

Confidential



Q4 2009 Results Update

March 17, 2010

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

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Appendix

- Life Premium Summary

SKFH – 2009 Overview

- With a strong profit of NT\$1.41bn in Q4, SKFH returned to profitability and recorded a profit of NT\$1.13bn for 2009. EPS was NT\$0.17.
- Excluding one-off items such as CDO/CBO losses (NT\$3.61bn) and DTA adjustment (NT\$1.00bn), profit would have been NT\$5.74bn.
- Investment income continued to improve; 2009 annualized investment return was 4.47%, higher than 4.12% in 9M 2009.
- Tight control of expenses
 - SKL: Operating expenses were 26.6% lower than 2008
 - SKB: Operating expenses decreased 6.8% year-on-year
- Capital enhancement plans successfully executed; shareholders' equity grew strongly
 - NT\$5.3bn rights issue successfully completed in Q4 2009. NT\$18bn raised from GDR and rights issue was injected into SKL
 - All capital adequacy ratios of SKFH and subsidiaries were above regulatory requirements
 - As of the end of 2009, consolidated shareholders' equity of SKFH was NT\$92.68bn, 64.9% higher compared to the end of 2008
 - Shareholders' equity of SKL was NT\$57.05bn, 130.2% higher than 2008

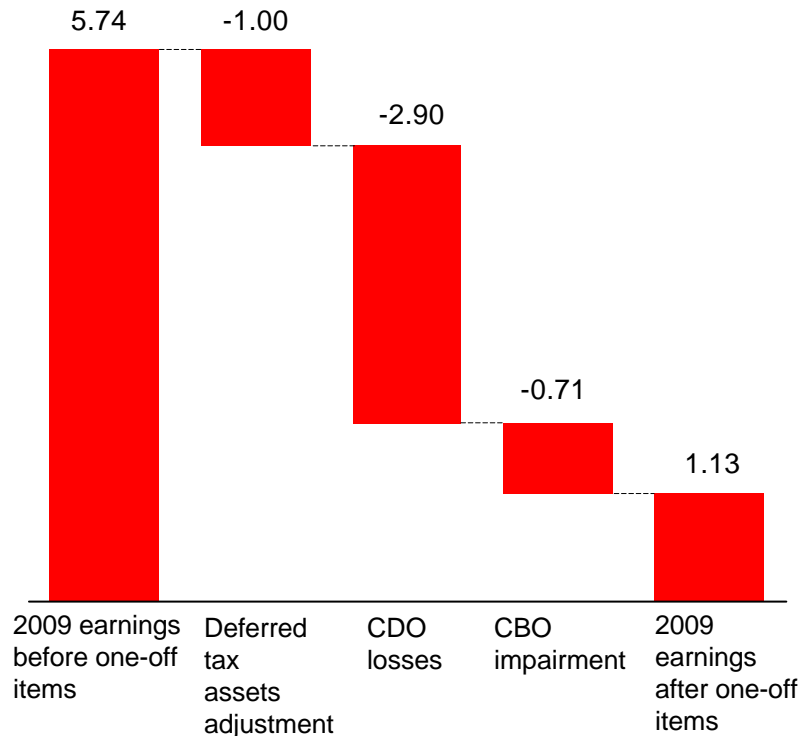
Financial Highlights – 2009

	2008	2009	YoY Growth
NT\$m (except per share data), %			
Group net income	-21,022	1,129	-
First year premium (Insurance)	89,794	68,191	-24.1%
Loans (Bank)	283,990	287,025	1.1%
Total assets	1,740,173	1,902,090	9.3%
Total shareholders' equity	56,194	92,678	64.9%
ROA (unannualized)	-1.27%	0.14%	-
ROE (unannualized)	-28.44%	2.97%	-
Earnings per share	-3.80	0.17	-

Net Income – 2009

Group net income

NT\$bn



Net income contribution

NT\$bn

Subsidiaries	2009	2008
Shin Kong Life	0.11	-19.84
Shin Kong Bank	0.56	0.22
Shin Kong Securities	0.18	-0.38
Shin Kong Investment Trust	0.02	0
Shin Kong Insurance Brokers	0.04	0.05
Others ⁽¹⁾	0.22	-1.07
Net income	1.13	-21.02

Note:

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

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SKL – 2009 Overview

- Driven by improved investment income and lower expenses, SKL returned to profitability and recorded a profit of NT\$0.11bn. ROE was 0.26%. Excluding one-off items, after-tax profit would have been NT\$4.72bn.
- FYP was NT\$68.19bn, down 24.1% YoY. To maintain reasonable profit margin, growth rate was lower than market growth of 8.2%. Market share was 7.4%.
- Traditional and interest-sensitive products contributed 37.9% and 45.4% of FYP respectively. FYP from traditional products was NT\$25.82bn, up 121.7% YoY. Driven by strong sales of high-value health products, health premium grew by 56.4%; market share was 16.0%. Sales of investment linked products showed signs of recovery and contributed NT\$4.97bn in 2H FYP as global markets stabilize.
- 13-month persistency slightly improved to 83.9%. 25-month persistency was 80.9%.
- 2009 annualized investment return significantly improved to 4.47% from 1.96% in 2008.
- Shareholders' equity improved from NT\$36.83bn to NT\$57.05bn in Q4 2009, up 54.9% QoQ.

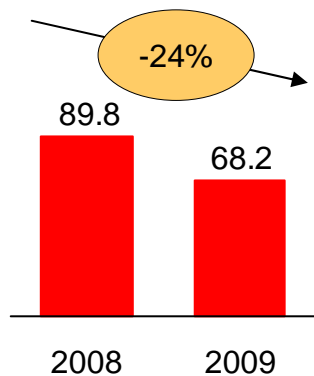
Financial Highlights – 2009

	2008	2009	YoY Growth
NT\$mn, %			
First year premium	89,794	68,191	-24.1%
Total premium	201,906	176,926	-12.4%
Investment income	21,632	53,652	148.0%
Net income	-19,738	106	-
Total assets	1,301,251	1,445,264	11.1%
Total shareholders' equity	24,779	57,045	130.2%
ROE (unannualized)	-48.59%	0.26%	-
ROA (unannualized)	-1.56%	0.01%	-

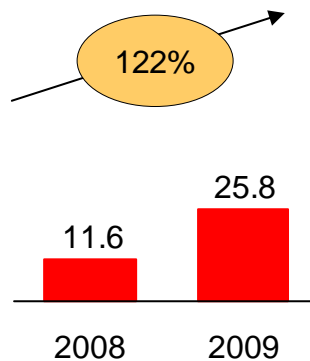
First Year Premium – 2009

NT\$bn

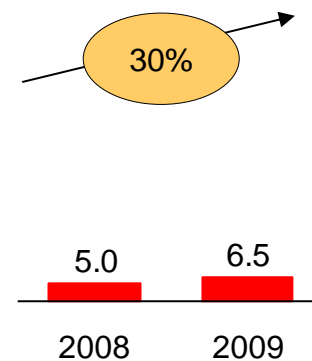
Market share 7.4%



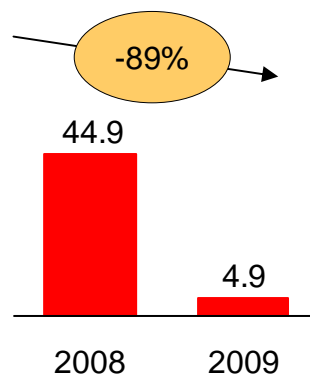
Traditional



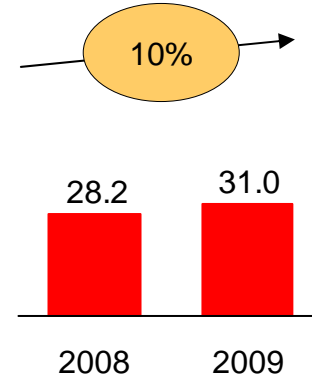
PA, Health and Group



Investment-linked



Interest-sensitive



Comments

- To maintain reasonable profit margin, FYP was controlled at level lower than last year
- Traditional and interest-sensitive products contributed significant shares (37.9% and 45.4% respectively) of FYP
- Driven by global market recovery, sales of investment linked products recovered and contributed NT\$4.97bn in 2H FYP
- Sales of high value health products remained strong. FYP growth was 56.4% YoY; market share was 16.0%

Persistency Ratio

13 month persistency

%

88.5

83.6

83.9

2008

9M 09

2009

25 month persistency

%

77.7

81.6

80.9

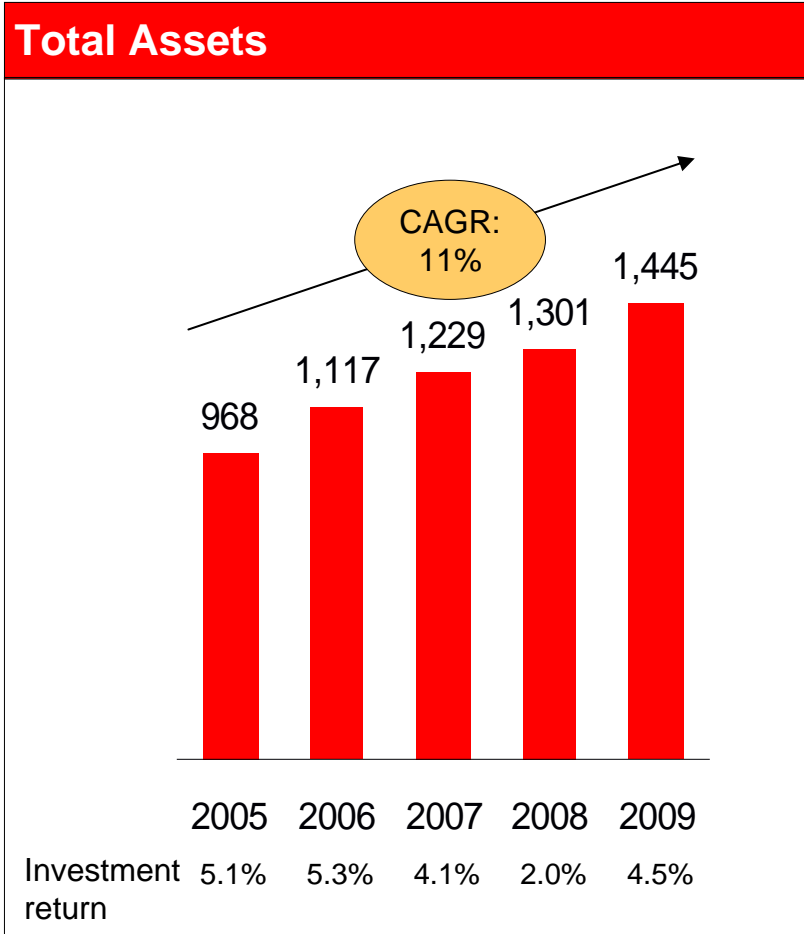
2008

9M 09

2009

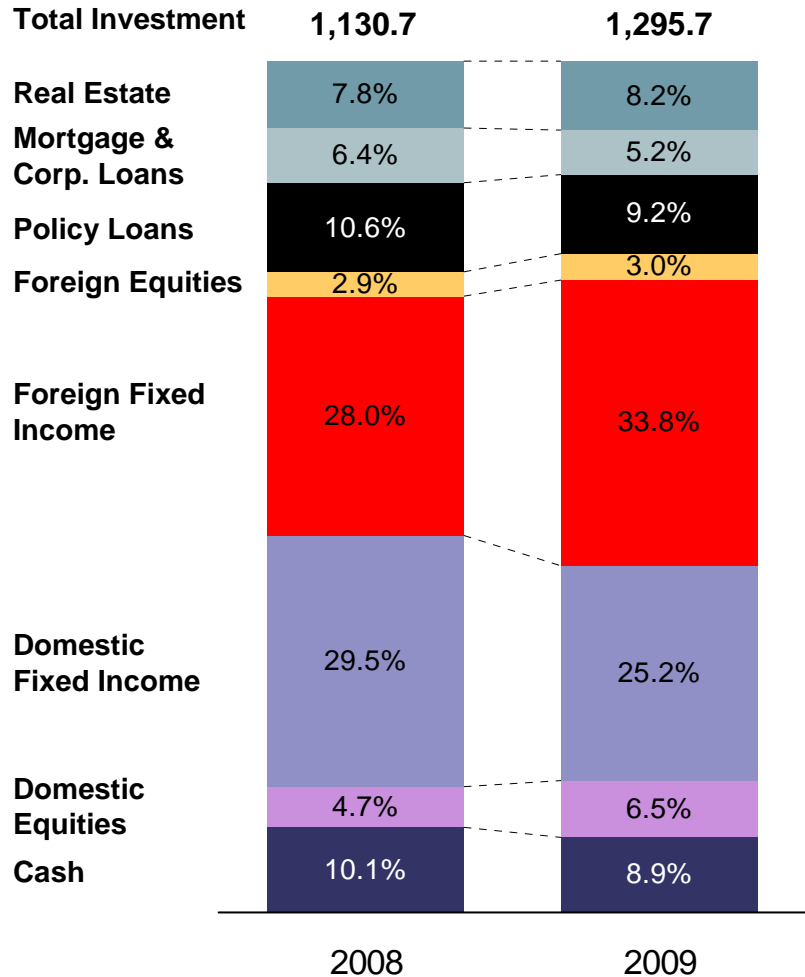
Investment Portfolio

NT\$bn



Note:

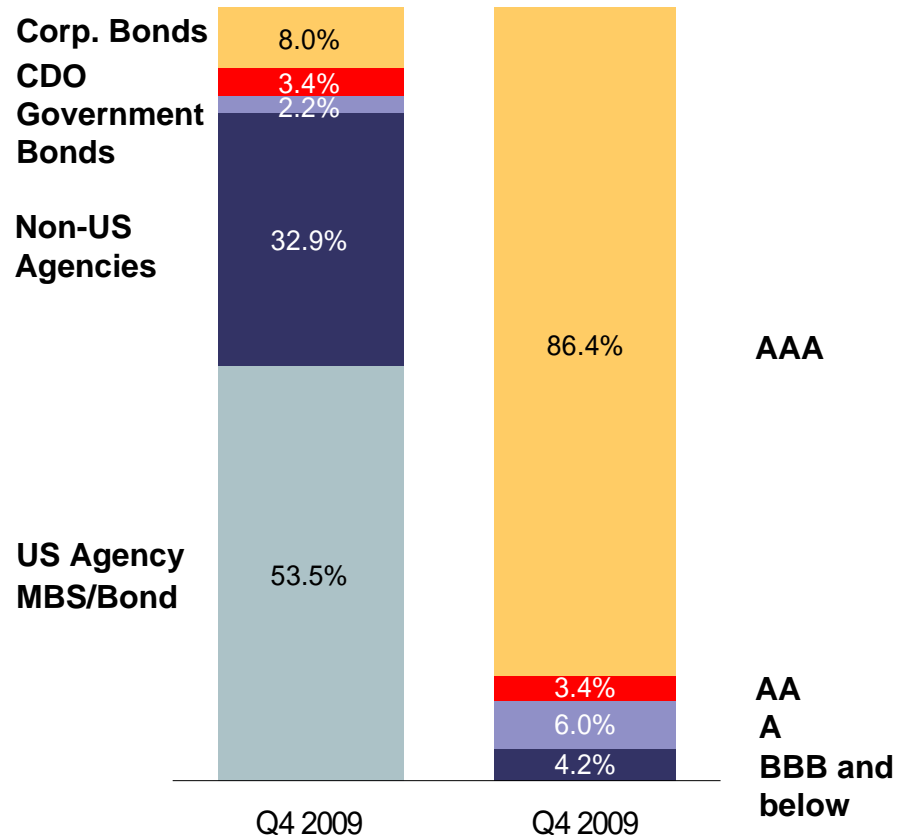
- (1) Due to rounding, asset allocation figures may not add up to 100%
- (2) Includes capital gains and FX hedging cost



Overseas Fixed Income – Limited Credit Risk

Overseas Fixed Income Portfolio

Total=NT\$437.7bn



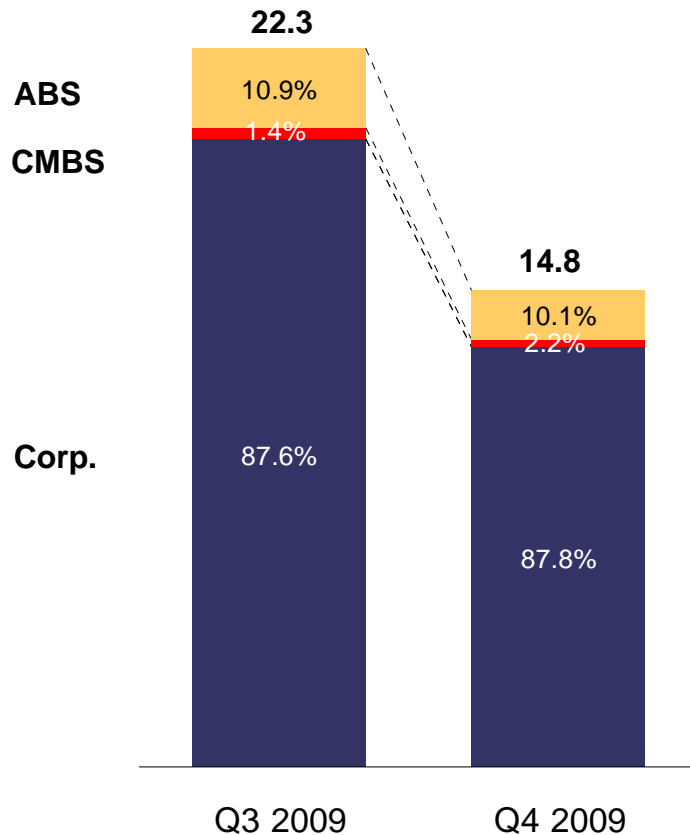
Comments

- Portfolio mainly comprises low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 86.4% of the portfolio. 95.8% 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., Johnson & Johnson, Philip Morris, Wal-Mart)

CDO Exposure

CDO Exposure

NT\$bn

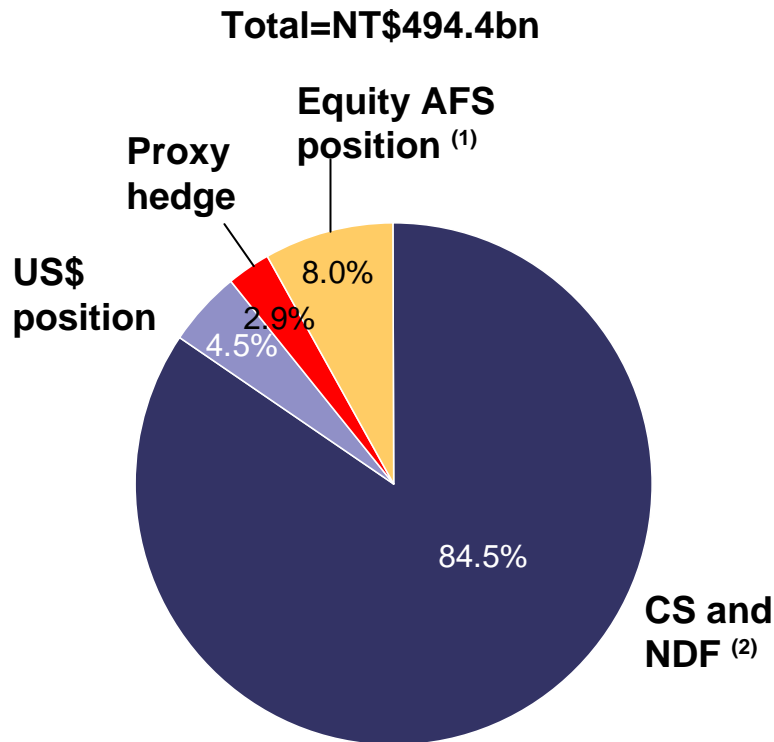


Comments

- Overall exposure decreased from NT\$22.26bn to NT\$14.81bn as CDOs matured in Q4 2009
- 10.1% 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). In Q4 2009, an NT\$90mn loss was recognized
- 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

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Share of traditional hedges controlled within the target range of 70~90%
- Proxy hedging decreased to 2.9%
- Driven by effective hedging strategy, annualized hedging cost was lower than 1% in 2009
- Available for sale position in foreign equities accounted for 8.0% 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
- The Algo system (a cross-subsidiary market risk management platform) will be completed in Q2 2010

SKL – 2010 Outlook

- Focus on high value protection and health products to maintain overall profit margin. Cooperate with strategic partner, Dai-ichi Life, to design and promote a series of products with protection features.
- As global markets recover, demand for investment linked products expected to increase leading to higher expense gains.
- Target 4.5%~5% long-term investment return. Maintain overseas investment between 35% and 40% and share of traditional hedges at 70~90%. Continue to closely monitor developments in global markets.
- Continue to enhance risk management. Plan to complete the Algo risk management system in Q2 2010.
- Develop both agency and bancassurance channels. Continue to use SKB as the main bancassurance channel and migrate towards higher margin products.
- Steadily expand SKHNA Life business by establishing other operating sites in Beijing and setting up branches in other provinces/cities in 2010.
- Target ~10% growth in value of new business (VNB) in the medium/long term.

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 - Life Premium Summary

SKB – 2009 Overview

- After-tax profit for 2009 was NT\$560 million (up 146.4% from 2008); pre-provision profit increased 9.3% to NT\$2.43bn while provision expense went down 11.9% to NT\$1.76bn.
- Loan balance increased 1.1% year-on-year. L/D ratio was 76.7% (incl. credit cards balance). To strike a better balance between risk and return, risk management has been strengthened.
- NIM improved to 1.54% in Q4 2009.
- Fee income from wealth management has recovered since Q2 2009 due to recovery in global markets. Fee income from wealth management for 2009 was NT\$670 million (up 23.6% from 2008). SKB achieved bancassurance cross-sales of NT\$17.07 billion in 2009, accounting for 40.4% of SKL bancassurance premium.
- Credit card NPL ratio decreased to 1.11% and coverage ratio increased to 231.89%.
- 10,403 cases (amounting to NT\$880 million) were filed from implementation of the Consumer Debt Clearance Regulations till the end of 2009; overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 52.70%.
- Asset quality improved with overall NPL and coverage at 1.42% and 75.37% respectively. NPL ratio for mortgages remained low at 0.65%.

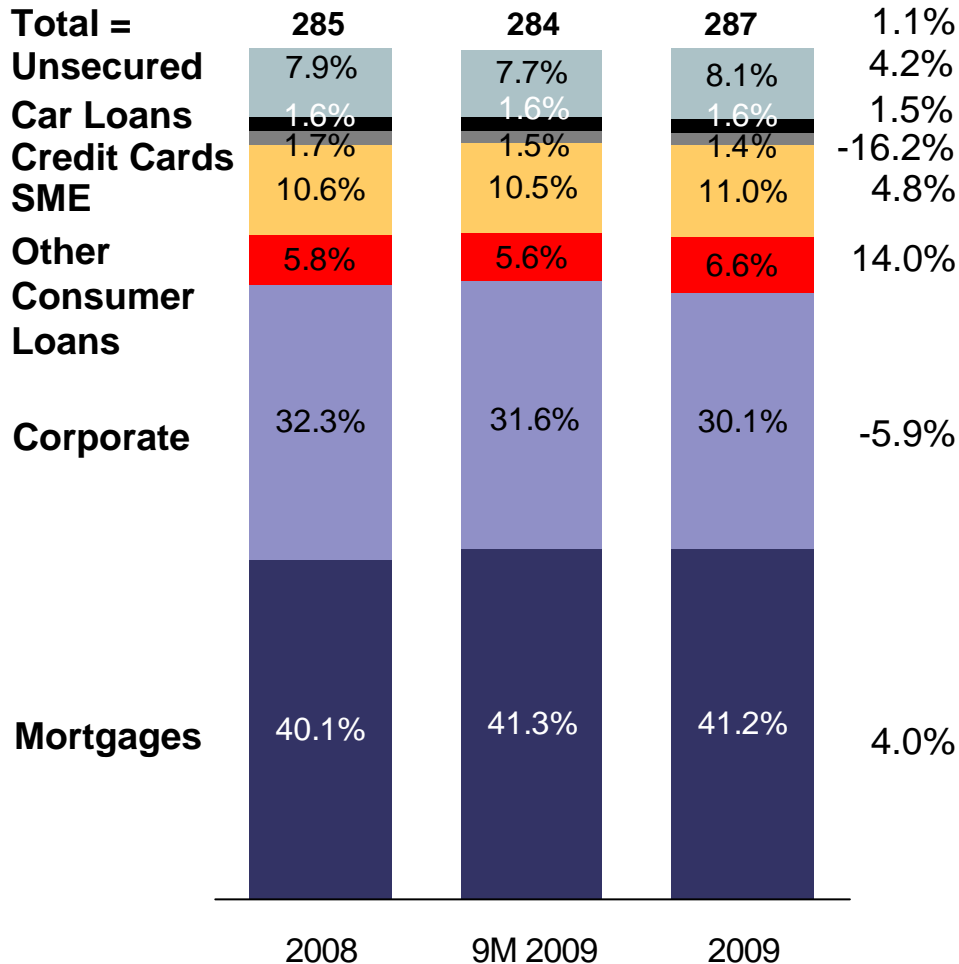
Net Income – 2009

	2008	2009	YoY Growth
NT\$mn, %			
Net interest income	6,219	4,663	-25.0%
Net fee income	1,393	1,580	13.4%
Other income	-132	1,087	-
Operating expense	-5,262	-4,905	-6.8%
Pre-provision operating income	2,218	2,425	9.3%
Provision expense	-1,996	-1,759	-11.9%
Income tax benefit (expense)	5	-106	-
Net Income	227	560	146.4%

Loan Mix

NT\$bn

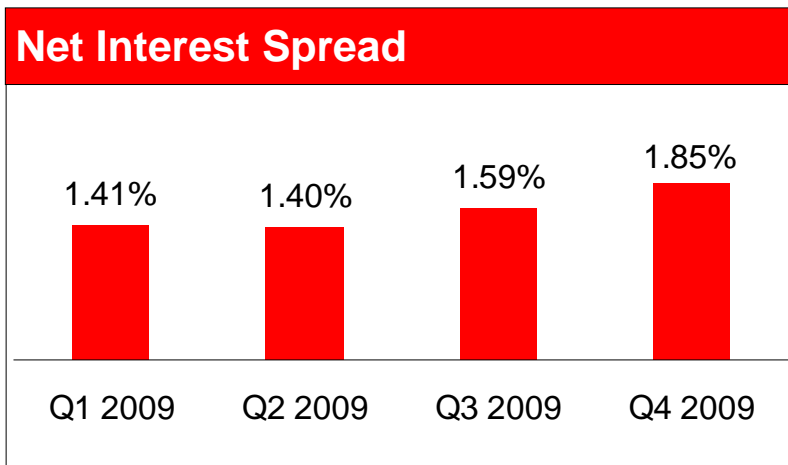
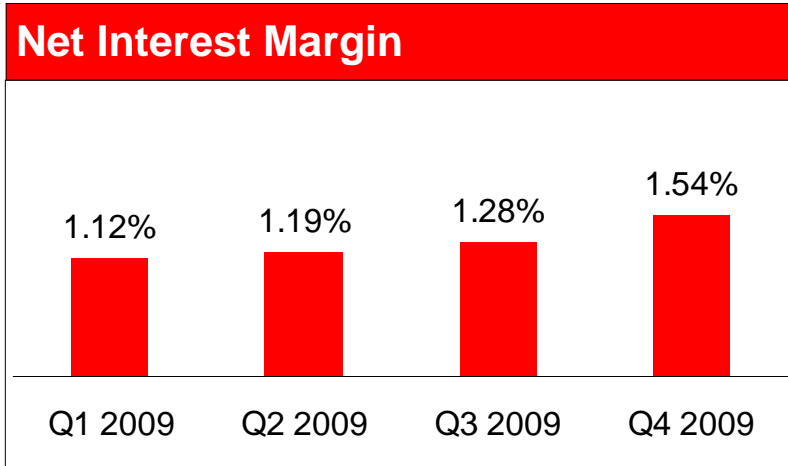
YoY Growth



Comments

- Loan balance increased 1.1% year-on-year
- Despite stringent credit policies, mortgages achieved stable growth; maximum LTV ratio was 80% for urban planning areas and 60% for non-urban planning areas
- L/D ratio was 76.7% (incl. credit cards balance)

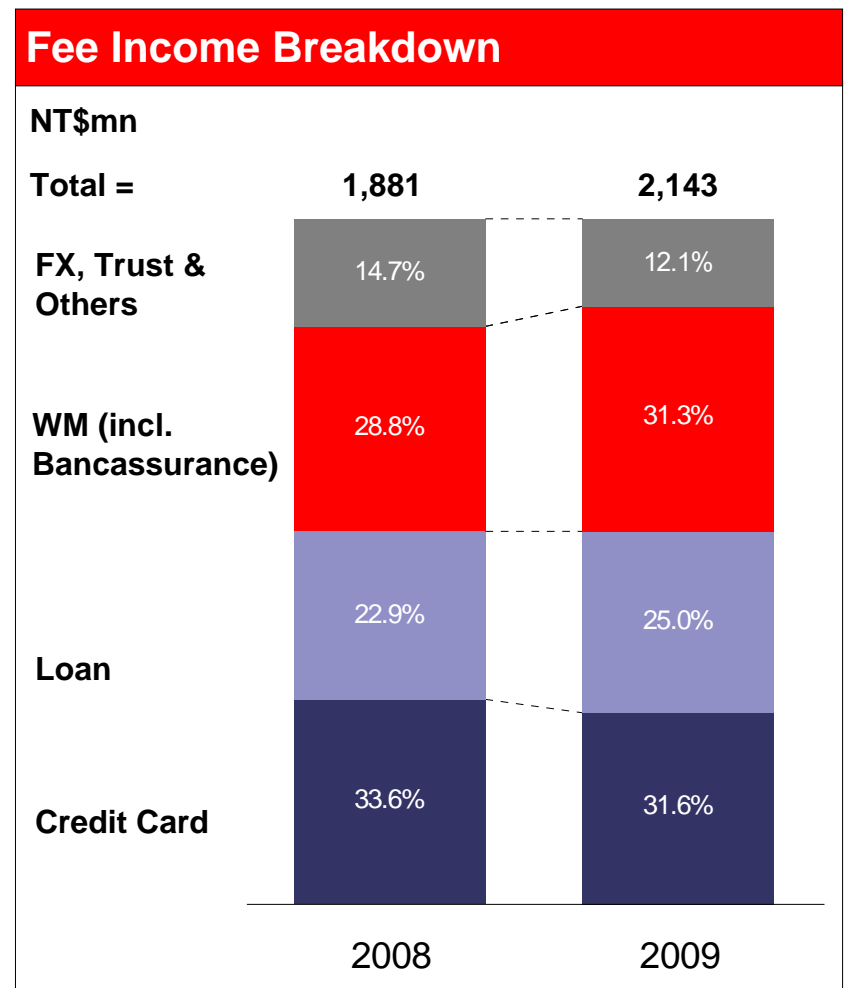
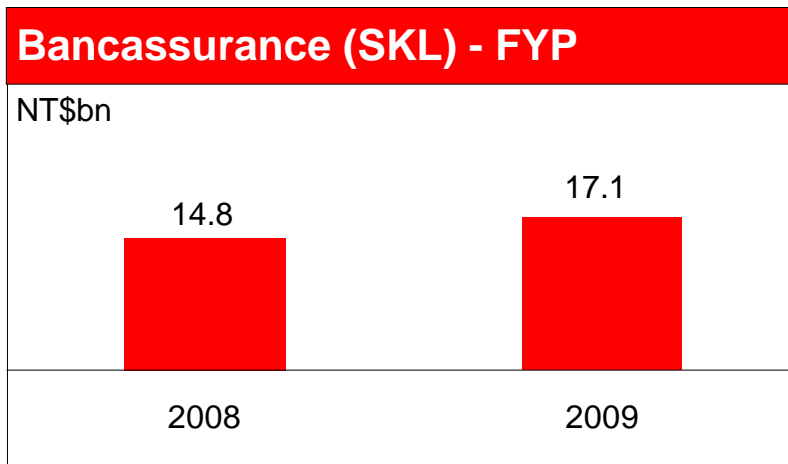
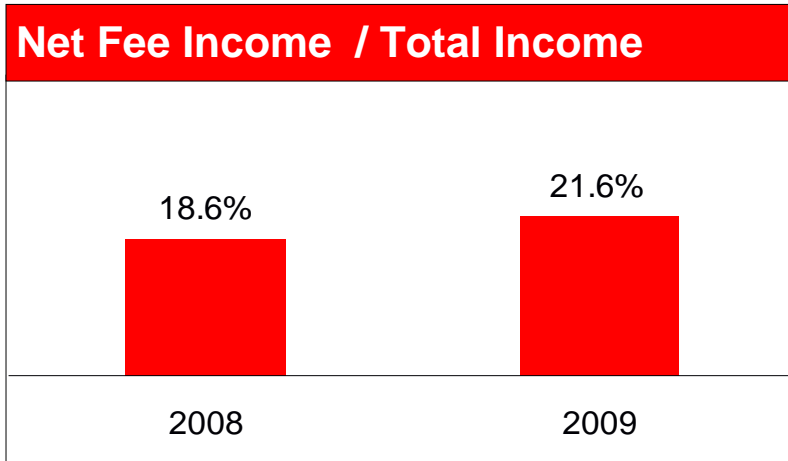
Interest Yield



Comments

- As high rate deposits matured, NIM improved to 1.54% in Q4 2009
- Impact of Central Bank rate cuts will be fully reflected in Q1 2010. NIM is expected to further increase when Central Bank raises rates
- SKB will continue to :
 - Develop cash management to increase demand deposits and lower cost of funds
 - Expand foreign exchange business and increase fee income from corporate customers, and
 - Develop SME and consumer loans with appropriate risk control to enhance interest income

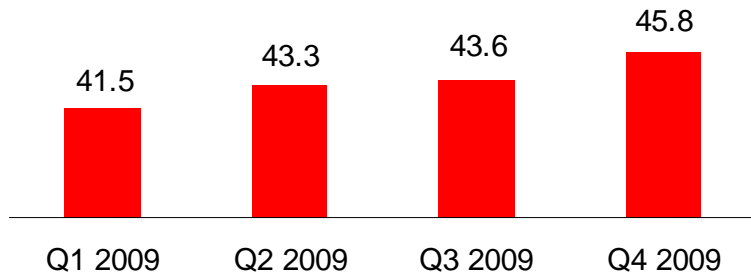
Fee Income



Wealth Management

AUM

NT\$bn

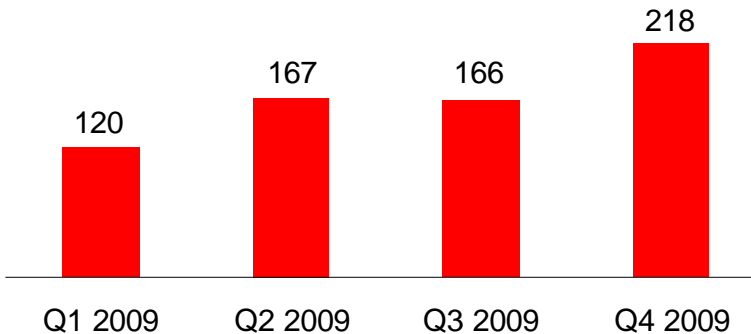


Wealth Management Center



WM Fee Income

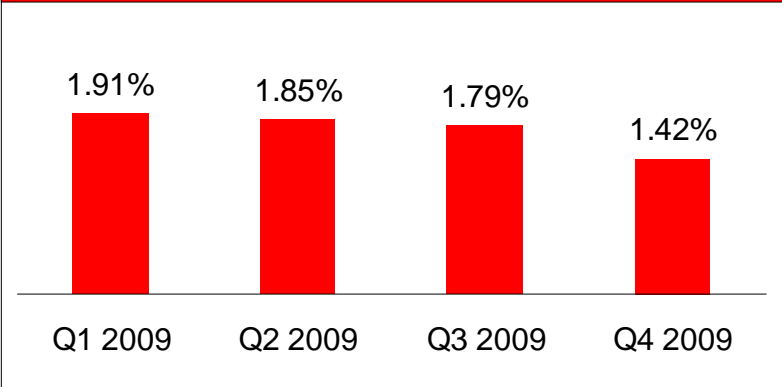
NT\$m



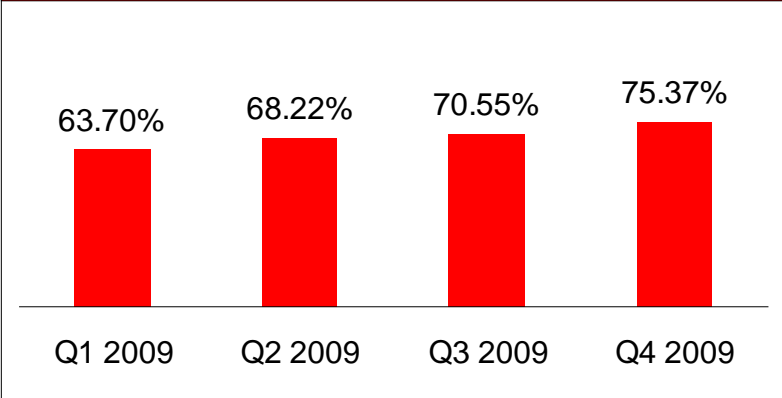
- Fee income from wealth management has increased since Q2 2009 due to recovery in global markets.
- Fee income from wealth management for 2009 was NT\$670 million (up 23.6% from 2008) and accounted for 31.3% of total fee income
- Sales focuses were on mutual funds and insurance products (e.g., Traditional, Health and PA) in 2009. As global markets stabilize, sales of mutual funds are expected to grow in 2010

Asset Quality

NPL Ratio



Coverage Ratio

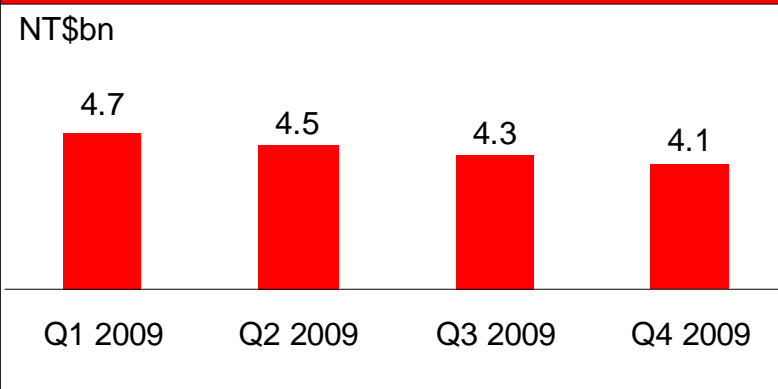


Comments

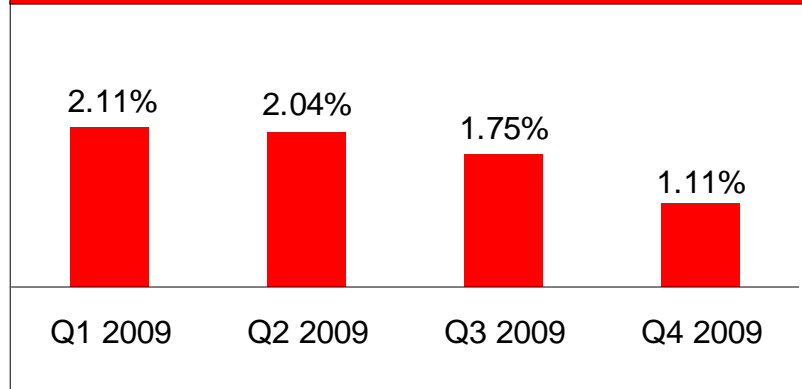
- Asset quality continued to improve with overall NPL at 1.42%
- NPL ratio for mortgages was low at 0.65%
- Coverage was 75.37% - above the Company's medium term target
- 10,403 cases (amounting to NT\$880 million) were filed from implementation of the Consumer Debt Clearance Regulations till the end of 2009. Overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 52.70%
- As of the end of 2009, loan balances on DRAM and TFT-LCD industries were NT\$4.53bn and NT\$0.84bn respectively, accounting for 1.6% and 0.3% of total loans. Exposures were limited

Credit Cards Metrics

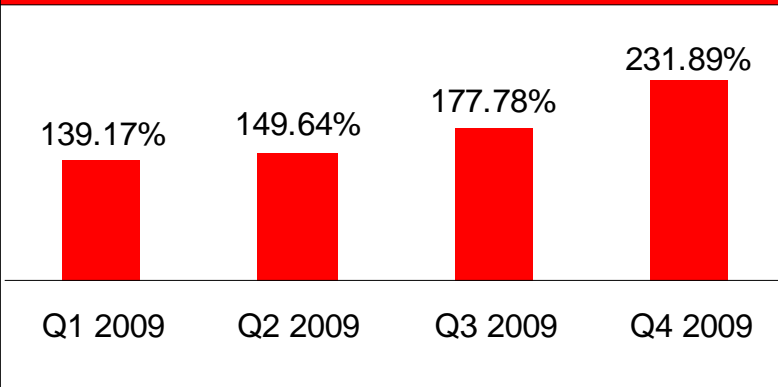
Revolving Balance



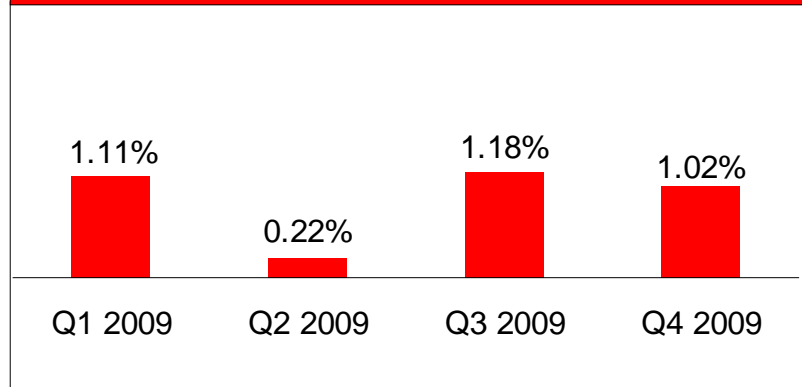
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

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

SKB – 2010 Outlook

- Focus on growing corporate loans to achieve 50:50 mix between corporate and consumer lending
- Continue to develop cash management and payroll accounts to increase demand deposits
- NIM expected to fully reprice in Q1 2010 and further increase if Central Bank raises rates
- Develop foreign exchange business to increase fee income from corporate customers
- Focus on mutual funds, ETFs, foreign bonds and insurance to meet customer needs and enhance profits from wealth management
- Strictly control asset quality and recover non-performing loans to lower NPL and increase coverage ratio
- Consolidate mini-branches into general branches and increase proportion of full service branches to enhance channel productivity.
- Establish Hong Kong branch to serve Taiwanese businesses operating in Asia-Pacific

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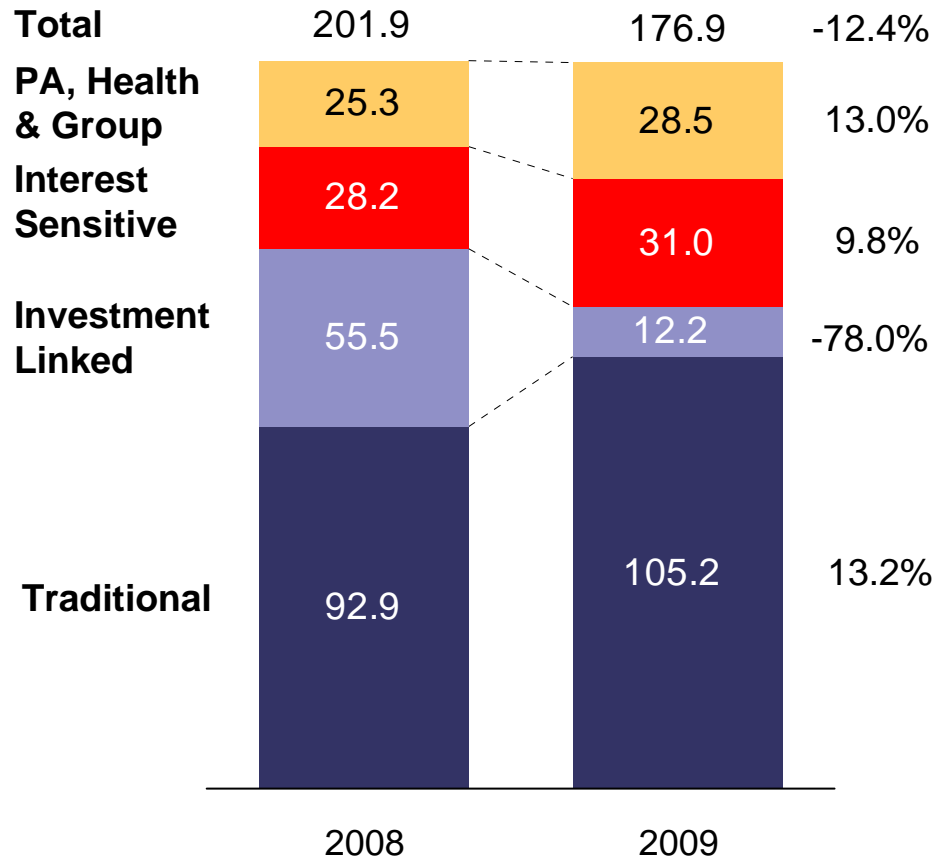
- Life Premium Summary

Total Premium

NT\$bn

Market Share = 8.8%

Growth



Comments

- Sales of investment linked products showed signs of recovery and contributed NT\$4.97bn in 2H FYP. Total premium was lower than the high basis achieved in 2008
- Driven by strong sales in high value health products, total premium from PA, Health & Group grew by 13.0%
- Traditional and related policies (mostly recurring premium) accounted for 59.5% of total premiums, up 13.2% YoY

SP / RP Breakdown – 2009

NT\$bn

2009 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	18.12	7.70		25.82
Investment-linked				
VUL			-0.05	-0.05
Structured note	4.93			4.93
Interest Sensitive				
Annuity	30.75		0.01	30.76
Life			0.22	0.22
PA, health and others		6.51		6.51
Total	53.80	14.21	0.18	68.19

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Shin Kong Financial Holding

Financial Summary
(NT\$m)

Statement of Income Data	2009/2008			Q4 09/Q4 08		
	2008	2009	% change	Q4 2008	Q4 2009	% change
Net interest income	(54)	(72)	33.3%	(61)	(12)	-80.3%
Income from subsidiaries						
Shin Kong Life	(19,844)	106	-100.5%	(8,809)	1,144	-113.0%
Shin Kong Bank	220	560	154.5%	21	111	428.6%
Shin Kong Securities	(383)	179	-146.7%	(123)	(86)	-30.1%
MasterLink Securities	(459)	359	-178.2%	(343)	116	-133.8%
Shin Kong Insurance Brokers	50	40	-20.0%	11	(5)	-145.5%
Shin Kong Investment Trust	(2)	22	-1200.0%	23	14	-39.1%
Total income from subsidiaries	(20,418)	1,266	-106.2%	(9,220)	1,294	-114.0%
Other income	250	125	-50.0%	221	77	-65.2%
Administrative and general expenses	(834)	(252)	-69.8%	(607)	(93)	-84.7%
Income tax benefit (expense)	34	62	82.4%	(35)	148	-522.9%
Cumulative effect of changes in accounting principle	0	0		0	0	
Net income	(21,022)	1,129	-105.4%	(9,702)	1,414	-114.6%

Balance Sheet Data	2009/2008			Q4 09/Q4 08		
	2008	2009	% change	Q4 2008	Q4 2009	% change
Long term investment	55,703	90,685	62.8%	55,703	90,685	62.8%
Total assets	1,740,173	1,902,090	9.3%	1,740,173	1,902,090	9.3%
Total shareholders' equity	56,194	92,678	64.9%	56,194	92,678	64.9%

Shin Kong LifeFinancial Summary
(NT\$m)

Income Statement Data	2009/2008			Q4 09/Q4 08		
	2008	2009	% change	4Q 2008	4Q 2009	% change
Premium income	152,347	167,298	9.8%	45,407	42,106	-7.3%
Investment income						
Interest income	38,668	39,083	1.1%	10,017	10,179	1.6%
Gains on investments in securities	(4,780)	10,088	-311.0%	(4,675)	4,124	-188.2%
Gains on real estate investments	6,098	9,941	63.0%	696	1,768	154.1%
FX	(12,552)	(4,493)	-64.2%	(2,322)	(671)	-71.1%
FX gain or loss	(1,434)	(10,992)	666.7%	4,229	(2,470)	-158.4%
Hedging	(11,119)	6,499	-158.4%	(6,551)	1,799	-127.5%
Impairment loss	(5,801)	(967)	-83.3%	(1,401)	0	-100.0%
Total Investment income	21,632	53,652	148.0%	2,315	15,400	565.3%
Other operating income	5,733	3,165	-44.8%	832	638	-23.4%
Provision for reserves						
Provisions	(170,844)	(194,037)	13.6%	(56,287)	(54,760)	-2.7%
Recoveries	83,159	76,526	-8.0%	33,468	32,689	-2.3%
Total provisions for reserves, net	(87,685)	(117,511)	34.0%	(22,819)	(22,071)	-3.3%
Insurance payments	(94,758)	(85,940)	-9.3%	(30,687)	(29,654)	-3.4%
Commission expense	(5,542)	(4,647)	-16.1%	(1,314)	(1,171)	-10.9%
Separate account revenue	145,493	78,156	-46.3%	36,691	16,248	-55.7%
Separate account expenses	(145,493)	(78,156)	-46.3%	(36,691)	(16,248)	-55.7%
General and administrative expenses	(15,150)	(14,170)	-6.5%	(3,476)	(3,791)	9.1%
Other operating costs and expenses	(2,944)	(2,161)	-26.6%	(829)	(546)	-34.2%
Operating income	(26,367)	(315)	-98.8%	(10,571)	910	-108.6%
Non-operating income and expenses	737	1,505	104.2%	166	157	-5.3%
Income taxes	5,892	(1,084)	-118.4%	1,617	77	-95.2%
Cumulative effect of changes in accounting principles	0	0		0	0	
Net income	(19,738)	106	-100.5%	(8,788)	1,144	-113.0%

Balance Sheet Data	2009/2008			Q4 09/Q4 08		
	2008	2009	% change	4Q 2008	4Q 2009	% change
Total assets	1,301,251	1,445,264	11.1%	1,301,251	1,445,264	11.1%
Total shareholders' equity	24,779	57,045	130.2%	24,779	57,045	130.2%

Shin Kong Bank
Financial Summary
(NT\$m)

Income Statement Data	2008	2009	2009/2008		Q4 09/Q4 08	
			% change	Q4 2008	Q4 2009	% change
Interest income	13,220	8,226	-37.8%	3,300	2,002	-39.3%
Interest expense	(7,001)	(3,563)	-49.1%	(1,735)	(603)	-65.2%
Net interest income	6,219	4,663	-25.0%	1,565	1,398	-10.7%
Fee income	1,881	2,143	13.9%	397	646	62.7%
Fee expense	(488)	(563)	15.4%	(112)	(168)	51.0%
Net fee income	1,393	1,580	13.4%	286	478	67.2%
Gains on bill & securities	(160)	861	-638.1%	22	71	222.3%
Gains recognized under equity method, net	(195)	16	-108.1%	(77)	(22)	-71.2%
Gains on foreign exchange, net	106	93	-12.1%	(23)	23	-200.7%
Other gains or losses, net	118	117	-0.6%	(42)	4	-109.9%
Operating expense	(5,262)	(4,905)	-6.8%	(1,117)	(1,263)	13.1%
Pre-provision income or loss	2,218	2,425	9.3%	613	689	12.4%
Provision expense	(1,996)	(1,759)	-11.9%	(737)	(518)	-29.7%
Income tax (expense) benefit	5	(106)	-2228.5%	146	(60)	-141.4%
Net income	227	560	146.4%	23	111	389.9%

Balance Sheet Data	2008	2009	2009/2008		Q4 2008	Q4 2009
			% Change	% Change		
Total assets	404,028	422,860	4.7%	4.7%	404,028	422,860
Total shareholders' equity	20,605	22,263	8.0%	8.0%	20,605	22,263
Total loans, net ⁽¹⁾	280,063	283,560	1.2%	1.2%	280,063	283,560
Total deposits	356,193	375,074	5.3%	5.3%	356,193	375,074

Operating Metrics (cumulative)	2008	2009	Q4 2008	Q4 2009
Fee income ratio	18.6%	21.6%	16.5%	24.5%
Cost income ratio	70.3%	66.9%	64.6%	64.7%
Loan/deposit ratio (excl. credit card)	78.6%	75.6%	78.6%	75.6%
Loan/deposit ratio (incl. credit card)	80.0%	76.7%	80.0%	76.7%
Net interest margin	1.69%	1.28%	1.68%	1.54%
Net interest spread	2.02%	1.56%	2.03%	1.85%
Pre-provision earnings/assets	0.56%	0.59%	0.16%	0.17%
Pre-provision earnings/equity	10.61%	11.31%	2.93%	3.21%

Note:

(1) Exclude credit cards but include overdue receivables