

SKFH Third Quarter 2010 Results Conference Call

November 5, 2010, 4:30 p.m. (Taipei)

INTRODUCTION

Winston Yung:

Good afternoon, ladies and gentlemen,

Welcome again for joining the Shin Kong Financial 2010 Third 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 third 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 third quarter 2010. President Hsu ...

PRESENTATION

Victor Hsu:

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

During the third quarter, we have seen a strong rebound in capital markets and positive signs that the global economy is gradually recovering. We continue to be cautiously optimistic about the economic situation, especially emerging markets like Taiwan where GDP growth has been strong.

SKFH recorded an after-tax profit of NT\$4.62bn in Q3 2010, a positive turnaround from Q2 and the same period last year. The improvement is driven by higher premium and investment income and much lower one-time losses at SKL.

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 10.3% and 13.3% year-on-year respectively. Pre-provision profit 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 18.7%; and we expect the benefits to sustain as cost-saving measures continue.

Capital situation is much stronger at the end of Q3. Consolidated shareholders' equity of the financial holding company and shareholders' equity of Shin Kong Life have achieved quarter-on-quarter growth of 22.5% and 34.0% respectively. Book value per share excluding MasterLink minority interest went back up to above par value at NT\$10.7. Despite the improvement, the group continues to work on strengthening capital and have announced plans to publicly issue 600 million common shares by the end of the year.

The Board has also resolved to increase our shareholding in MasterLink Securities through the purchase of common shares not exceeding 8% of MasterLink's total issued common shares in order to better satisfy the definition of subsidiaries spelt out in the Financial Holding Company Act. The investment is expected to increase profits recognized from MasterLink and deepen cooperation among the subsidiaries.

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 financial holding company.

Winston Yung:

Page 6 Thank you, President Hsu. Please turn to Page 6.

We have seen a strong turnaround in the third quarter. After-tax profits at the financial holding company was NT\$4.62bn. This is driven mainly by significantly higher income and lower one-time losses at SKL. Profit from SKB also continued to improve.

Page 7 Page 7 – The strong performance in the past quarter has returned the group to profitability generating cumulative after-tax profit of NT\$1.62bn for the first nine months.

At the subsidiary level, SKL also returned to profitability; and profit from SKB increased 216.0% year-on-year driven by widened interest spread, higher fee income, and improvement in asset quality.

Page 9 Page 9 – Shareholders' equity recovered strongly. Excluding minority interest from MasterLink Securities, shareholders' equity would be NT\$83.76bn. Book value per share was NT\$10.7, higher than the NT10.0

par value.

I will now hand over to Sandra who will take you through the results of SKL and SKB.

Sandra Wu:

Page 13 Thank you, Winston. Please turn to Page 13.

First year premium was NT\$65.0bn. Traditional and interest sensitive products are major contributors accounting for 22.1% and 66.7% of FYP respectively. Investment-linked continued to grow driven by recovery in global markets and the launch of new products. Focus going forward 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 contribute significantly to mortality/expense gains and VNB this year.

Page 15 Page 15 gives an overall view of our investment portfolio. Investment return for 9M 2010 improved to 4.1%. Higher investment return was mainly driven by high dividend income, recovery of the equity and bond markets, and slightly lower foreign exchange hedging cost. Breakdown of investment returns for different asset classes were: real estate 8.7%, mortgage and corporate loans 2.3%, policy loans 6.0%, overseas investment 3.5%, domestic securities 4.2%, and cash 0.4%.

Page 16 Page 16 – CDOs

As of the end of third quarter, total CDO outstanding was NT\$10.9bn, lower than the end of the second quarter. An NT\$0.13bn loss on sale was recognized in Q3.

This wraps up the Life section. We will now move on to talk about SKB.

Page 21 Please turn to P.21

Shin Kong Bank generated a profit of NT\$1.42bn in the first nine months this year. Pre-provision profit increased 68.8% year-on-year to NT\$2.93bn. Provision expense was NT\$1.43bn indicating good asset quality.

Page 22 Page 22 - Loans grew by 9.4% year-on-year. All segments achieved positive growth except credit cards. L/D ratio remained high at 80.7% indicating efficient use of funds.

Page 23 Page 23 – Net interest spread continued to rebound in Q3 2010 and was 2bps higher quarter-on-quarter. NIM came down to 1.55% temporarily due to a significant increase in deposits in the last quarter. Management will work on expanding loan scale to match deposit growth so the

deployment of funds will remain efficient and NIM will remain high. NIM guidance for 2010 is around 1.60% – significantly higher than the average NIM of 1.28% in 2009.

Page 24 Page 24 – Net fee income grew 28.7% year-on-year. Net fee income as a percentage of total income was 21.4%. Foreign exchange and wealth management, in particular, have experienced significant growth.

Page 25 – Fees from wealth management increased 36.1% year-on-year and 22.0% quarter-on-quarter. Sales continue to focus on mutual funds, insurance, and other overseas fixed income securities.

Page 26 Page 26 – Asset quality improved significantly with overall NPL decreased from 0.85% in Q2 to 0.74%. Coverage increased from 92.64% in Q1 to 116.62% in Q2 and further improved to 130.34% in Q3 this year. New NPL generation has significantly slowed and the impact of Article 34 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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