

Confidential



Q3 2011 Results Update

November 09, 2011

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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 – 9M 2011 Overview

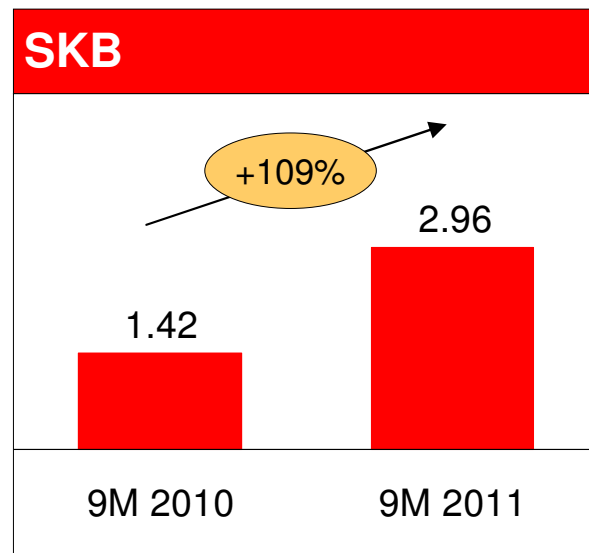
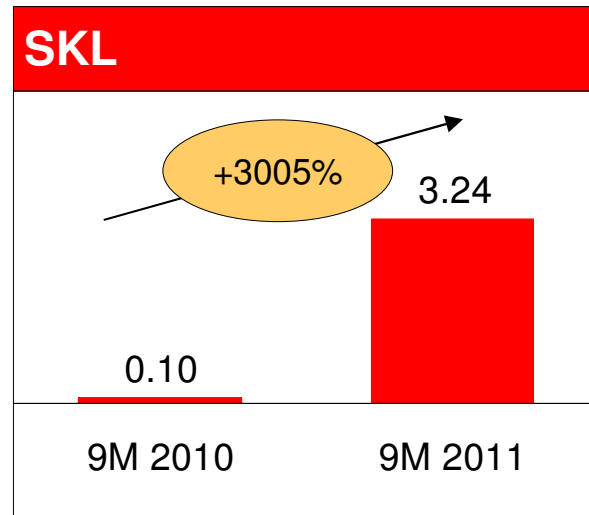
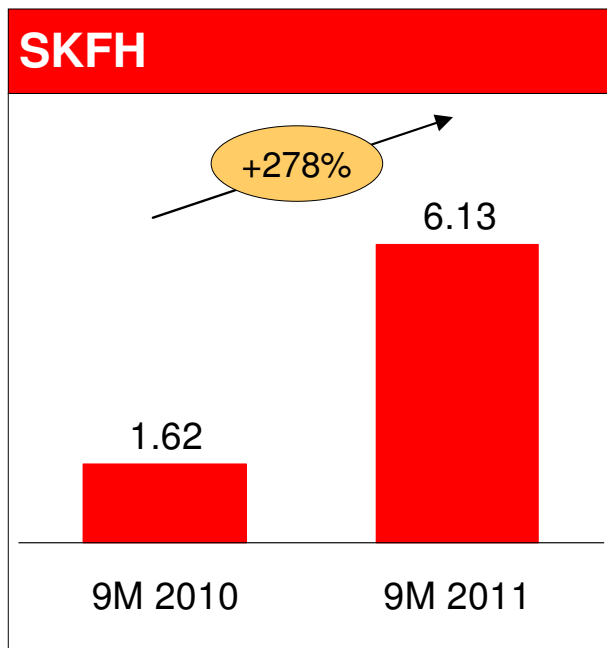
- Although global markets remained volatile in the third quarter due to continuous concerns in European sovereign debt crisis and global economies growth slowing down, SKFH's cumulative after-tax profit was NT\$6.13bn for 9M. EPS was NT\$0.73.
- Subsidiaries' core business remained solid
 - SKL:
 - ◆ Total investment income for 9M 2011 increased 6.2% YoY driven by lower FX hedging cost of 0.96% (cumulative and annualized) and higher domestic cash dividend income of NT\$5.84bn
 - ◆ Sales of traditional products were 73.0% higher YoY, with FYP from regular premium products 62.7% higher YoY
 - SKB:
 - ◆ Loan balance grew 19.6% YoY. Net interest income increased 19.6% YoY
 - ◆ Asset quality remained solid. New NPL generated in Q3 2011 would be only NT\$0.94mn excluding the exposure to Prince Motors (fully collateralized with no loss expected)
- Actively deploying in overseas market
 - SKFH: The financial leasing subsidiary established in Suzhou, China is expected to start operating in late November
 - SKL:
 - ◆ SKL obtained the QFII (Qualified Foreign Institutional Investor) Status in China granted by the China Securities Regulatory Commission in November
 - ◆ Shaanxi branch of SKHNA Life is expected to commence operation in Xi'an City before the end of 2011

Financial Highlights – 9M 2011

	9M 2010	9M 2011	YoY Growth
NT\$m (except per share data), %			
Group net income	1,621	6,127	278.0%
First year premium (Insurance)	65,013	57,936	-10.9%
Loans (Bank)	311,118	372,076	19.6%
Total assets	2,034,216	2,107,183	3.6%
Total shareholders' equity	98,259	81,386	-17.2%
ROA (unannualized)	0.14%	0.32%	-
ROE (unannualized)	2.61%	7.06%	-
Earnings per share	0.21	0.73	247.6%

Net Income – 9M 2011

NT\$bn



Comments

- SKFH's 9M cumulative after-tax profit was NT\$6.13bn, NT\$4.51bn higher YoY
- SKL's 9M cumulative after-tax profit was NT\$3.24bn, NT\$3.14bn higher YoY
- SKB's 9M profit was 108.6% higher YoY due to widened interest spread and solid asset quality

Net Income – 9M 2011

Net income contribution

NT\$bn

Subsidiaries	Q2 2011	Q3 2011	9M 2010	9M 2011
Shin Kong Life	-0.40	3.36	0.10	3.24
Shin Kong Bank	1.01	0.93	1.42	2.96
Shin Kong Securities	0.00	0.00	0.07	0.00
Shin Kong Investment Trust	0.01	0.01	0.03	0.02
Shin Kong Insurance Brokers	0.02	0.02	0.05	0.05
Others ⁽¹⁾	-0.03	-0.10	-0.05	-0.14
Net income	0.61	4.22	1.62	6.13

Note:

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

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SKL – 9M 2011 Overview

- Despite volatile global FX and equity markets, 9M 2011 after tax profit from SKL was NT\$3.2bn driven by properly managed hedging strategies (FX gain of NT\$0.53bn recognized in Q3 lowered the annualized cumulative hedging cost to only 0.96% in 9M 2011) and higher domestic cash dividend income of NT\$5.84bn. ROE was 5.80%.
- FYP was NT\$57.94bn, down 10.9% YoY (The industry total decreased 17.0% YoY). Market share was 7.7%.
- Traditional and investment-linked products contributed most significant shares (43.0% and 27.1% respectively) of FYP. Sales of traditional products were 73.0% higher than 9M 2010, with FYP from regular premium products 62.7% higher YoY.
- Long-term profit generation is the main consideration in product sales. Marketing focus remains on the traditional protection products and health insurance policies.
- 13-month persistency was 86.6% and 25-month persistency was 86.7%.
- 9M annualized investment return was 4.23%.
- Tun Nan REAT was auctioned in September with a gain of NT\$7.3bn expected to be recognized in Q2 2012. Additionally, disposal gains from the Ling Yun Commercial Building and Kaohsiung San Duo Building, in amount of NT\$0.62bn and NT\$1.74bn respectively, will be recognized in Q4 2011.

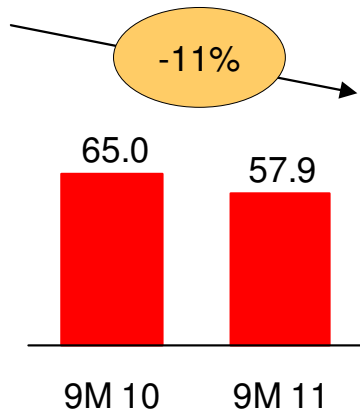
Financial Highlights – 9M 2011

	9M 2010	9M 2011	YoY Growth
NT\$mn, %			
First year premium	65,013	57,936	-10.9%
Total premium	145,199	131,223	-9.6%
Investment income	43,521	46,223	6.2%
Net income	104	3,241	3,005.2%
Total assets	1,535,889	1,542,059	0.4%
Total shareholders' equity	65,099	44,911	-31.0%
ROE (unannualized)	0.17%	5.80%	-
ROA (unannualized)	0.01%	0.21%	-

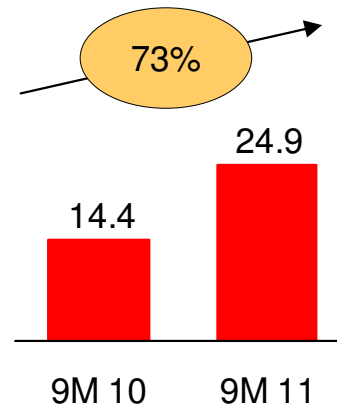
First Year Premium – 9M 2011

NT\$bn

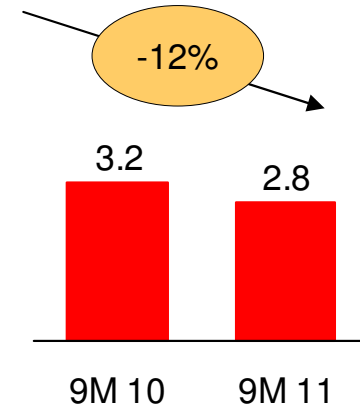
Market share 7.7%



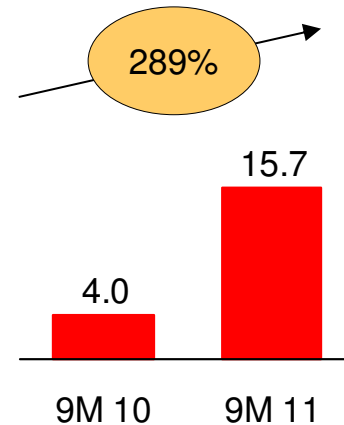
Traditional



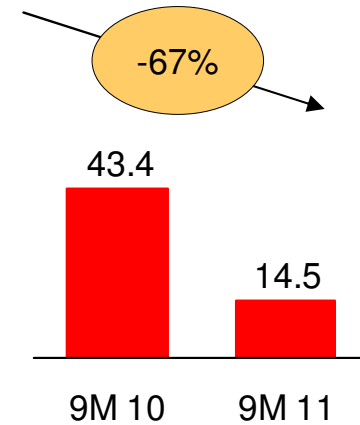
PA, Health and Group



Investment-linked



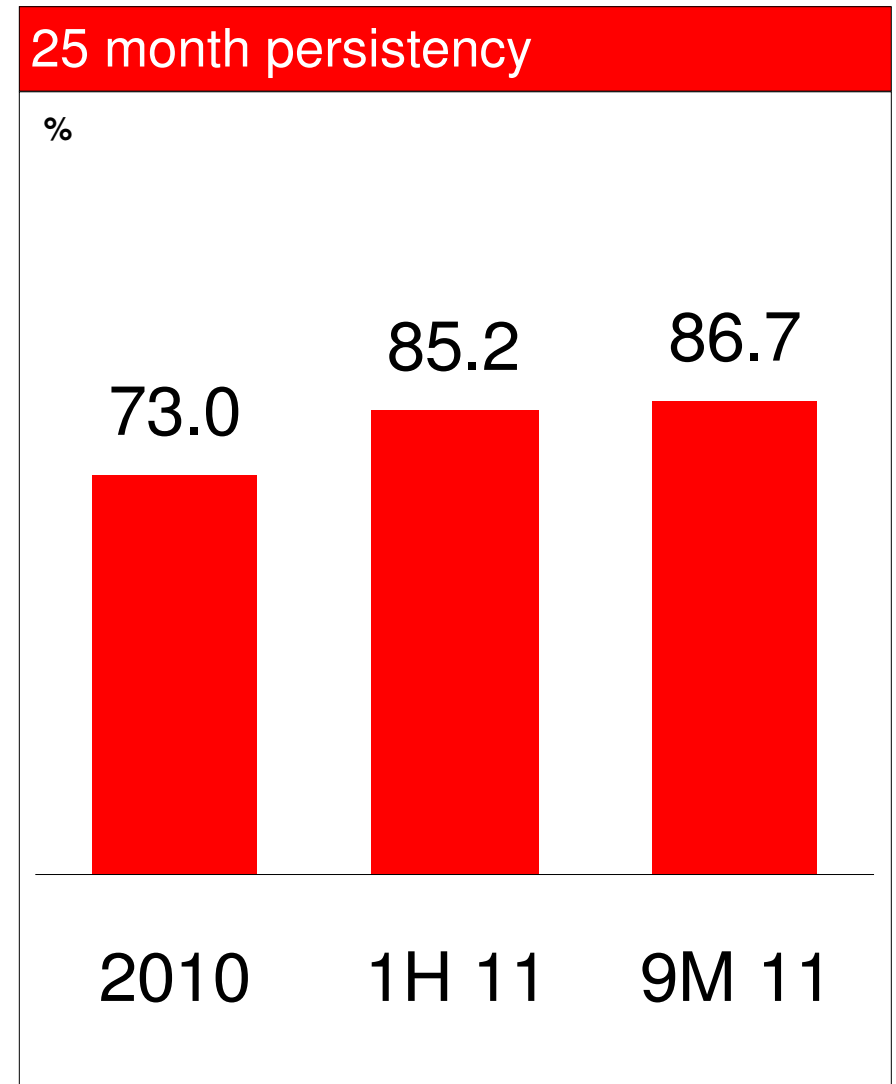
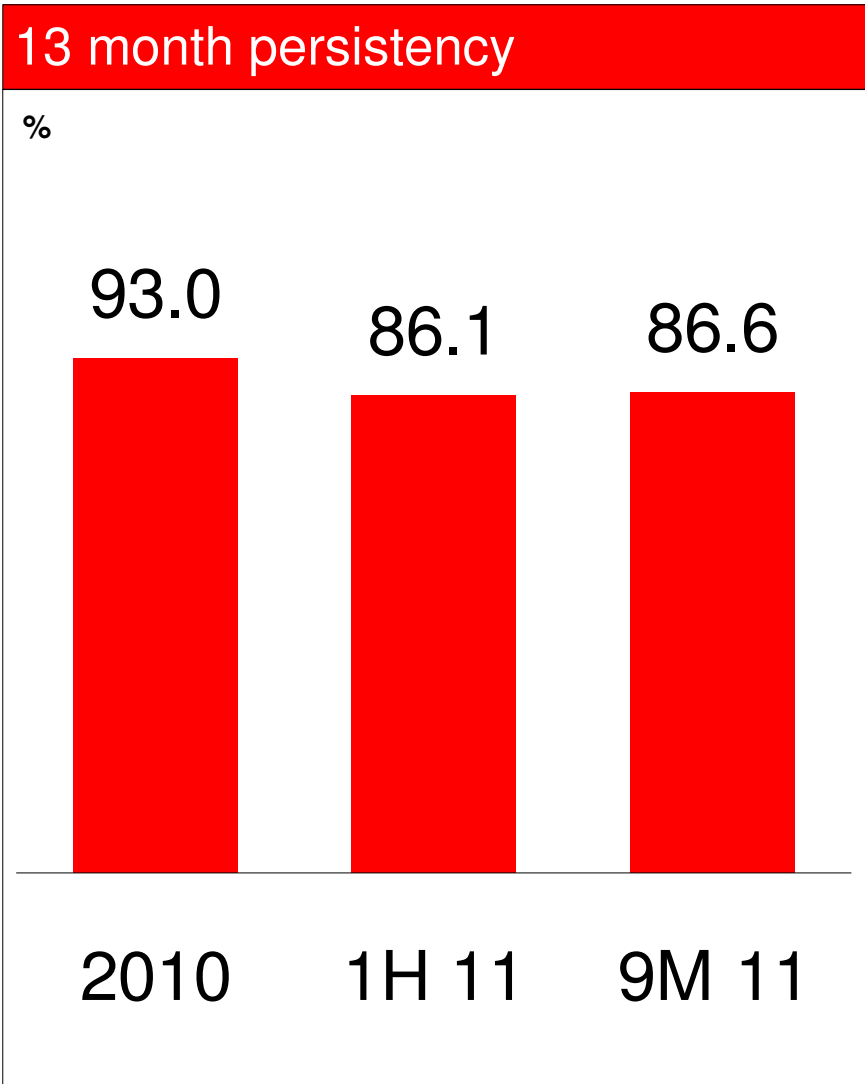
Interest-sensitive



Comments

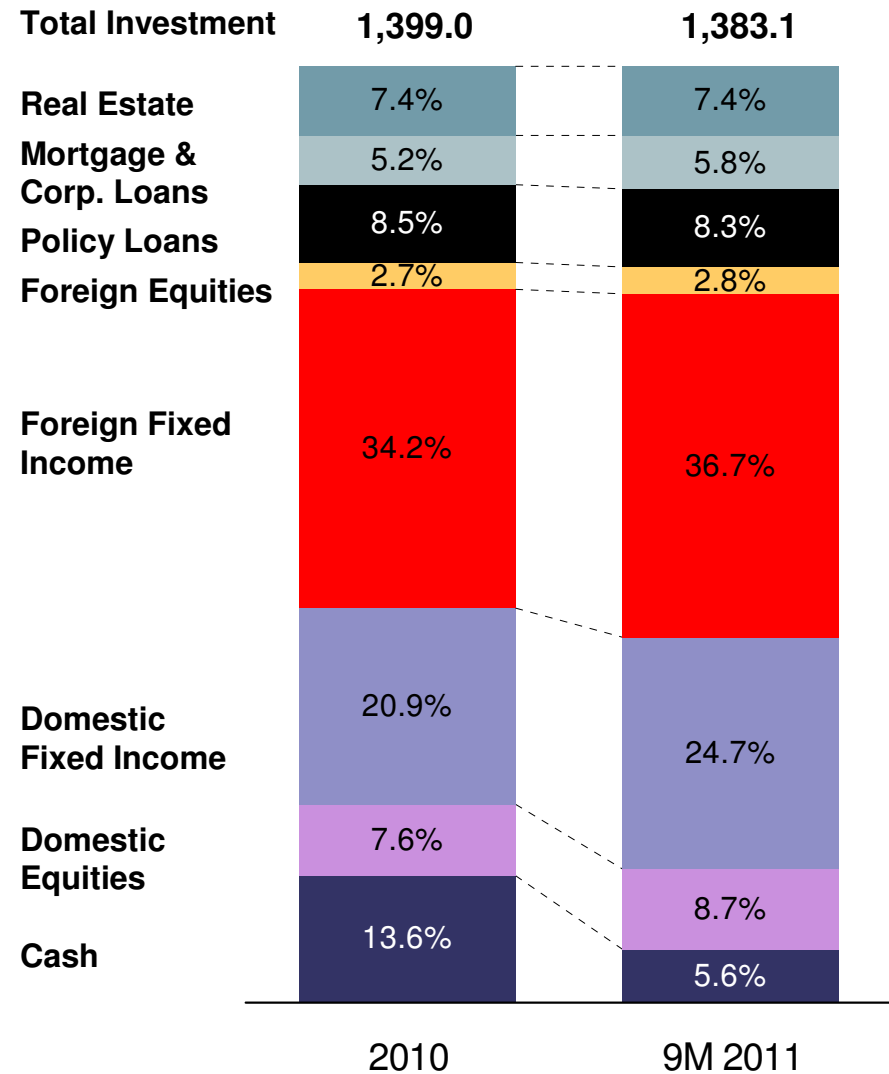
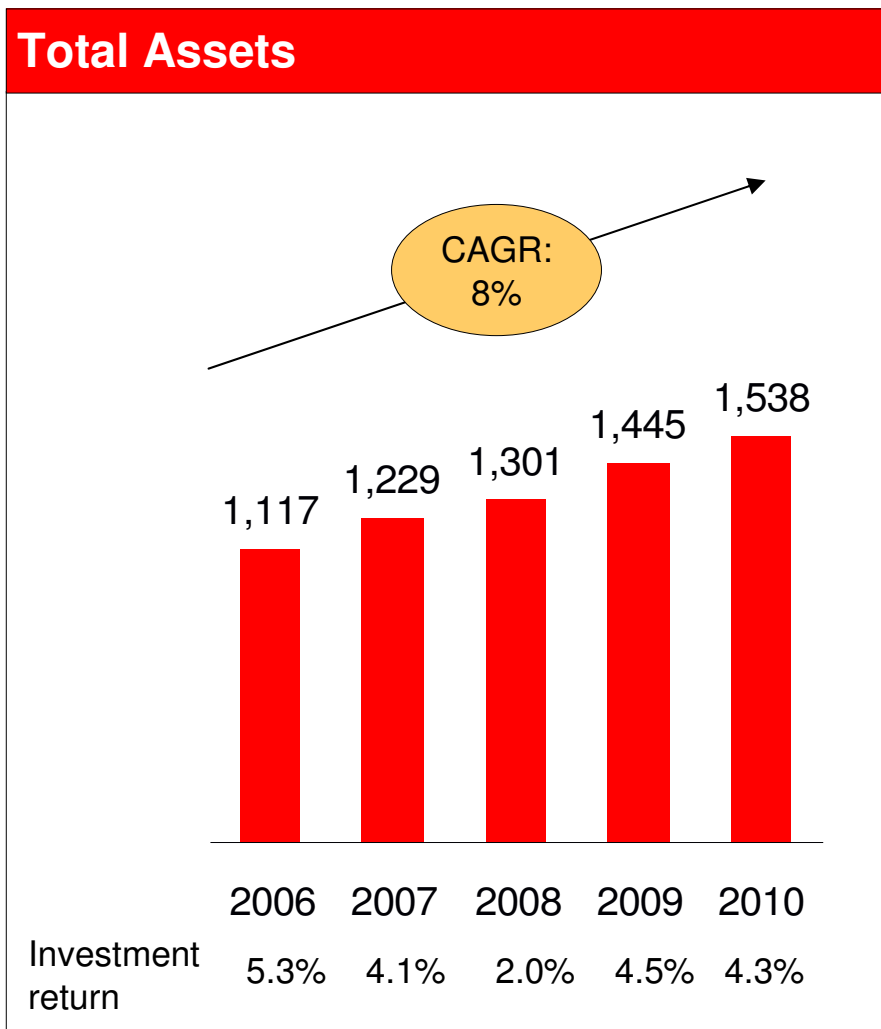
- FYP decreased 11% YoY (The industry total decreased 17.0% YoY)
- Traditional and investment-linked products contributed most significant shares (43% and 27% respectively) of FYP
- Long-term profit generation is the main consideration in product sales. Marketing focus remains on the traditional protection products and health insurance policies
- Sales of traditional products were 73% higher than 9M 2010, with FYP from regular premium products 63% higher YoY. Market demand on interest-sensitive products fell due to regulation changes

Persistence Ratio



Investment Portfolio

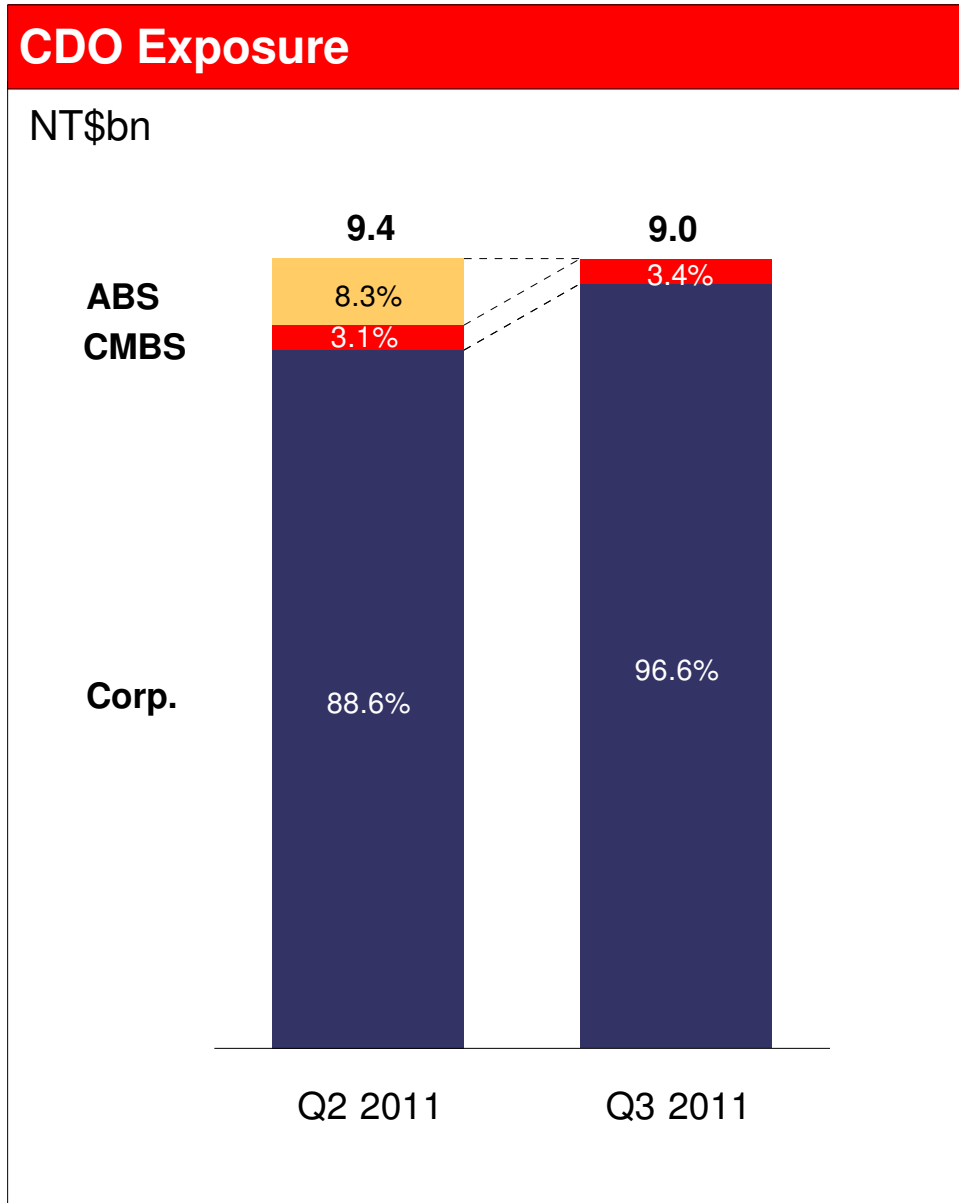
NT\$bn



Note:

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

CDO Exposure

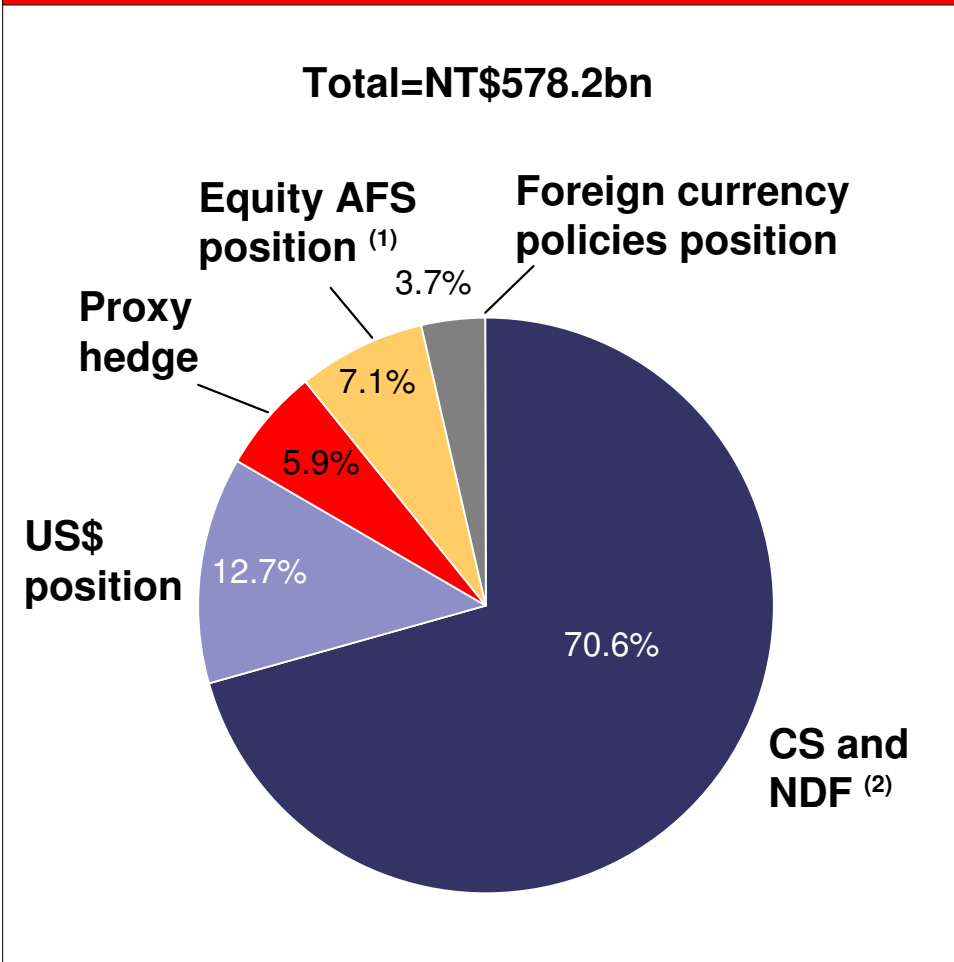


Comments

- Overall exposure was NT\$8.96bn
- 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)
- After disposing ABS CDOs in amount of NT\$0.81bn in Q3 2011, SKL has no ABS CDO exposure

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- FX gain of NT\$0.53bn recognized in Q3 lowered the annualized cumulative hedging cost to only 0.96% in 9M 2011
- Share of traditional hedges controlled within the target range of 70~90%
- Proxy hedging accounted for 5.9%
- Available for sale position in foreign equities accounted for 7.1% 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 in the medium/long term

Enhance Investment Risk Management

- Manage/control investment risk by prudent SAA and TAA ranges
- Utilize the Algo system for real-time investment risk management

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 - Life Premium Summary

SKB – 9M 2011 Overview

- After-tax profit for 9M 2011 was NT\$2.96bn (up 108.6% YoY); net interest income for Q3 was NT\$1.89bn, up 25.4% YoY; pre-provision profit increased 16.8% QoQ to NT\$1.18bn.
- Loan balance increased to NT\$372.08bn (up 19.6% YoY); deposit balance increased to NT\$451.66bn (up 17.7% YoY). L/D ratio was 81.9% (incl. credit cards balance).
- NIM for Q3 2011 was 1.59%.
- Affected by continuous volatilities in global markets, wealth management income for 9M 2011 was NT\$615mn, slightly declined by 0.5% YoY. SKB achieved bancassurance cross-sales of NT\$11.26bn in 9M 2011, accounting for 46.8% of SKL bancassurance premium.
- Credit card NPL ratio slightly increased to 0.28%, and coverage ratio was 304.13%.
- Due to Prince Motors' default, NPL ratio increased to 0.81%, and coverage ratio decreased to 100.98%; however, the NT\$1.70bn loan to Prince Motors is fully collateralized with no loss expected. Excluding the loan, NPL and coverage ratios would improve to 0.35% and 234.69% respectively, indicating solid asset quality. NPL ratio for mortgages remained low at 0.25%.

Net Income – 9M 2011

	9M 2010	9M 2011	YoY Growth
NT\$m, %			
Net interest income	4,482	5,359	19.6%
Net fee income	1,419	1,241	-12.6%
Other income	735	575	-21.7%
Operating expense	-3,704	-4,144	11.9%
Pre-provision operating income	2,932	3,031	3.4%
Provision expense	-1,425	129	-
Income tax benefit (expense)	-87	-199	129.2%
Net Income	1,419	2,961	108.6%

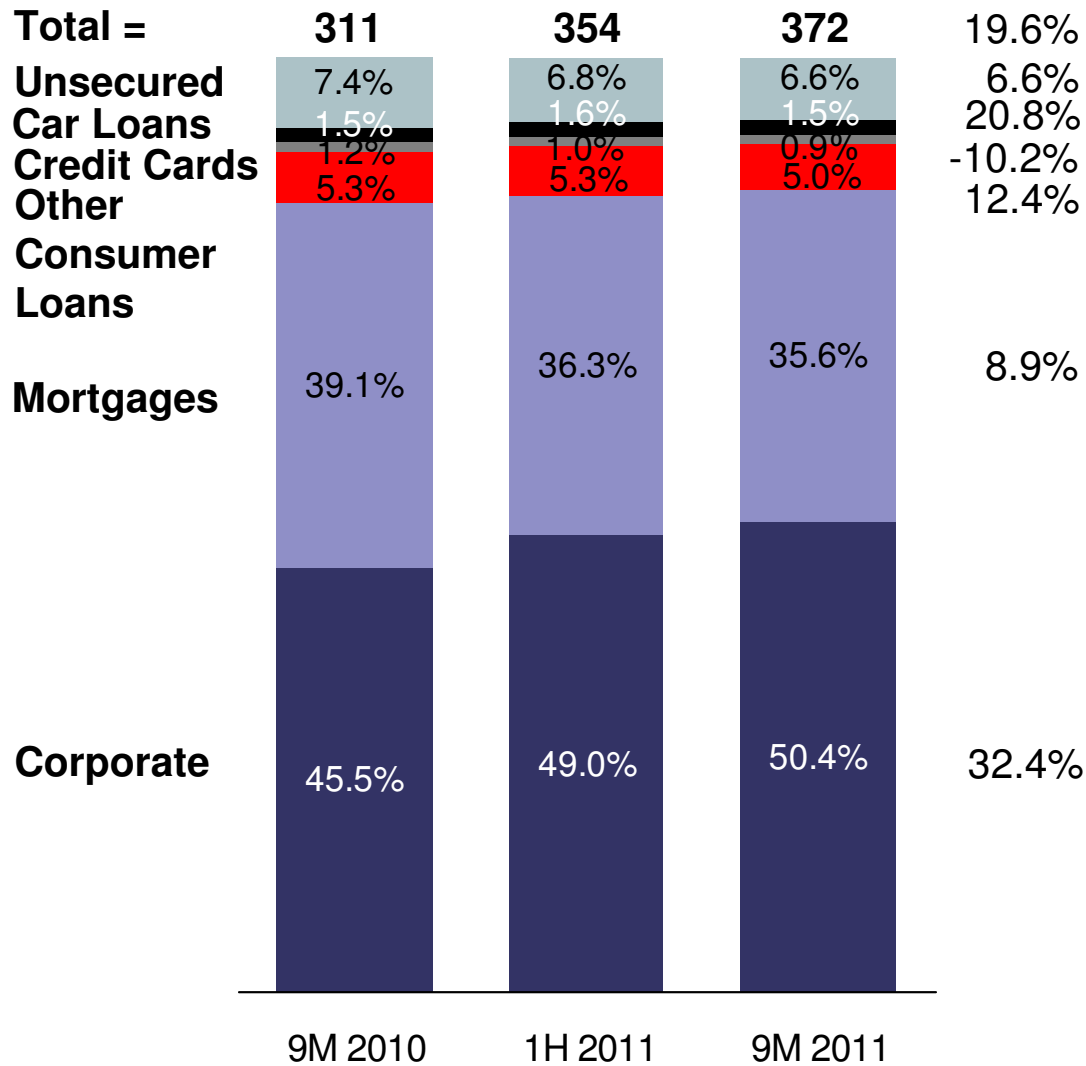


SKFH

Loan Mix

NT\$bn

YoY Growth



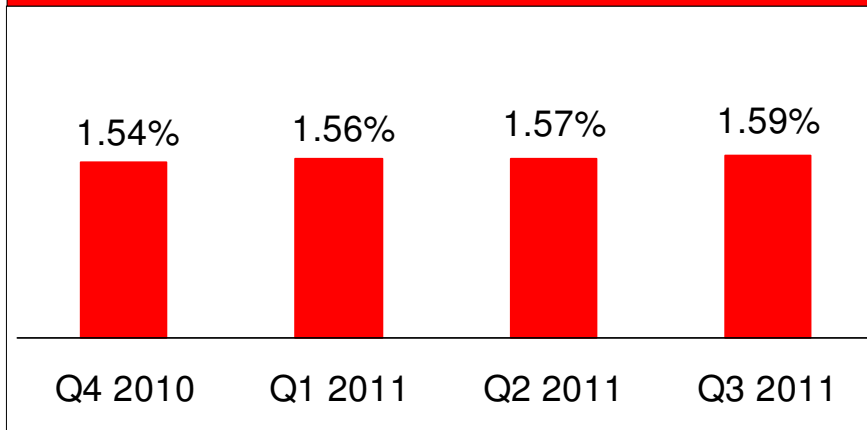
Comments

- Loan balance increased to NT\$372.08bn (up 19.6% YoY)
- Mortgages achieved stable growth under stringent credit policies; NPL ratio for mortgages was low at 0.25%
- L/D ratio was 81.9% (incl. credit cards balance)

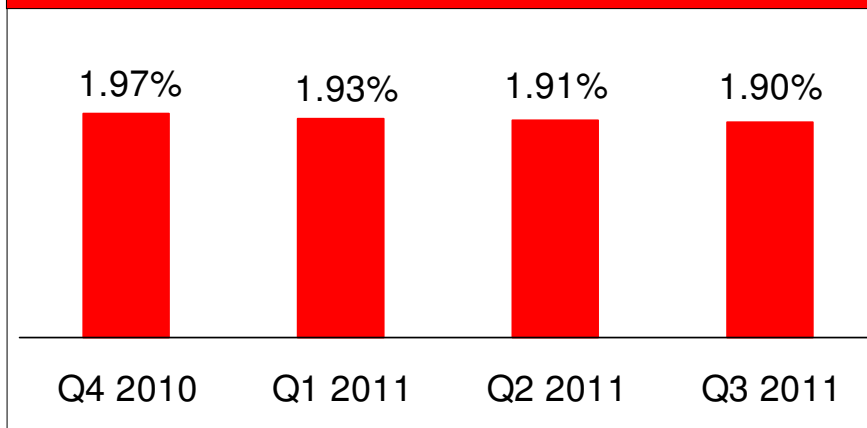
Note: Due to rounding, loan mix may not add up to 100%

Interest Income

Net Interest Margin



Net Interest Spread

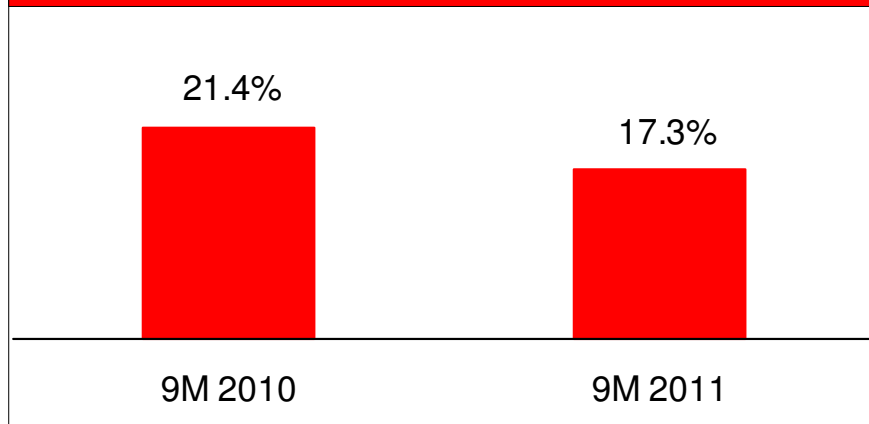


Comments

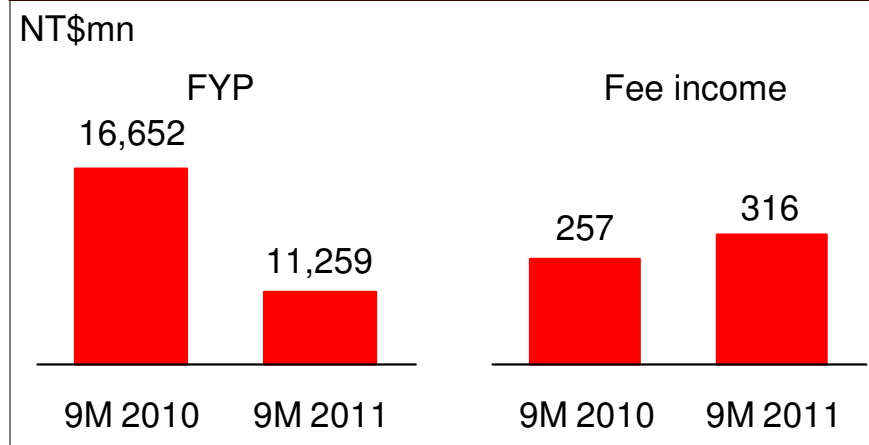
- NIM for Q3 2011 was 1.59%
- SKB will continue to :
 - Strengthen relations with corporate customers and increase fee income through GEB, TMU, syndicated loans and factoring business
 - Strengthen cash management business and act as the main settlement bank for MasterLink Securities to increase demand deposits and lower cost of funds , and
 - Develop SME and consumer loans with appropriate risk control to enhance interest income

Fee Income

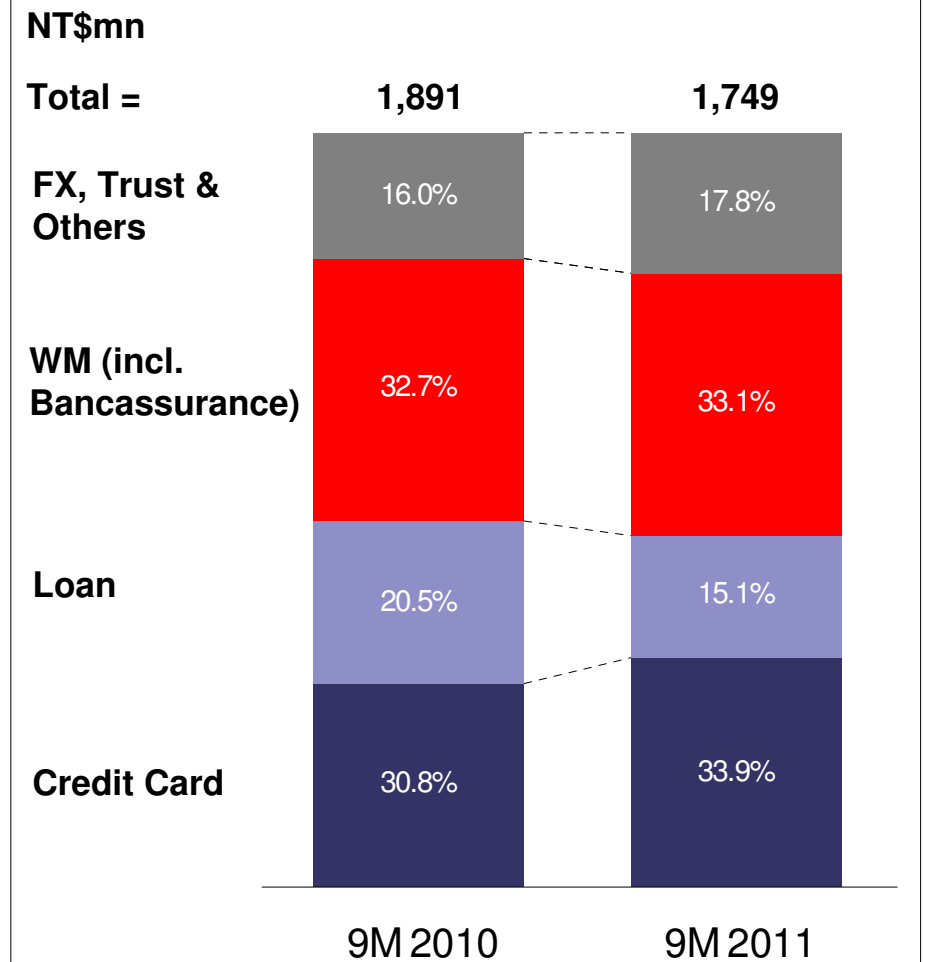
Net Fee Income / Total Income



Bancassurance (SKL)



Fee Income Breakdown

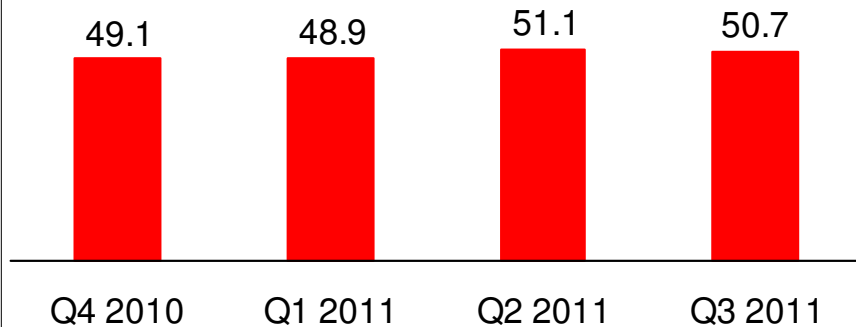


Note: Due to rounding, fee income breakdown may not add up to 100%

Wealth Management

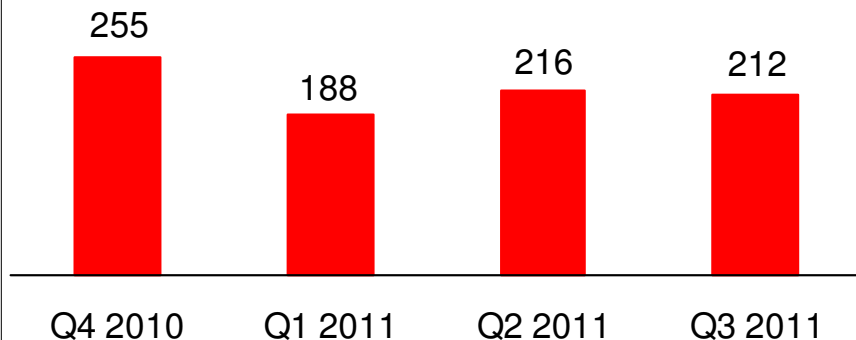
AUM

NT\$bn



WM Income

NT\$m



Note:

- (1) Wealth management income includes income from structured deposits
- (2) Income figure for each quarter is adjusted due to rounding

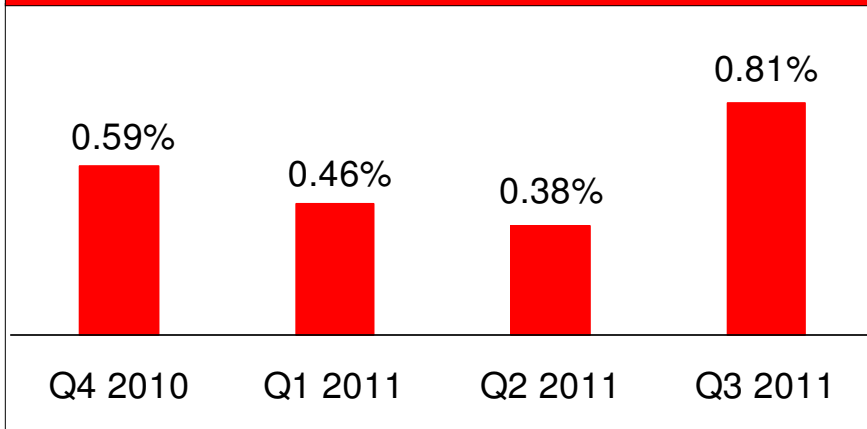
Wealth Management Center



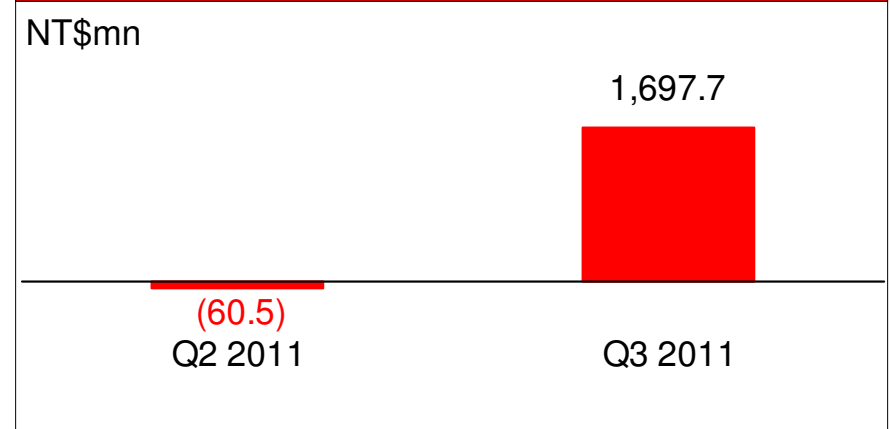
- Affected by continuous volatilities in global markets, wealth management income for 9M 2011 was NT\$615mn, slightly declined by 0.5% YoY
- Fee income from wealth management accounted for 33.1% of total fee income
- Sales focuses were on mutual funds, insurance, and foreign securities. Sales of mutual funds and foreign securities are expected to grow
- Foreign securities designed for high net worth clients have been launched in 2H, contributing to fee income growth

Asset Quality

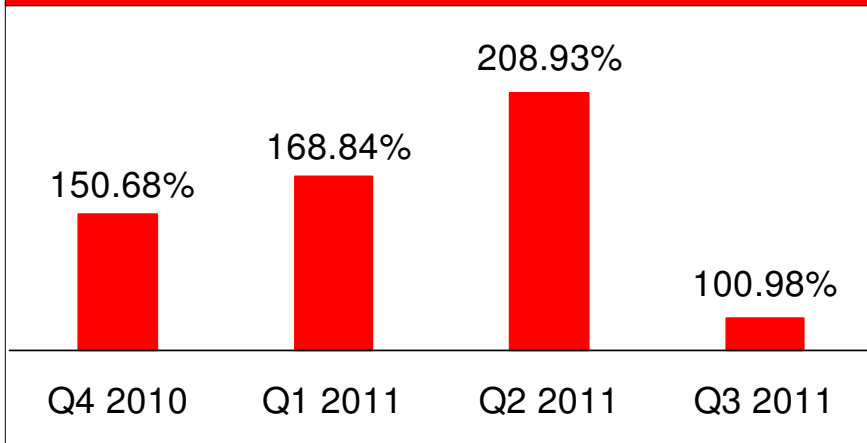
NPL Ratio



New NPL Generation



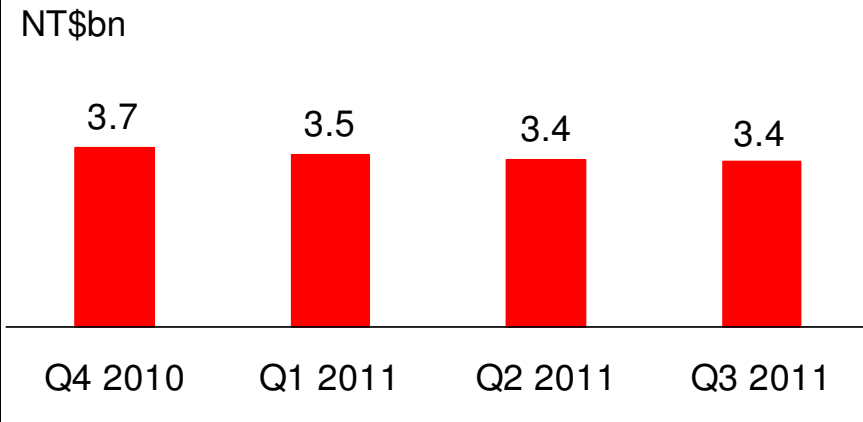
Coverage Ratio



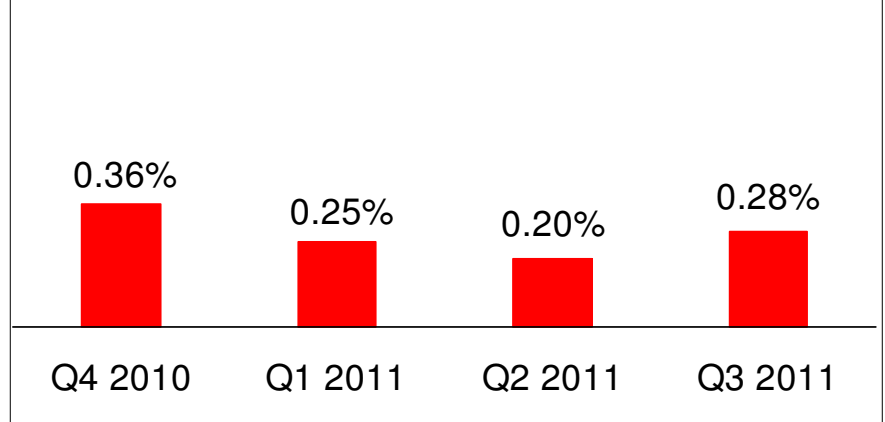
- NPL ratio increased to 0.81%, and coverage ratio decreased to 100.98% due to Prince Motors' default
 - The NT\$1.70bn loan to Prince Motors is fully collateralized with no loss expected
 - Excluding the loan, NPL and coverage ratios would improve to 0.35% and 234.69% respectively, indicating solid asset quality
- New NPL generated in Q3 2011 were NT\$1.70bn but would be only NT\$0.94mn excluding the exposure to Prince Motors
- NPL ratio for mortgages was low at 0.25%

Credit Cards Metrics

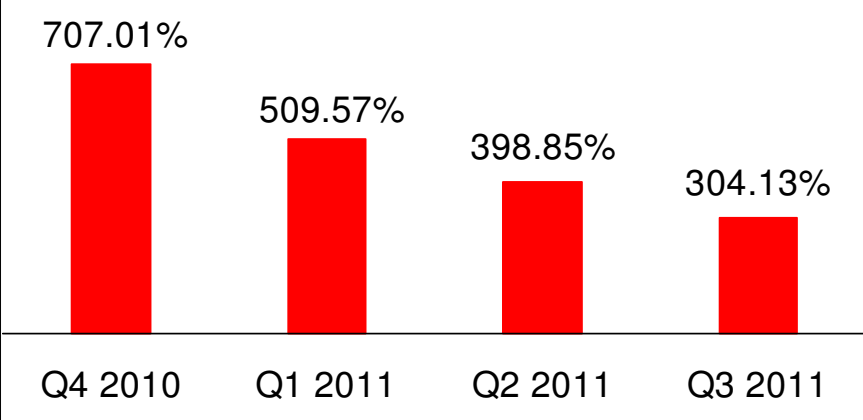
Revolving Balance



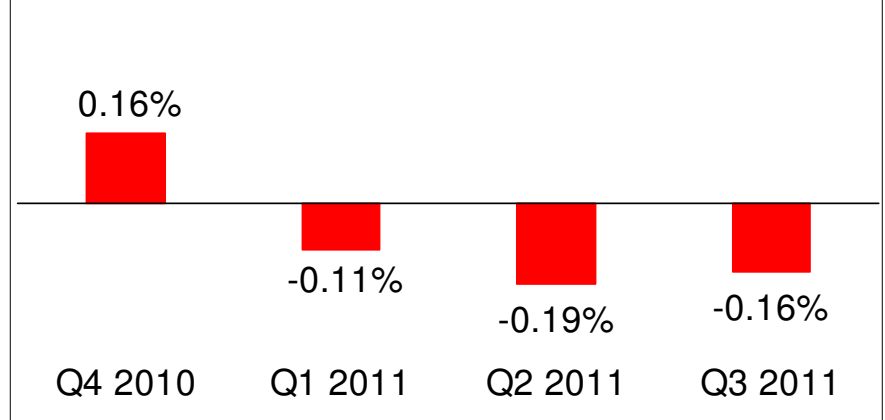
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

(1) Actual reserves / NPL

(2) Unannualized numbers

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SP / RP Breakdown

NT\$bn

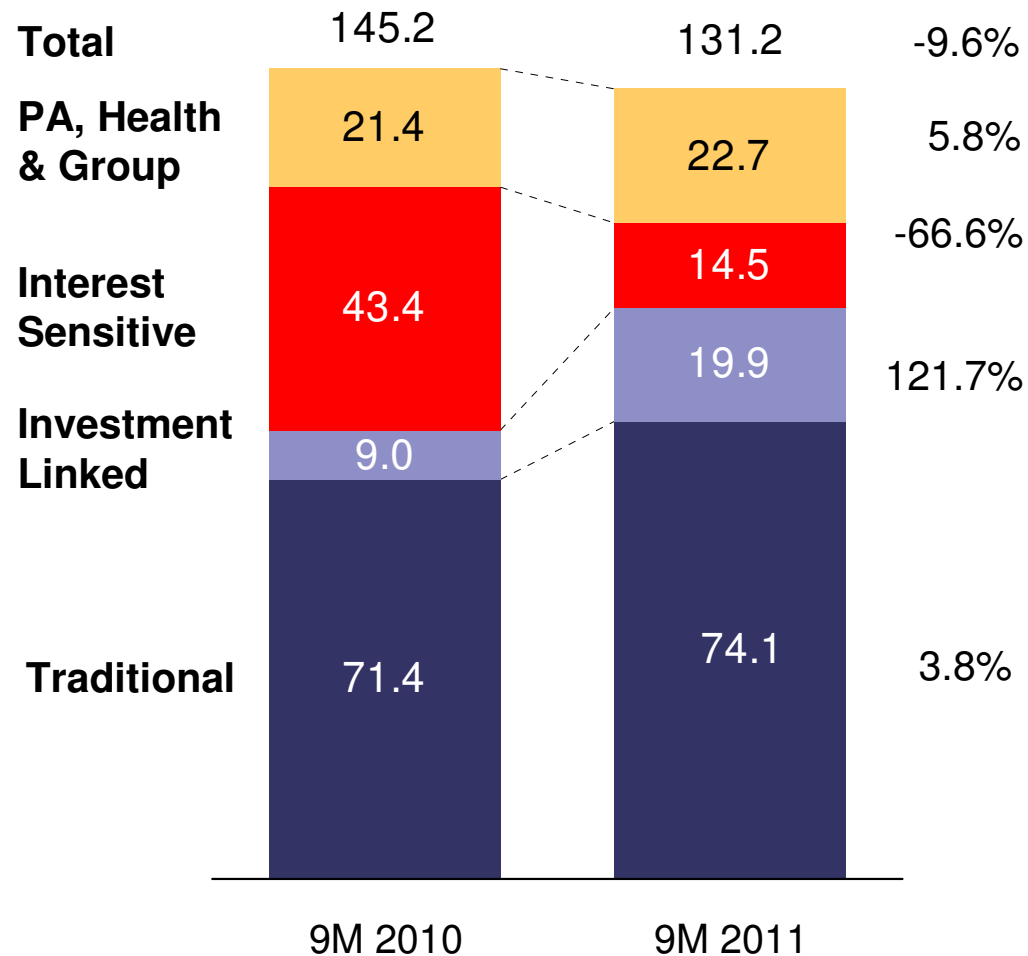
9M 2011 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	17.74	7.17		24.90
Investment-linked				
VUL			1.14	1.14
Structured note	14.58			14.58
Interest Sensitive				
Annuity	13.40		0.05	13.45
Life			1.05	1.05
PA, health and others		2.81		2.81
Total	45.72	9.98	2.24	57.94
Share	78.9%	17.2%	3.9%	100.0%

Total Premium – 9M 2011

NT\$bn

Market Share = 8.0%

Growth



Comments

- Total premium went down 9.6% YoY
- Total premium of interest-sensitive product declined due to regulation changes caused market demand fell
- PA, Health & Group and investment-linked products grew compared to 9M 2010

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Shin Kong Financial HoldingFinancial Summary
(NT\$m)

Income Statement Data	2010	9M 2010	9M 2011	9M 11/9M 10	Q3 2010	Q3 2011	Q3 11/Q3 10
				% change			% change
Net interest income	(157)	(116)	(121)	4.3%	(41)	(41)	0.0%
Income from subsidiaries							
Shin Kong Life	393	104	3,241	3016.3%	4,010	3,361	-16.2%
Shin Kong Bank	2,005	1,419	2,961	108.7%	503	933	85.5%
Shin Kong Securities	68	67	0		0	0	
MasterLink Securities	360	272	136	-50.0%	146	11	-92.5%
Shin Kong Insurance Brokers	66	50	54	8.0%	15	18	20.0%
Shin Kong Investment Trust	34	26	17	-34.6%	11	6	-45.5%
Total income from subsidiaries	2,926	1,938	6,409	230.7%	4,685	4,329	-7.6%
Other income	21	15	11	-26.7%	4	1	-75.0%
Administrative and general expenses	(241)	(155)	(166)	7.1%	(50)	(52)	4.0%
Income tax benefit (expense)	(6)	(61)	(6)	-90.2%	22	(20)	-190.9%
Cumulative effect of changes in accounting principle	0	0	0		0	0	
Net income	2,543	1,621	6,127	278.0%	4,620	4,217	-8.7%

Balance Sheet Data	2010	9M 2010	9M 2011	9M 11/9M 10	Q3 2010	Q3 2011	Q3 11/Q3 10
				% change			% change
Long term investment	97,842	95,067	80,109	-15.7%	95,067	80,109	-15.7%
Total assets	2,064,161	2,034,216	2,107,183	3.6%	2,034,216	2,107,183	3.6%
Total shareholders' equity	101,910	98,259	81,386	-17.2%	98,259	81,386	-17.2%

Note: Numbers have not been audited by the auditors

Shin Kong Life
Financial Summary
(NT\$m)

Income Statement Data	2010	9M 2010	9M 11/9M 10		Q3 2010	Q3 2011	Q3 11/Q3 10
			9M 2011	% change			% change
Premium income	177,451	138,048	112,776	-18.3%	48,925	41,079	-16.0%
Investment income							
Interest income	42,952	32,742	31,877	-2.6%	10,669	10,890	2.1%
Gains on investments in securities	20,536	11,759	15,714	33.6%	10,663	6,208	-41.8%
Gains on real estate investments	8,692	7,153	2,893	-59.6%	935	1,016	8.7%
FX	(13,568)	(8,033)	(3,978)	-50.5%	(3,326)	527	-115.8%
FX gain or loss	(42,413)	(10,058)	19,105	-289.9%	(12,567)	26,076	-307.5%
Hedging	28,845	2,025	(23,083)	-1239.7%	9,240	(25,549)	-376.5%
Impairment loss	(100)	(100)	(283)	182.2%	(78)	(268)	241.7%
Total Investment income	58,511	43,521	46,223	6.2%	18,862	18,372	-2.6%
Other operating income	1,318	1,125	953	-15.3%	422	288	-31.7%
Provision for reserves							
Provisions	(209,781)	(156,293)	(131,981)	-15.6%	(54,628)	(47,382)	-13.3%
Recoveries	115,814	76,687	124,357	62.2%	31,425	37,050	17.9%
Total provisions for reserves, net	(93,967)	(79,606)	(7,624)	-90.4%	(23,203)	(10,331)	-55.5%
Insurance payments	(124,802)	(89,171)	(136,201)	52.7%	(36,112)	(41,452)	14.8%
Commission expenses	(4,468)	(3,190)	(3,358)	5.2%	(1,070)	(1,131)	5.7%
Separate account revenue	63,536	42,247	54,214	28.3%	22,006	21,073	-4.2%
Separate account expenses	(63,536)	(42,247)	(54,214)	28.3%	(22,006)	(21,073)	-4.2%
General and administrative expenses	(12,426)	(9,027)	(8,902)	-1.4%	(3,070)	(2,837)	-7.6%
Other operating costs and expenses	(966)	(725)	(448)	-38.1%	(252)	(339)	34.6%
Operating income	651	976	3,419	250.4%	4,502	3,648	-19.0%
Non-operating income and expenses	288	194	361	85.9%	(70)	(75)	6.1%
Income taxes	(546)	(1,066)	(539)	-49.4%	(422)	(212)	-49.6%
Cumulative effect of changes in accounting principles	0	0	0		0	0	
Net income	393	104	3,241	3005.2%	4,010	3,361	-16.2%

Balance Sheet Data	2010	9M 2010	9M 11/9M 10		Q3 2010	Q3 2011	Q3 11/Q3 10
			9M 2011	% change			% change
Total assets	1,537,518	1,535,889	1,542,059	0.4%	1,535,889	1,542,059	0.4%
Total shareholders' equity	66,773	65,099	44,911	-31.0%	65,099	44,911	-31.0%

Note: Numbers have not been audited by the auditors

Shin Kong BankFinancial Summary
(NT\$m)

Income Statement Data	2010	9M 2010	9M 2011	9M 11/9M 10	Q3 2010	Q3 2011	Q3 11/Q3 10
				% change			% change
Interest income	8,626	6,314	8,027	27.1%	2,203	2,864	30.0%
Interest expense	(2,573)	(1,833)	(2,668)	45.6%	(694)	(971)	39.9%
Net interest income	6,054	4,482	5,359	19.6%	1,509	1,893	25.4%
Fee income	2,563	1,891	1,749	-7.5%	681	618	-9.3%
Fee expense	(658)	(472)	(508)	7.6%	(165)	(174)	5.7%
Net fee income	1,905	1,419	1,241	-12.6%	516	444	-14.1%
Gains on bill & securities	727	544	(23)	-104.2%	355	(310)	-187.3%
Gains recognized under equity method, net	137	81	62	-23.3%	29	10	-65.8%
Gains on foreign exchange, net	(213)	(51)	475	-1037.2%	(204)	539	-364.2%
Other gains or losses, net	291	160	60	-62.3%	53	12	-77.9%
Operating expense	(5,035)	(3,704)	(4,144)	11.9%	(1,245)	(1,411)	13.3%
Pre-provision income or loss	3,865	2,932	3,031	3.4%	1,013	1,178	16.3%
Provision expense	(1,727)	(1,425)	129	-109.1%	(467)	(98)	-79.0%
Income tax (expense) benefit	(133)	(87)	(199)	129.2%	(42)	(146)	246.1%
Net income	2,005	1,419	2,961	108.6%	504	933	85.3%

Balance Sheet Data	2010	9M 2010	9M 2011	9M 11/9M 10	Q3 2010	Q3 2011	Q3 11/Q3 10
				% change			% change
Total assets	470,046	433,829	518,622	19.5%	433,829	518,622	19.5%
Total shareholders' equity	24,514	23,731	26,979	13.7%	23,731	26,979	13.7%
Total loans, net ⁽¹⁾	324,780	306,147	366,670	19.8%	306,147	366,670	19.8%
Total deposits	413,113	383,863	451,658	17.7%	383,863	451,658	17.7%

Operating Metrics	2010	9M 2010	9M 2011	Q3 2010	Q3 2011
Fee income ratio	21.4%	21.4%	17.3%	22.9%	17.1%
Cost income ratio	56.6%	55.8%	57.8%	55.1%	54.5%
Loan/deposit ratio (excl. credit card)	78.6%	79.8%	81.2%	79.8%	81.2%
Loan/deposit ratio (incl. credit card)	79.5%	80.7%	81.9%	80.7%	81.9%
Net interest margin	1.58%	1.59%	1.59%	1.55%	1.59%
Net interest spread	1.95%	1.94%	1.91%	1.95%	1.90%
Pre-provision earnings/assets	0.87%	0.68%	0.61%	0.24%	0.24%
Pre-provision earnings/equity	16.53%	12.75%	11.77%	4.41%	4.57%

Note:

(1) Exclude credit cards but include overdue receivables

(2) Numbers have not been audited by the auditors