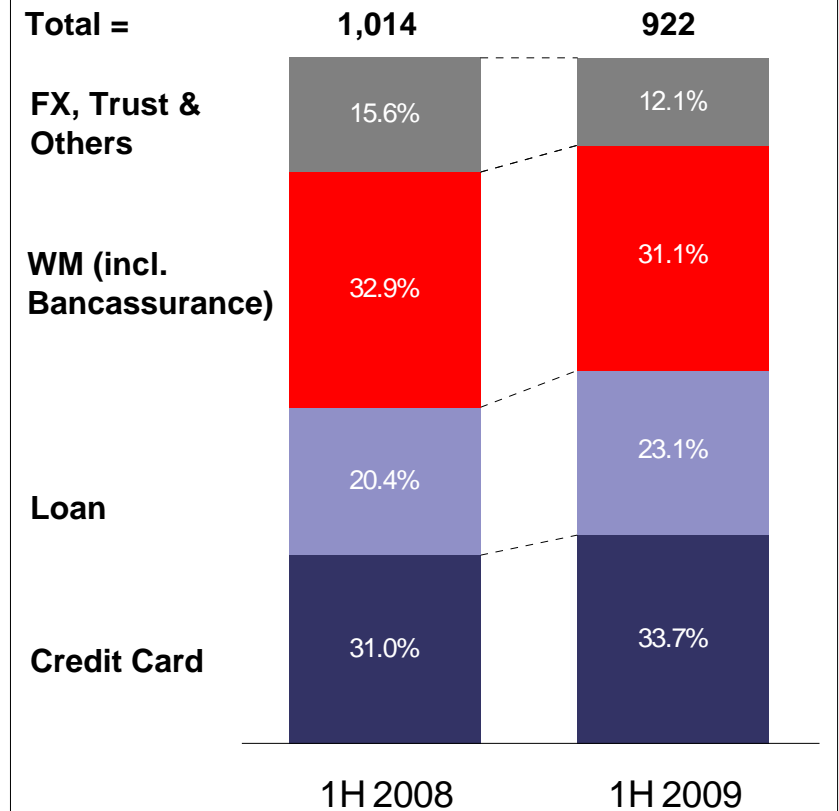
Bancassurance (SKL) - FYP



Fee Income Breakdown

NT\$m

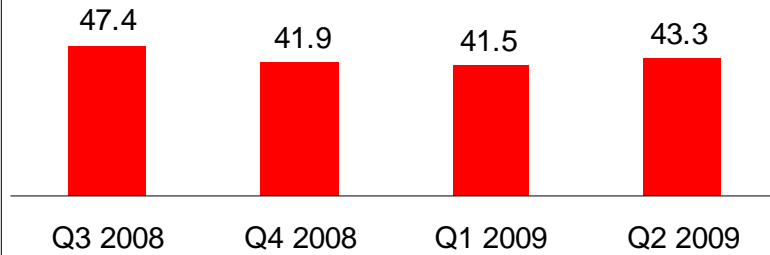
Total =



Wealth Management

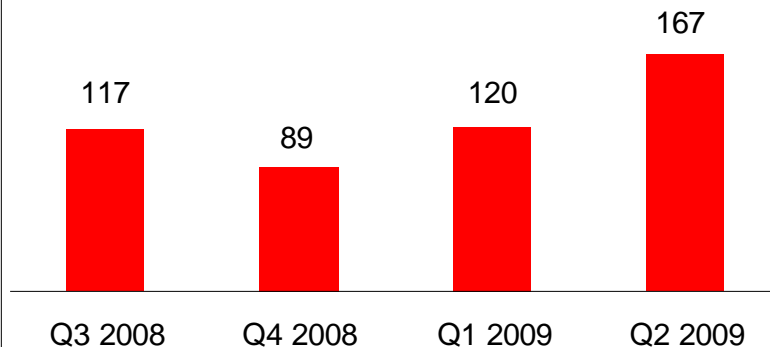
AUM

NT\$bn



WM Fee Income

NT\$m



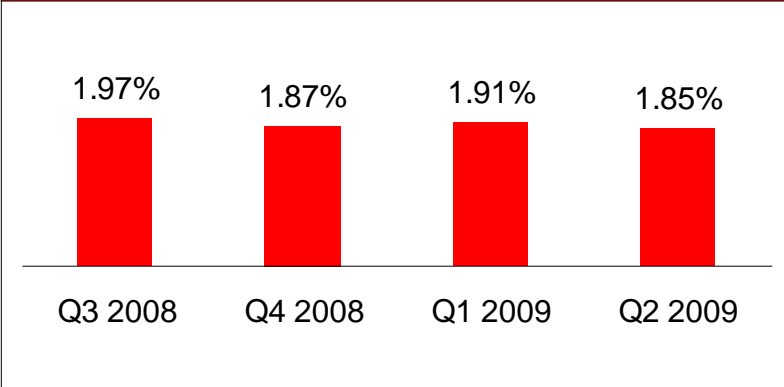
Wealth Management Center



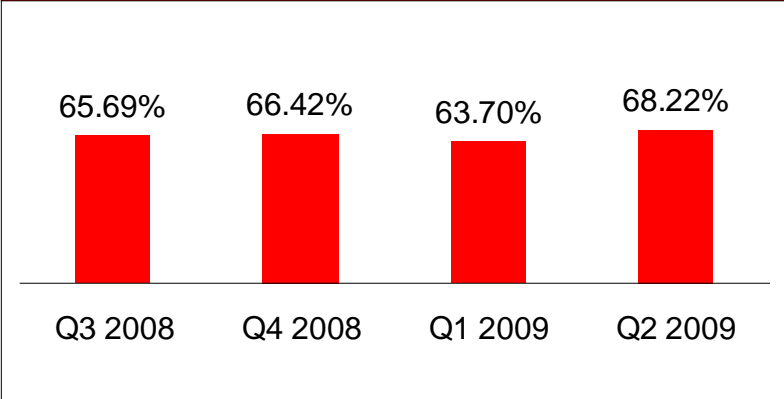
- Fee income from wealth management increased 39.2% quarter-on-quarter due to recovery in global markets and accounted for 31.1% of total fee income
- Sales focuses were on insurance products (e.g., Traditional, Health and PA) and structured notes in 1H 2009. As global markets stabilize, sales of mutual funds are expected to recover

Asset Quality

NPL Ratio



Coverage Ratio

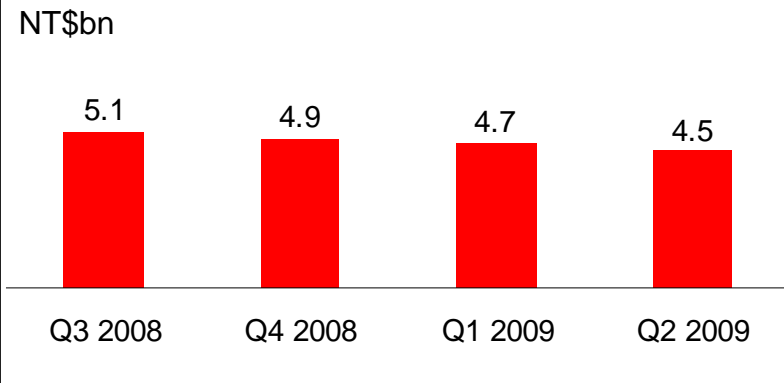


Comments

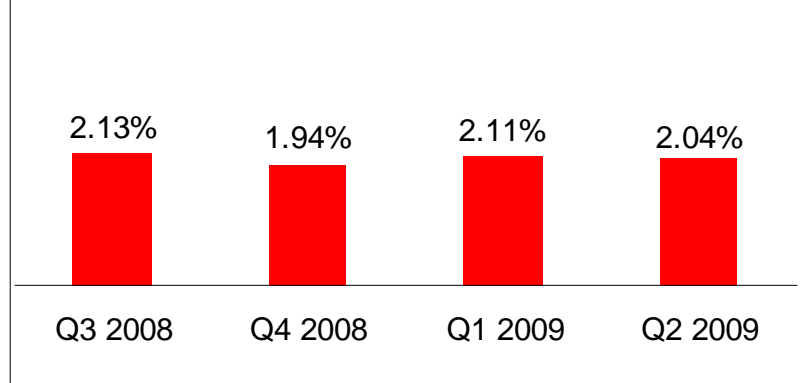
- Asset quality improved with overall NPL at 1.85%
- NPL ratio for mortgages remained low at 0.91%.
- Coverage was 68.22% - above the Company's medium term target
- 7,683 cases (amounting to NT\$677 million) were filed from implementation of the Consumer Debt Clearance Regulations to the end of June, 2009. Overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 53.71%.
- As of June 30, 2009, loan balances on DRAM and TFT-LCD industries were NT\$5.29bn and NT\$1.10bn respectively, accounting for 1.9% and 0.4% of total loans. Exposures were limited.

Credit Cards Metrics

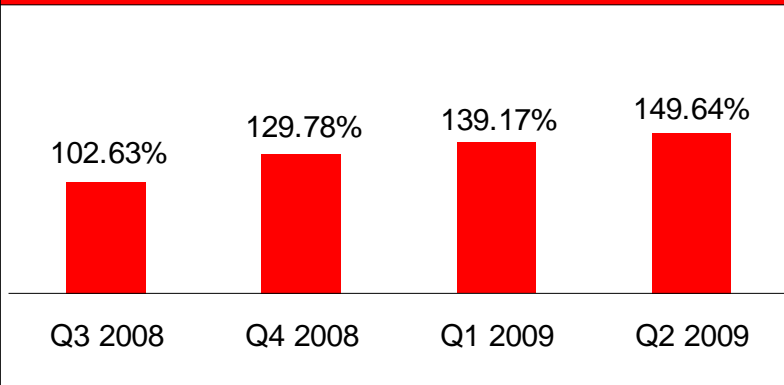
Revolving Balance



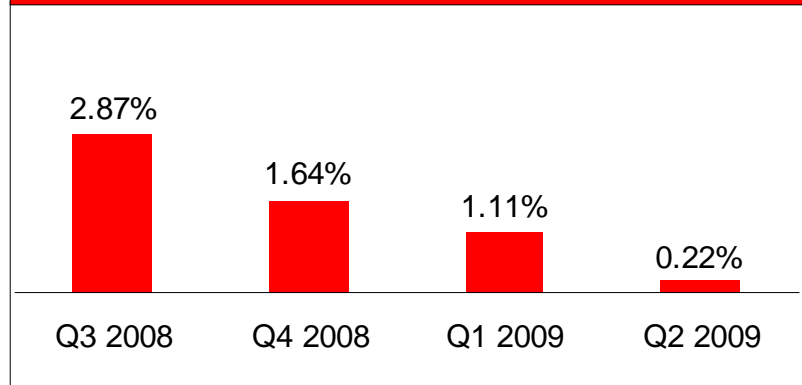
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

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

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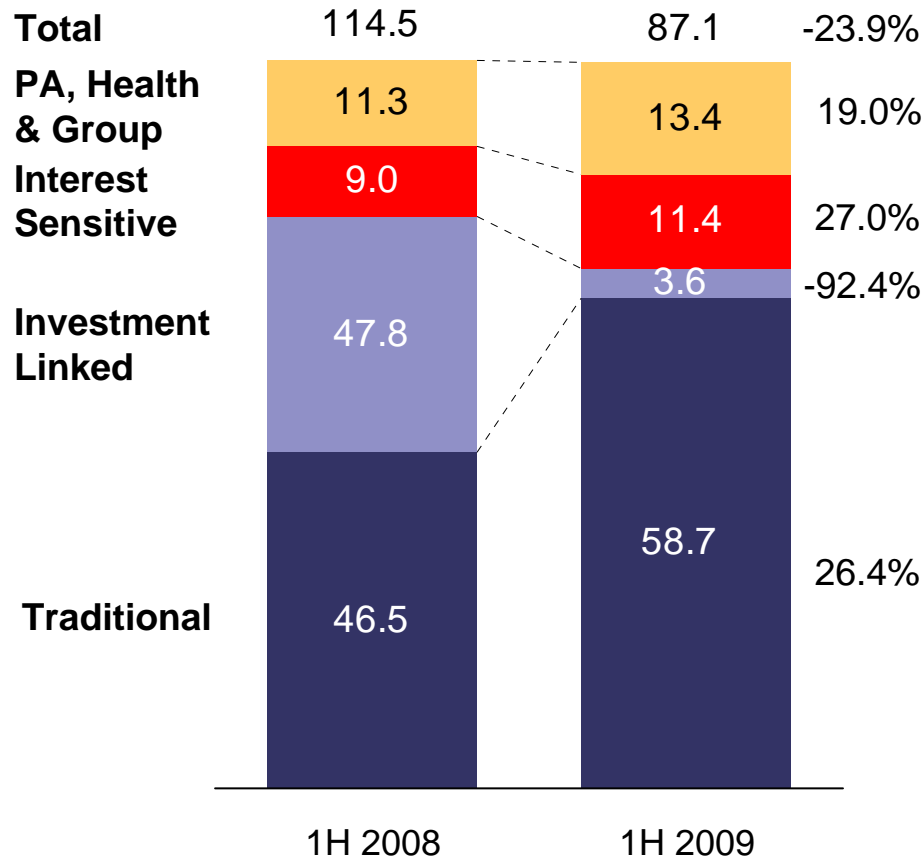
- Life Premium Summary

Total Premium – 1H 2009

NT\$bn

Market Share = 9.4%

Growth



Comments

- Sales of investment-linked products slowed in 1H but expected to recover in 2H as market stabilizes
- Driven by strong sales in high value health products, total premium from PA, Health & Group grew by 19.0%
- Traditional and related policies (mostly recurring premium) accounted for 67.4% of total premiums, up 26.4% YoY

SP / RP Breakdown – 1H 2009

NT\$bn

1H 2009 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	12.09	4.53		16.62
Investment-linked				
VUL			-0.37	-0.37
Structured note	0.28			0.28
Interest Sensitive				
Annuity	11.14		0.01	11.15
Life			0.21	0.21
PA, health and others		3.41		3.41
Total	23.51	7.94	-0.15	31.30

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Shin Kong Financial HoldingFinancial Summary
(NT\$m)

Income Statement Data	2008	1H 2008	1H 09/1H 08		Q2 2008	Q2 09/Q2 08	
			1H 2009	% change		Q2 2009	% change
Net interest income	(54)	32	(42)	-231%	29	(21)	-172%
Income from subsidiaries							
Shin Kong Life	(19,844)	(12,931)	(1,320)	-90%	(5,302)	(290)	-95%
Shin Kong Bank	220	676	230	-66%	69	58	-16%
Shin Kong Securities	(383)	(32)	270	-944%	(40)	192	-580%
MasterLink Securities	(459)	(100)	126	-226%	(95)	78	-182%
Shin Kong Insurance Brokers	50	30	32	7%	13	14	8%
Shin Kong Investment Trust	(2)	45	0	-100%	22	2	-91%
Total income from subsidiaries	(20,418)	(12,312)	(662)	-95%	(5,333)	54	-101%
Other income	250	83	159	92%	(69)	43	-162%
Administrative and general expenses	(834)	(168)	(105)	-38%	(88)	(54)	-39%
Income tax benefit (expense)	34	18	28	56%	(23)	(7)	-70%
Cumulative effect of changes in accounting principle	0	0	0		0	0	
Net income	(21,022)	(12,347)	(622)	-95%	(5,485)	15	-100%

Balance Sheet Data	2008	1H 2008	1H 09/1H 08		Q2 2008	Q2 09/Q2 08	
			1H 2009	% change		Q2 2009	% change
Long term investment	55,703	80,622	60,710	-25%	80,622	60,710	-25%
Total assets	1,740,173	1,770,338	1,813,009	2%	1,770,338	1,813,009	2%
Total shareholders' equity	56,194	84,224	63,375	-25%	84,224	63,375	-25%

Note:

(1) Preliminary numbers

Shin Kong Life

Financial Summary

(NT\$m)

Income Statement Data	1H 09/1H 08				Q2 09/Q2 08		
	2008	1H 2008	1H 2009	% change	Q2 2008	Q2 2009	% change
Premium income	152,347	71,419	84,629	18%	39,751	43,399	9%
Investment income							
Interest income	38,668	18,621	18,988	2%	9,077	9,178	1%
Gains on investments in securities	(4,780)	3,111	(91)	-103%	(2)	1,362	-65375%
Gains on real estate investments	6,098	1,447	7,488	417%	665	6,695	907%
FX	(12,552)	(13,009)	(1,866)	-86%	(3,285)	(4,567)	39%
FX gain or loss	(1,434)	(22,772)	(809)	-96%	(1,204)	(11,883)	887%
Hedging	(11,118)	9,762	(1,056)	-111%	(2,081)	7,316	-452%
Impairment loss	(5,801)	(4,559)	(93)	-98%	(1,284)	(0)	-100%
Total Investment income	21,632	5,611	24,427	335%	5,171	12,667	145%
Other operating income	5,733	3,865	1,560	-60%	1,864	878	-53%
Provision for reserves							
Provisions	(170,844)	(76,080)	(94,197)	24%	(42,773)	(48,257)	13%
Recoveries	83,159	29,784	27,816	-7%	16,148	16,635	3%
Total provisions for reserves, net	(87,685)	(46,297)	(66,381)	43%	(26,625)	(31,622)	19%
Insurance payments	(94,758)	(39,132)	(35,748)	-9%	(20,873)	(20,885)	0%
Commission expense	(5,542)	(3,002)	(2,365)	-21%	(1,377)	(1,163)	-16%
Separate account revenue	145,493	79,688	38,597	-52%	34,311	18,607	-46%
Separate account expenses	(145,493)	(79,688)	(38,597)	-52%	(34,311)	(18,607)	-46%
General and administrative expenses	(15,150)	(8,200)	(6,657)	-19%	(3,762)	(3,460)	-8%
Other operating costs and expenses	(2,944)	(1,341)	(1,105)	-18%	(760)	(533)	-30%
Operating income	(26,367)	(17,077)	(1,642)	-90%	(6,610)	(719)	-89%
Non-operating income and expenses	737	487	1,319	171%	365	1,287	252%
Income taxes	5,892	3,719	(998)	-127%	977	(858)	-188%
Cumulative effect of changes in accounting principle	0	0	0		0	0	
Net income	(19,738)	(12,871)	(1,321)	-90%	(5,268)	(290)	-94%

Balance Sheet Data	1H 09/1H 08				Q2 09/Q2 08		
	2008	1H 2008	1H 2009	% change	Q2 2008	Q2 2009	% change
Total assets	1,301,251	1,293,658	1,352,583	5%	1,293,658	1,352,583	5%
Total shareholders' equity	24,779	49,200	28,169	-43%	49,200	28,169	-43%

Note:

(1) Preliminary numbers

Shin Kong Bank
Financial Summary
(NT\$m)

Income Statement Data	2008	1H 2008	1H 09/1H 08		Q2 2008	Q2 09/Q2 08	
			1H 2009	% change		Q2 2009	% change
Interest income	13,220	6,535	4,266	-35%	3,290	2,050	-38%
Interest expense	(7,001)	(3,435)	(2,171)	-37%	(1,750)	(961)	-45%
Net interest income	6,219	3,100	2,095	-32%	1,540	1,089	-29%
Fee income	1,881	1,014	922	-9%	539	517	-4%
Fee expense	(488)	(254)	(258)	2%	(133)	(138)	4%
Net fee income	1,393	760	664	-13%	407	379	-7%
Gains on bill & securities	(160)	(1)	670	-73789%	(253)	89	-135%
Gains recognized under equity method, net	(195)	49	16	-68%	6	7	16%
Gains on foreign exchange, net	106	12	56	377%	12	(112)	-1043%
Other gains or losses, net	118	562	89	-84%	215	154	-28%
Operating expense	(5,262)	(2,779)	(2,456)	-12%	(1,379)	(1,203)	-13%
Pre-provision income or loss	2,218	1,702	1,133	-33%	548	403	-26%
Provision expense	(1,996)	(891)	(872)	-2%	(392)	(331)	-16%
Income tax (expense) benefit	5	(130)	(31)	-76%	(82)	(13)	-85%
Net income	227	682	230	-66%	74	59	-21%

Balance Sheet Data	2008	1H 2008	1H 09/1H 08		Q2 2008	Q2 09/Q2 08	
			1H 2009	% change		Q2 2009	% change
Total assets	402,856	402,772	395,990	-2%	402,772	395,990	-2%
Total shareholders' equity	20,605	21,883	21,748	-1%	21,883	21,748	-1%
Total loans, net ⁽²⁾	280,063	280,933	279,721	0%	280,933	279,721	0%
Total deposits	356,193	342,226	355,612	4%	342,226	355,612	4%

Operating Metrics (cumulative)	2008	1H 2008	1H 2009		Q2 2008	Q2 2009
Fee income ratio	18.6%	17.0%	18.5%		21.1%	23.6%
Cost income ratio	70.3%	62.0%	68.4%		71.6%	74.9%
Loan/deposit ratio (excl. credit card)	78.6%	82.1%	78.7%		82.1%	78.7%
Loan/deposit ratio (incl. credit card)	80.0%	83.7%	79.9%		83.7%	79.9%
Net interest margin	1.69%	1.70%	1.16%		1.67%	1.19%
Net interest spread	2.02%	2.03%	1.40%		2.00%	1.40%
Pre-provision earnings/assets	0.56%	0.43%	0.28%		0.14%	0.10%
Pre-provision earnings/equity	10.61%	7.90%	5.35%		2.54%	1.90%

Note:

(1) Preliminary numbers

(2) Exclude credit cards but include overdue receivables