



新光金控
Shin Kong Financial

Shin Kong Financial Holdings

UBS Corporate Day
Jan. 12, 2006

The material contains forward looking statements. Such forward looking statements are subject to risks, uncertainties and assumptions. Actual results may differ from those in the forward looking statements as a result of various factors.

Agenda

I. About SKFHC

- Corporate Structure
- Financial Snapshot
- Restated 2005 Earnings Target

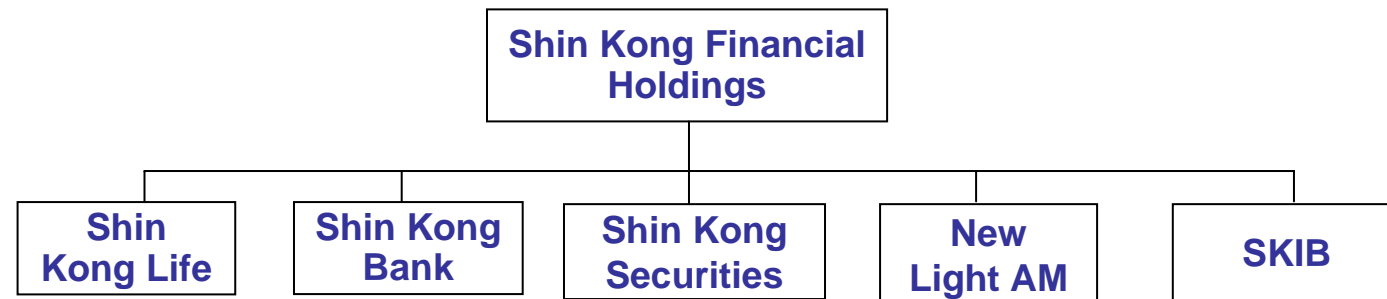
II. Business Review & Outlook

III. Corporate Strategy

IV. Supplementary Information

Corporate Structure

- Complementary operating platforms on top of core life business present opportunities for operational synergies



Date of Incorporation	7/1963	1/1997 ⁽¹⁾	12/2001	4/2004	3/2003
Assets (NT\$ bn)	901	334	7.5	0.3	0.05
% of Group Assets	72%	27%	0.6%	< 0.1%	< 0.1%
1H Earnings (NT\$ mm)	5,014.0	1,219	49.6	3.8	12.2
Branches	322	109	5	1	1
Market Share	11%	1.5%	0.3%	0.34%	-

Note: Data as of Jun. 30, 2005

(1) Integration of Macoto Bank completed on Dec. 31, 2005; Pro-forma figures assume Macoto is included

Financial Snapshot

Categories	12/31/04 ⁽¹⁾	6/30/05 ⁽¹⁾	11/30/05 ⁽²⁾
Foreign Ownership	8.5%	23.9%	23.3%
Market Value (NT\$ bn)	92	103	104.2
Total Assets (NT\$ bn)	931	1,010	1,308
Capital (NT\$ bn)	29.7	34	40.7
Shareholders' Equity(NT\$ bn)	46.5	54.7	66.9
Net Income (NT\$ bn)	6.4	5.0	8.1
EPS-after tax (NT\$)	2.23	1.62	2.01
ROAA	0.8%	NA	NA
ROAE	17.3%	NA	NA

- **SKFHC had a profitable year in 2004**

- Net income exceeded annual target by 19.7%

- **Success has continued to 2005**

- 110% of annual net income target achieved as of Nov 30, 05

(1) Based on audited numbers

(2) Based on un-audited numbers

Restated 2005 Earnings Target



NT\$ mm	SK Life	SKB	Macoto	Others ⁽¹⁾	Total	FHC
Original (Nov. 04)	\$6,202	(\$318)	N/A	\$214	\$6,098	ROE 12.55% ROA 9.44% EPS \$1.78
Restated (Oct. 05)	\$7,090	\$34.5	\$189.6	\$96	\$7,410	ROE 13.41% ROA 9.75% EPS \$1.83
Rationale/ Assumption	<ul style="list-style-type: none"> • SK Life : Stock market volatility & uncertainty around REIT approval timing • Bank : Additional provisioning to meet 2.5% target NPL and 40% coverage (combined bank) 					

(1) Consist of earnings from SK Securities, SK Insurance Brokerage, New Light Asset Management and FHC

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Insurance Business

- 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 approximately 35% of overall portfolio

First- Year Premiums

	Jan~Nov, 05		YoY Growth	Achievement Rate ⁽¹⁾	
	NT\$ bn	weighting			
Traditional	\$13.1	28%	69%	146%	} SKL Sales Agents
Investment-Linked	16.6	35%	125%	224%	
Health, Accident & Others	3.1	7%	4%	-	
Subtotal	\$32.8	70%	80%	-	
Interest-Sensitive Annuities/Life	14.3	30%	-48%	83%	→ Banc-assurance
Total	\$47.1	100%	3%	126%	

(1) Relative to annual targets. 2005 projections are subject to assumptions and could be different from actual results.

Insurance Business



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Total Premiums (NT\$ bn)

	2004		Jan~Nov, 05		YoY Growth
Traditional	\$94.13	61%	\$90.60	63%	8%
Investment-Linked	8.29	5%	17.90	13%	143%
Health, Accident, & Others	21.59	14%	20.00	14%	8%
Interest-Sensitive	30.61	20%	14.30	10%	-49%
Total	\$154.6	100%	\$142.8	100%	3%

2006 Business Plan

- Maintain balanced product mix
 - Strive to sustain sales in profitable traditional products through sales force training and product design (e.g., profit participation)
 - Inject protection element to investment-linked products to enhance profitability
 - Maintain sales of interest-sensitive products to satisfy customer retirement and savings needs
- Improve channel productivity through in-house agency consolidation; leverage Shin Kong Bank branch network to boost sales
- Enhance expense and mortality gains through tighter costs control and reduction of fraudulent claims

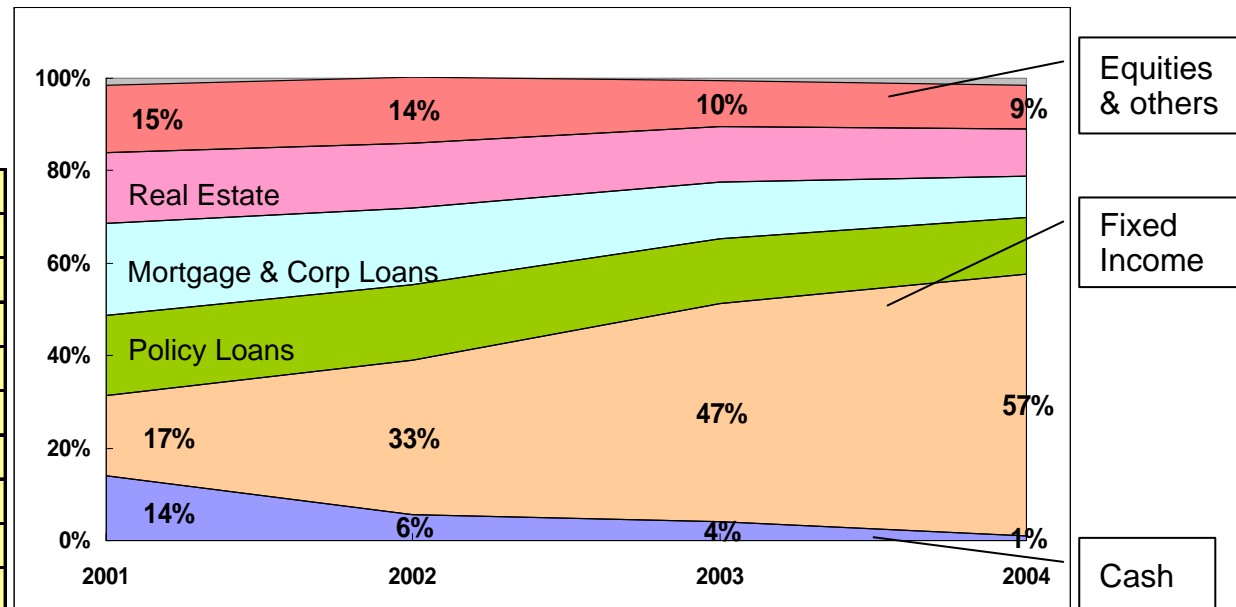
Asset Portfolio

- Prudent portfolio with emphasis on fixed-income securities
- Flexible investment and currency-hedging strategy in light of high hedging costs
- Gradual increase in overseas index funds and alternative investments for yield enhancement
- Challenges: high hedging costs and subdued increase in long rates

Asset Allocation

Total = NT \$917.4bn⁽¹⁾

	Nov-05
Cash/Short-term	3%
Domestic Bonds	29%
Domestic Equities	5%
Foreign Bonds	34%
Foreign Equities	1%
Real Estate	9%
Mortgage & Corp Loans	8%
Policy Loans	11%
Total	100%



(1) Based on un-audited balance sheet as of Nov. 2005

Real Estate Securitization

- Create recurrent management fees
- Lower real estate funding costs
- Obtain special tax treatment

	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%	46%	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% ⁽¹⁾	Debt Financing at 2.69% ⁽¹⁾	Equity Financing
Term	5yr	7yr	N/A
Capital Gain	\$0.79 bn	\$0.73 bn	\$3.5 bn ⁽²⁾

(1) Weighted average yield

(2) To be credited in January 2006 when asset transfer is completed

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- Banking

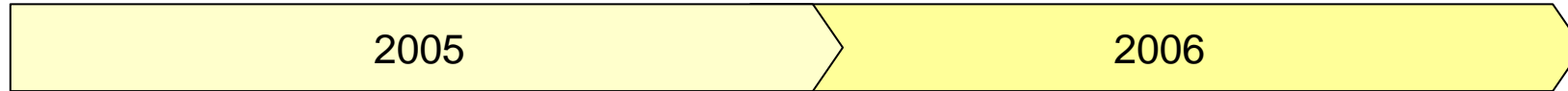
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Successful Integration of Macoto

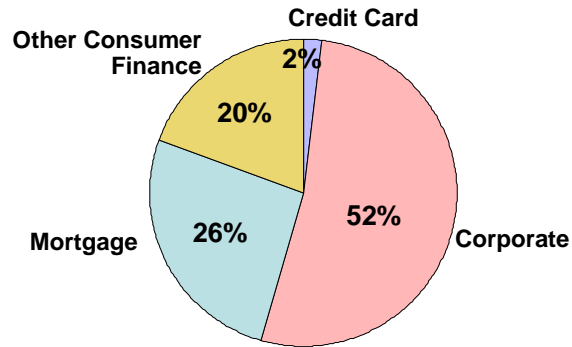


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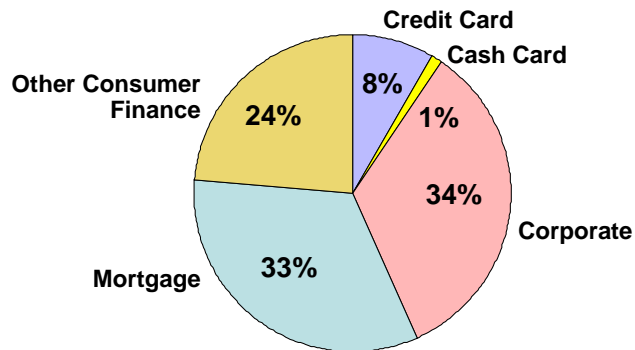


Loan balance (NT\$ bn)

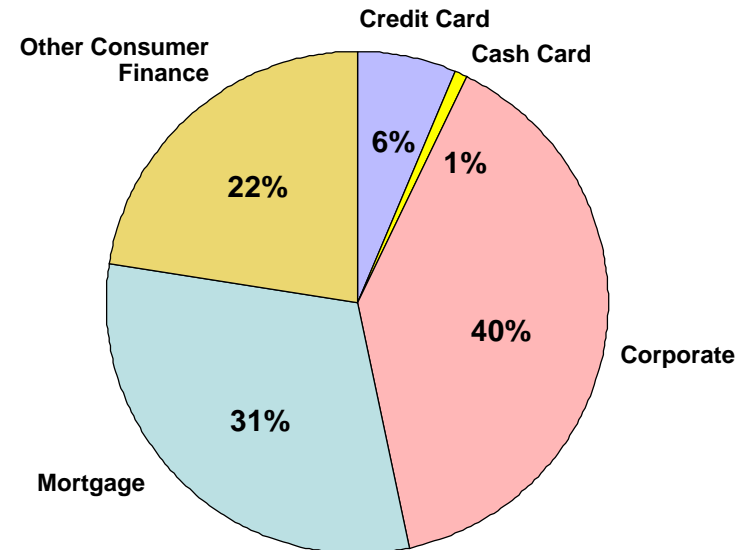
SK Bank (Total=\$69)



Macoto (Total=\$154)



Combined (Total=\$223)



(1) As of November 30, 2005; credit card figures based on revolving balances

Post-Integration Financial Snapshot



Categories	SKB	Macoto	Combined
Total Assets (NT\$ bn)	102.7	240	342.7
Shareholders' Equity (NT\$ bn)	10.7	12.0	22.7
Total Loans (NT\$ bn)	68.2	141.4	209.6
Total Deposits (NT\$ bn)	89.8	197.2	287
Credit Card in Circulation (thousands)	584	1,045	1,629
Branches	28	81	109
NPL Ratio	1.91%	3.50%	2.96%
Coverage Ratio	59.16%	25.67%	33.87%
BIS (as of Sep. 05)	14.36%	9.49%	10.46%
Credit Rating (Taiwan Rating)	A	A-	A

(1) As of November 30, 2005

2006 Business Plan

- Targeted loan growth of 13% with corporate business as primary driver
- Corporate banking: grow through leveraging FHC brand name and resources
 - More capacity to participate in syndicated loans and offer credit lines to large corporates
 - Expansion in SME segment by employing Macoto’s expertise and experience
- Consumer banking: control damage 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 Q1 2006
- 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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Corporate Strategy

- Drive performance in core businesses
 - Life insurance
 - Banking
- Create synergies among existing business units
 - Strengthen FHC structure
 - Promote cross-selling
- Seed next wave growth
 - Wealth management
 - Geographical expansion, e.g., representative offices in China and Vietnam

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- SKL EV/AV Result
- Macoto Asset Quality and Financials

SKL - Embedded Value Results

Unit: NT\$ bn Valn Date: 30 June 2004 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 4.05%	Inv Return 6.05%		RDR 10.90%	RDR 12.90%
Net Worth	63.9	63.9	63.9	63.9	63.9
VIF	(29.1)	95.2	34.1	36.6	31.9
EV (before COC)	34.8	159.1	98.0	100.5	95.8
Cost of Capital (COC)	38.9	33.1	36.0	35.2	36.7
EV (after COC)	(4.1)	126.0	62.0	65.3	59.1

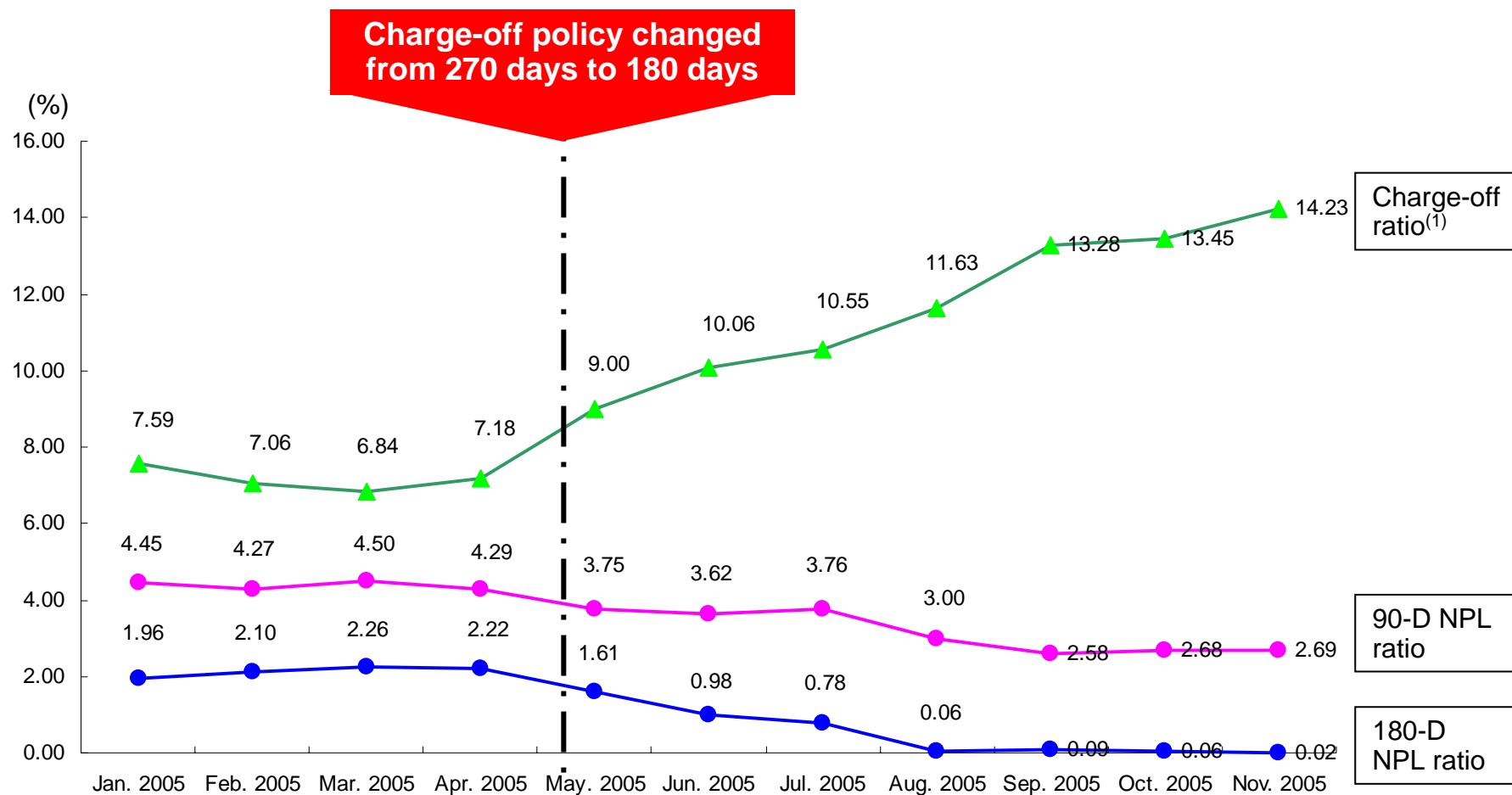
(1) COC(Cost of Capital) reflects the opportunity cost of holding the statutory required capital. Annual COC equals RBC * (RDR – after tax investment return)

(2) Valn Date: Valuation Date; RBC= Risk-Based Capital; RDR= Risk Discount Rate

SKL - Estimate of Appraisal Value Results

Unit: NT\$ bn Valn Date: 30 June, 04 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 4.05%	Inv Return 6.05%		RDR 10.90%	RDR 12.90%
Net Worth	63.9	63.9	63.9	63.9	63.9
VIF	(29.1)	95.2	34.1	36.6	31.9
Cost of Capital(COC)	38.9	33.1	36.0	35.2	36.7
EV after COC	(4.1)	126.0	62.0	65.3	59.1
VNB after COC	7.5	14.9	11.2	12.4	10.2
After COC					
AV (5 years NB)	22.1	168.0	94.1	101.0	88.3
AV (20 years NB)	45.5	222.3	134.9	146.0	125.5

Macoto - Credit Card Quality



(1) Defined as annualized net charge-off (YTD) divided by credit card account receivables

Macoto – Summary Financials



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NT\$ mm	2003	2004	1H2005	2005F ⁽¹⁾
Net Interest Income	5,811	6,674	3,538	7,053
Net Non-Interest Income	1,636	1,918	1,212	1,633
Operating Expenses	(4,083)	(4,740)	(2,358)	(4,863)
Pre-Provision Income	3,779	4,244	2,575	4,263
Provisions	(2,550)	(3,011)	(1,371)	(4,073)
Amortization of NPL Losses	(1,000)	(1,000)	(500)	0
Pre-tax Income	229	233	1,203	189
Tax	(46)	(27)	(3)	0
Reported Net Income	183	206	700	189
NIM	3.57%	3.67%	3.71%	N/A
Non-Interest Income / Total Income	21.97%	22.33%	25.52%	N/A
Cost / Income	54.82%	55.16%	49.64%	N/A
Broad-Based NPL Ratio	6.36%	4.26%	3.35%	2.60%
Broad-Based Coverage Ratio	20.62%	24.39%	22.67%	38.37%
Pre-Provision RoA	1.75%	1.87%	2.15%	2.17%
Pre-Provision RoE	35.87%	38.86%	42.49%	55.08%

(1) 2005 forecasts are subject to various assumptions and could be different from actual result

Macoto – Summary Financials



NT\$ mm	2003	2004	1H2005	2005F ⁽¹⁾
Cash and Cash Equivalents	3,382	2,922	3,352	6,527
Total Loans ⁽²⁾	123,889	134,326	139,641	143,736
Total Assets	215,886	227,503	239,280	242,505
Total Deposits	170,025	190,769	196,473	207,379
Shareholders' Equity	10,719	10,921	12,121	9,555
Loans ⁽²⁾ / Deposits	72.87%	70.41%	71.07%	69.31%
Equity / Assets	4.97%	4.80%	5.07%	3.94%
Gross Tier I Ratio	6.32%	6.39%	6.92%	N/A
BIS	9.33%	9.69%	9.69%	N/A

(1) 2005 forecasts are subject to various assumptions and could be different from actual result

(2) Exclude card debts