

Confidential



Q4 2011 Results Update

March 01, 2012

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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 – 2011 Overview

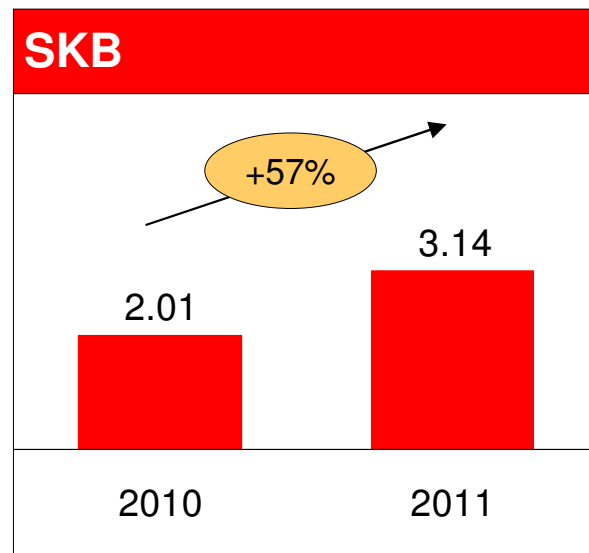
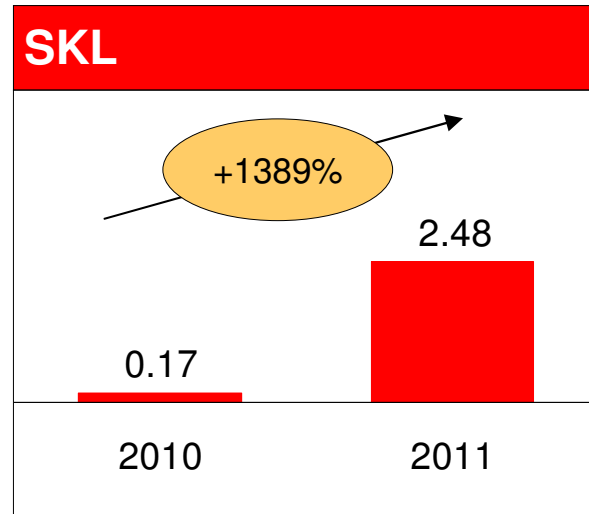
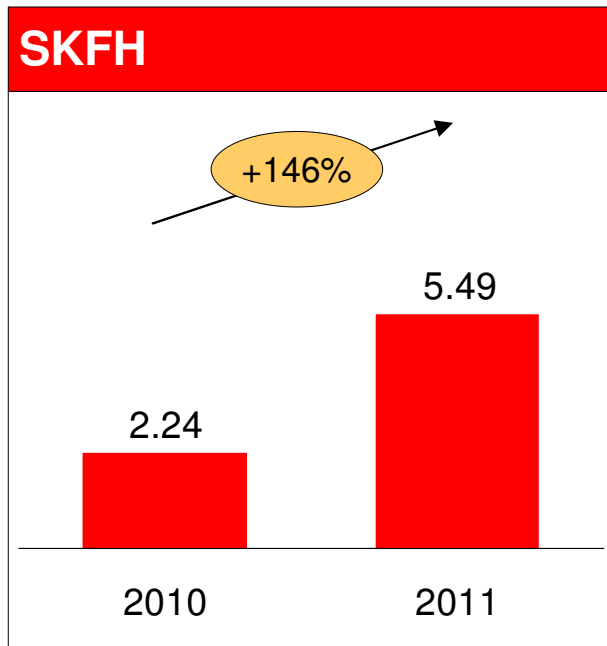
- Despite volatile global markets in 2011 driven by continuous concerns in European sovereign debt crisis and global economies growth slowing down, SKFH's cumulative after-tax profit was NT\$5.49bn. EPS was NT\$0.65.
- Subsidiaries' core business remained solid
 - SKL:
 - ◆ Investment return for 2011 was 4.28% driven by lower FX hedging cost of 1.21% and higher domestic cash dividend income of NT\$6.11bn
 - ◆ Sales of traditional products were 67.7% higher YoY, with FYP from regular premium products 25.1% higher YoY
 - SKB:
 - ◆ Loan balance grew 13.8% YoY. Net interest income increased 18.2% YoY
 - ◆ Asset quality remained solid. New NPL generated in 2011 would be only NT\$1.62mn excluding exposure to Prince Motors (fully collateralized with no loss expected)
- Actively deploy in overseas market
 - SKFH: Financial leasing subsidiary established in Suzhou, China started to operate 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 late Q1 2012

Financial Highlights – 2011

	2010	2011	YoY Growth
NT\$m (except per share data), %			
Group net income	2,236	5,493	145.7%
First year premium (Insurance)	83,171	76,562	-7.95%
Loans (Bank)	329,762	375,285	13.8%
Total assets	2,064,161	2,137,901	3.6%
Total shareholders' equity	101,603	82,414	-18.9%
ROA	0.19%	0.30%	-
ROE	3.47%	6.33%	-
Earnings per share	0.28	0.65	132.1%

Net Income – 2011

NT\$bn



Comments

- SKFH's 2011 after-tax profit improved to NT\$5.49bn, up 145.7% YoY
- SKL's cumulative after-tax profit was NT\$2.48bn, NT\$2.31bn higher YoY
- SKB's 2011 profit was NT\$3.14bn, 56.5% higher YoY driven by strong loan growth and solid asset quality

Net Income – 2011

Net income contribution

NT\$bn

Subsidiaries	Q3 2011	Q4 2011	2010	2011
Shin Kong Life	3.36	-0.77	0.17	2.48
Shin Kong Bank	0.93	0.18	2.01	3.14
Shin Kong Securities	0.00	0.00	0.07	0.00
Shin Kong Investment Trust	0.01	0.01	0.03	0.03
Shin Kong Insurance Brokers	0.02	0.01	0.07	0.07
Shin Kong Capital Venture Int'l	-	-0.01	-	-0.01
Others ⁽¹⁾	-0.10	-0.05	-0.11	-0.22
Net income	4.22	-0.63	2.24	5.49

Note:

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

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SKL – 2011 Overview

- Despite volatile global FX and equity markets, 2011 after tax profit from SKL was NT\$2.48bn driven by properly managed hedging strategies (hedging costs were only 1.21% in 2011) and higher domestic cash dividend income of NT\$6.11bn. ROE was 4.40%.
- FYP was NT\$76.56bn, down 8.0% YoY (industry total decreased 14.4% YoY). Market share was 7.7%.
- Traditional and investment-linked products contributed most significant shares (49.3% and 20.7% respectively) of FYP.
- Long-term profit generation is the main strategy in product sales. FYP of traditional products and health insurance policies were 67.7% and 10.9% higher than 2010 respectively, with FYP from traditional regular premium products 25.1% higher YoY.
- 13-month persistency was 86.8% and 25-month persistency was 87.7%.
- Investment return was 4.28% in 2011.
- Investment incomes of NT\$2.46bn from Song Jiang REAT and NT\$7.34bn from Tun Nan REAT expected to be recognized in Q1 and Q2 2012 respectively.

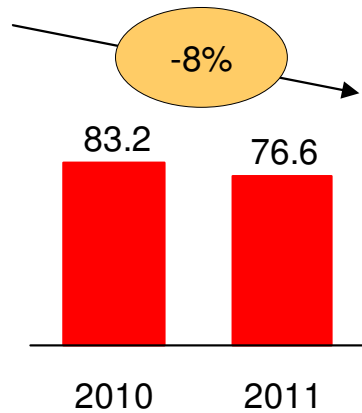
Financial Highlights – 2011

	2010	2011	YoY Growth
NT\$mn, %			
First year premium	83,171	76,562	-8.0%
Total premium	190,929	178,561	-6.5%
Investment income	58,174	60,305	3.7%
Net income	166	2,475	1,388.8%
Total assets	1,537,518	1,551,850	0.9%
Total shareholders' equity	66,546	45,696	-31.3%
ROE	0.25%	4.40%	
ROA	0.01%	0.16%	

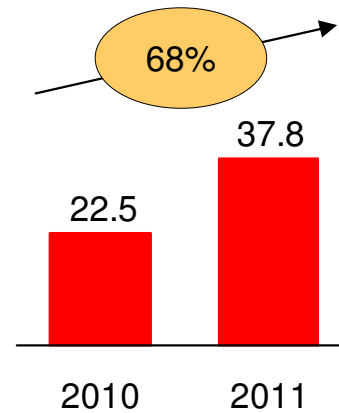
First Year Premium – 2011

NT\$bn

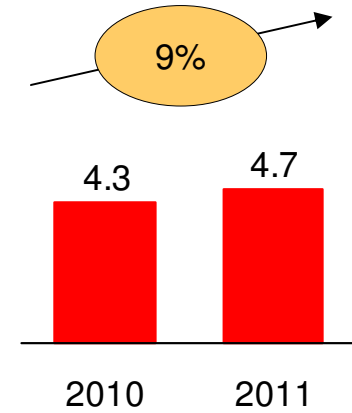
Market share 7.7%



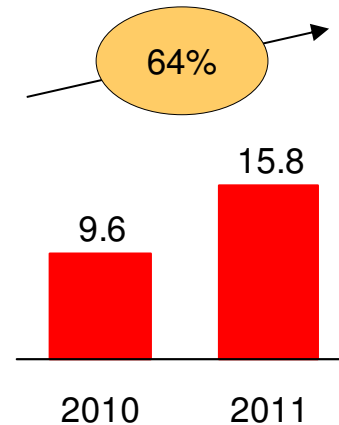
Traditional



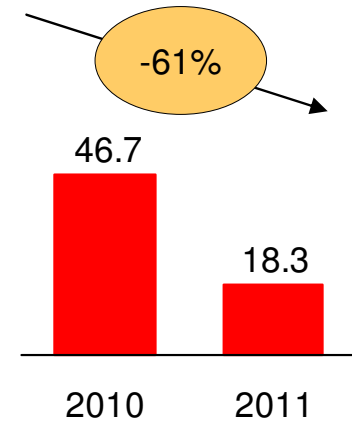
PA, Health and Group



Investment-linked



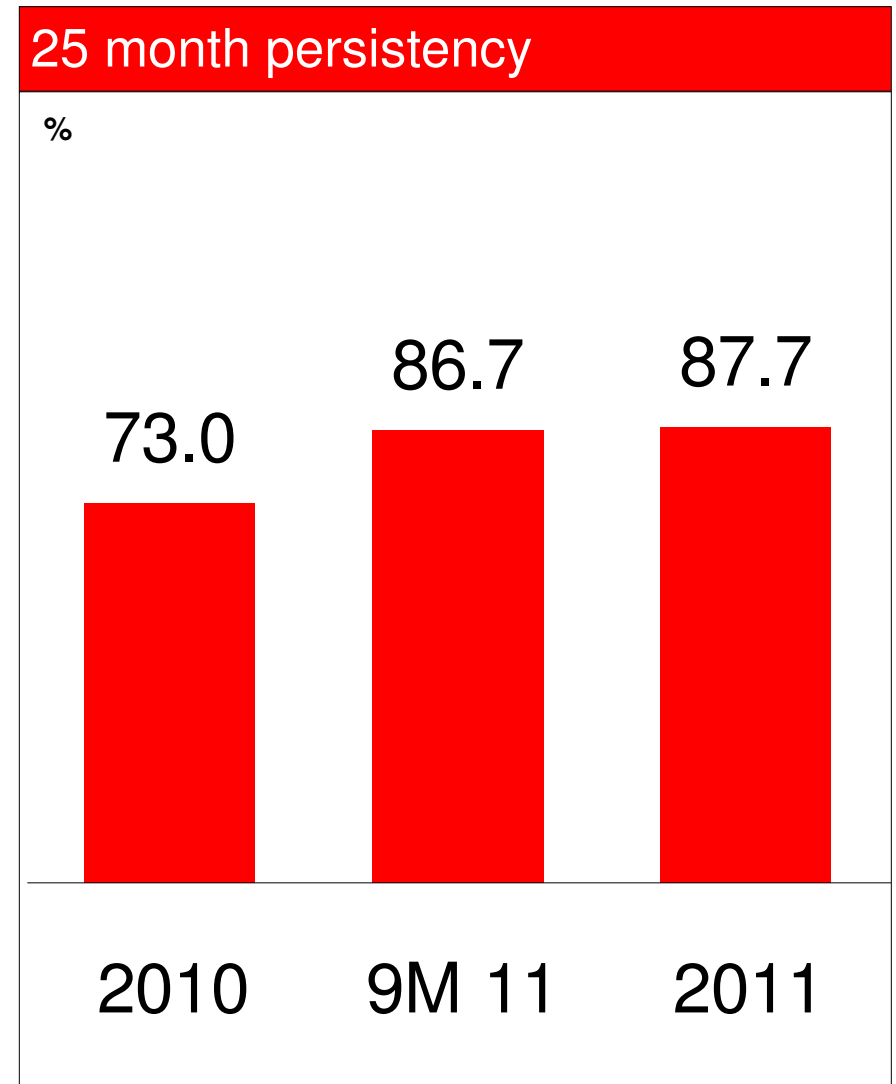
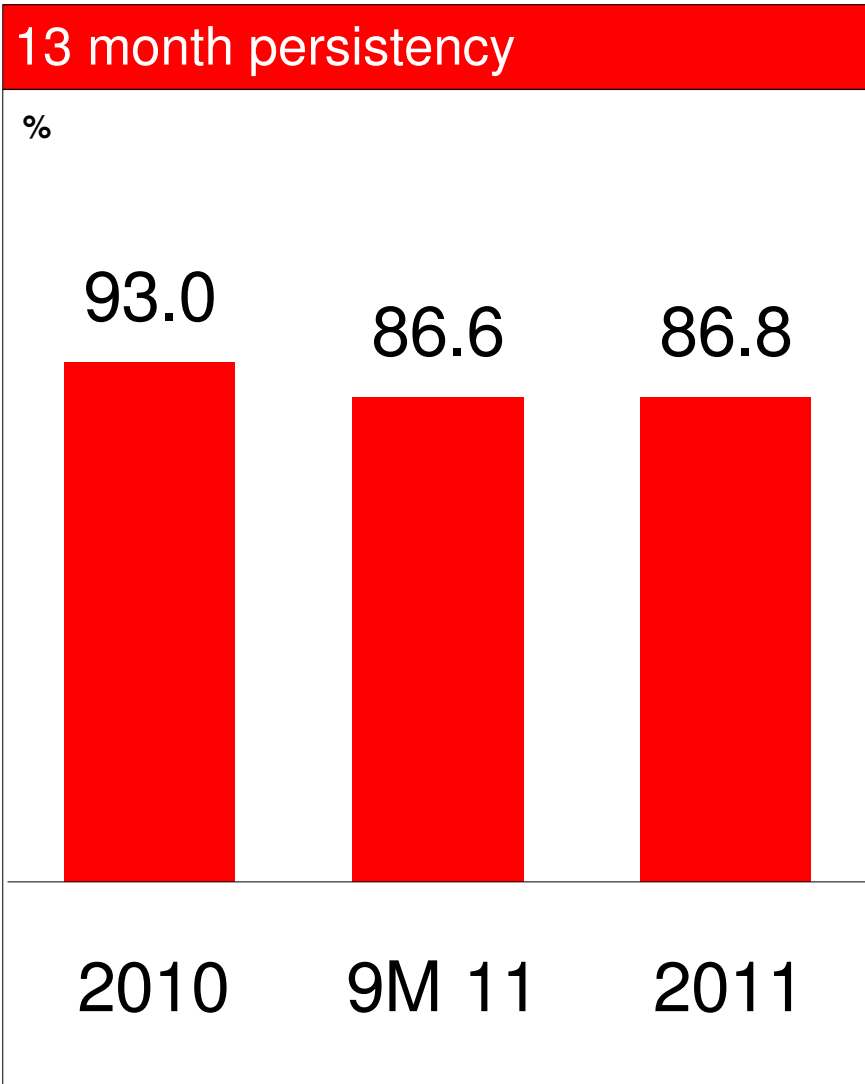
Interest-sensitive



Comments

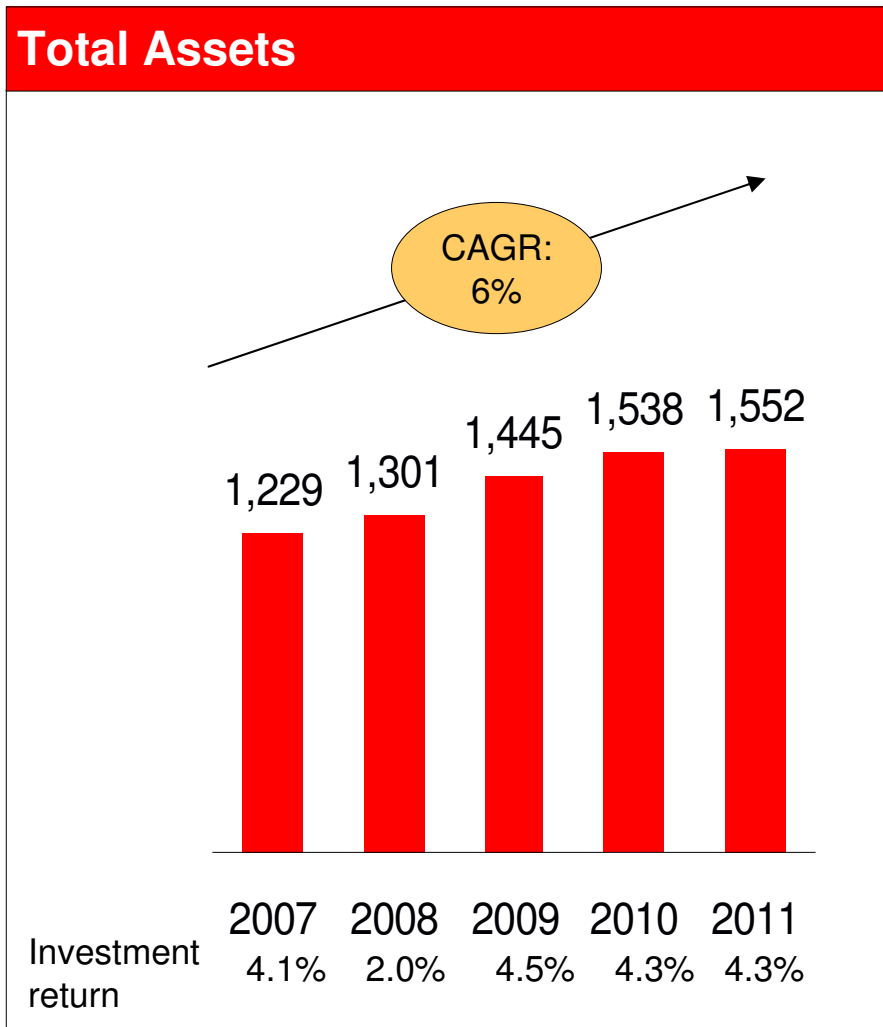
- FYP decreased 8% YoY (industry total decreased 14% YoY)
- Traditional and investment-linked products contributed most significant shares (49% and 21% respectively) of FYP
- Long-term profit generation is the main strategy in product sales. FYP of traditional products and health insurance policies were 68% and 11% higher than 2010 respectively, with FYP from traditional regular premium products 25% higher YoY.
- Market demand on interest-sensitive products fell due to regulation changes

Persistence Ratio



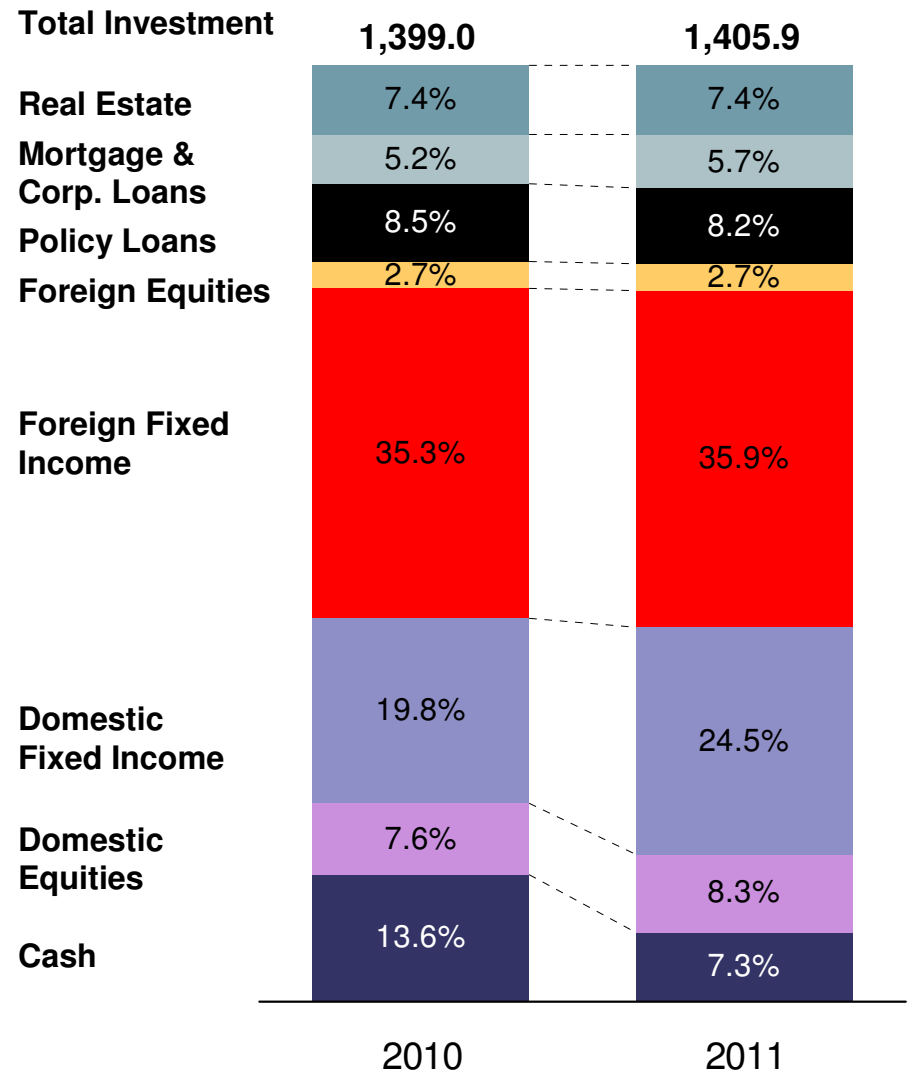
Investment Portfolio

NT\$bn

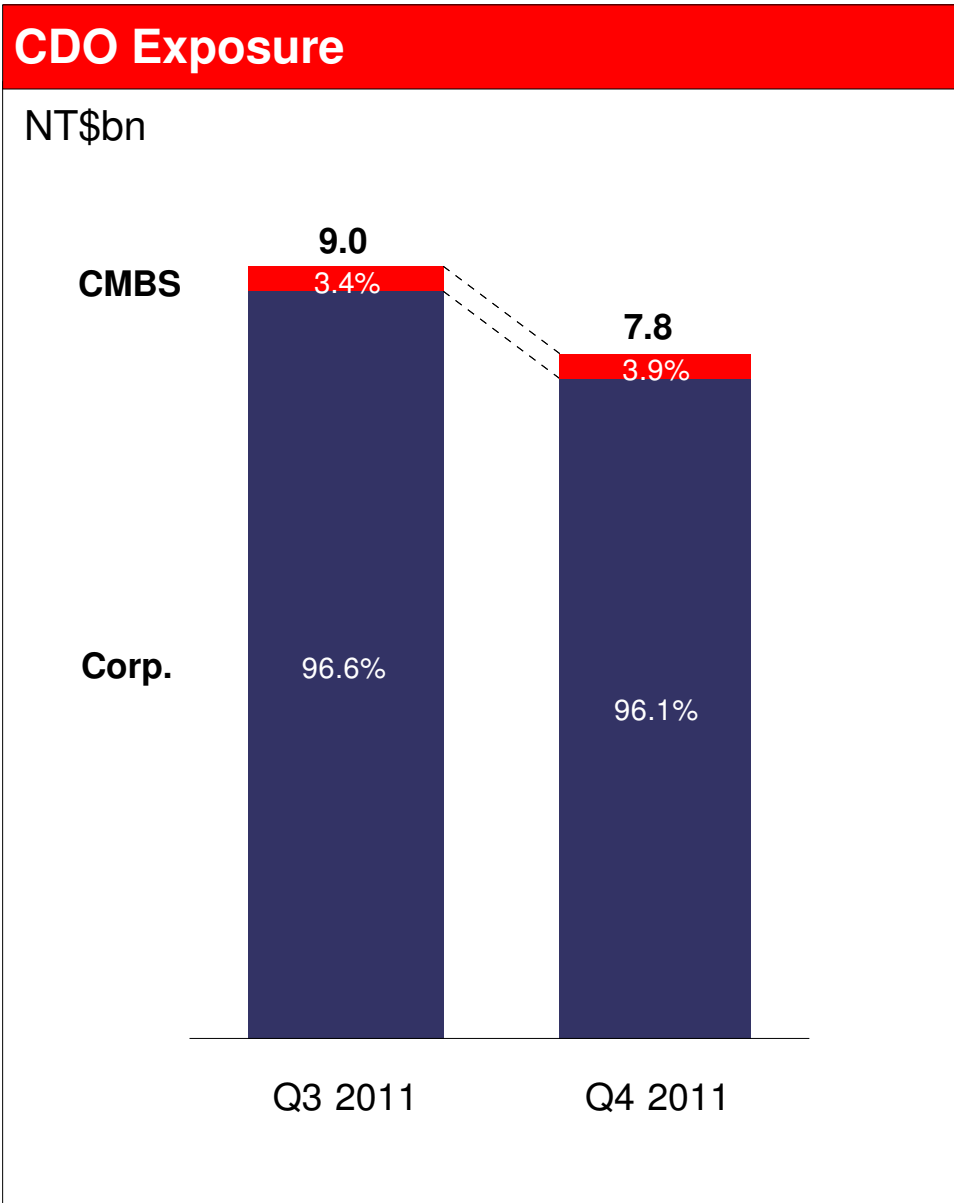


Note:

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



CDO Exposure

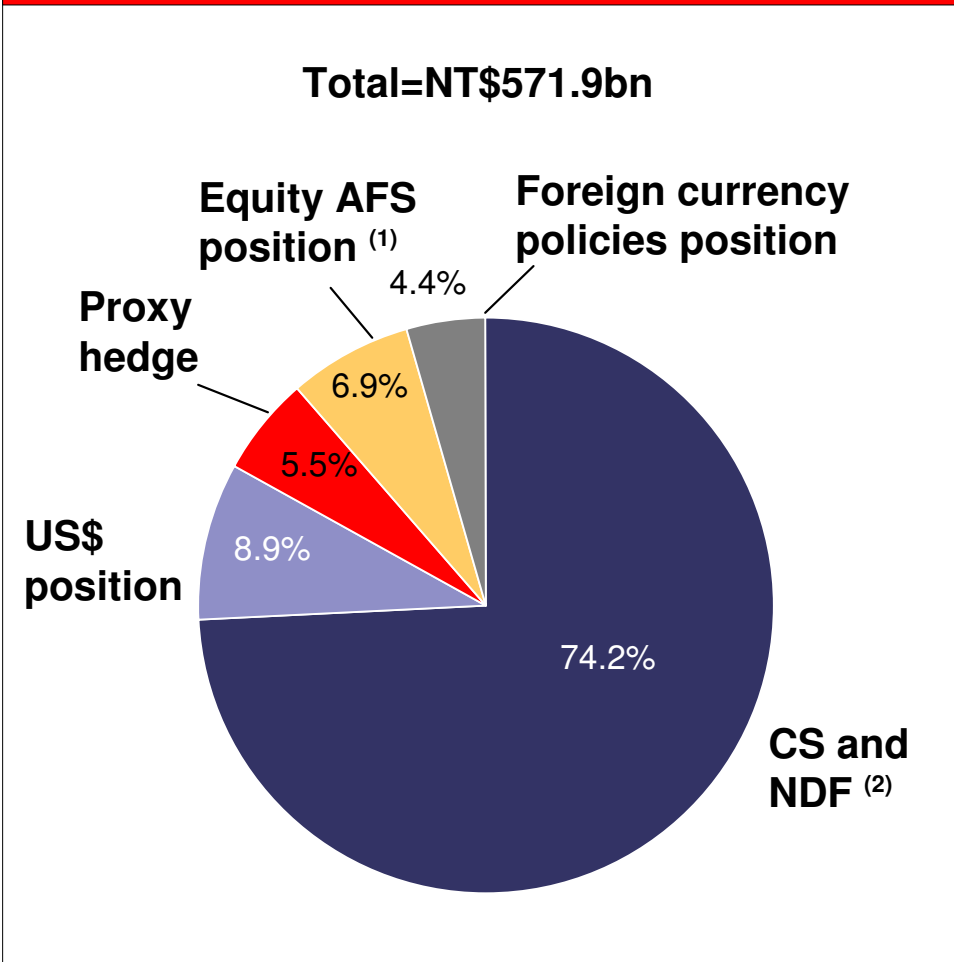


Comments

- Overall exposure was NT\$7.82bn
- 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)
- SKL has no ABS CDO exposure

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Hedging costs were only 1.21% in 2011
- Share of traditional hedges controlled within the original target range of 70%~90%. After implementation of FX reserve on March 1, 2012, medium/long term target range will be 65%~90% under stringent risk management mechanism
- Proxy hedging accounted for 5.5%
- Available for sale position in foreign equities accounted for 6.9% 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%. Plan to apply for raising the upper limit of overseas investment to 45%

Well-diversified Portfolio

- Diversification by asset class (equity, credit, currency, commodity, real estate)
- Diversification by strategy for uncorrelated sources of alpha

Cost-effective Currency Hedging

- The original target share of traditional hedges was at 70%~90%. After implementation of FX reserve on March 1, 2012, medium/long term target range will be 65%~90% under stringent risk management mechanism
- Target hedging cost at 150 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 risk management system to control VaR limit, country and region risks, and concentration risks, as well as implement sensitivity analysis and stress testing

SKL – 2012 Outlook

- Focus on sales of value-oriented protection and regular premium products and increase mortality/expense gains to cumulate long-term profits.
- Continue to promote investment-linked products in unit-cost-averaging method to provide customers relatively stable returns and generate stable value of new business (VNB).
- Plan to apply for raising the upper limit of overseas investment to 45%. After implementation of FX reserve on March 1, 2012, medium/long term target range of traditional hedges will be 65%~90% under stringent risk management mechanism.
- Enhance investment risk management by utilizing the ALGO risk management system to control VaR limit, country and region risks, and concentration risks, as well as implement sensitivity analysis and stress testing.
- 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, Hainan and Shaanxi and setting up branches in other provinces in 2012.
- Target ~10% growth in value of new business (VNB) in the medium/long term.

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SKB – 2011 Overview

- After-tax profit for 2011 was NT\$3.14bn (up 56.5% YoY); net interest income was NT\$7.15bn, up 18.2% YoY; pre-provision profit was NT\$3.89bn, up 0.5% YoY.
- Loan balance increased to NT\$375.29bn (up 13.8% YoY); deposit balance increased to NT\$482.19bn (up 16.7% YoY). L/D ratio was 77.6% (incl. credit cards balance).
- NIM for 2011 was 1.55%.
- Affected by continuous volatilities in global markets, wealth management income for 2011 was NT\$785mn, declined by 10.0% YoY. SKB achieved bancassurance cross-sales of NT\$15.89bn in 2011, accounting for 45.1% of SKL bancassurance premium.
- Credit card NPL ratio decreased to 0.22%, and coverage ratio increased to 382.65%.
- NPL and coverage ratios were 0.84% and 118.56% respectively due to Prince Motors' NPL recognized in Q3 2011; however, the NT\$1.72bn loan to Prince Motors is fully collateralized with no loss expected. Excluding the loan, NPL and coverage ratios would improve to 0.39% and 259.65% respectively, indicating solid asset quality. NPL ratio for mortgages remained low at 0.26%.

SKB – 2012 Outlook

- Continue to enlarge deposits/loan scale and increase asset size to US\$20 billion (total assets were NT\$561.59bn at the end of 2011) to strengthen economy of scale and promote overseas operation.
- Increase ratio of demand deposits to optimize deposit structure and lower funding costs.
- Leverage on dedicated teams focused on Global e-Banking (GEB), factoring, syndicated loan, TMU and cash management to promote SKB as the major cash management bank for corporate customers and increase fee incomes and demand deposits.
- Focus on high yield products to meet customer needs. Integrate corporate banking business to develop corporate wealth management clients.
- Increase number of active cards and enlarge market share in credit card business.
- Strictly control asset quality and recover non-performing loans to lower NPL and increase coverage ratio.
- Increase number of full-function branches to enhance productivity and profitability of distribution channels.
- Hong Kong Branch will develop TMU, e-Banking and wealth management business and coordinate with OBU and Shin Kong Leasing in Suzhou China to better serve Taiwanese enterprises operating in China.

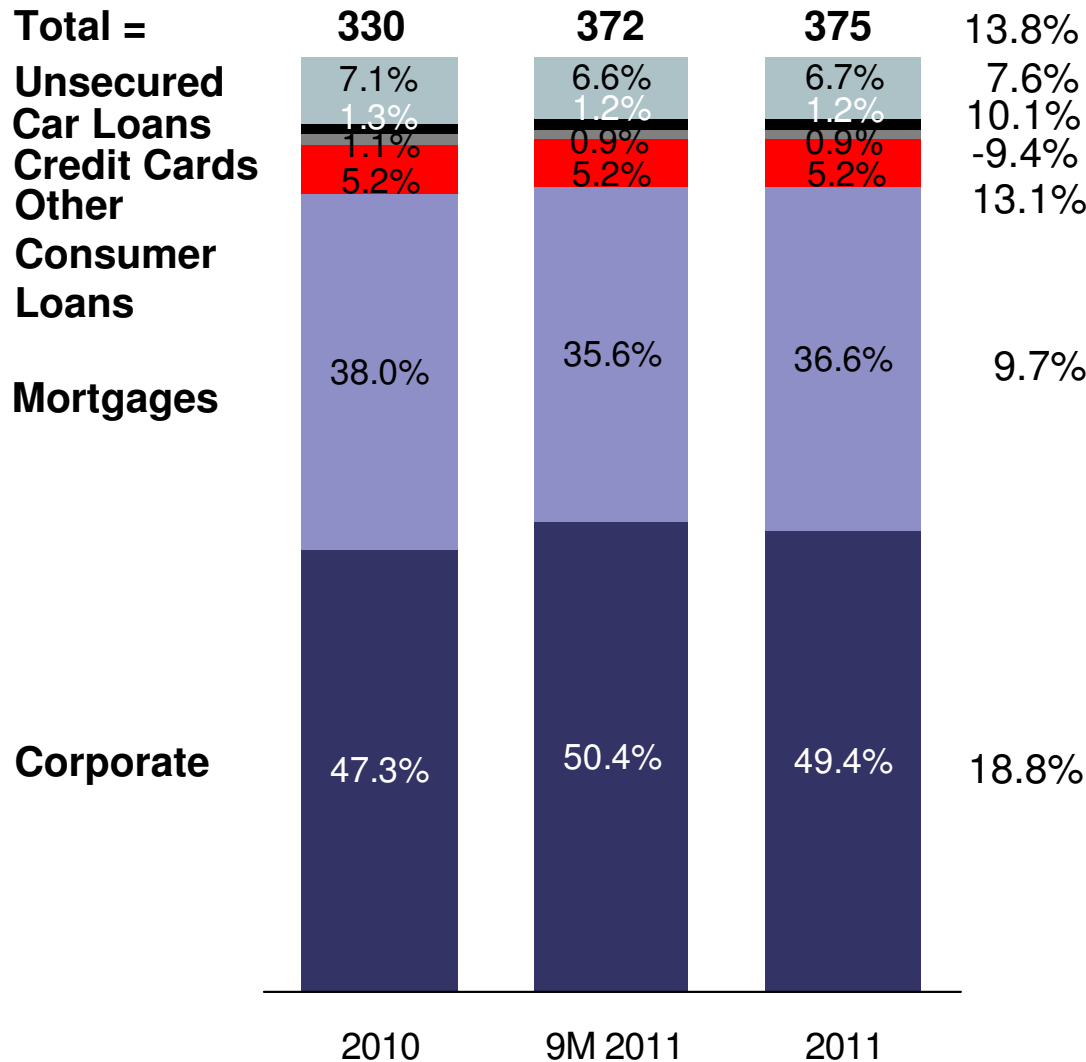
Net Income – 2011

	2010	2011	YoY Growth
NT\$m, %			
Net interest income	6,054	7,153	18.2%
Net fee income	1,905	1,648	-13.5%
Other income	942	732	-22.2%
Operating expense	-5,035	-5,648	12.2%
Pre-provision operating income	3,865	3,885	0.5%
Provision expense	-1,727	-523	-69.7%
Income tax benefit (expense)	-133	-224	68.1%
Net Income	2,005	3,138	56.5%

Loan Mix

NT\$bn

YoY Growth



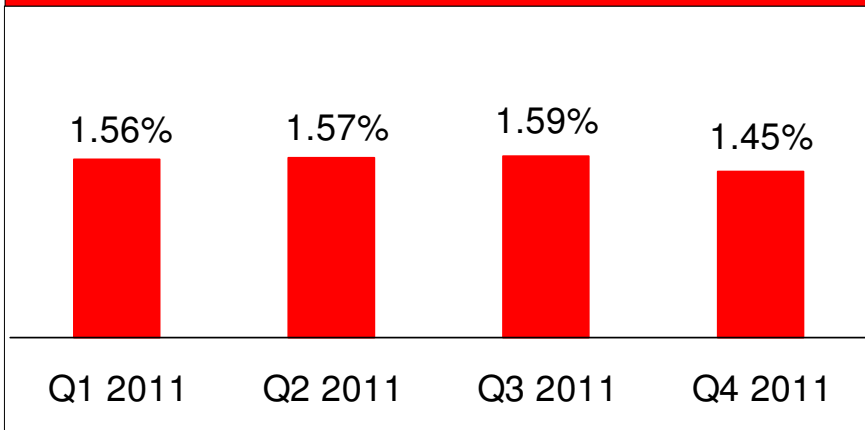
Comments

- Loan balance increased to NT\$375.29bn (up 13.8% YoY)
- Mortgages achieved stable growth under stringent credit policies; NPL ratio for mortgages was low at 0.26%
- L/D ratio was 77.6% (incl. credit cards balance)

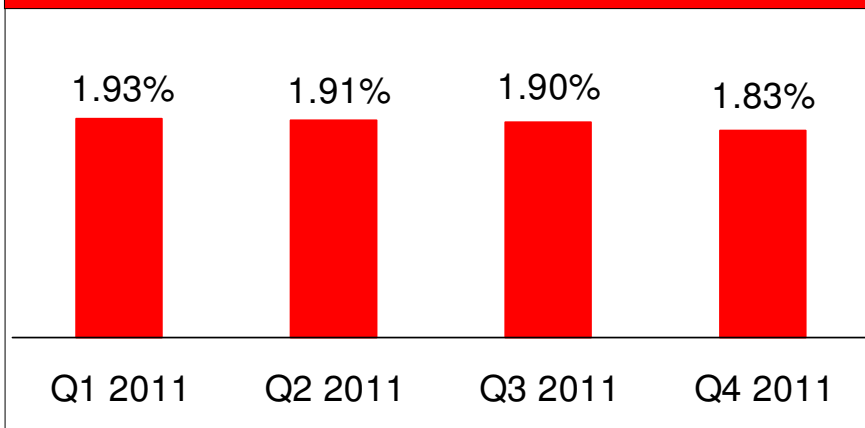
Note: Due to rounding, loan mix may not add up to 100%

Interest Income

Net Interest Margin



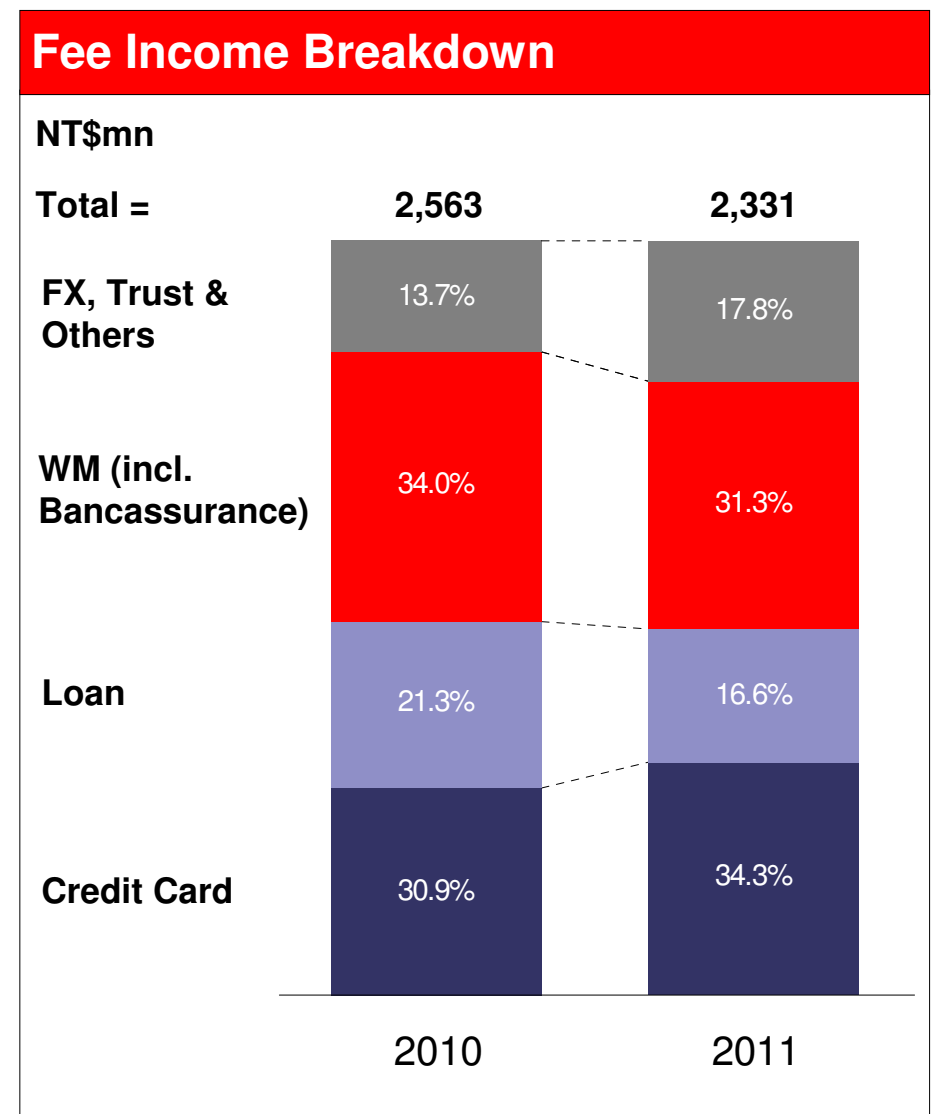
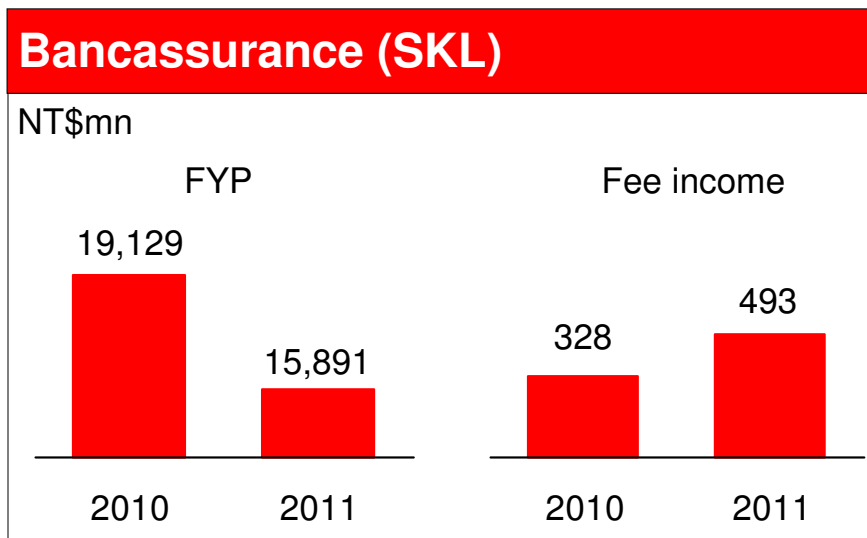
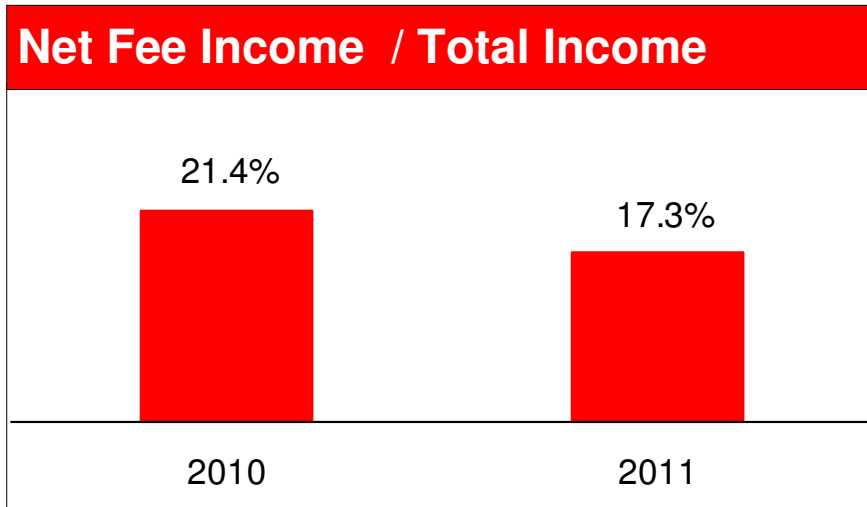
Net Interest Spread



Comments

- NIM for Q4 2011 was 1.45%
- In order to expand scale, SKB increased deposits in Q4 which resulted in a decline in NIM
- 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

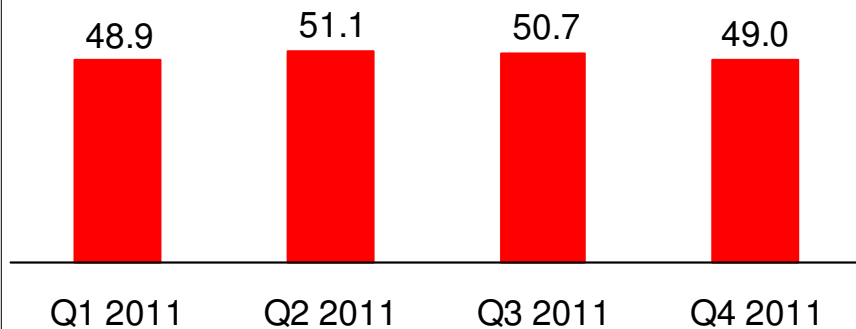


Note: Due to rounding, fee income breakdown may not add up to 100%

Wealth Management

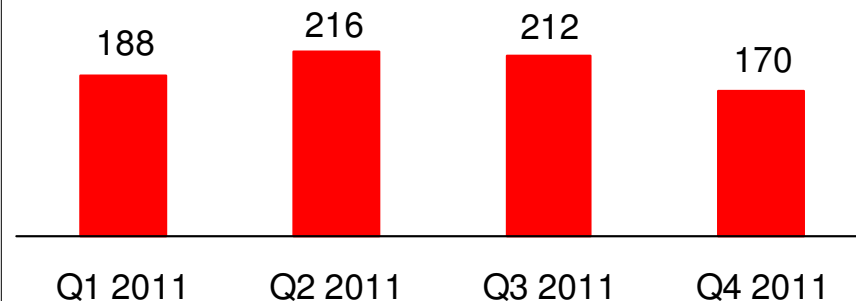
AUM

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

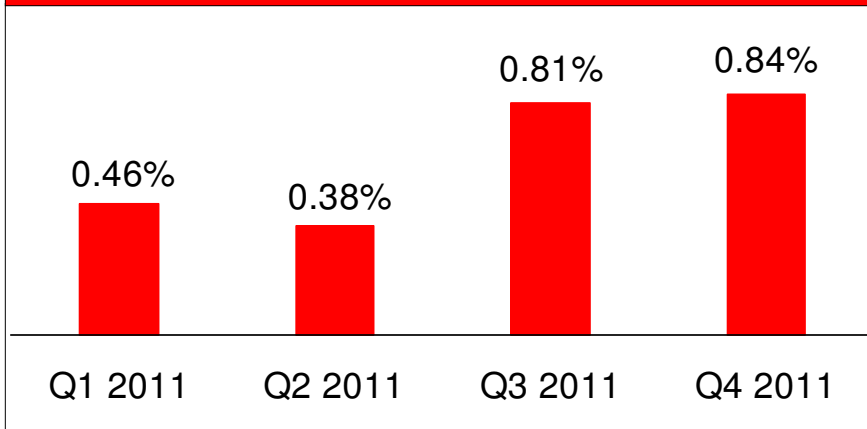
Wealth Management Center



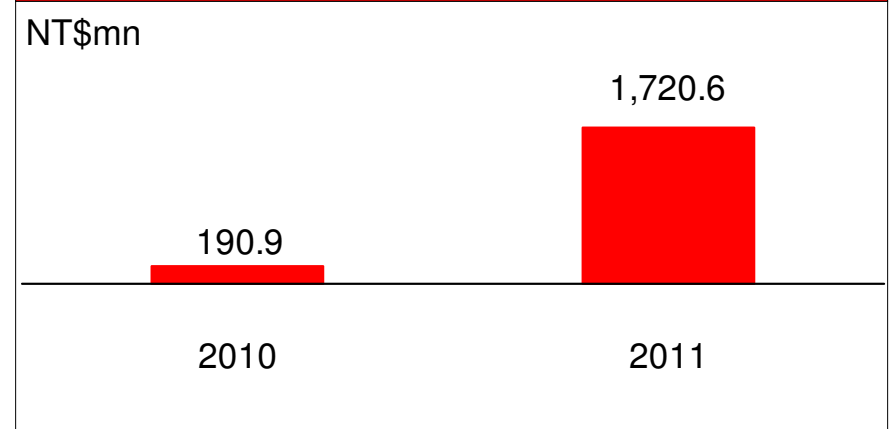
- Affected by continuous volatilities in global markets, wealth management income for 2011 was NT\$785mn, declined by 10.0% YoY
- Fee income from wealth management accounted for 31.3% of total fee income
- Sales focuses were on mutual funds, insurance, and foreign securities in 2011. As global markets gradually recover, sales of mutual funds and insurance are expected to grow in 2012

Asset Quality

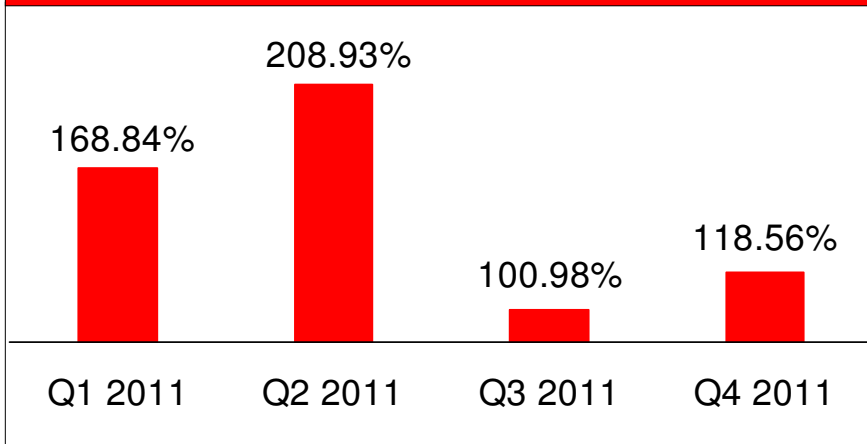
NPL Ratio



New NPL Generation



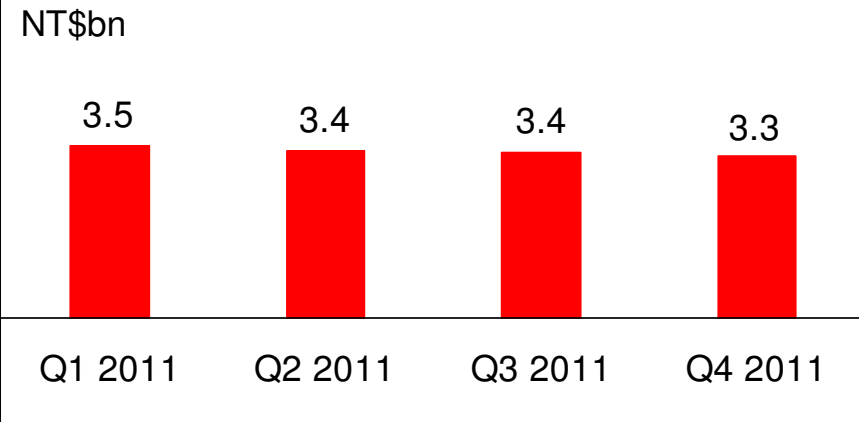
Coverage Ratio



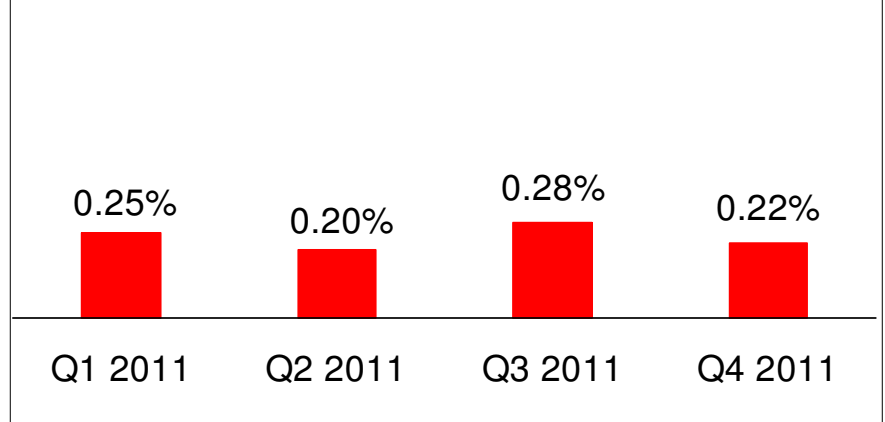
- NPL and coverage ratios were 0.84% and 118.56% respectively due to Prince Motors' NPL recognized in Q3 2011
 - The NT\$1.72bn loan to Prince Motors is fully collateralized with no loss expected
 - Excluding the loan, NPL and coverage ratios would improve to 0.39% and 259.65% respectively, indicating solid asset quality
- New NPL generated in 2011 were NT\$1.72bn but would be only NT\$1.62mn excluding exposure to Prince Motors
- NPL ratio for mortgages was low at 0.26%

Credit Cards Metrics

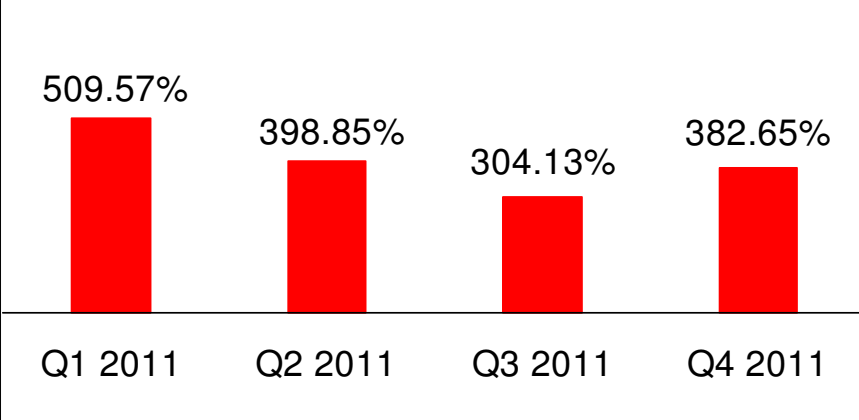
Revolving Balance



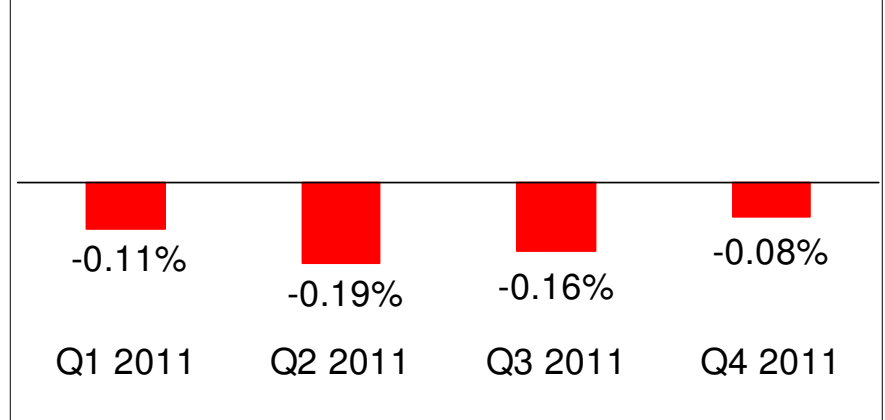
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

(1) Actual reserves / NPL

(2) Unannualized numbers

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SP / RP Breakdown

NT\$bn

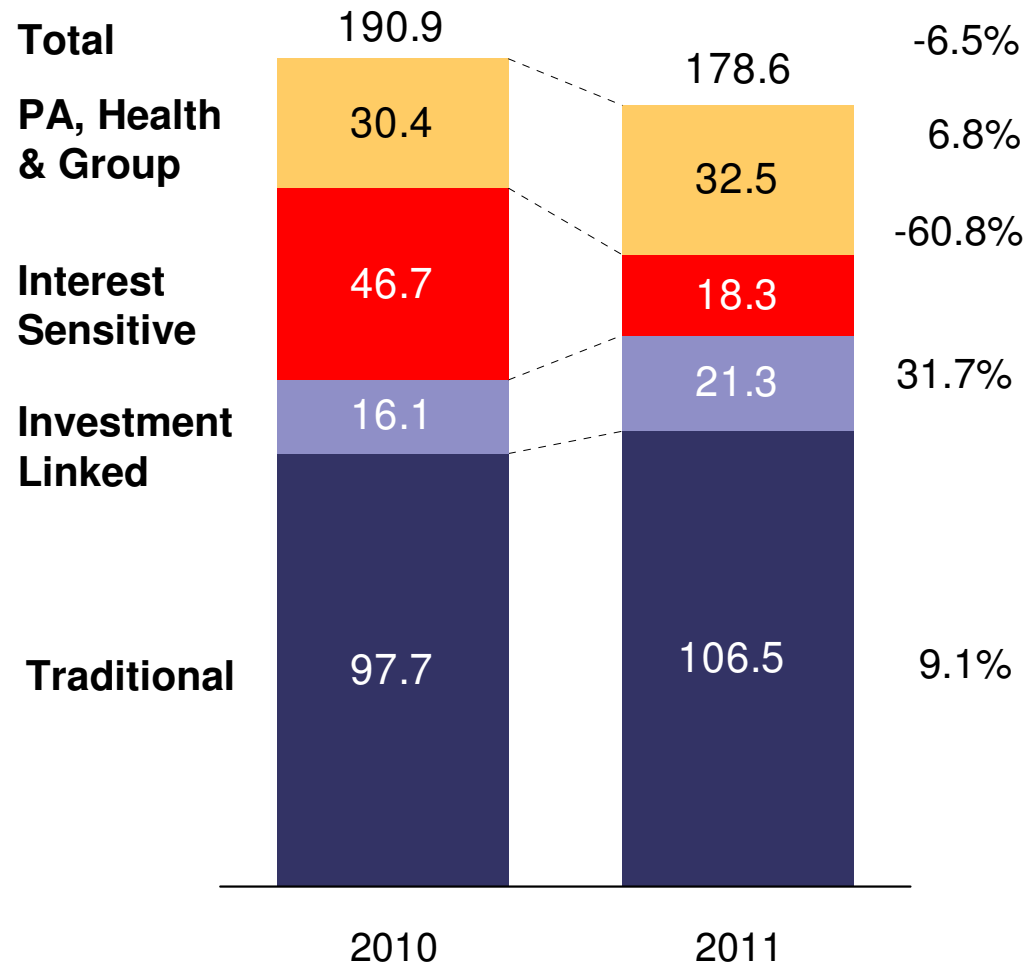
2011 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	26.34	11.44		37.78
Investment-linked				
VUL			1.23	1.23
Structured note	14.58			14.58
Interest Sensitive				
Annuity	16.99		0.05	17.04
Life			1.27	1.27
PA, health and others		4.67		4.67
Total	57.91	16.10	2.55	76.56
Share	75.6%	21.0%	3.4%	100%

Total Premium – 2011

NT\$bn

Market Share = 8.1%

Growth



Comments

- Total premium went down 6.5% 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 2010

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Shin Kong Financial HoldingFinancial Summary
(NT\$mn)

			2011/2010			Q4 11/Q4 10
Income Statement Data	2010	2011	% change	Q4 2010	Q4 2011	% change
Net interest income	(157)	(164)	4.5%	(41)	(43)	4.9%
Income from subsidiaries						
Shin Kong Life	166	2,475	1391.0%	289	(766)	-365.1%
Shin Kong Bank	2,005	3,138	56.5%	586	177	-69.8%
Shin Kong Securities	68	0		1	0	
MasterLink Securities	360	140	-61.1%	88	4	-95.5%
Shin Kong Insurance Brokers	66	67	1.5%	16	13	-18.8%
Shin Kong Investment Trust	34	27	-20.6%	8	10	25.0%
Shin Kong Capital Venture International	-	(8)		-	(8)	
Total income from subsidiaries	2,699	5,839	116.3%	988	(570)	-157.7%
Other income	(59)	11	-118.6%	6	0	
Administrative and general expenses	(241)	(228)	-5.4%	(86)	(62)	-27.9%
Income tax benefit (expense)	(6)	35	-683.3%	55	41	-25.5%
Cumulative effect of changes in accounting principle	0	0		0	0	
Net income	2,236	5,493	145.7%	922	(634)	-168.8%

			2011/2010			Q4 11/Q4 10
Balance Sheet Data	2010	2011	% change	Q4 2010	Q4 2011	% change
Long term investment	97,615	81,633	-16.4%	97,615	81,633	-16.4%
Total assets	2,064,161	2,137,901	3.6%	2,064,161	2,137,901	3.6%
Total shareholders' equity	101,603	82,414	-18.9%	101,603	82,414	-18.9%

Note: Preliminary numbers have not been audited by the auditors

Shin Kong Life

Financial Summary

(NT\$m)

Income Statement Data	2010	2011	2011/2010		Q4 11/Q4 10	
			% change	Q4 2010	Q4 2011	% change
Premium income	176,739	159,030	-10.0%	39,224	46,254	17.9%
Investment income						
Interest income	42,837	43,113	0.6%	10,169	11,236	10.5%
Gains on investments in securities	20,309	17,981	-11.5%	8,776	2,266	-74.2%
Gains on real estate investments	8,692	6,212	-28.5%	1,539	3,319	115.7%
FX	(13,563)	(6,717)	-50.5%	(5,530)	(2,739)	-50.5%
FX gain or loss	(42,409)	15,197	-135.8%	(32,350)	(3,908)	-87.9%
Hedging	28,845	(21,914)	-176.0%	26,820	1,169	-95.6%
Impairment loss	(100)	(283)	182.2%	0	0	0.0%
Total Investment income	58,174	60,305	3.7%	14,954	14,082	-5.8%
Other operating income	1,255	1,093	-12.9%	287	140	-51.3%
Provision for reserves						
Provisions	(209,781)	(192,649)	-8.2%	(53,488)	(60,669)	13.4%
Recoveries	115,814	164,694	42.2%	39,127	40,337	3.1%
Total provisions for reserves, net	(93,967)	(27,956)	-70.2%	(14,361)	(20,332)	41.6%
Insurance payments	(124,538)	(172,232)	38.3%	(35,579)	(36,031)	1.3%
Commission expense	(4,468)	(5,053)	13.1%	(1,278)	(1,695)	32.6%
Separate account revenue	63,536	65,912	3.7%	21,289	11,698	-45.1%
Separate account expenses	(63,536)	(65,912)	3.7%	(21,289)	(11,698)	-45.1%
General and administrative expenses	(12,430)	(12,416)	-0.1%	(3,471)	(3,513)	1.2%
Other operating costs and expenses	(340)	(501)	47.4%	(101)	(53)	-47.9%
Operating income	424	2,271	435.2%	(324)	(1,148)	253.8%
Non-operating income and expenses	288	574	99.6%	93	213	128.3%
Income taxes	(546)	(370)	-32.1%	520	168	-67.6%
Cumulative effect of changes in accounting principles	0	0		0	0	
Net income	166	2,475	1388.8%	289	(767)	-365.5%

Balance Sheet Data	2010	2011	2011/2010		Q4 11/Q4 10	
			% change	Q4 2010	Q4 2011	% change
Total assets	1,537,518	1,551,850	0.9%	1,537,518	1,551,850	0.9%
Total shareholders' equity	66,546	45,696	-31.3%	66,546	45,696	-31.3%

Note: Preliminary numbers have not been audited by the auditors

Shin Kong BankFinancial Summary
(NT\$m)

Income Statement Data	2010	2011	2011/2010 % change	Q4 2010	Q4 2011	Q4 11/Q4 10 % change
Interest income	8,626	10,937	26.8%	2,312	2,910	25.8%
Interest expense	(2,573)	(3,783)	47.1%	(740)	(1,115)	50.7%
Net interest income	6,054	7,153	18.2%	1,572	1,794	14.1%
Fee income	2,563	2,331	-9.0%	672	582	-13.3%
Fee expense	(658)	(683)	3.8%	(186)	(175)	-6.0%
Net fee income	1,905	1,648	-13.5%	486	408	-16.1%
Gains on bill & securities	727	27	-96.4%	183	49	-73.1%
Gains recognized under equity method, net	137	112	-17.6%	55	50	-9.3%
Gains on foreign exchange, net	(213)	507	-337.8%	(162)	32	-119.5%
Other gains or losses, net	291	86	-70.4%	131	26	-80.3%
Operating expense	(5,035)	(5,648)	12.2%	(1,331)	(1,505)	13.1%
Pre-provision income or loss	3,865	3,885	0.5%	934	854	-8.5%
Provision expense	(1,727)	(523)	-69.7%	(302)	(653)	116.4%
Income tax (expense) benefit	(133)	(224)	68.1%	(46)	(24)	-47.0%
Net income	2,005	3,138	56.5%	586	177	-69.8%

Balance Sheet Data	2010	2011	2011/2010 % change	Q4 2010	Q4 2011	Q4 11/Q4 10 % change
Total assets	470,046	561,593	19.5%	470,046	561,593	19.5%
Total shareholders' equity	24,514	27,564	12.4%	24,514	27,564	12.4%
Total loans, net ⁽¹⁾	324,780	371,035	14.2%	324,780	371,035	14.2%
Total deposits	413,113	482,186	16.7%	413,113	482,186	16.7%

Operating Metrics	2010	2011	Q4 2010	Q4 2011
Fee income ratio	21.4%	17.3%	21.5%	17.3%
Cost income ratio	56.6%	59.2%	58.8%	63.8%
Loan/deposit ratio (excl. credit card)	78.6%	76.9%	78.6%	76.9%
Loan/deposit ratio (incl. credit card)	79.5%	77.6%	79.5%	77.6%
Net interest margin	1.58%	1.55%	1.54%	1.45%
Net interest spread	1.95%	1.89%	1.97%	1.83%
Pre-provision earnings/assets	0.87%	0.75%	0.21%	0.17%
Pre-provision earnings/equity	16.53%	14.92%	3.99%	3.28%

Note:

(1) Exclude credit cards but include overdue receivables

(2) Preliminary numbers have not been audited by the auditors