

Confidential



Shin Kong Financial Holding

Merrill Lynch 9th Financial Investor Forum

Merrill Lynch Taiwan Financial Corporate Day

October 31 – November 3, 2006

Disclaimer

This presentation and the presentation materials distributed herewith include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Shin Kong Financial Holding Company (“Shin Kong FHC”) expect or anticipate will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. Shin Kong FHC’s actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market shares, competition, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, cost estimates and other risks and factors beyond our control. In addition, Shin Kong FHC makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

Agenda

I. About SKFH

II. Life Insurance Business

III. Banking Business

IV. Appendix

- Bank Financial Summary
- SKL EV & AV Result

Who We Are

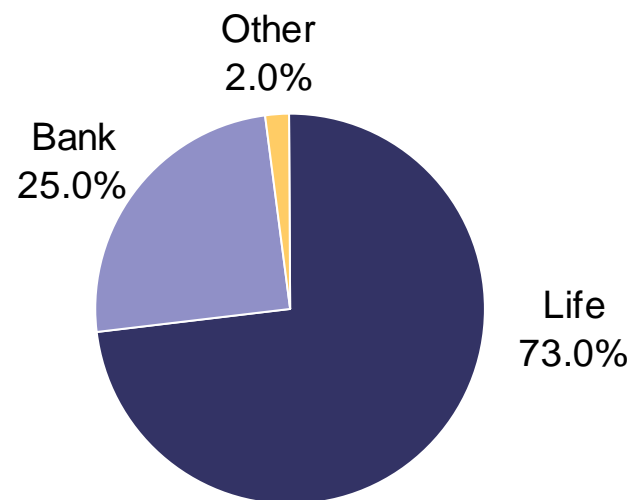
- Major financial holding company in Taiwan
 - Five subsidiaries including life insurance, bank, securities, asset management, and insurance brokerage
 - 3rd largest life insurer with 11% market share
 - 10th largest private bank with 108 branches
- One of the few FHCs in Taiwan with significant presence in both insurance and banking

Financial Overview

NT\$ Bn	2003 ⁽¹⁾	2004	2005
Total Assets	721	931	1,331
Shareholders' Equity	27	47	68
Market Value	52	91	104
Net Income	5	6	7
ROAA	0.8%	0.7%	0.6%
ROAE	23.3%	16.6%	11.5%
Foreign Ownership	2.6%	8.5%	22.9%

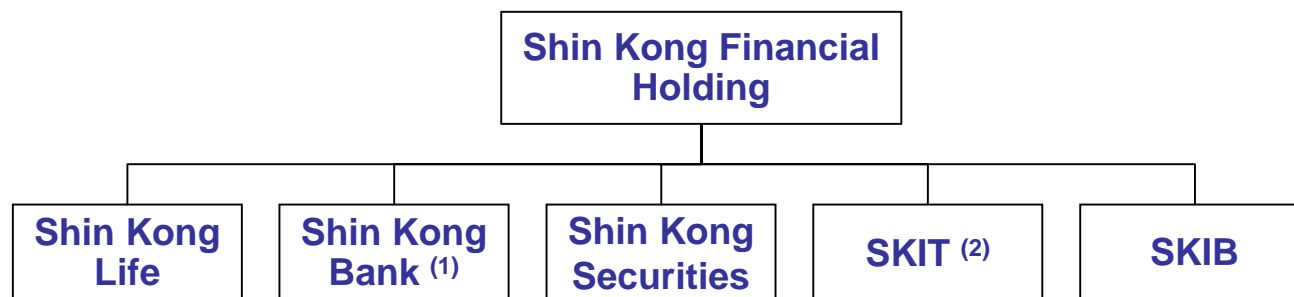
Note:
(1) Restated in 2004

2005 Asset Mix



Corporate Structure

Unique Integrated Financial Services Platform



	Shin Kong Life	Shin Kong Bank (1)	Shin Kong Securities	SKIT (2)	SKIB
Date of Incorporation	7/1963	1/1997	12/2001	9/1992	3/2003
Assets (NT\$Bn)	967.6	338.5	9.5	0.1	0.06
% of Group Assets	73%	25%	0.7%	< 0.1%	< 0.1%
Earnings (NT\$MM)	7,363	(259)	149	N/A	29
Branches/Offices	358	108	5	2	1
Market Share	10.9%	1.5%	0.3%	2.4%	-

Note:

(1) Completed integration of Macoto Bank on December 31, 2005

(2) Shin Kong Investment Trust (SKIT) incorporated into the FHC on July 18, 2006; therefore, 2005 earnings are not included in group profits. New Light Asset Management (SKFH's existing asset management platform) was merged with SKIT on October 9, 2006

Seasoned Management Team



Cheng, Frank
President

- President, Shin Kong Financial Holding
- Vice Chairman, Shin Kong Bank

Experiences:

- President, Shin Kong Life
- SEVP, Shin Kong Life
- Chairman, Life Insurance Association of R.O.C.



Hsu, Victor
CFO

- CFO & Spokesperson, Shin Kong Financial Holding
- CFO & SEVP, Shin Kong Life
- Appointed Actuary, Shin Kong Life

Membership & others:

- Director, Life Insurance Association of R.O.C.
- Member, Financial Holding Business Committee



Pan, Po Tseng
President
Shin Kong Life

- President, Shin Kong Life

Experiences:

- SEVP, Shin Kong Life

Membership & others:

- Director, Life Insurance Association of R.O.C.
- Director, Insurance Society of R.O.C.
- Director, Institute for Life Insurance Safety Fund



Lee, Tseng Chang
President
Shin Kong Bank

- President, Shin Kong Bank

Experiences:

- President, United Credit Commercial Bank
- President, Pin-tong First Credit Cooperative



Huang, Richard
President
Shin Kong
Investment Trust

- President, Shin Kong Investment Trust

Experiences:

- Vice President, Shin Kong Investment Trust



Lin, Shih Chi
President
Shin Kong
Securities

- President, Shin Kong Securities

Experiences:

- EVP, New Light Asset Management
- Chairman, Waterland Securities Investment Consulting Co. Ltd.

Strong Track Record of Attracting and Integrating Outside Talent



Lui, Ian
CIO
Shin Kong Life

- Chief Investment Officer, Shin Kong Life
- Experience:
- CIO and Managing Director, Allianz Asset Management Asia Pacific
 - Managing Director, Indocam Singapore



Ni, Christopher
Deputy CIO
Shin Kong Life

- Deputy Chief Investment Officer, Shin Kong Life
- Experience
- Chief Investment Officer, ING/Aetna
- Membership & others:
- Investment Committee Member, Life Insurance Association



Chen, Dennis
CIO

- Chief Information Officer, Shin Kong Financial Holding
 - Chief Information Officer, Shin Kong Life
- Experiences:
- Director, Core Banking Business, Unisys Limited
 - Director, e-Business, Electronic Data Systems



Lai, Edgar
Deputy CIO

- Deputy Chief Information Officer, Shin Kong Financial Holding
- Deputy Chief Information Officer, Shin Kong Life

Experiences:

- Delivery Manager, Professional Service at Sun Micro System
- Consulting Manager, Oracle Consulting Services
- Deputy CFO, Shin Kong Financial Holding



Yung, Winston
Deputy CFO
Shin Kong FHC

Experience:

- Associate Principal, McKinsey & Co.
- Manager, Finance and Administration, Royal Insurance (Taiwan)



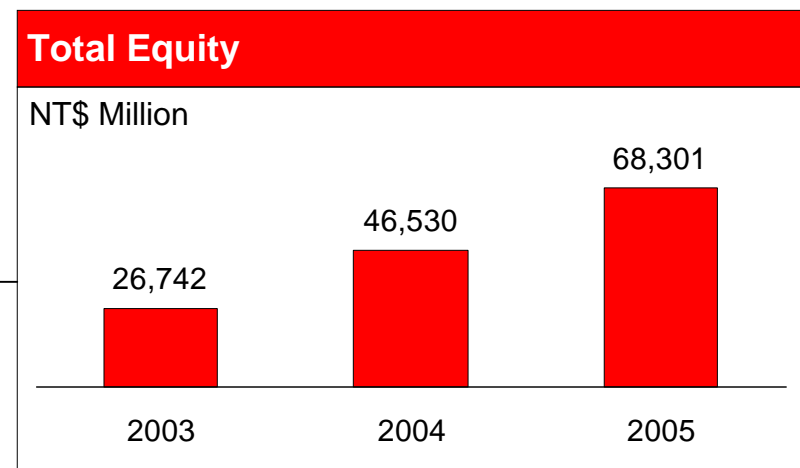
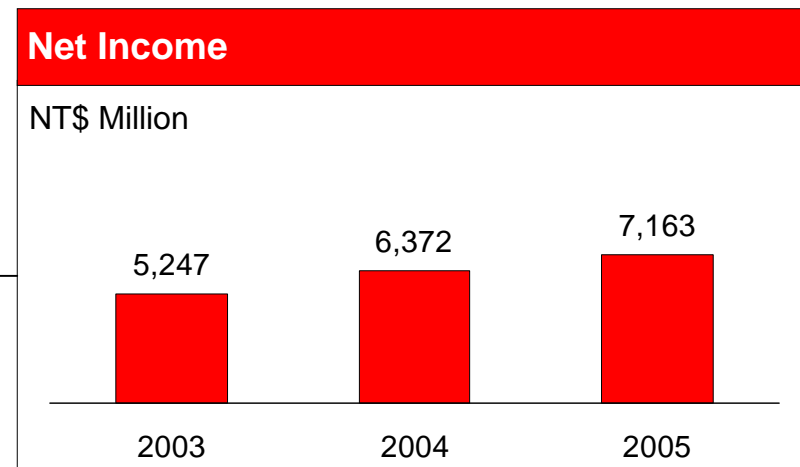
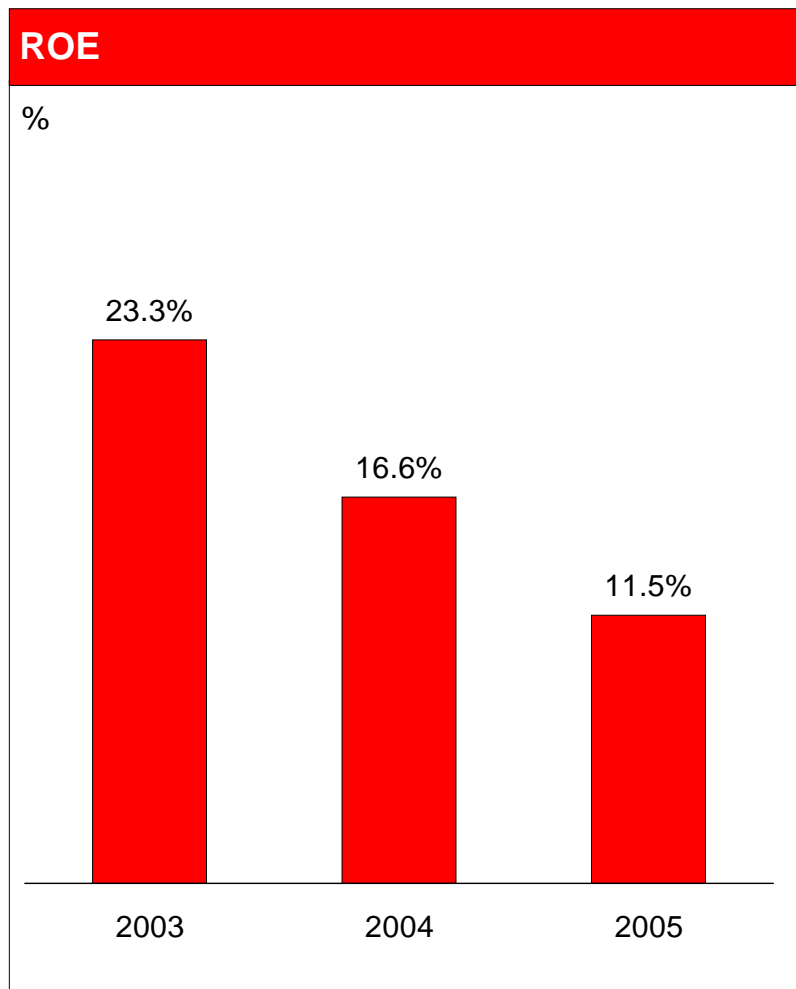
Lin, Sunny
Vice President
Shin Kong Bank

- VP, Wealth Management, Shin Kong Bank

Experiences:

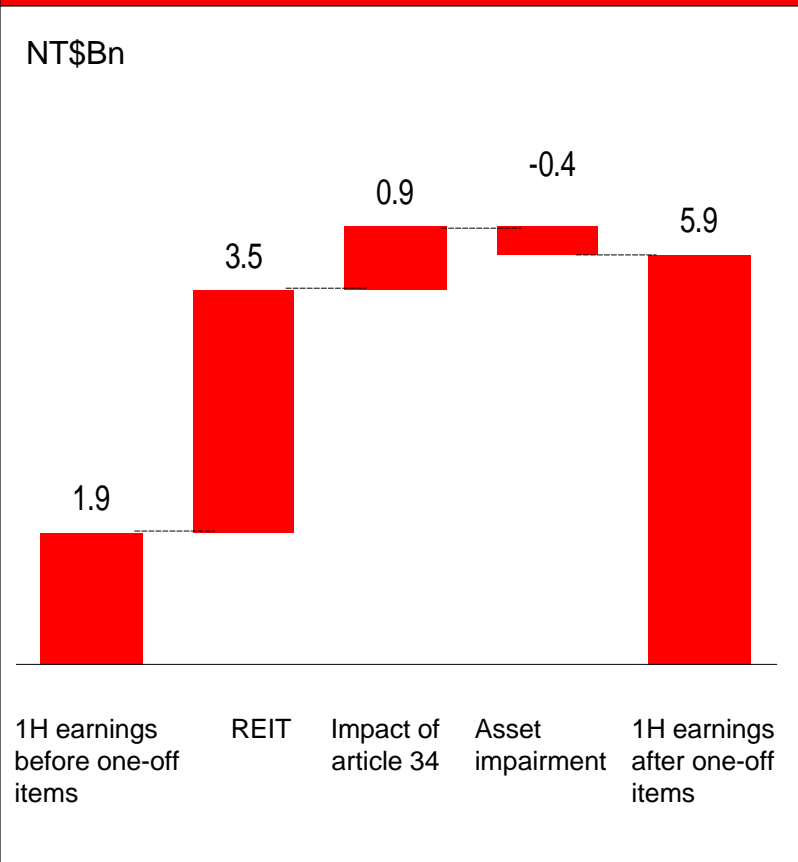
- SVP, Wealth Management, Fuhwa Bank
- AVP, Int'l Private Client Group, Merrill Lynch. (Taiwan)
- AVP, Personal Banking Center, Citibank, N.A. (Taiwan)

Profitability

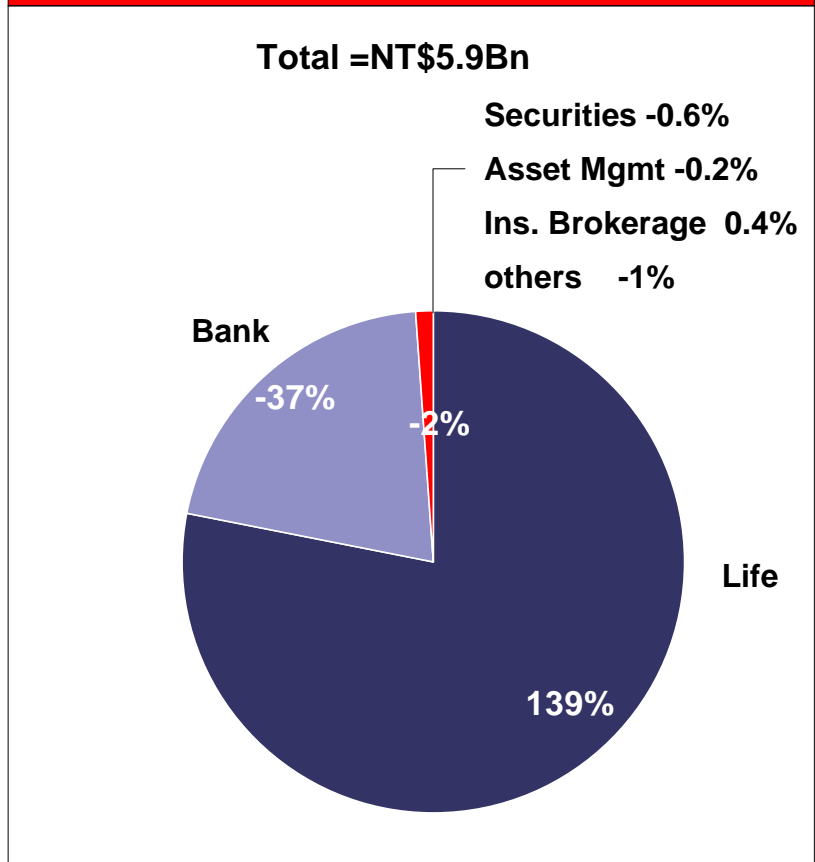


Net Income – 1H2006

Group net income



Net income contribution



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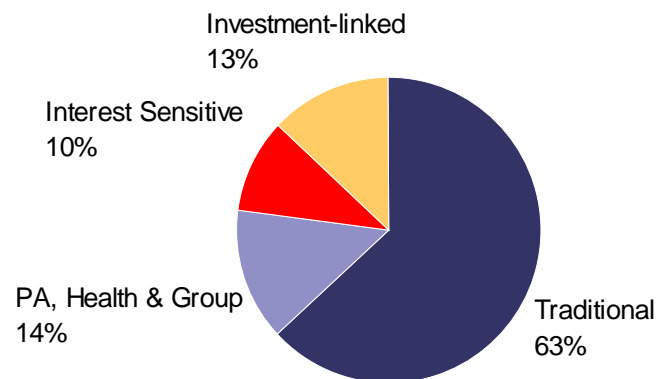
Shin Kong Life

- 3rd largest life insurer in Taiwan with 11% market share and 3 million customers
- Strong distribution network with over 12,000 agents, 350 sales offices and bancassurance relationships with over 10 banks
- Offer a wide range of life insurance products, including traditional life, accident and health, interest-sensitive and investment-linked products

Financial Overview

NT\$ Bn	2003	2004	2005
Total Premium	132.4	154.6	159.0
Net Income	5.0	6.5	7.4
Total Assets	708.7	834.3	967.6
Total Equity	32.0	47.8	54.4
ROE ⁽¹⁾	24.9%	21.8%	18.7%
ROA	0.77%	0.85%	0.82%

2005 Total Premium Written



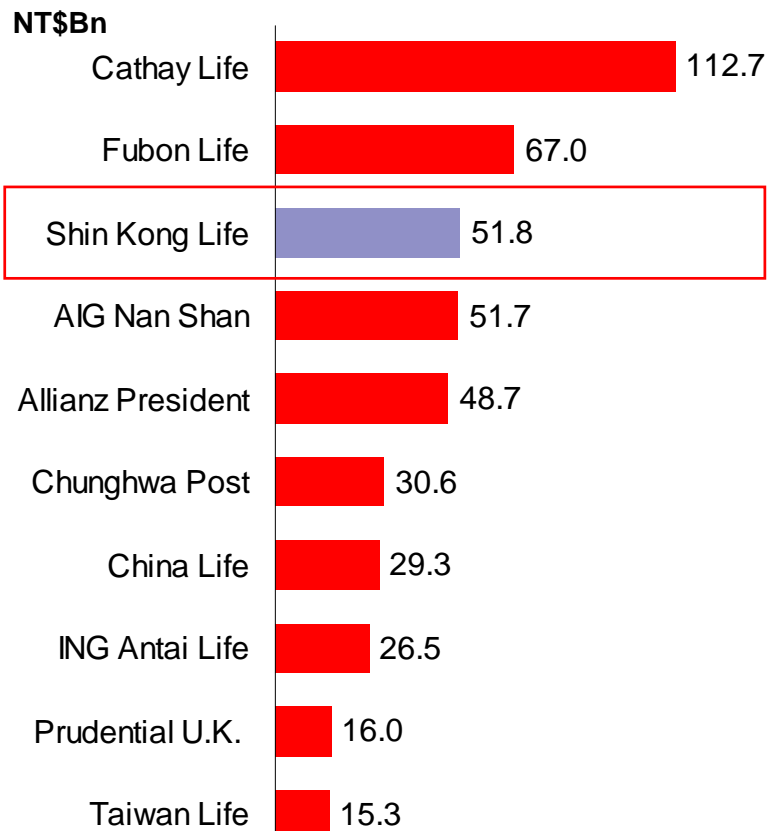
Total Premium Written: NT\$159Bn

Note:

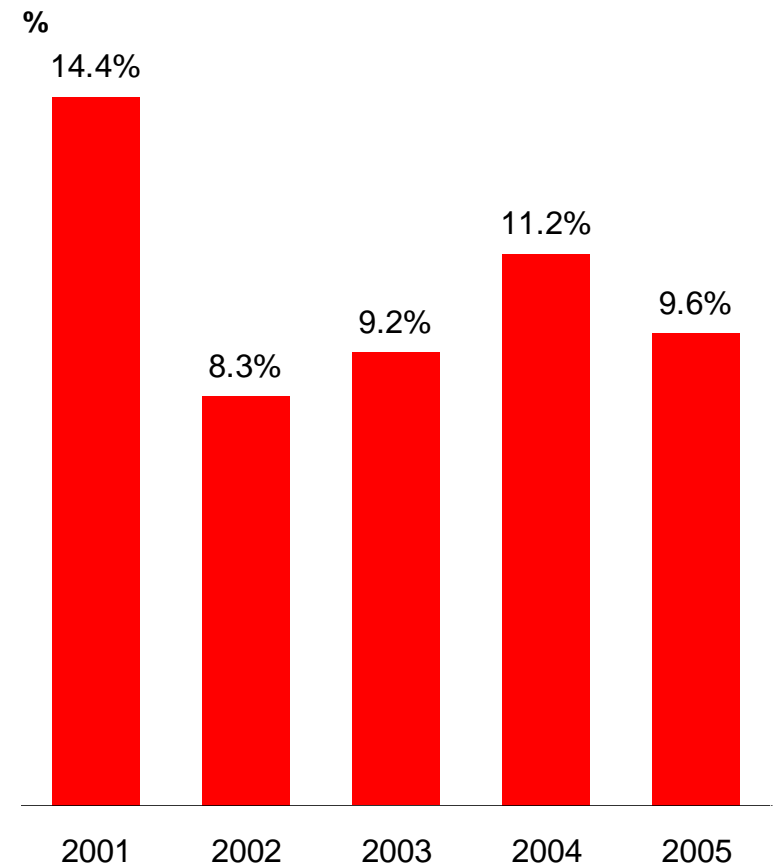
(1) Excludes preferred shares

Shin Kong Market Share

FYP of top 10 players – 2005



Shin Kong FYP Market Share Over Time



Awards and Recognition



Institutional Investor of the Year (2005)
by Finance Asia



National Quality Award (2004) by MOEA
ISO National Quality Verification (2000, 1998)



Information Disclosure A+ (2005)
by Securities & Futures Institute

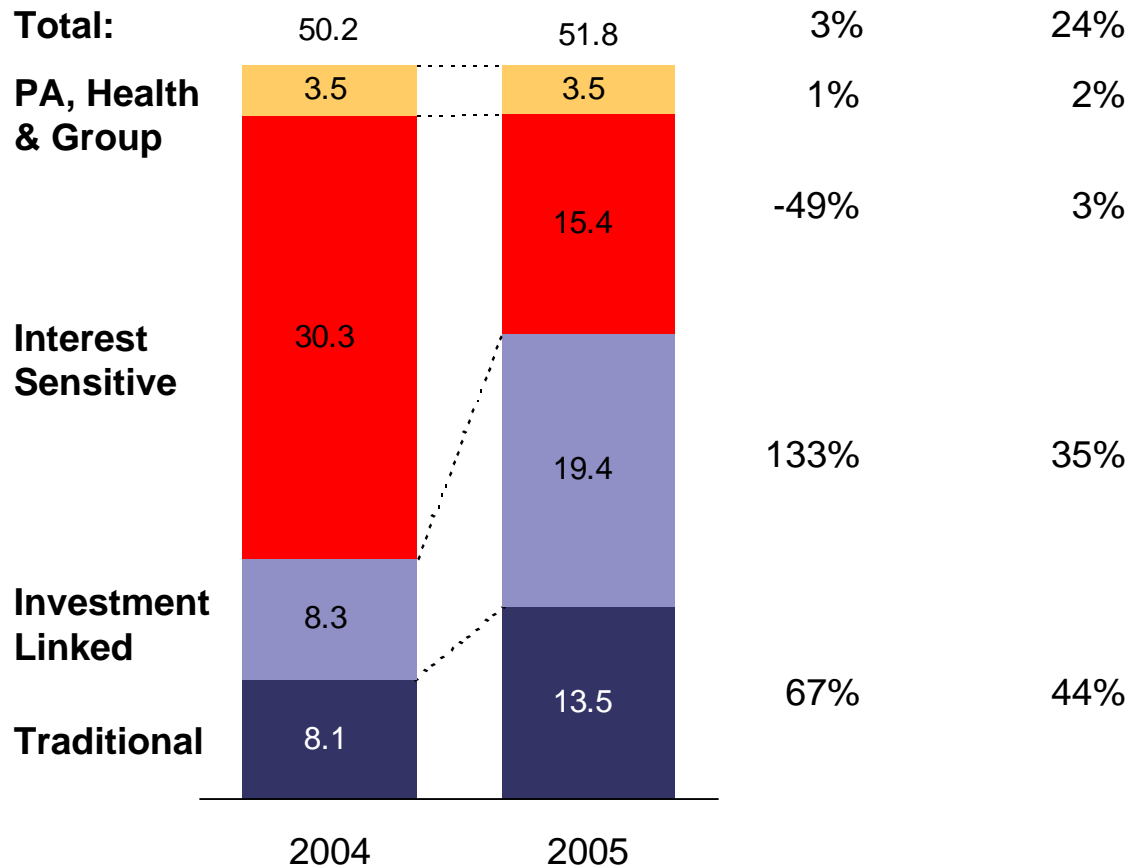


Insurance Faith, Hope and Love Award
by Risk Management & Insurance Media Group

First Year Premium – 2005

NT\$Bn

**Shin Kong
Growth** **Industry
Growth**



Comments

- Robust growth in traditional products, mainly driven by 6-year policies
- Ongoing strong demand for investment-linked products
- Share of interest-sensitive annuities successfully controlled at ~35% of overall portfolio

SP / RP Breakdown – 2005

First Year Premium, NT\$Bn

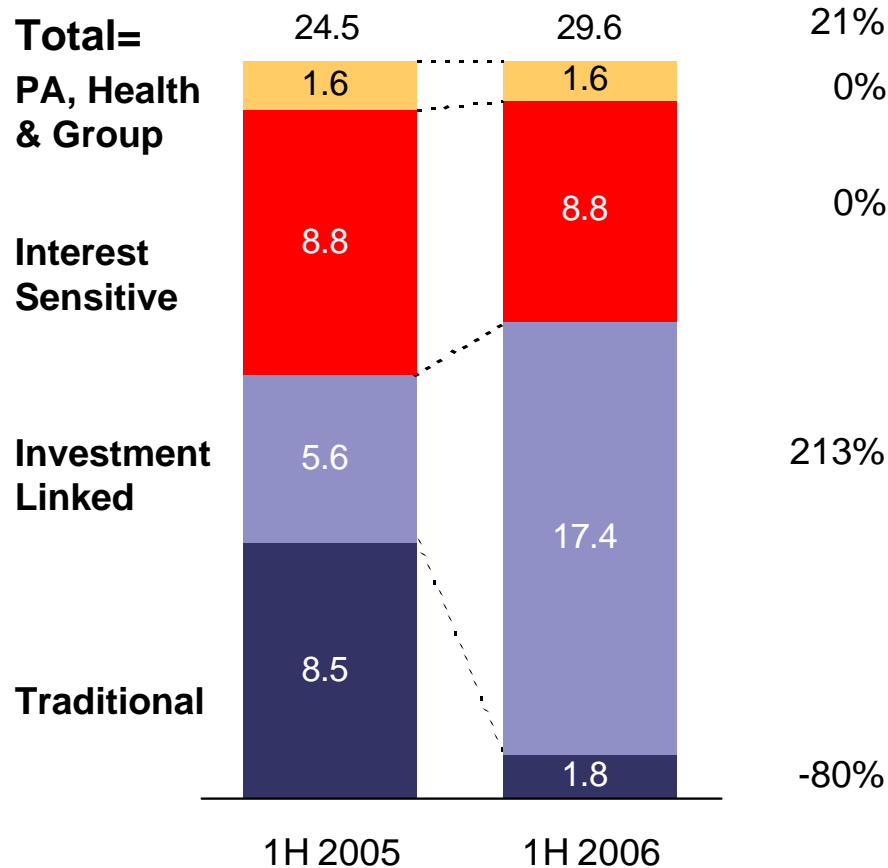
	Single Premium	Regular Premium	Flexible Payment	Total
Traditional		13.5		13.5
Investment-linked				
VUL			12.1	12.1
Structured note	7.2			7.2
Interest Sensitive				
Annuity	6.5		3.5	10.0
Life			5.4	5.4
PA, health and others		3.5		3.5
Total	13.7	17.0	21.0	51.7

First Year Premium – 1H 2006

NT\$Bn

Market Share = 12.4%

Growth

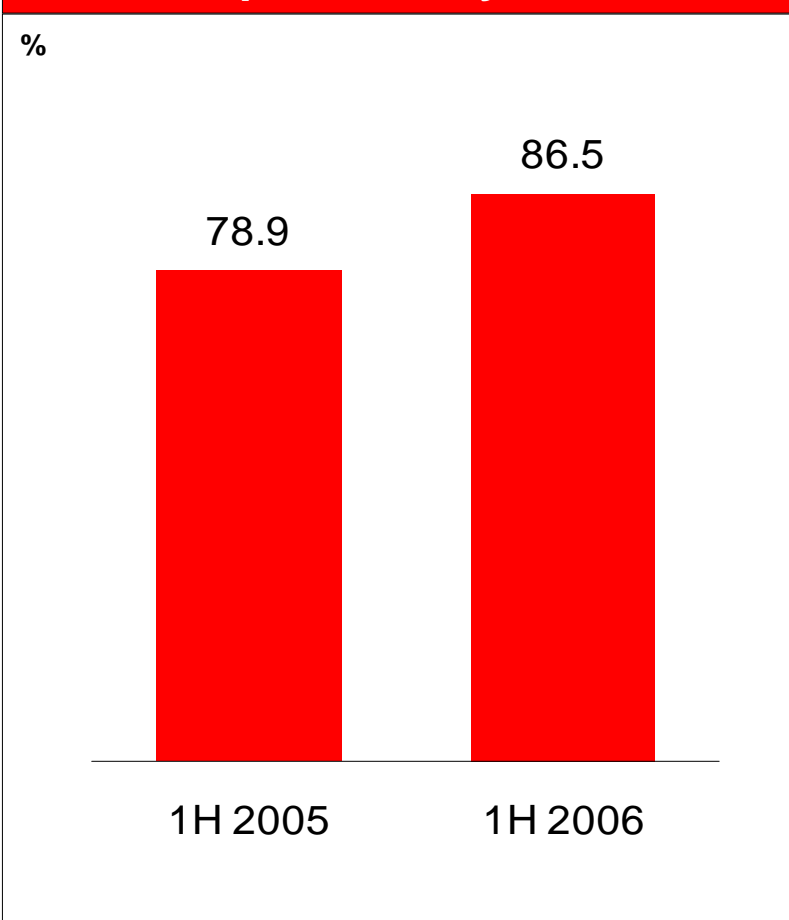


Comments

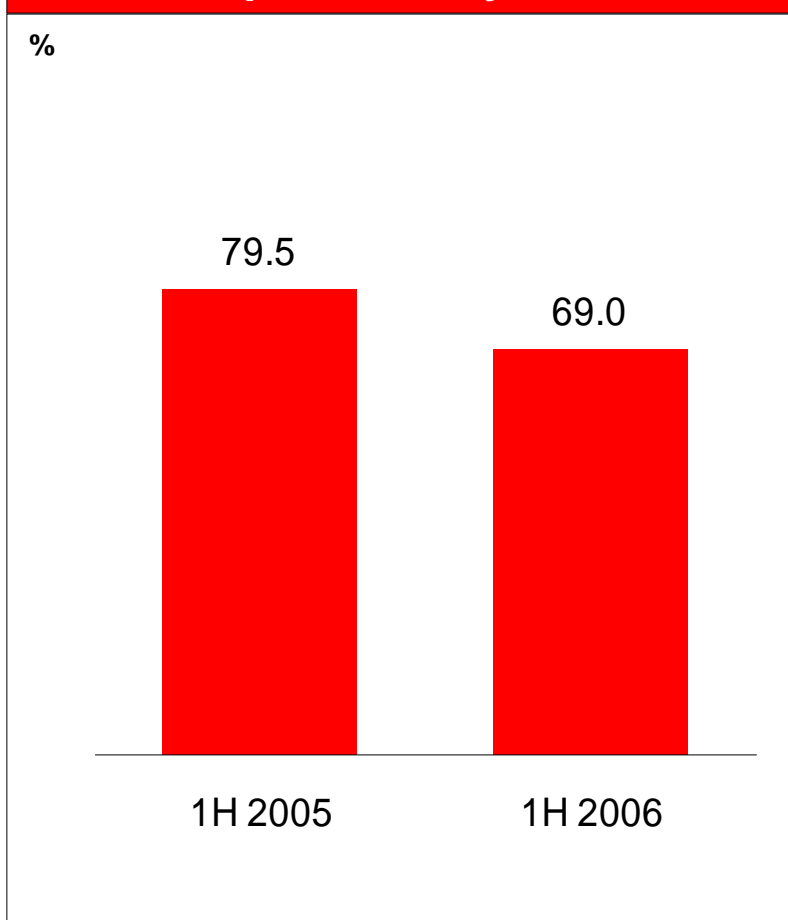
- Strong overall growth driven by investment products
- Significant fluctuation in product mix due to sales campaigns, e.g., campaign to sell 6 year traditional products in 1H 2006
- Inject protection element into investment linked and interest-sensitive products

Persistency Ratio

13 month persistency



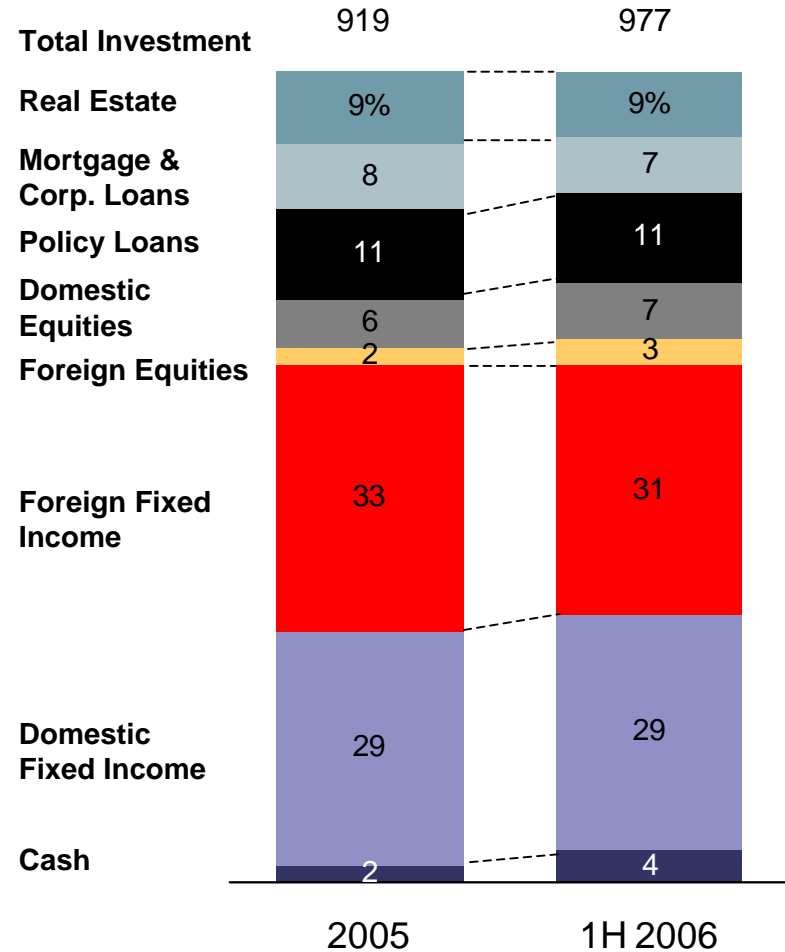
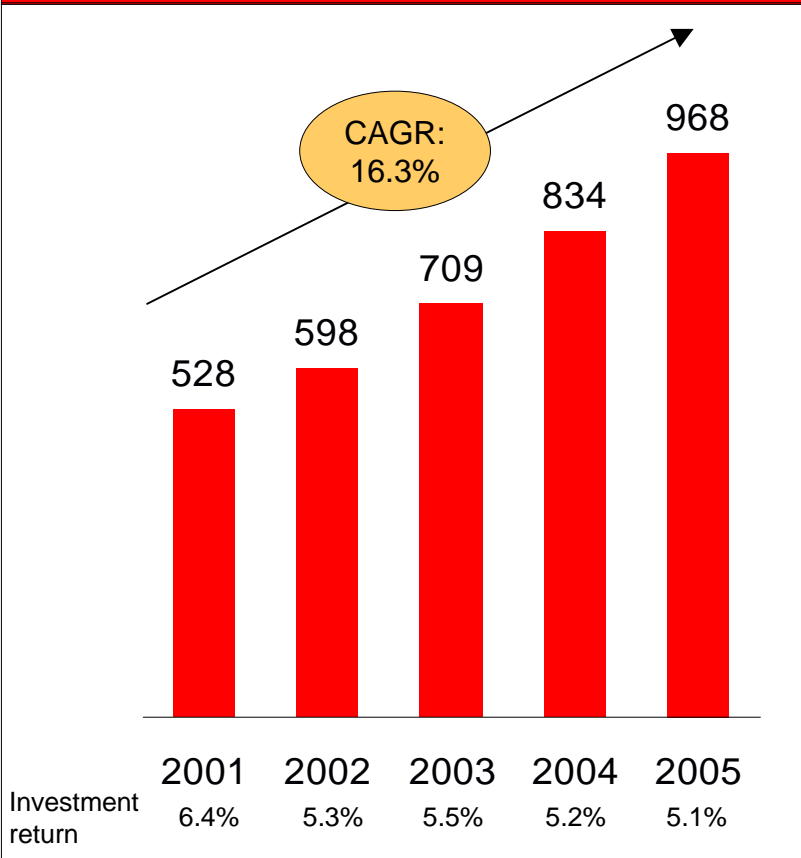
25 month persistency



Investment Portfolio

NT\$Bn

Total Asset



Real Estate Securitization

- **Create recurring management fees**
- **Obtain special tax treatment**
- **Unlock value in balance sheet**
- **Ensure earnings stability**

	CMBS#1	CMBS#2	REIT#1
Issue Date	01/10/05	06/22/05	12/26/05
Total Size	\$2.8 bn	\$3.1 bn	\$11.3 bn
Retention	56% ⁽¹⁾	46% ⁽¹⁾	20%
Underlying Asset(s)	1 Office building	1 Office building	2 Office Buildings, 1 Department Store, 1 Service Apartment Complex
Type	Debt Financing at 2.85% ⁽²⁾	Debt Financing at 2.69% ⁽²⁾	Equity Financing
Term	5yr	7yr	N/A
Capital Gain	\$0.79 bn	\$0.73 bn	\$3.5 bn ⁽³⁾

Notes:

- (1) Retained equity tranches of CMBS deals, therefore effectively maintain economic ownership and capital appreciation potential of the properties
- (2) Weighted average cost
- (3) Credited in January 2006 when asset transfer was completed

Portfolio Management Strategy

- **Enforce strong Asset-Liability-Management Discipline**
 - Develop Strategic Asset Allocation limits based on liability profile and capital budget
- **Build core portfolio of recurring income**
 - Build stable base of fixed income securities, dividend-oriented stocks, rental properties, policy loans and mortgage loans
 - Achieve yield pick-up through overseas investments (e.g., 30-Year Mortgage Backed Securities @6% and above)
- **Target recurring stream of capital gains from diversified sources**
 - Diversification by asset class (equity, credit, currency, commodity)
 - Diversification by strategy for uncorrelated sources of alpha (quantitative, value, etc.)
- **Manage increase in currency hedging costs**
 - Reduce traditional currency swap to ~60% of foreign assets
 - Adopt “proxy hedging” to achieve good hedging effectiveness at low cost
 - Pursue natural diversification of remaining assets in various currencies

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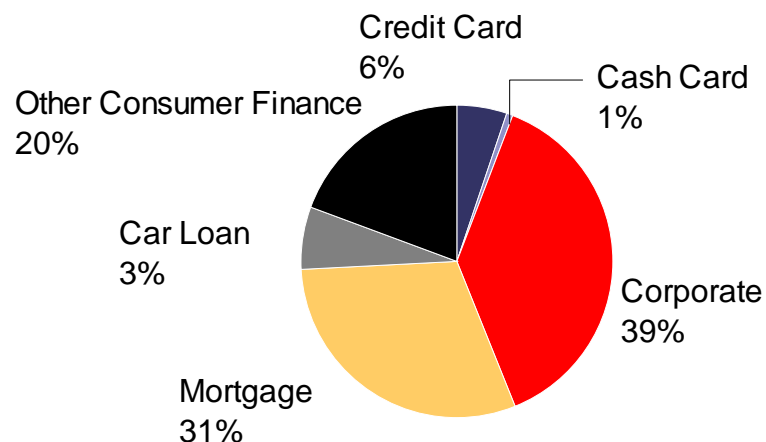
Shin Kong Bank

- 10th largest private bank in Taiwan
- Over 2 million customers and 1.5 million credit cards outstanding
- 108 branches with over 50 located in the Greater Taipei area
- Offer a wide range of banking products including credit cards, mortgages, auto loans, deposits, other consumer finance and corporate products

Financial Overview

NT\$Bn	2003	2004	2005
Total Loans	52.20	54.34	207.10
Total Deposits	64.64	74.68	289.44
Net Profit	(2.00)	0.02	(0.25)
Total Assets	69.26	86.27	338.53
Total Equity	3.44	10.51	19.81

2005 Loan Breakdown

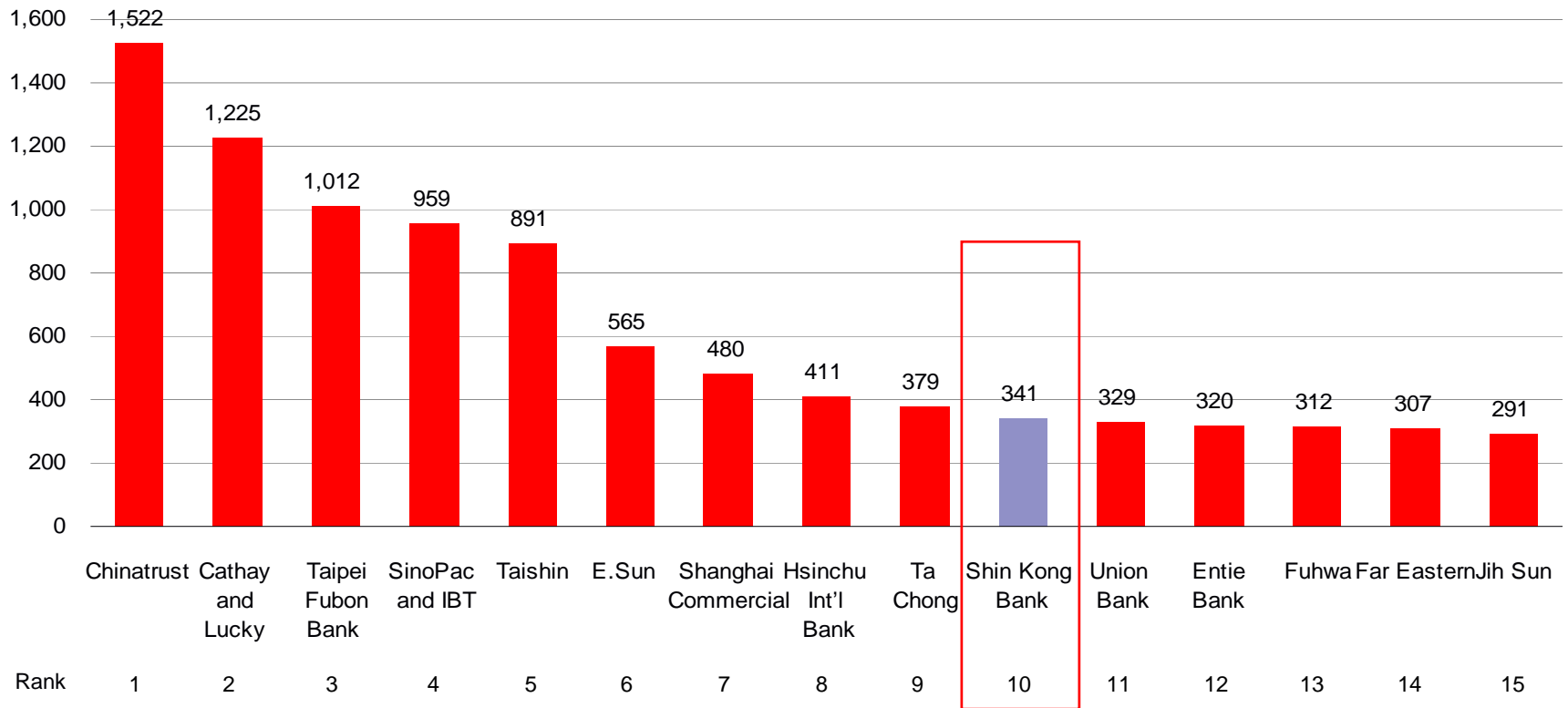


Total Loan: NT\$221Bn

Market Position

Private Banks by Asset Size ⁽¹⁾

NT\$Bn



Source Banking Bureau as of December 2005

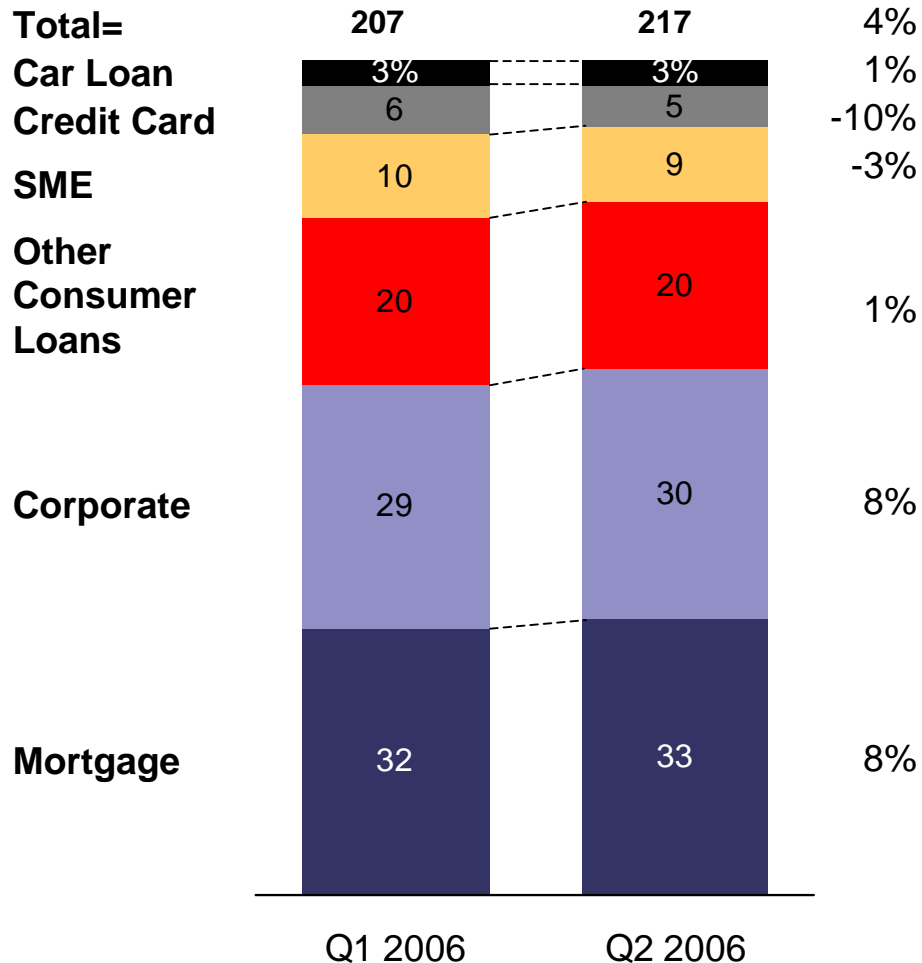
Note:

(1) Banking assets only

Loan Mix

NT\$Bn

Growth



Comments

- Stable overall loan growth with L/D ratio increased to 74%
- Focus on low-risk lending business, e.g., large corporate lending and mortgage loans
- Stopped cash cards since November last year

Branch Network

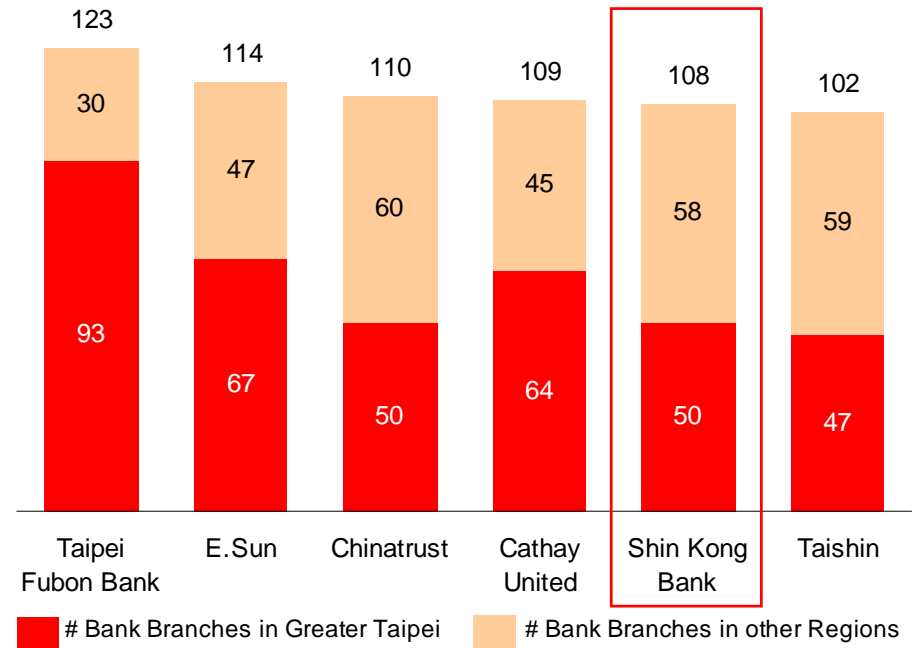
With focus on the Taipei and Greater Taipei area

Branch Distribution

	Shin Kong Bank	Macoto Bank	Total
North	8	53	60
<i>Greater Taipei</i>	5	45	50
South	7	13	20
East	0	2	2
Central	13	12	25
Total (Domestic)	28	80	108
Hong Kong	0	1	1
Total	28	81	109

Private Bank Branch Distribution Network

Bank Branches

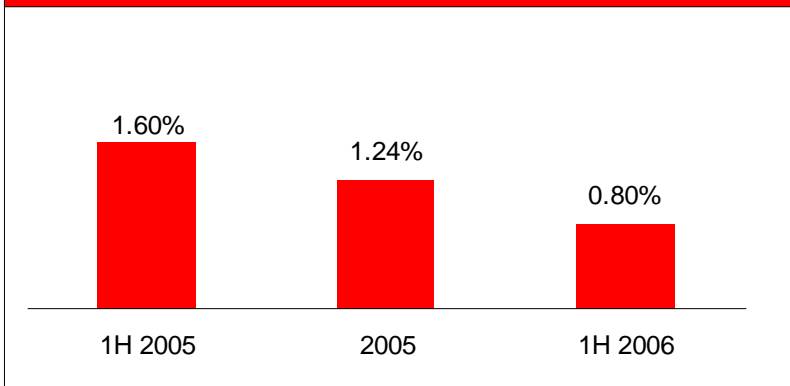


■ # Bank Branches in Greater Taipei ■ # Bank Branches in other Regions

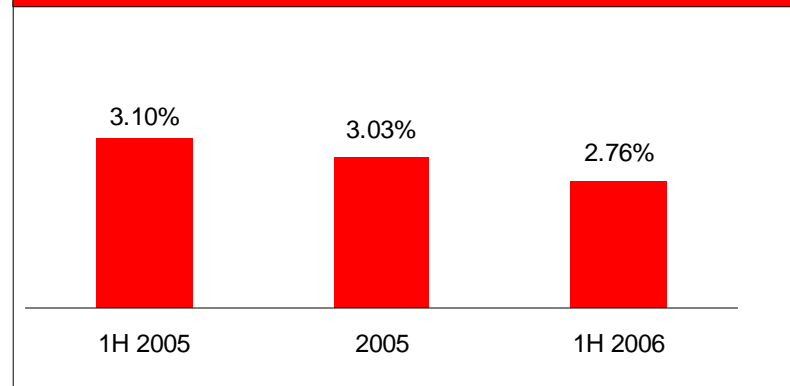
Source Banking Bureau

Profitability

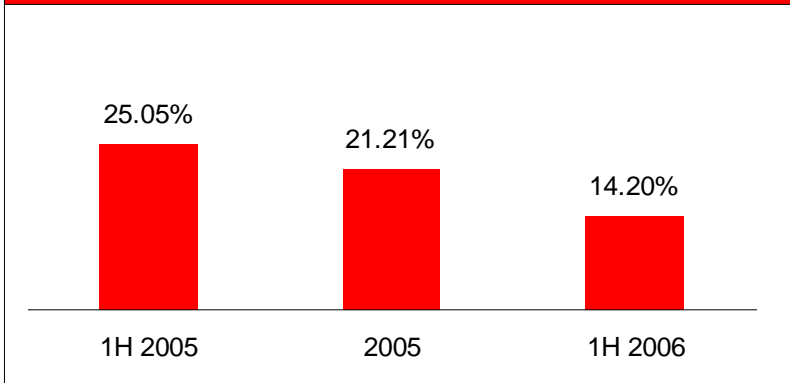
Pre-Provision Earnings / Assets



Net Interest Spread



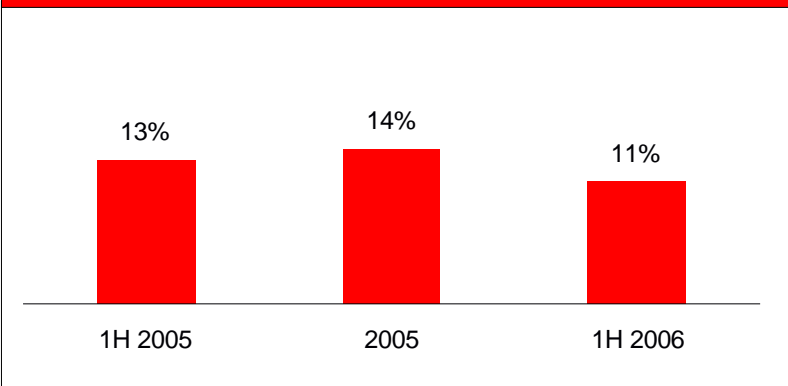
Pre-Provision Earnings / Equity



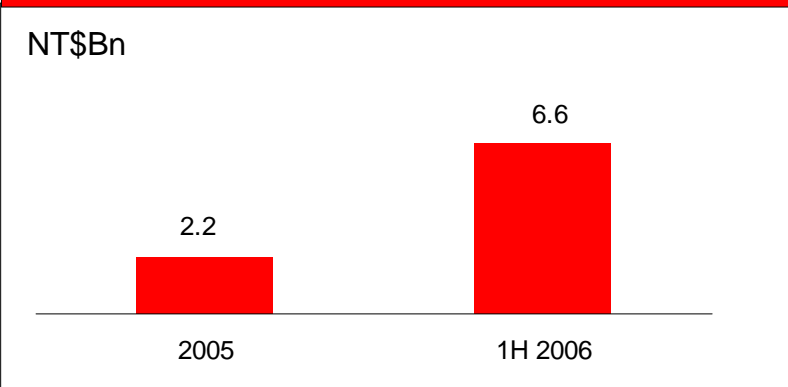
- Tightening net interest spread reflects better quality of loan portfolio and higher deposit rate
- Spread expected to stabilize when lending rate increases along with funding cost

Fee Income

Fee Income / Total Income



Bancassurance(SKL) - FYP

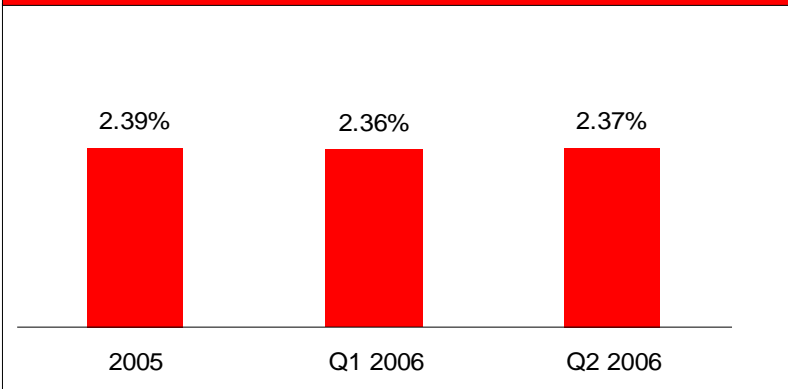


Comments

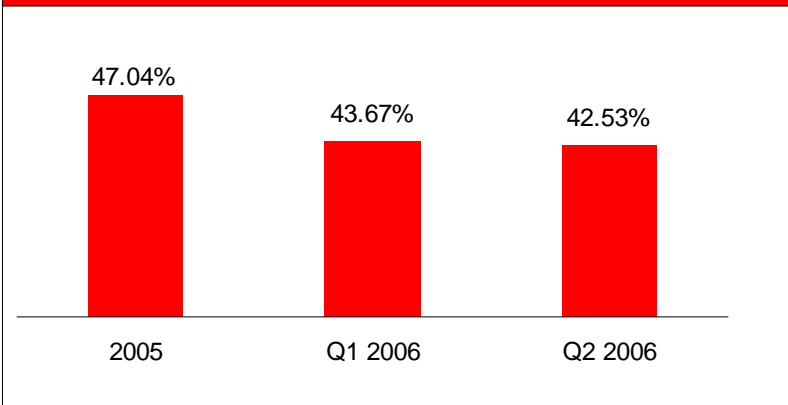
- Contraction in credit card fee income driven by market factors
- Strong growth in bancassurance cross-sales
- Wealth management: ~100 AOs recruited and stationed at 3 flagship branches and other 42 branches island-wide

Asset Quality

NPL Ratio



Coverage Ratio



Comments

- Reviewed corporate loan portfolio to improve asset quality as part of the overall integration effort
- Centralized credit and appraisal operations for mortgage to enhance independence
- Improve linkage of corporate banking functions to branches to enhance client relations and cross-selling
- Plan is to maintain NPL under 2.5% and coverage above 40% in the near term and improve further going forward

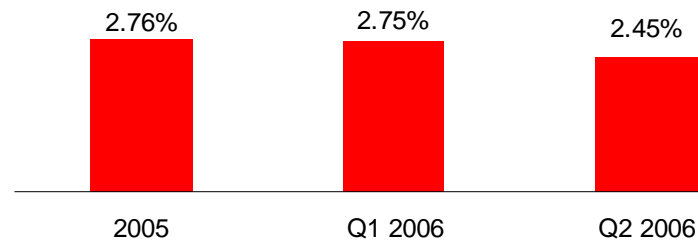
Credit cards Metrics

Revolving Balance

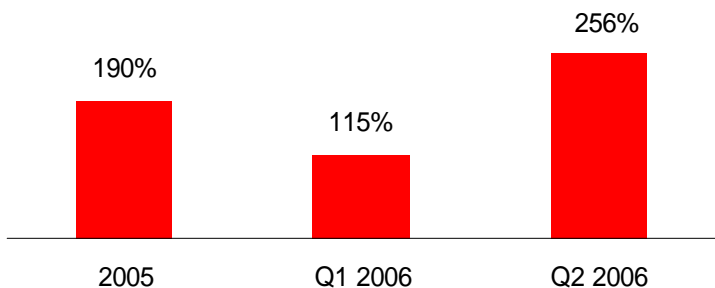
NT\$Bn



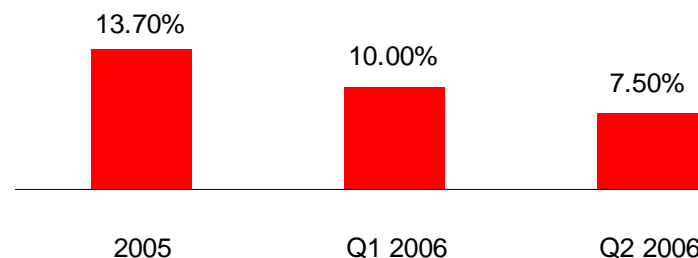
90-day NPL



Adequacy Ratio for Loss Reserves ⁽¹⁾



Charge-off Ratio ⁽²⁾



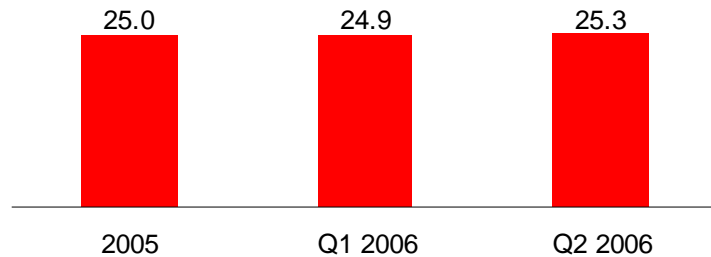
Note:

- (1) Actual reserves / Regulatory-required reserves
- (2) Unannualized numbers

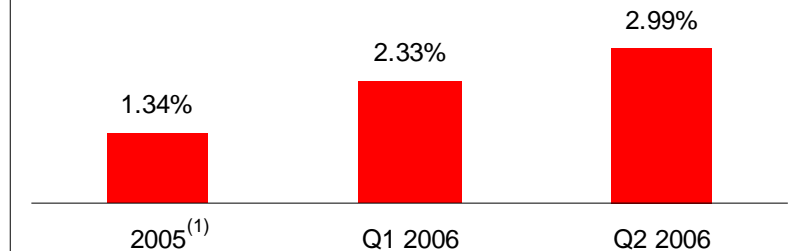
Other Unsecured Consumer Loan

Loan Balance

NT\$Bn



90-day NPL



- Consist mainly of installment loans sourced through branch AOs
- Tight credit approval process – 5 verification calls are made on every application
- Over 70% of cases are “secured” by guarantors and secondary claims to mortgages

Charge-off Ratio ⁽¹⁾



Note:

(1) Unannualized numbers

(2) Macoto bank

(3) Corrected from originally stated 0.18%

2006 Business Plan

- **Targeted loan growth of 13% with corporate and mortgage as main drivers**
- **Corporate banking: grow through leveraging FHC brand name and resources**
 - More capacity to participate in syndicated loans and offer credit lines to large corporates
 - Cautious expansion in SME segment leveraging our background and experience as credit cooperatives
- **Consumer banking: monitor situation and prepare for future growth**
 - Moderate growth in consumer loans (7%), mainly through cross-selling to insurance customer base
 - More stringent credit card issuance standards and higher cost efficiency
 - Consumer credit situation expected to peak in 1H2006
- **Wealth management: launch new business model**
 - New license granted and flagship branches established in prime locations
 - New organization and incentive program to encourage cross-selling
- **Improve asset quality through adoption of modern risk management practices and organizational changes**

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SKB – Financial Summary

NT\$MM	Macoto Bank			Combined
	2002	2003	2004	2005
Net Interest Income	5,452	5,811	6,674	8,825
Net Non-Interest Income	624	1,636	1,918	1,881
Operating Expenses	(3,728)	(4,083)	(4,740)	(6,492)
Pre-Provision Income	2,453	3,779	4,244	4,402
Provisions	(1,204)	(2,550)	(3,011)	(4,729)
Amortization of NPL Losses	(1,000)	(1,000)	(1,000)	-
Pre-tax Income	249	229	233	(326)
Tax	(85)	(46)	(27)	68
Reported Net Income	164	183	206	(258)
Net Interest Margin	4.07%	3.57%	3.67%	3.03%
Non-Interest Income / Total Income	10.27%	21.97%	22.33%	16.06%
Cost / Income	61.35%	54.82%	55.16%	60.64%
Broad-Based NPL Ratio	10.23%	6.36%	4.26%	2.39%
Broad-Based Coverage Ratio	10.76%	20.62%	24.39%	47.04%
Pre-Provision RoA	1.43%	1.75%	1.87%	1.24%
Pre-Provision RoE	22.88%	35.87%	38.86%	21.27%

SKB – Financial Summary (cont'd)

	Macoto Bank			Combined
NT\$MM	2002	2003	2004	2005
Cash and Cash Equivalents	3,671	3,382	2,922	10,017
Total Loans ⁽¹⁾	103,125	123,889	134,326	204,769
Total Assets	171,737	215,886	227,503	338,539
Total Deposits	148,476	170,025	190,769	289,443
Shareholders' Equity	10,534	10,719	10,921	19,818
Loans ⁽¹⁾ / Deposits	69.46%	72.87%	70.41%	70.75%
Equity / Assets	6.13%	4.97%	4.80%	5.85%
Gross Tier I Ratio	7.69%	6.32%	6.39%	8.27%
BIS	11.28%	9.33%	9.69%	10.56%

Notes:

(1) Excludes NPL & card debts

SKL - Estimate of Embedded Value Results

Unit: NT\$Bn Valuation Date: 31 December 2005 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except:		Inv Return 5.05% p.a. RDR 11.9% p.a.	All else equal except:	
	Inv Return 4.80%	Inv Return 5.30%		RDR 10.9%	RDR 12.9%
Net Worth	84.6	84.6	84.6	84.6	84.6
VIF	20.3	56.1	38.3	41.3	35.9
EV (before COC)	104.9	140.7	122.9	125.9	120.5
Cost of Capital (COC)	36.4	32.9	34.6	33.2	35.7
EV (after COC)	68.5	107.8	88.3	92.7	84.8

SKL - Estimate of Appraisal Value Results

Unit: NT\$Bn Valuation Date: 31 Dec, 05 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except		Inv Return 5.05% p.a. RDR 11.90% p.a.	All else equal except	
	Inv Return 4.8%	Inv Return 5.3%		RDR 10.90%	RDR 12.90%
Net Worth	84.6	84.6	84.6	84.6	84.6
VIF	20.3	56.1	38.3	41.3	35.9
Cost of Capital(COC)	36.4	32.9	34.6	33.2	35.7
EV after COC	68.5	107.8	88.3	92.7	84.8
V1NB after COC	7.2	8.7	7.9	8.8	7.2
After COC					
AV (5 years NB)	91.5	135.2	113.3	121.2	107.2
AV (20 years NB)	118.5	167.8	143.0	157.4	131.9