

SKFH Second Quarter 2010 Results Conference Call

August 18, 2010, 4:30 p.m. (Taipei)

INTRODUCTION

Winston Yung:

Good afternoon, ladies and gentlemen,

Welcome again for joining the Shin Kong Financial 2010 Second Quarter analyst call. Before we start, I would like to introduce my colleagues who are with me today.

- First, we are happy to have President Victor Hsu of the Financial Holding Company to review the second quarter results with us.
- Also in the room are Senior Vice President Sunny Hsu, Sandra and Chuck, members of the IR team.

The presentation we are about to go through has been sent out 2 hours ago. You may also download it from our website or participate through webcast. If you do not have the presentation, please let us know now.

Your lines will be muted when we are presenting. If you are cut off, please dial back in or call Chuck at 886 939 179 940 for assistance.

If you have no questions, we will start by asking President Victor Hsu to give us a group level update for second quarter 2010. President Hsu ...

PRESENTATION

Victor Hsu:

Page 4 Thank you, Winston. Good afternoon, ladies and gentlemen. Please turn to page 4.

During the second quarter, we have seen signs of the global economic recovery slowing and market volatility going up. We remain cautiously optimistic though and do not believe there will be a double-dip recession.

SKFH recorded an after-tax loss of NT\$0.07bn in Q2 2010, down 97.5% quarter-on-quarter. The reduction is driven by higher premium income and much lower foreign exchange hedging cost at

SKL. Excluding DTA adjustment, profit would have been NT\$0.53bn.

The group continued to work hard to enhance revenue and control costs.

On the revenue side, premium and interest income for Shin Kong Life increased 5.3% and 16.2% year-on-year respectively. Pre-provision income at the bank also increased driven by strong growth in NII and fees.

All major subsidiaries of Shin Kong Financial continued to cut costs. Operating expenses at Shin Kong Life decreased 17.2%; and we expect the benefits to sustain as cost-saving measures continue.

Capital situation is much stronger compared to the same period last year. Consolidated shareholders' equity of the financial holding company and shareholders' equity of Shin Kong Life have achieved year-on-year growth of 29.5% and 72.5% respectively. Despite the improvement, the group continues to work on strengthening capital and have announced plans to publicly issue 600,000,000 common shares by the end of the year.

All in all, we are making steady progress against our strategy to strengthen capital and drive profitability.

I will now hand it back to Winston who will take you through the results of Shin Kong Life.

Winston Yung:

Page 10 Thank you, President Hsu. Please turn to Page 10.

First year premium was NT\$37.9bn. Traditional and interest sensitive products are major contributors accounting for 25.3% and 63.5% of FYP respectively. Investment-linked also achieved significant growth driven by products launched since March 2010. Focus of 2H will be on high margin protection products. For example, a new product co-developed with our strategic partner, Dai-ichi Life was launched in July and is being sold exclusively by SKL due to its innovative structure. Early sales figures are encouraging and we expect this product to drive mortality/expense gains and VNB in the second half of this year.

Page 11 On page 11, 1H FYP is further broken down by payment structure. As you can see, the generally higher margin regular premium products accounted for 14.2% of total FYP. Sales of regular premium

products reached NT\$3.12bn, up 36.8% QoQ.

Page 13 Page 13 gives an overall view of our investment portfolio. Investment return for 1H 2010 improved to 3.2%. Higher investment return was mainly driven by low foreign exchange hedging cost. Breakdown of investment returns for different asset classes were: real estate 8.6%, mortgage and corporate loans 2.3%, policy loans 6.0%, overseas investment 2.8%, domestic securities 2.4%, and cash 0.4%.

Page 15 Page 15 – CDOs

As of the end of second quarter, total CDO outstanding was NT\$11.3bn, same as the end of the first quarter. No loss was recognized in Q2.

I'll hand over to Sandra to talk about the bank.

Sandra Wu:

Page 19 Thank you, Winston

Please turn to P.19

Shin Kong Bank generated a profit of NT\$916 million in first half this year. Pre-provision profit increased 69.4% year-on-year to NT\$1,918 million. Provision expense decreased due to improvement in credit quality.

Page 21 Page 21 - Loans grew by 5.0% year-on-year. All segments achieved positive growth except car loans and credit cards. L/D ratio remained high at 81.4% indicating efficient use of funds.

Page 22 Page 22 - NIM continued to rebound in Q2 2010 and was 4bps higher quarter-on-quarter. We continue to believe that average NIM will recover to around 1.60-1.65% for 2010 – significantly higher than the average NIM of 1.28% in 2009.

Page 24 Page 24 – Fees from wealth management increased 31.7% year-on-year. Sales continue to focus on mutual funds, insurance, and other overseas fixed income securities.

Page 25 Page 25 – Asset quality improved significantly with overall NPL decreased from 1.27% in Q1 to 0.85%. Coverage increased from 92.64% in Q1 to 116.62% in Q2 and further improved to 124.86% in July this year. Repayment rate of IDRP loans has stabilized and impact of the Consumer Debt Clearance Regulations is expected to

be manageable.

This wraps up our results presentation. Moderator, please start the Q&A session.

Q&A SESSION

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