

Confidential



Q2 2010 Results Update

August 18, 2010

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Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Appendix

- Life Premium Summary
- Capital Enhancement

SKFH – 1H 2010 Overview

- Economic recovery has shown signs of slowing and equity/foreign exchange markets remain volatile. Central banks worldwide are closely monitoring the situation and a double-dip recession is not expected.
- SKFH recorded after-tax loss of NT\$0.07bn in Q2 2010, down 97.5% QoQ. Excluding DTA adjustment (NT\$0.60bn), after-tax profit would have been NT\$0.53bn. Cumulative after-tax loss was NT\$3.00bn for 1H 2010.
- Revenues steadily grew
 - SKL: Premium income grew 28.3% QoQ, 5.3% YoY. Interest income increased 16.2% YoY.
 - SKB: Net interest income and net fee income increased 41.9% and 36.0% YoY respectively.
- Control of expenses remained tight
 - SKL: Operating expenses were 17.2% lower YoY.
 - SKB: Operating expenses remained at the same level compared to 1H 2009.
- Much stronger capital structure than last year and concrete plans in place to strengthen capital even further
 - Capital adequacy ratios for SKFH and subsidiaries have been above regulation requirement.
 - Consolidated shareholders' equity of SKFH was NT\$80.22bn, 29.5% higher YoY.
 - Shareholders' equity of SKL was NT\$48.58bn, 72.5% higher YoY.
 - Board resolution was passed on August 13 to issue 600,000,000 common shares. Proceeds will be used to enhance capital structure of SKL. Transaction will be completed by the end of the year.

Financial Highlights – 1H 2010

	1H 2009	1H 2010	YoY Growth
NT\$m (except per share data), %			
Group net income	-622	-2,999	-
First year premium (Insurance)	31,296	37,932	21.2%
Loans (Bank)	282,899	297,068	5.0%
Total assets	1,793,283	1,965,038	9.6%
Total shareholders' equity	61,939	80,224	29.5%
ROA (unannualized)	-0.01%	-0.13%	-
ROE (unannualized)	-0.42%	-3.00%	-
Earnings per share	-0.10	-0.38	-

Net Income – 1H 2010

Net income contribution

NT\$bn

Subsidiaries	Q1 2010	Q2 2010	1H 2009	1H 2010
Shin Kong Life	-3.36	-0.55	-1.32	-3.91
Shin Kong Bank	0.35	0.57	0.23	0.92
Shin Kong Securities	0.06	0.01	0.27	0.07
Shin Kong Investment Trust	0.01	0.01	0.00	0.02
Shin Kong Insurance Brokers	0.02	0.02	0.03	0.04
Others ⁽¹⁾	-0.01	-0.13	0.17	-0.14
Net income	-2.93	-0.07	-0.62	-3.00

Note:

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

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SKL – 1H 2010 Overview

- SKL recorded lower after-tax loss of NT\$0.55bn in Q2 2010 driven by higher premium income and lower foreign exchange hedging cost. Excluding DTA adjustment (NT\$0.60bn), after-tax profit would have been NT\$0.05bn. Cumulative after-tax loss was NT\$3.91bn in 1H. ROE was -7.40%.
- 1H FYP was NT\$37.93bn, up 21.2% YoY. Q2 FYP was NT\$22.46bn, 45.2% higher QoQ. Market share was 6.7%.
- Sales were mainly contributed by traditional and interest-sensitive products, accounting for 25.3% and 63.5% of FYP respectively. Protection products were the focus of traditional sales vs higher share of single premium savings products in 2009. Due to stabilization in global markets, sales of investment-linked products increased to NT\$1.84bn in Q2 2010.
- Margin is the main consideration in new product development. SKL recently launched regular premium investment-linked product and protection product co-developed with Dai-ichi Life to drive mortality/expense gains.
- 13-month persistency improved to 91.3%. 25-month persistency was 76.3%.
- 1H annualized investment return was 3.2%.
- Shareholders' equity was NT\$48.58bn, up 72.5% YoY.

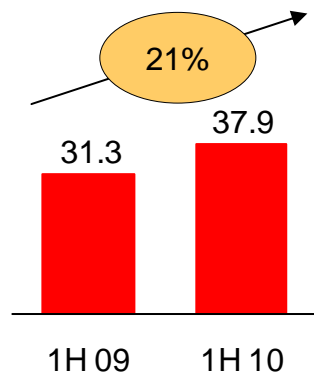
Financial Highlights – 1H 2010

	1H 2009	1H 2010	YoY Growth
NT\$mn, %			
First year premium	31,296	37,932	21.21%
Total premium	87,129	93,254	7.03%
Investment income	24,427	24,659	1.0%
Net income	-1,321	-3,906	-
Total assets	1,352,583	1,487,279	10.0%
Total shareholders' equity	28,169	48,581	72.5%
ROE (unannualized)	-4.99%	-7.40%	-
ROA (unannualized)	-0.10%	-0.27%	-

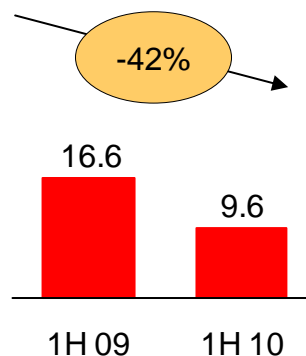
First Year Premium – 1H 2010

NT\$bn

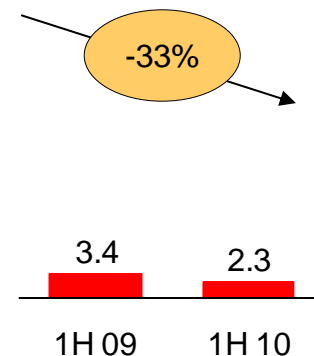
Market share 6.7%



Traditional



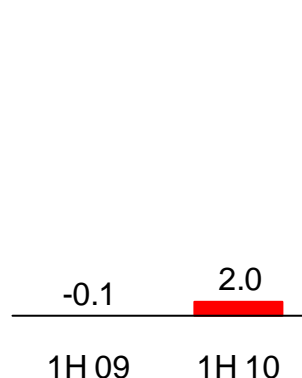
PA, Health and Group



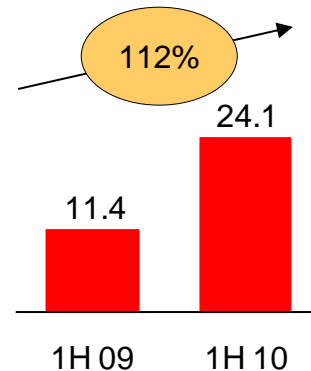
Comments

- FYP increased 21% YoY and 45% QoQ
- Traditional and interest-sensitive products contributed most significant shares (25.3% and 63.5% respectively) of FYP
- Protection products were the focus of traditional sales vs higher share of single premium savings products in 2009
- Recently launched regular premium investment-linked product and protection product co-developed with Dai-ichi Life to drive mortality/expense gains

Investment-linked



Interest-sensitive



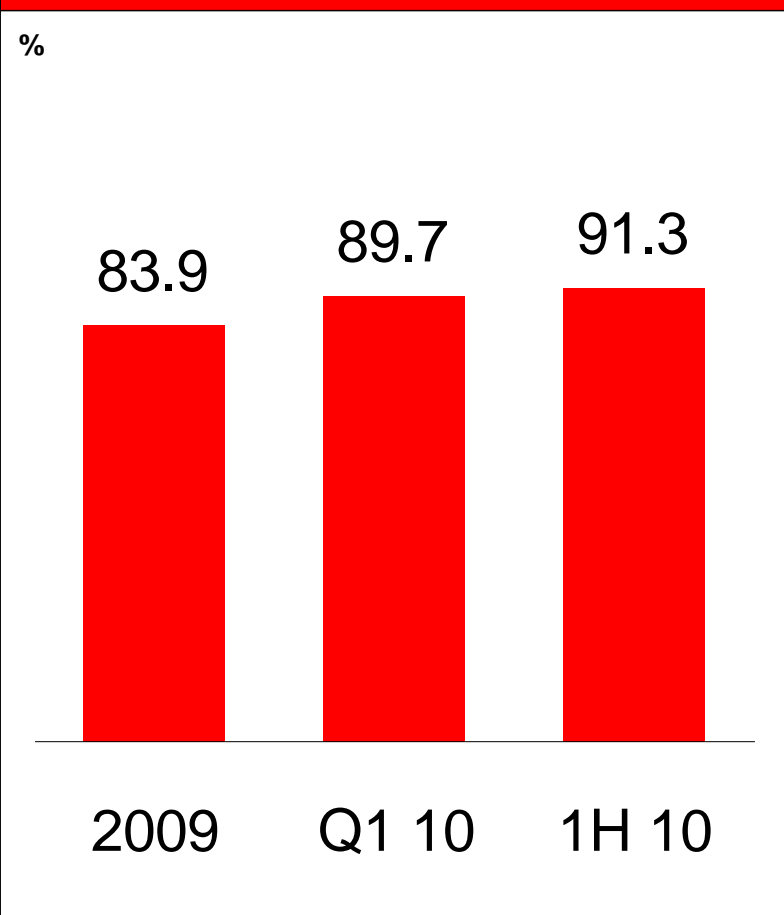
SP / RP Breakdown – 1H 2010

NT\$bn

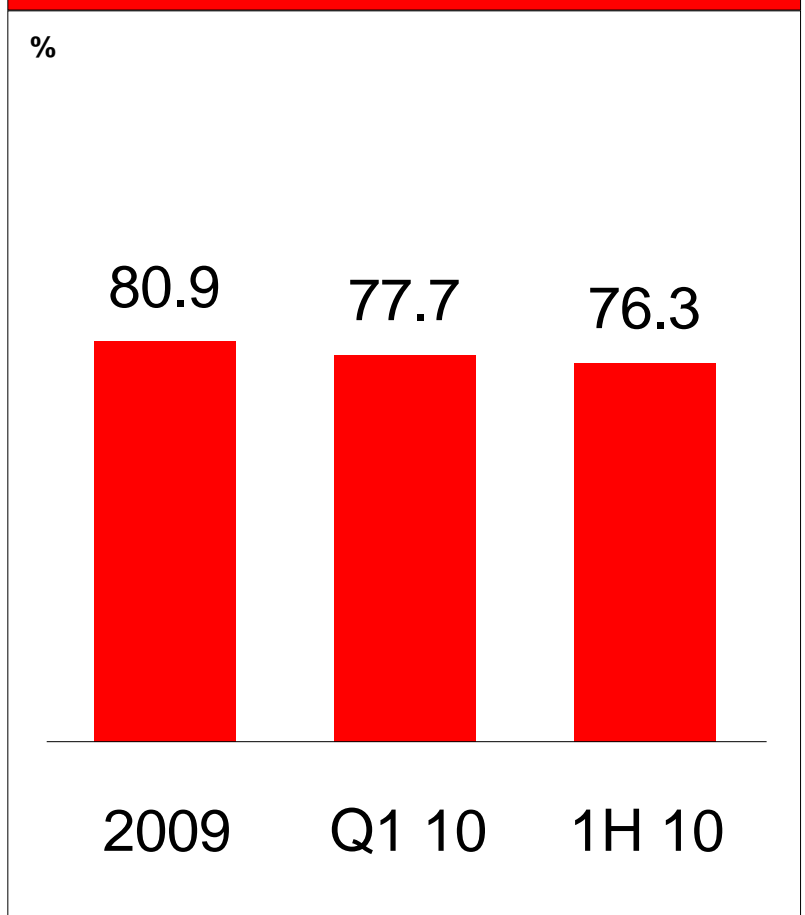
1H 2010 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	6.47	3.13		9.60
Investment-linked				
VUL			1.99	1.99
Structured note				0.00
Interest Sensitive				
Annuity	24.00		0.02	24.02
Life			0.05	0.05
PA, health and others		2.27		2.27
Total	30.47	5.40	2.06	37.93
Share	80.3%	14.2%	5.5%	100.0%

Persistency Ratio

13 month persistency



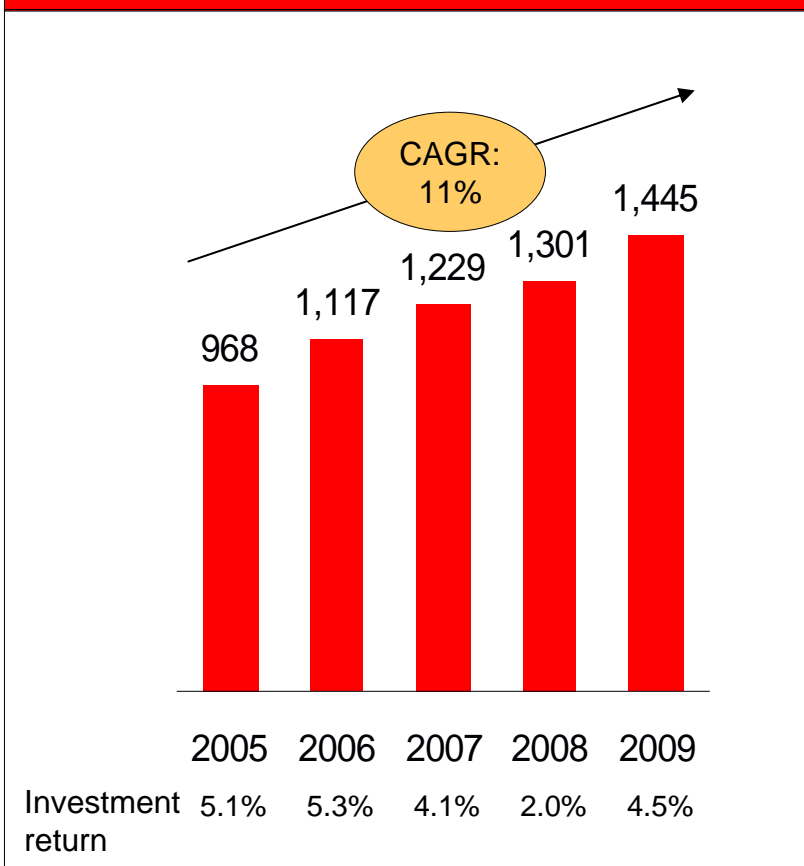
25 month persistency



Investment Portfolio

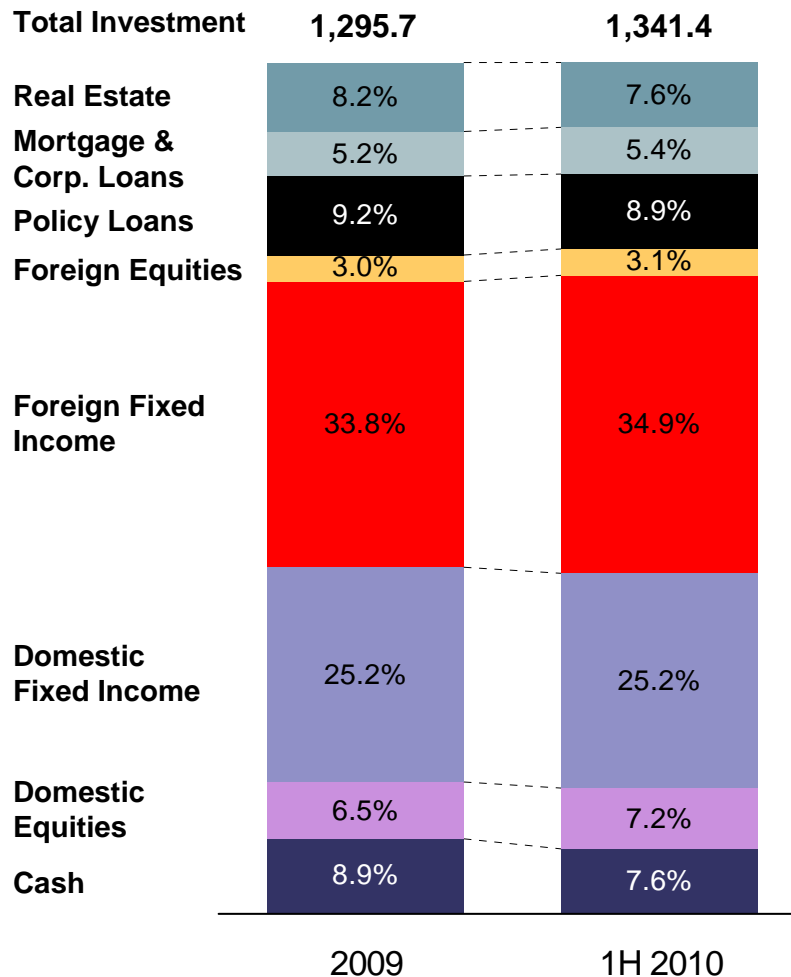
NT\$bn

Total Assets



Note:

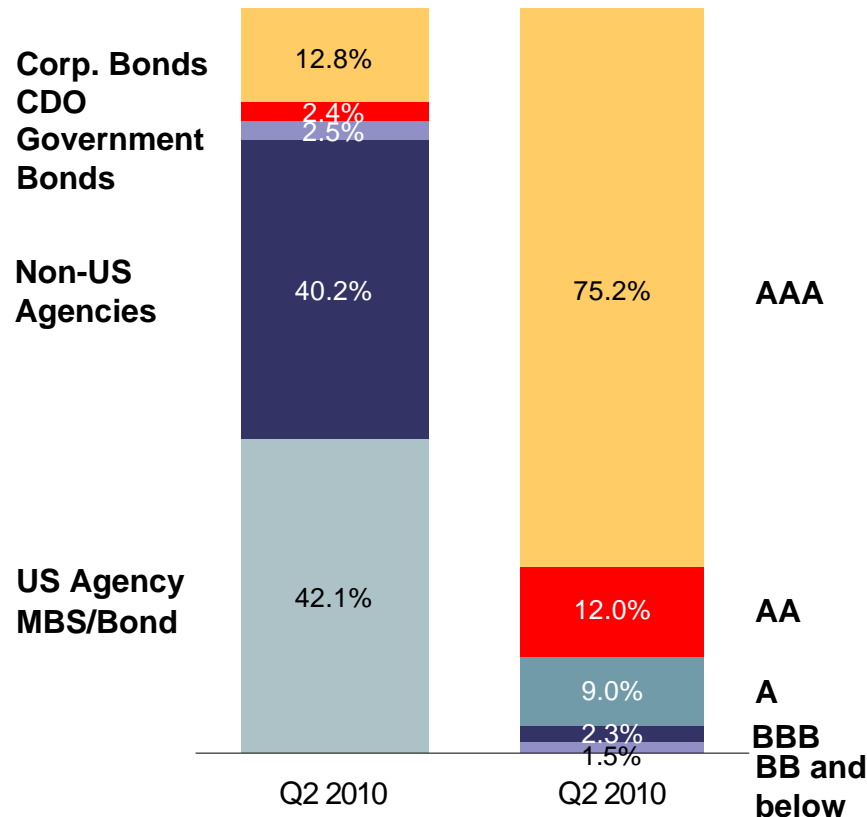
- (1) Due to rounding, asset allocation figures may not add up to 100%
- (2) Includes capital gains and FX hedging cost



Overseas Fixed Income Portfolio

Overseas Fixed Income Portfolio

Total=NT\$468.7bn



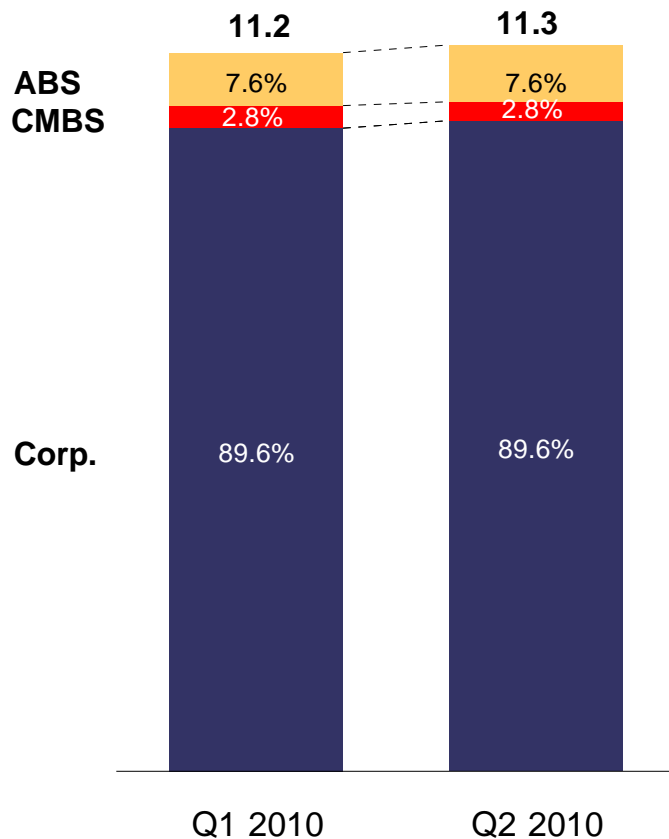
Comments

- Portfolio mainly comprises low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 75.2% of the portfolio. 96.2% 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

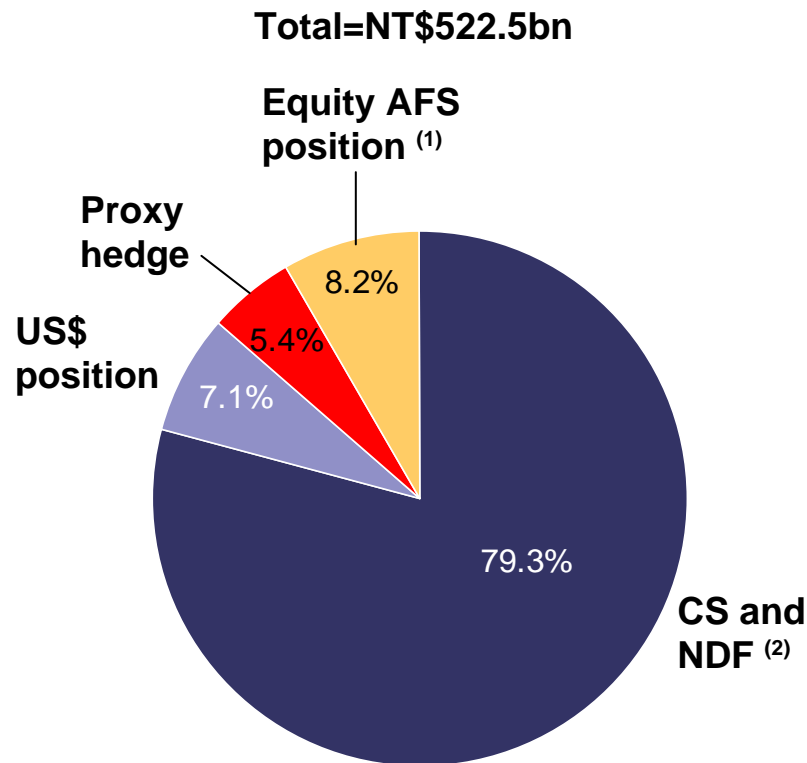


Comments

- Overall exposure remained at the same level as Q1 2010
- 7.6% 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 Q2 2010, no loss was recognized
- Cumulative loss of NT\$1.78bn 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 reduced to 5.4%
- Available for sale position in foreign equities accounted for 8.2% 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; share of overseas investment maintained between 35~40%

Well-diversified Portfolio

- Diversification by asset class (equity, credit, currency, commodity, real estate)
- Diversification by strategy for uncorrelated sources of alpha (high dividend yield, 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) was completed in Q2 2010

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SKB – 1H 2010 Overview

- After-tax profit for 1H 2010 was NT\$916 million (up 297.3% year-on-year); pre-provision profit increased 69.4% year-on-year to NT\$1,918 million while operating expense remained at the same level compared to 1H 2009.
- Loan balance increased 5.0% year-on-year. L/D ratio was 81.4% (incl. credit cards balance). To strike a better balance between risk and return, risk management has been strengthened.
- NIM improved from 1.60% in Q1 2010 to 1.64% in Q2 2010.
- Fee income from wealth management has recovered since Q2 2009 due to recovery in global markets. Fee income from wealth management for 1H 2010 was NT\$377 million (up 31.7% year-on-year). SKB achieved bancassurance cross-sales of NT\$10.7 billion in 1H 2010, accounting for 45.2% of SKL bancassurance premium.
- Credit card NPL ratio decreased to 0.62% and coverage ratio increased to 410.27%.
- 11,773 cases (amounting to NT\$946 million) were filed since implementation of the Consumer Debt Clearance Regulations till the end of 1H 2010; overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 52.06%.
- Asset quality improved with overall NPL and coverage at 0.85% and 116.62% respectively. NPL ratio for mortgages remained low at 0.48%.

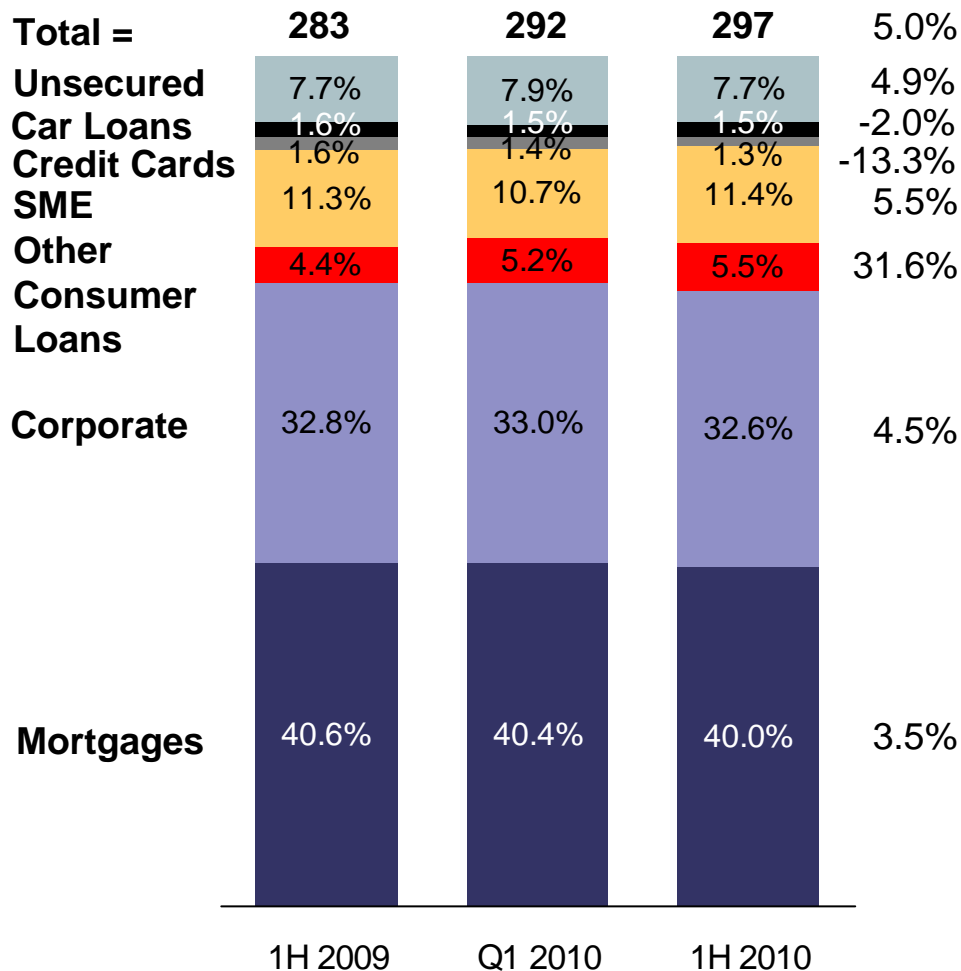
Net Income – 1H 2010

	1H 2009	1H 2010	YoY Growth
NT\$mn, %			
Net interest income	2,095	2,972	41.9%
Net fee income	664	903	36.0%
Other income	831	502	-39.6%
Operating expense	-2,456	-2,459	0.1%
Pre-provision operating income	1,133	1,918	69.4%
Provision expense	-872	-958	9.9%
Income tax benefit (expense)	-31	-45	45.2%
Net Income	230	916	297.3%

Loan Mix

NT\$bn

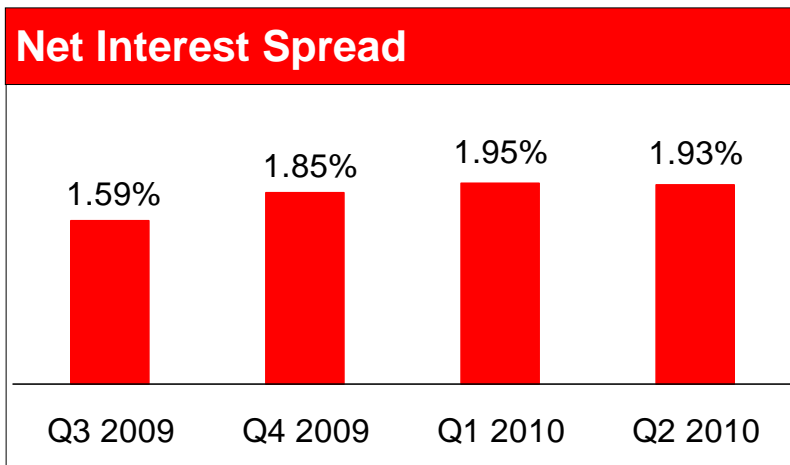
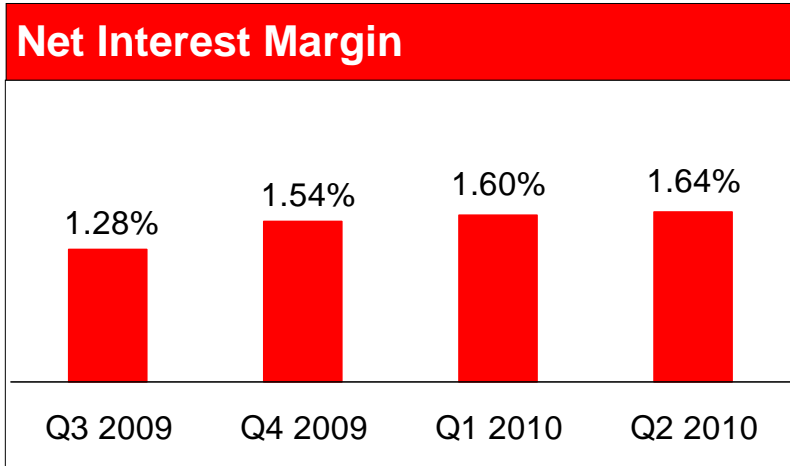
YoY Growth



Comments

- Loan balance increased 5.0% 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 81.4% (incl. credit cards balance)

Interest Income

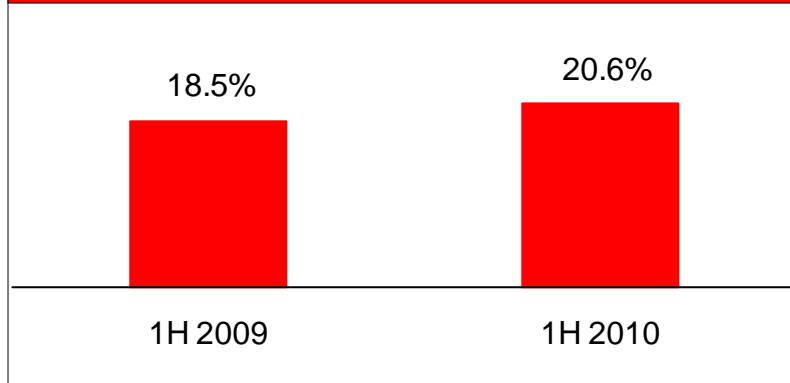


Comments

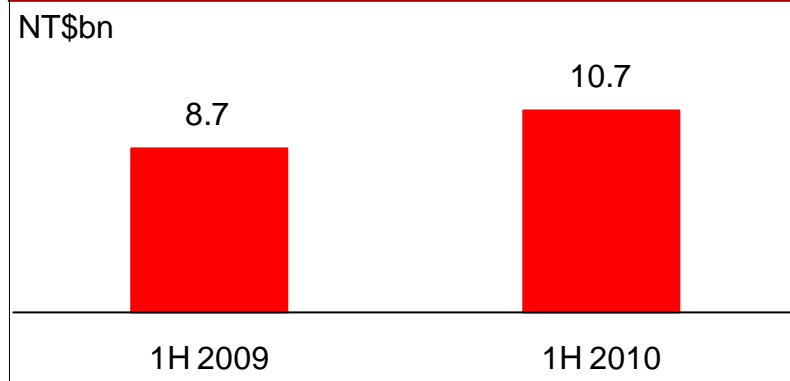
- As high rate deposits matured, NIM improved to 1.64% in Q2 2010
- NIM is expected to further increase as Central Bank raises rates
- SKB will continue to :
 - Develop cash management to increase demand deposits and lower cost of funds
 - Expand foreign exchange business and increase risk-free fee income from corporate customers, and
 - Develop SME and consumer loans with appropriate risk control to enhance interest income

Fee Income

Net Fee Income / Total Income

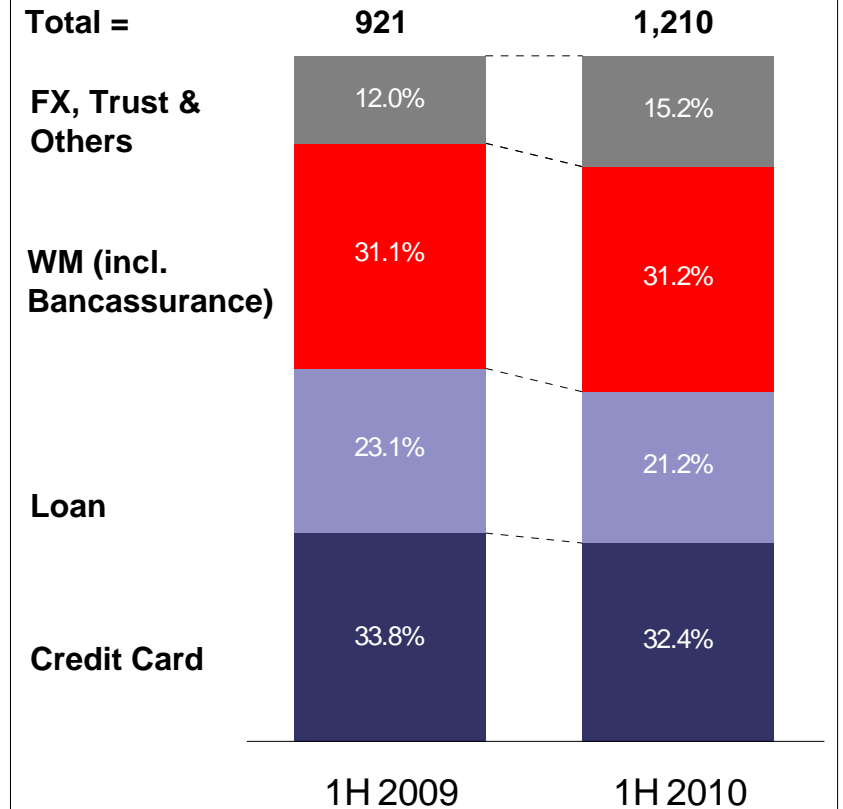


Bancassurance (SKL) - FYP



Fee Income Breakdown

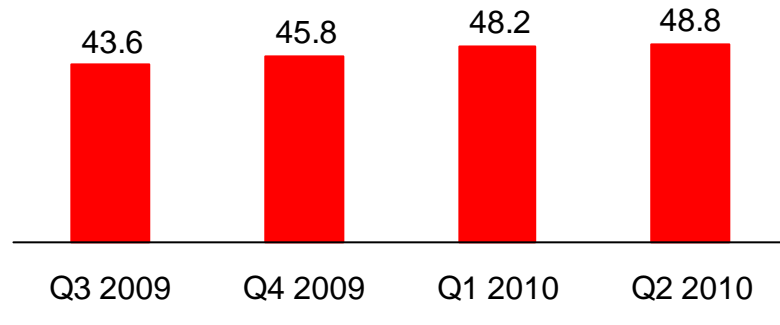
NT\$m



Wealth Management

AUM

NT\$bn

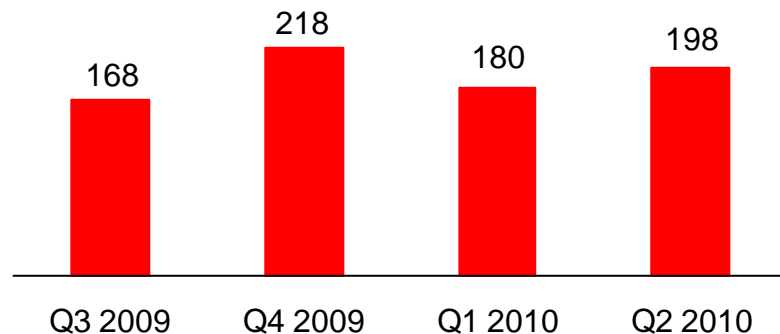


Wealth Management Center



WM Fee Income

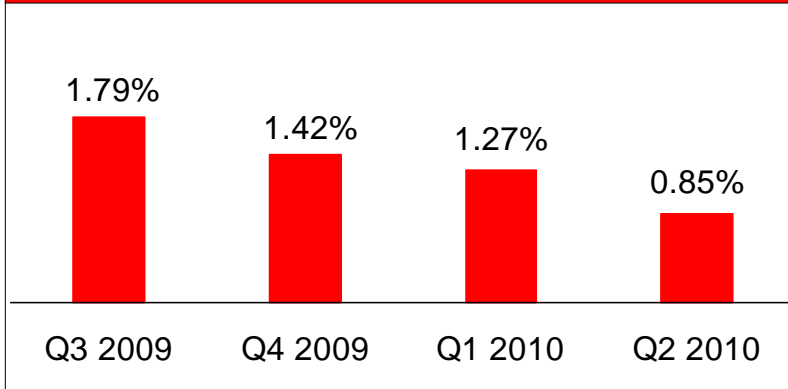
NT\$m



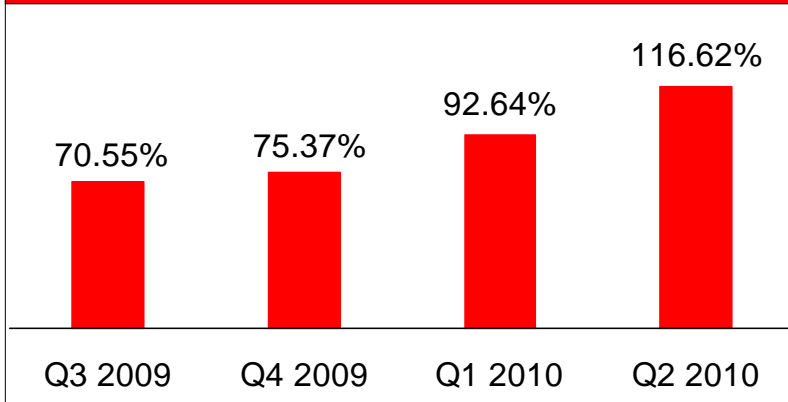
- Fee income from wealth management has increased since Q2 2009 due to recovery in global markets
- Fee income from wealth management for 1H 2010 was NT\$377 million (up 31.7% year-on-year) and accounted for 31.2% of total fee income
- Sales focuses were on mutual funds, insurance, and foreign securities in 1H 2010. As global markets stabilize, sales of mutual funds are expected to grow in 2H 2010

Asset Quality

NPL Ratio



Coverage Ratio

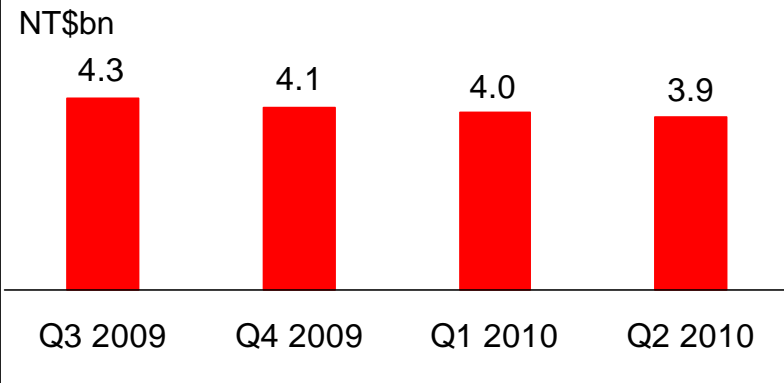


Comments

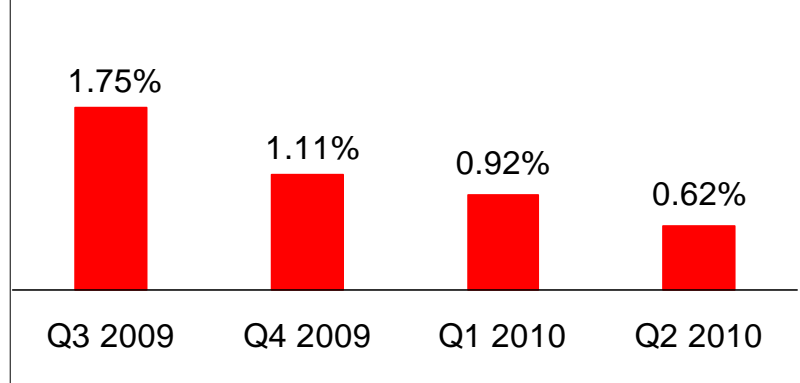
- Asset quality continued to improve with overall NPL at 0.85%
- NPL ratio for mortgages was low at 0.48%
- Coverage was 116.62% - significantly improved compared to Q1 this year
- 11,773 cases (amounting to NT\$946 million) were filed since implementation of the Consumer Debt Clearance Regulations till the end of 1H 2010. Overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 52.06%

Credit Cards Metrics

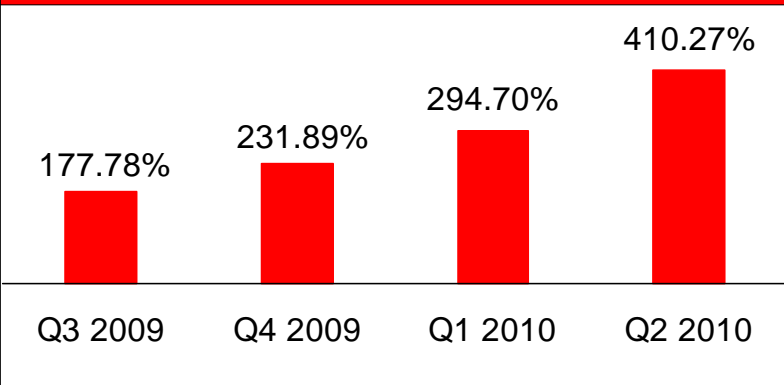
Revolving Balance



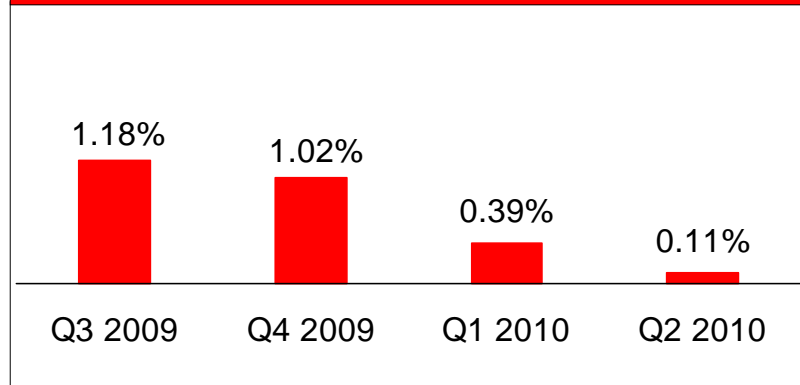
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

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

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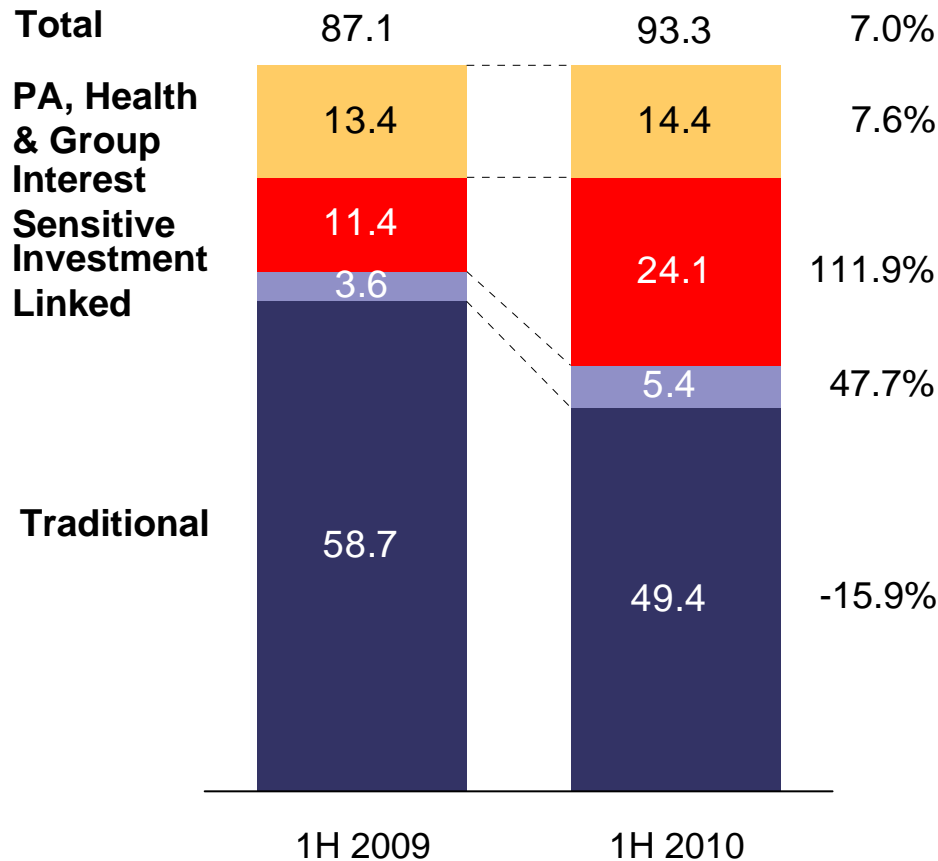
- Life Premium Summary
- Capital Enhancement

Total Premium – 1H 2010

NT\$bn

Market Share = 8.2%

Growth



Comments

- Total premium went up 7.0% YoY
- Share of traditional premium declined due to higher share of single premium products in 2009
- Total premium for all other product classes grew

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Summary of Capital Raising

The offering	<ul style="list-style-type: none">▪ Number of shares offered: 600,000,000 shares▪ Total monetary amount: to be determined based on issue price▪ Shares allotment:<ul style="list-style-type: none">- 75% (or 450,000,000 shares) offered to existing shareholders- 10% (or 60,000,000 shares) offered to the general public- 15% (or 90,000,000 shares) offered to employees▪ Use of proceeds: to increase qualified capital, enhance financial structure, and improve capital adequacy ratios
Potential Impact	<p>Capital Adequacy Ratio (CAR): increase approximately 6%</p> <p>Risk-Based Capital (RBC) Ratio: increase approximately 19%</p> <p>Debt to Equity (D/E): decrease approximately 3%</p>

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Shin Kong Financial Holding

Financial Summary

(NT\$mn)

Income Statement Data	2009	1H 2009	1H 10/1H 09		Q2 2009	Q2 2010	Q2 10/Q2 09	
			1H 2010	% change			% change	
Net interest income	(72)	(42)	(75)	78.6%	(21)	(38)	81.0%	
Income from subsidiaries								
Shin Kong Life	106	(1,320)	(3,906)	195.9%	(290)	(549)	89.3%	
Shin Kong Bank	560	230	916	298.3%	58	569	881.0%	
Shin Kong Securities	179	270	67	-75.2%	192	6	-96.9%	
MasterLink Securities	359	126	126	0.0%	78	50	-35.9%	
Shin Kong Insurance Brokers	40	32	35	9.4%	14	16	14.3%	
Shin Kong Investment Trust	22	0	15	0.0%	2	6	200.0%	
Total income from subsidiaries	1,266	(662)	(2,747)	315.0%	54	98	81.5%	
Other income	125	159	11	-93.1%	43	12	-72.1%	
Administrative and general expenses	(252)	(105)	(105)	0.0%	(54)	(56)	3.7%	
Income tax benefit (expense)	62	28	(83)	-396.4%	(7)	(88)	1157.1%	
Cumulative effect of changes in accounting principle	0	0	0		0	0		
Net income	1,129	(622)	(2,999)	382.2%	15	(72)	-580.0%	

Balance Sheet Data	2009	1H 2009	1H 10/1H 09		Q2 2009	Q2 2010	Q2 10/Q2 09	
			1H 2010	% change			% change	
Long term investment	90,685	60,710	77,507	27.7%	60,710	77,507	27.7%	
Total assets	1,902,090	1,793,283	1,965,038	9.6%	1,793,283	1,965,038	9.6%	
Total shareholders' equity	92,678	61,939	80,224	29.5%	61,939	80,224	29.5%	

Note: Numbers have been audited by the auditors

Shin Kong Life

Financial Summary

(NT\$m)

Income Statement Data	2009	1H 2009	1H 2010	1H 10/1H 09		Q2 2009	Q2 2010	Q2 10/Q2 09	
				% change				% change	
Premium income	167,298	84,629	89,123	5.3%		43,399	50,089	15.4%	
Investment income									
Interest income	39,083	18,988	22,073	16.2%		9,178	10,583	15.3%	
Gains on investments in securities	9,987	(207)	1,097	-630.2%		1,358	278	-79.5%	
Gains on real estate investments	9,941	7,488	6,218	-17.0%		6,695	4,411	-34.1%	
FX	(4,393)	(1,750)	(4,707)	169.0%		(4,563)	(724)	-84.1%	
FX gain or loss	(10,891)	(693)	2,508	-461.8%		(11,879)	6,012	-150.6%	
Hedging	6,499	(1,056)	(7,215)	583.1%		7,316	(6,736)	-192.1%	
Impairment loss	(967)	(93)	(22)	-76.8%		(0)	(22)	0.0%	
Total Investment income	53,652	24,427	24,659	1.0%		12,667	14,527	14.7%	
Other operating income	3,165	1,560	702	-55.0%		878	453	-48.5%	
Provision for reserves									
Provisions	(194,037)	(94,197)	(101,665)	7.9%		(48,257)	(56,515)	17.1%	
Recoveries	76,526	27,816	45,261	62.7%		16,635	28,167	69.3%	
Total provisions for reserves, net	(117,511)	(66,381)	(56,403)	-15.0%		(31,622)	(28,347)	-10.4%	
Insurance payments	(85,940)	(35,748)	(53,058)	48.4%		(20,885)	(32,208)	54.2%	
Commission expense	(4,647)	(2,365)	(2,120)	-10.3%		(1,163)	(1,258)	8.2%	
Separate account revenue	78,156	38,597	20,241	-47.6%		18,607	10,496	-43.6%	
Separate account expenses	(78,156)	(38,597)	(20,241)	-47.6%		(18,607)	(10,496)	-43.6%	
General and administrative expenses	(14,170)	(6,657)	(5,957)	-10.5%		(3,460)	(2,883)	-16.7%	
Other operating costs and expenses	(2,161)	(1,105)	(473)	-57.2%		(533)	(247)	-53.7%	
Operating income	(315)	(1,642)	(3,527)	114.8%		(719)	125	-117.4%	
Non-operating income and expenses	1,505	1,319	265	-79.9%		1,287	(35)	-102.7%	
Income taxes	(1,084)	(998)	(644)	-35.5%		(858)	(639)	-25.6%	
Cumulative effect of changes in accounting principle	0	0	0			0	0		
Net income	106	(1,321)	(3,906)	195.7%		(290)	(549)	89.2%	

Balance Sheet Data	2009	1H 2009	1H 2010	1H 10/1H 09		Q2 2009	Q2 2010	Q2 10/Q2 09	
				% change				% change	
Total assets	1,445,264	1,352,583	1,487,279	10.0%		1,352,583	1,487,279	10.0%	
Total shareholders' equity	57,045	28,169	48,581	72.5%		28,169	48,581	72.5%	

Note: Numbers have been audited by the auditors

Shin Kong Bank
Financial Summary
(NT\$m)

Income Statement Data	2009	1H 2009	1H 10/1H 09		Q2 2009	Q2 10/Q2 09	
			1H 2010	% change		Q2 2010	% change
Interest income	8,226	4,266	4,111	-3.6%	2,050	2,090	2.0%
Interest expense	(3,563)	(2,171)	(1,139)	-47.5%	(960)	(580)	-39.6%
Net interest income	4,663	2,095	2,972	41.9%	1,090	1,510	38.6%
Fee income	2,143	921	1,210	31.4%	516	631	22.2%
Fee expense	(563)	(258)	(308)	19.4%	(138)	(155)	12.0%
Net fee income	1,580	664	903	36.0%	378	476	25.9%
Gains on bill & securities	861	670	189	-71.7%	89	11	-88.0%
Gains recognized under equity method, net	16	16	53	238.2%	7	28	296.9%
Gains on foreign exchange, net	93	56	153	176.0%	(112)	232	-306.9%
Other gains or losses, net	118	89	107	19.6%	153	83	-46.0%
Operating expense	(4,905)	(2,456)	(2,459)	0.1%	(1,204)	(1,252)	4.0%
Pre-provision income or loss	2,426	1,133	1,918	69.4%	402	1,088	170.8%
Provision expense	(1,759)	(872)	(958)	9.9%	(331)	(510)	54.1%
Income tax (expense) benefit	(106)	(31)	(45)	45.2%	(13)	(10)	-21.3%
Net income	560	230	916	297.3%	58	568	877.6%

Balance Sheet Data	2009	1H 2009	1H 10/1H 09		Q2 2009	Q2 10/Q2 09	
			1H 2010	% change		Q2 2010	% change
Total assets	422,860	397,115	414,053	4.3%	397,115	414,053	4.3%
Total shareholders' equity	22,263	21,748	22,876	5.2%	21,748	22,876	5.2%
Total loans, net ⁽¹⁾	283,560	279,721	292,588	4.6%	279,721	292,588	4.6%
Total deposits	375,074	355,612	364,026	2.4%	355,612	364,026	2.4%

Operating Metrics	2009	1H 2009	1H 2010	Q2 2009	Q2 2010
Fee income ratio	21.6%	18.5%	20.6%	23.6%	20.3%
Cost income ratio	66.9%	68.4%	56.2%	75.0%	53.5%
Loan/deposit ratio (excl. credit card)	75.6%	78.7%	80.4%	78.7%	80.4%
Loan/deposit ratio (incl. credit card)	76.7%	79.9%	81.4%	79.9%	81.4%
Net interest margin	1.28%	1.16%	1.62%	1.19%	1.64%
Net interest spread	1.56%	1.40%	1.94%	1.40%	1.93%
Pre-provision earnings/assets	0.59%	0.28%	0.46%	0.10%	0.26%
Pre-provision earnings/equity	11.32%	5.35%	8.50%	1.90%	4.82%

Note:

(1) Exclude credit cards but include overdue receivables

(2) Numbers have been audited by the auditors