

Confidential



Shin Kong Financial Holding

Q4 2006 Results Update

February 8, 2007

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Figures in this presentation and the presentation materials distributed herewith are preliminary and unaudited numbers.

Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Appendix - Life

SKFH – 2006 Overview

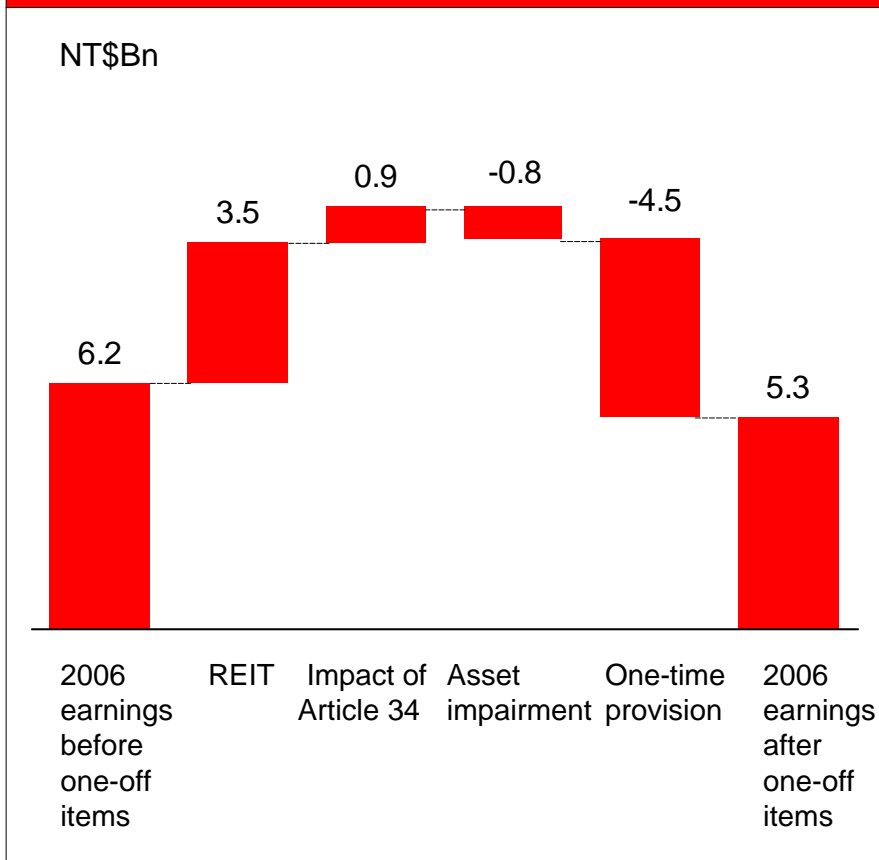
- Consolidated net profit for 2006 was NT\$5.33bn, ROE 6.78%, and EPS NT\$1.19
- Most earnings contributed by life subsidiary
 - Shin Kong Life (SKL): achieved record profit with attributable earnings of NT\$11.13bn and ROE of 21.4%
 - Shin Kong Bank (SKB): reported a loss of NT\$7.27bn including one-time provision in December
 - Shin Kong Securities (SKSC): reported net profit of NT\$600mm and ROE of 11.2%, above the market average
 - Shin Kong Investment Trust (SKIT): Due to bond fund reclassification, recorded a loss of NT\$79mm
 - Shin Kong Insurance Brokerage (SKIB): reported net profit of NT\$45mm, ROE of 84.95%
- Completed integration of Shin Kong Investment Trust. AUM increased to NT\$52.51bn with market share of 2.4%, up from 0.3%
- Strategic alliance with Dai-ichi Life (Japan) to leverage its know-how and cooperate in insurance business (e.g., reinsurance and group insurance) and overseas Chinese markets
- Strong capital structure: FHC CAR is at 148.7%, D/E ratio at 22.7% and subsidiaries, Life RBC ratio is >350% and Bank BIS at 12.7%

Financial Highlights – 2006

	2005	2006	YoY Growth
NT\$Mn (except per share data) , %			
Group net income	7,056	5,329	-24%
First year premium (Insurance)	51,792	65,871	27%
Loans (Bank)	216,857	241,758	11%
Total assets	1,331,220	1,494,152	12%
Total shareholders' equity	68,301	88,897	30%
Market cap	104,100	164,604	58%
ROA	0.92%	0.66%	-28%
ROE	12.48%	6.78%	-46%
Earnings per share	1.74	1.19	-32%

Net Income – 2006

Group net income



Net income contribution

NT\$Bn

Subsidiaries	2006	%
Shin Kong Life	11.13	209%
Shin Kong Bank	-7.27	-136%
Shin Kong Securities	0.60	11%
Shin Kong Investment Trust	-0.08	-2%
Shin Kong Insurance Brokers	0.05	1%
FHC and tax	0.90	17%
Net income	5.33	100%

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SKL – 2006 Overview

- Achieved record profit of NT\$11.3bn in 2006, up 53% from 2005; Q4 profit was NT\$626mm
- Strong premium growth mainly driven by investment-linked policies and cross-sales from SKB. FYP reached NT\$65.9bn (up 27% yoy) which translates to a market share of 13%, or No. 2 position in the market
- FYP mix: 61% investment-linked policies, 27% interest-sensitive policies and 12% traditional and related policies
- Achieved 5.3% overall investment return and continued good track record of beating 5% target. Utilized proxy hedging to manage hedging cost down to ~200bps (compared to 380bps for traditional currency forward hedging)
- Diversified channel mix of 70/30 between agency and bancassurance. Secured SKB platform accounted for 2/3 of bancassurance premiums
- 13 and 25-month persistency continued to improve, 13-month persistency already close to 90%
- Strong financial structure, RBC ratio >350%

Financial Highlights – 2006

	2005	2006	YoY Growth
NT\$m, %			
First year premium	51,792	65,871	27%
Total premium	159,029	181,469	14%
Investment income	42,873	49,744	16%
Net income	7,363	11,290	53%
Total assets	967,629	1,116,286	15%
Total shareholders' equity	54,407	68,040	25%
ROE ⁽¹⁾	18.70%	21.36%	14%
ROA	0.82%	1.08%	33%

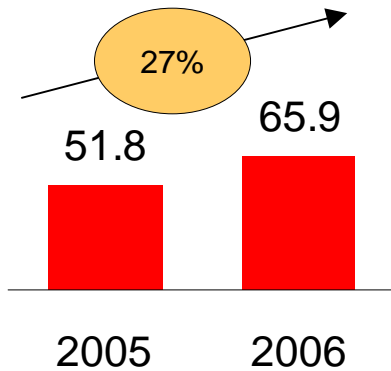
Note:

(1) Excludes preferred shares

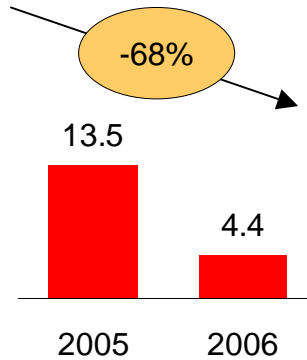
First Year Premium – 2006

NT\$Bn

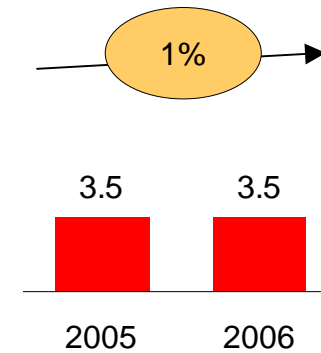
Market share 12.6%



Traditional



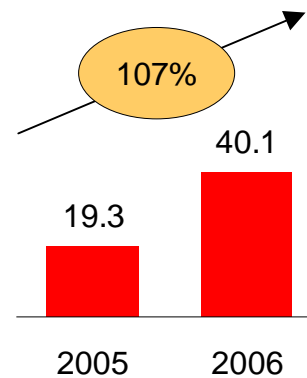
PA, Health and Group



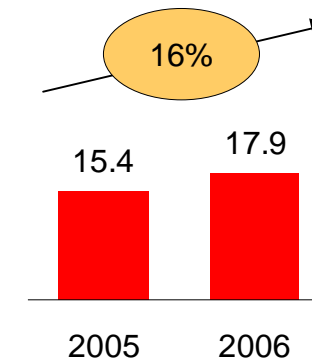
Comments

- FYP growth above market average of -3%
- Investment-linked policies: 3/4 of premiums from VUL and 1/4 from structured note type products
- Shortfall in traditional policies came mainly from lower-margin endowment policies

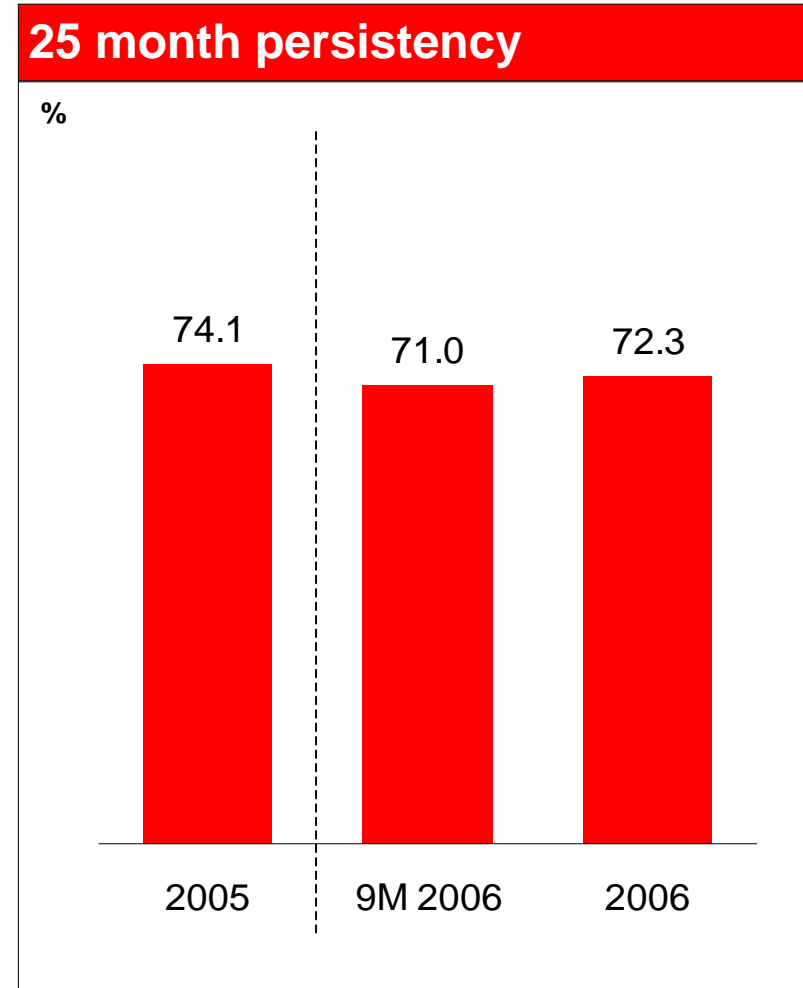
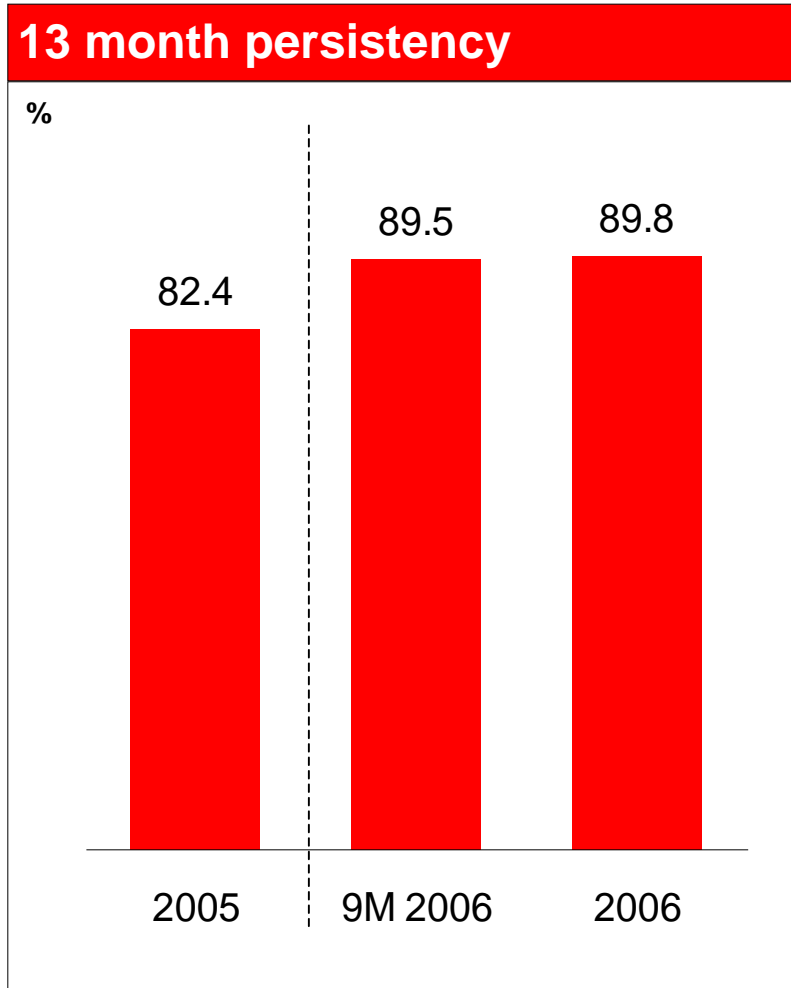
Investment-linked



Interest-sensitive

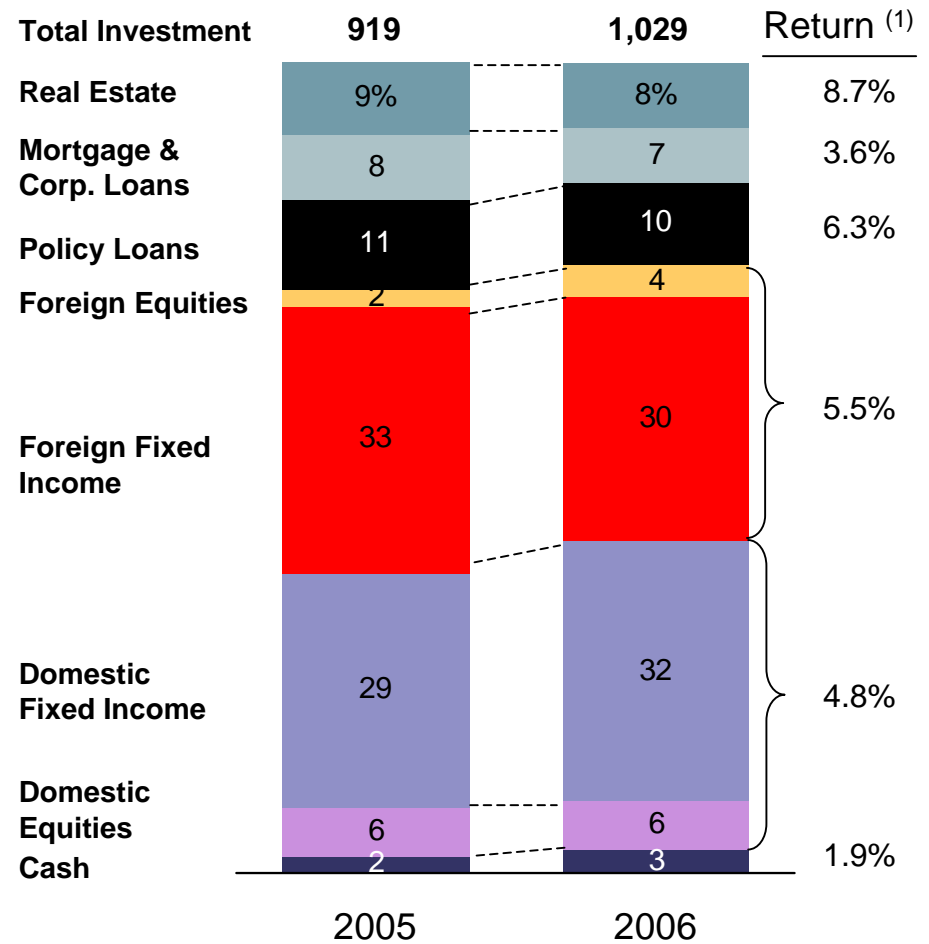
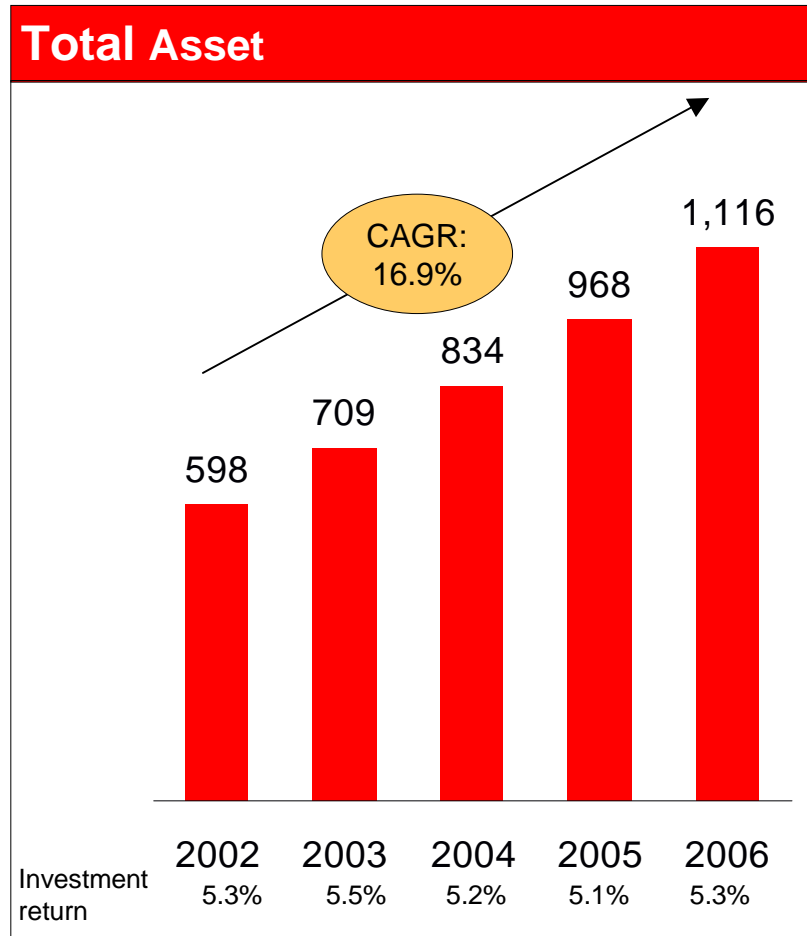


Persistence Ratio



Investment Portfolio

NT\$Bn



Notes:

(1) Includes capital gains and FX hedging cost

Portfolio Management Strategy

- **Enforce strong Asset-Liability-Management Discipline**
 - Develop Strategic Asset Allocation 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., Mortgage Backed Securities @6% and above)
- **Target recurring stream of capital gains from diversified sources**
 - Diversification by asset class (equity, credit, currency, commodity, real estate)
 - Diversification by strategy for uncorrelated sources of alpha (quantitative, value, etc.)
- **Maintain cost-effective currency hedging program**
 - Maintain traditional currency forward to 50% of foreign assets
 - Adopt "proxy hedging" to achieve good hedging effectiveness at low cost (leveraging correlation of TWD with other Asian currencies due to economic and policy factors)
 - Pursue natural diversification of different currencies to further mitigate FX risks

SKL – 2007 Outlook

Market outlook

- Interest rates will steadily move up, but compared to other countries, long-term and real rates are still low
- Continued strong demand for higher-yielding mutual funds and investment products
- Starting 9/1, a "flatter" loading structure will be applied to VUL products. The new regulation should encourage regular premium and investment, and enhance product profitability
- Starting 4/1, asset from interest-sensitive policies will be managed under separate account; declared rate will be linked to performance. Insurers with higher investment returns will benefit

SKL Strategy

- Maintain FYP level; improve product profitability
 - Pursue more balanced product mix among three major product categories
 - Near-term goal is to increase traditional policies and maintain sales of investment-linked and interest-sensitive policies
- Target 5% investment return through diversified income sources and cost-effective currency hedging
- Maintain 2/3 and 1/3 premium mix between agency and bancassurance. Continue to strengthen SKB cross-sales and migrate toward higher margin products
- Target ~10% growth in value of new business (VNB) in the medium term

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SKB – 2006 Overview

- Recorded loss of NT\$4.6bn in 4Q and cumulative loss of NT\$7.27bn in 2006, mainly due to high provisioning expense. Including extra provision at year-end, total provision expense for the year amounted to \$10.7bn
- Achieved loan growth of 11% and L/D ratio of 84%, despite market difficulties
- Low-yield restructured loans and a shift toward lower-risk loan mix caused NIM to shrink from 3.02% to 2.41% and net interest income to reduce by 19%
- Market is recovering from credit crisis. Credit card charge-off peaked in Q1(10%) and gradually came down to 5.7% in Q4
- Good progress in Wealth Management. Monthly fee income increased from ~NT\$3m in January to ~NT\$41m in December; fees from WM accounted for 13% of total fee in 2006
- Synergies from bank integration started to materialize
 - Strong growth in bancassurance cross-sales: NT\$12.8bn in 2006
 - Cost synergies: operating expense reduced by 8%
- Took one-time provision of NT\$4.47bn to bring loan loss coverage up to 84% and credit card coverage to 492%
- Strengthened capital adequacy through NT\$7.4bn capital injection from the FHC and issuance of NT\$8.8bn of subordinated debt by the bank (of which NT\$4.5bn to retire higher-cost old debt). At year-end, BIS and Tier-I ratios were ~12.7% and ~7.8% respectively

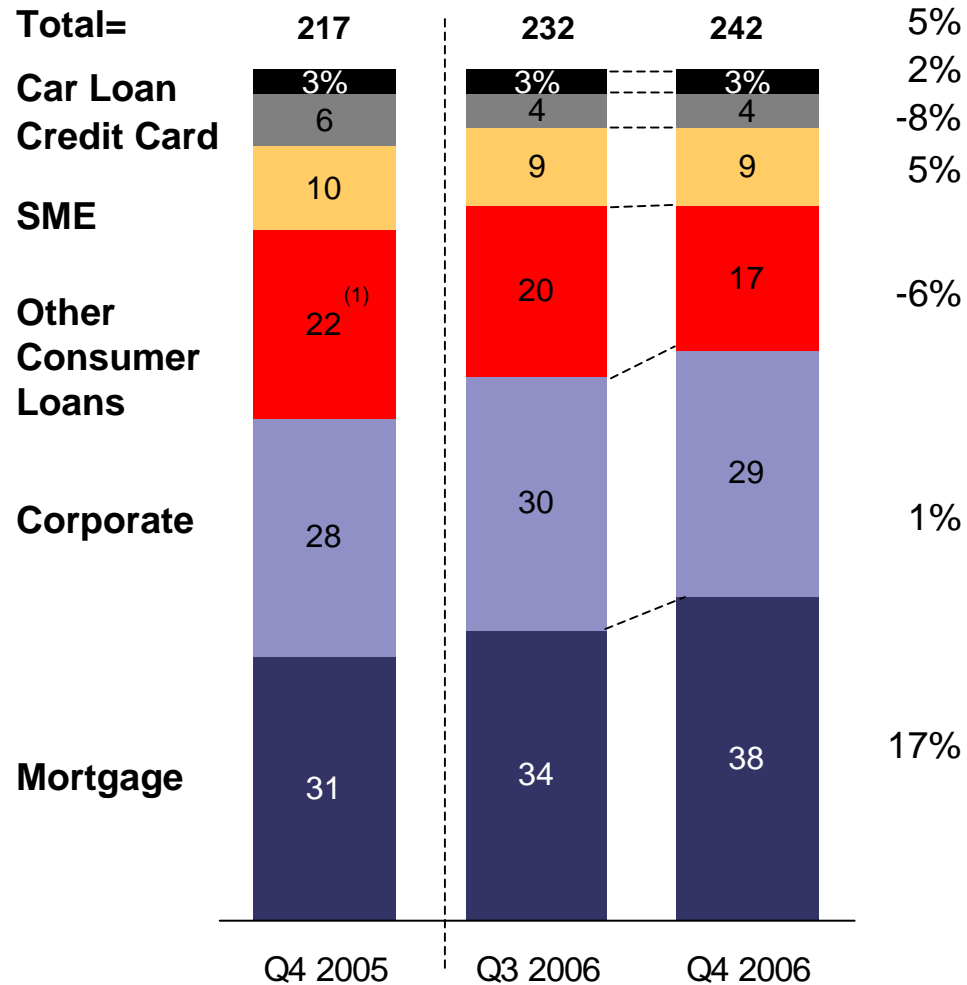
Net Income – 2006

	2005	2006	YoY Growth
NT\$Mn , %			
Net interest income	8,825	7,136	-19%
Net fee income	1,499	1,147	-23%
Other income	380	529	39%
Operating expense	(6,483)	(5,942)	-8%
Pre-provision operating income	4,223	2,870	-32%
Provision expense	(4,729)	(10,746)	127%
Non-operating income & tax	248	605	144%
Net Income	(259)	(7,271)	-

Loan Mix

NT\$Bn

QoQ Growth



Comments

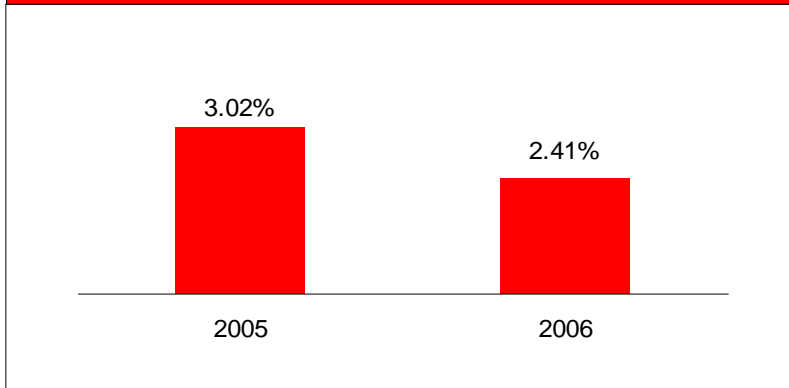
- Growth in 4Q continued to be strong
- Overall loan growth 11% in 2006
- Low risk mortgage is the main growth driver
- Share of non-mortgage personal lending (incl. credit cards) shrank from 31% (2005) to 24% of the total loan book
- L/D ratio improved to 81% (84% if credit card balance is included)

Note:

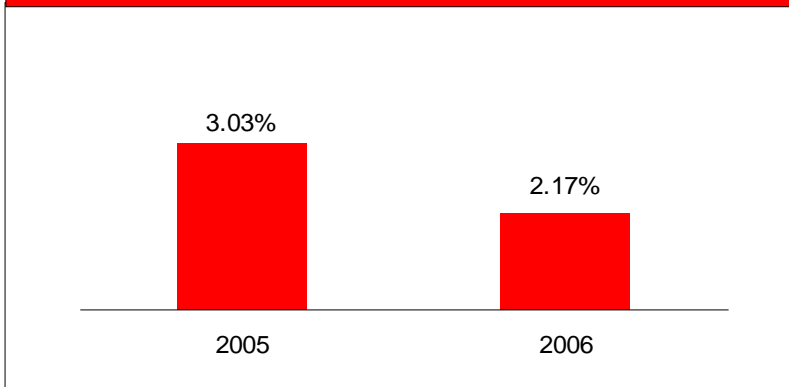
(1) Included cash card balance NT\$1.4bn; cash card business has been stopped since November 2005

Interest Yield

Net Interest Margin



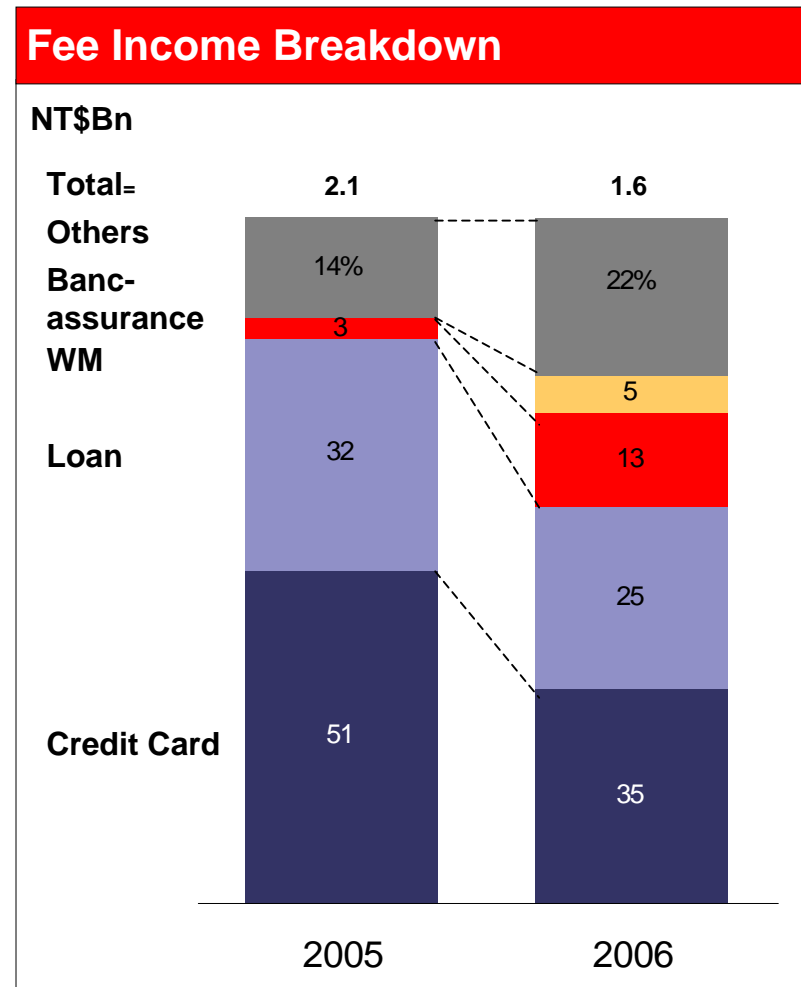
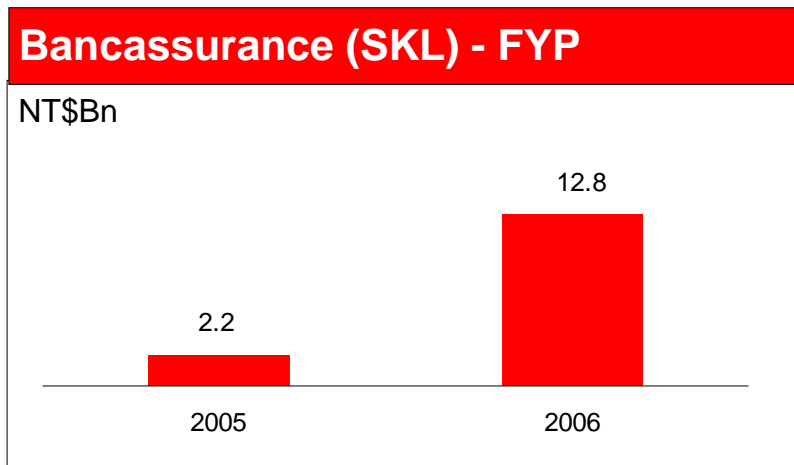
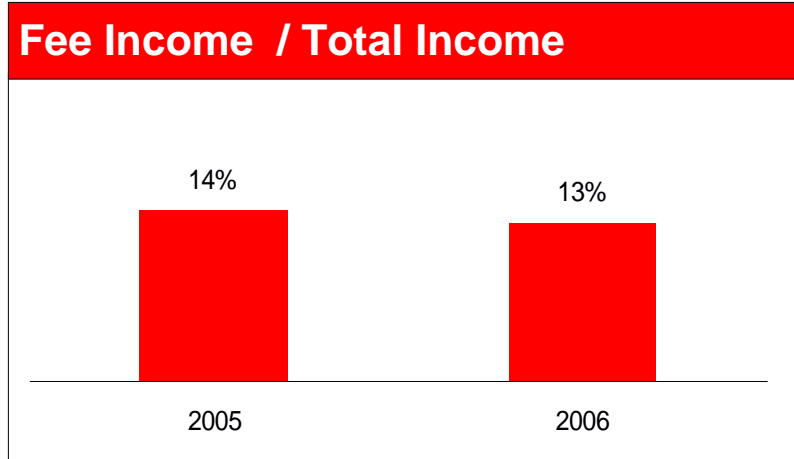
Net Interest Spread



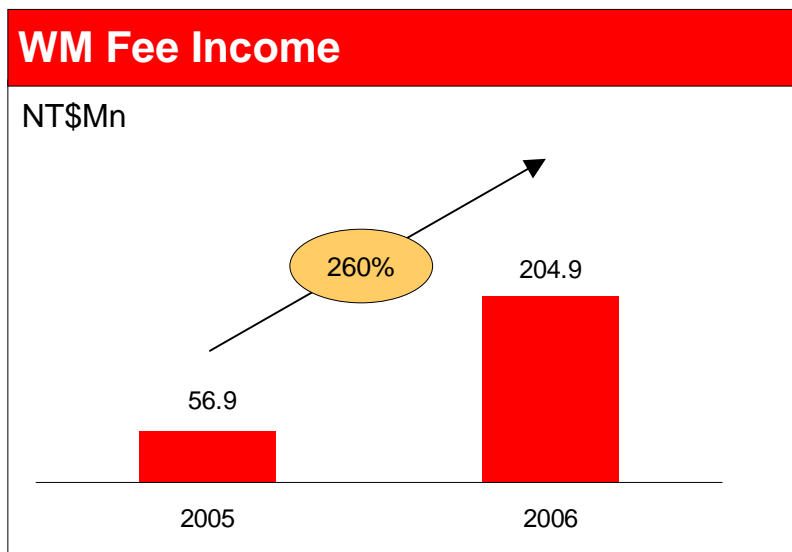
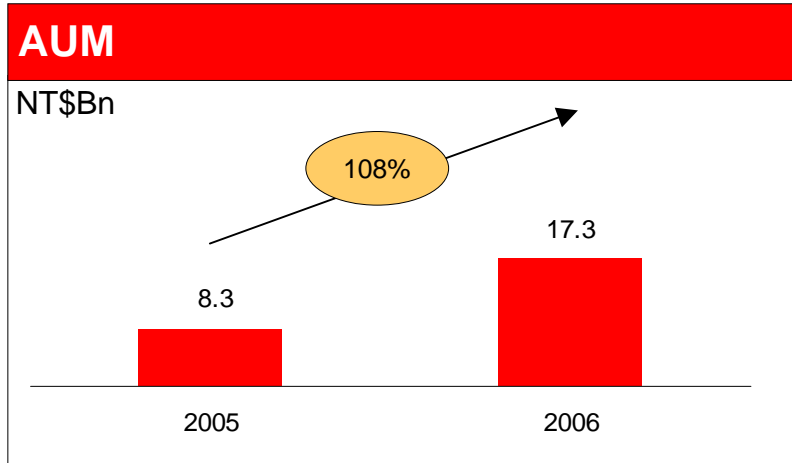
Comments

- Reasons for tightened interest spread
 - Deposit rates pushed up by Central Bank rate hikes
 - New loan rates remain low reflecting market situation and low risk premium
 - Overall credit card yield dragged down by restructured loans

Fee Income



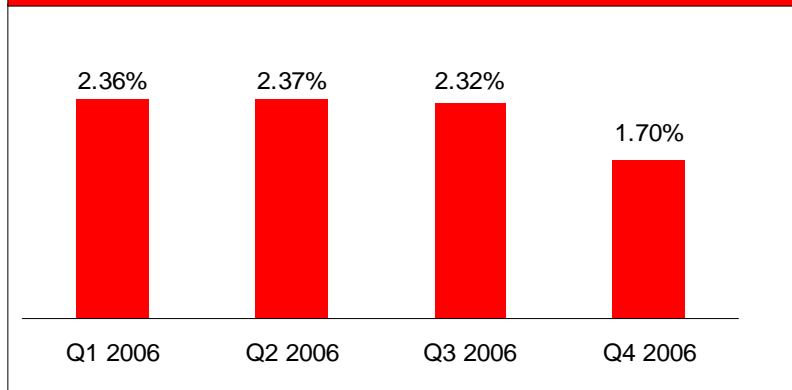
Wealth Management



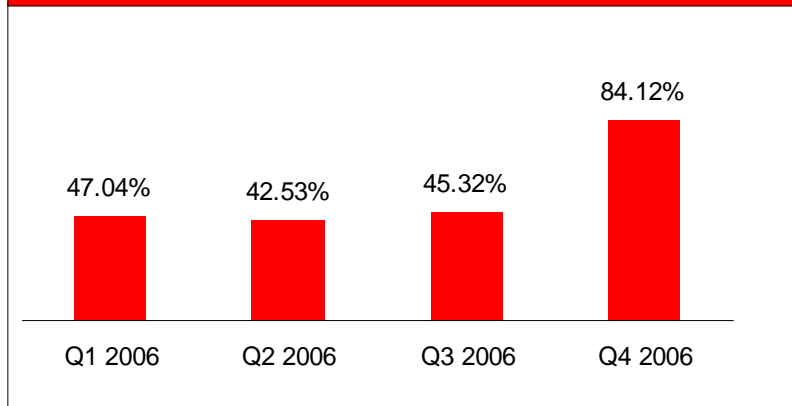
- WM business started to take off
 - WM accounted for 13% of total fee income, up from 3% in 2005
 - AUM and fee income quickly expanded, especially in Q4
 - ~130 AOs recruited and ~1,000 investment products introduced
 - Working with outside consultants to enhance customer service and better differentiate SKB from competitors

Asset Quality

NPL Ratio



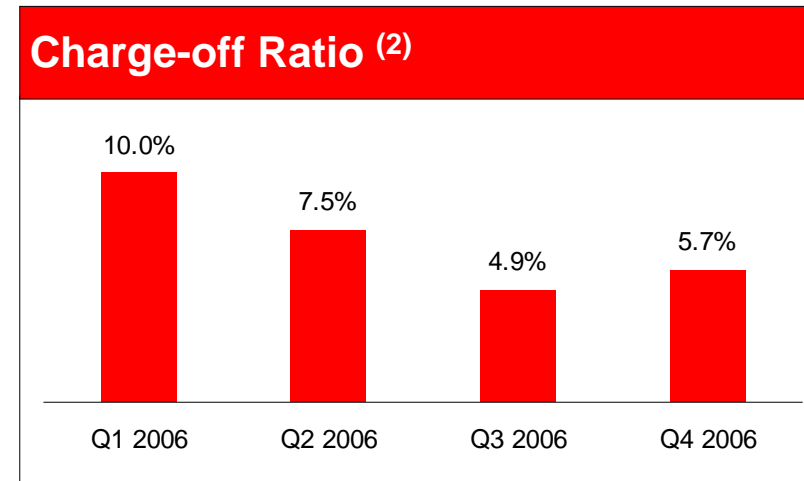
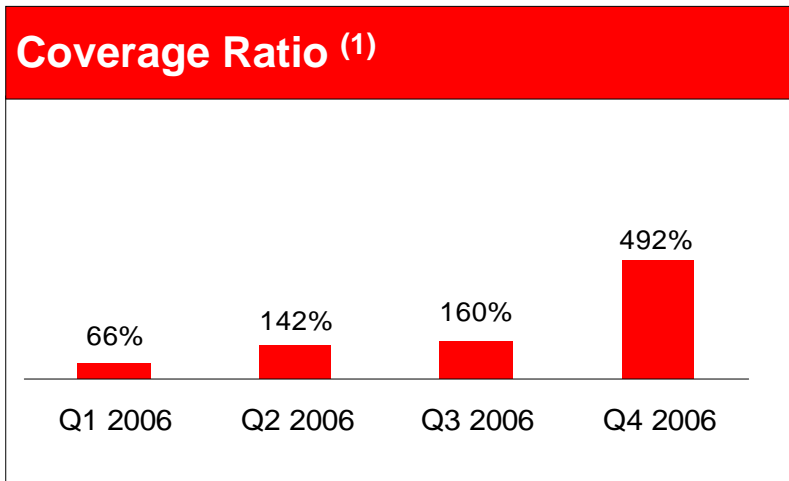
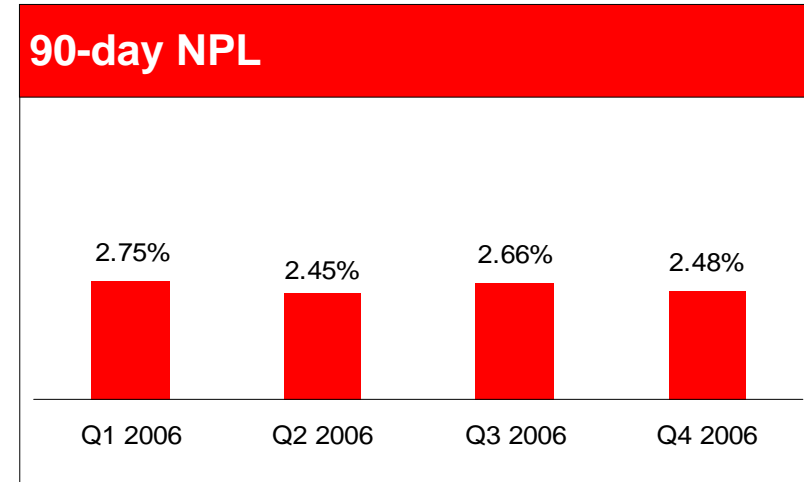
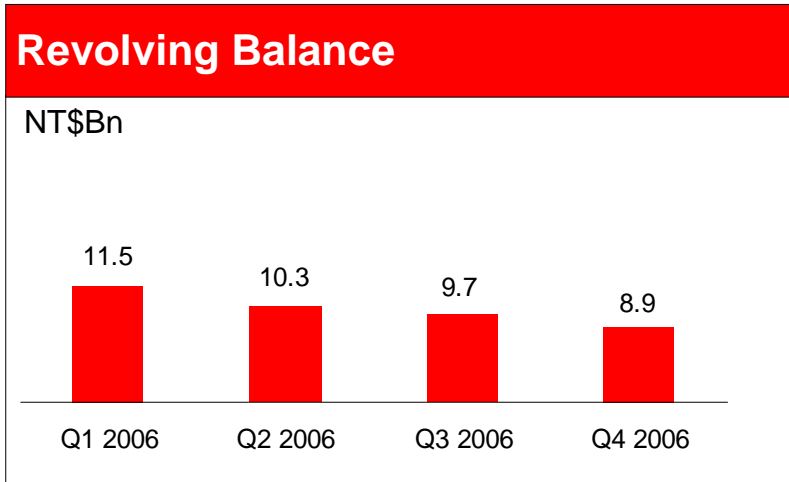
Coverage Ratio



Comments

- Took NT\$4.47bn of one-time provision at year-end to fully reflect impact of credit crisis and improve quality of overall loan portfolio
- NT\$1bn of the NT\$4.47bn is set aside for the restructured credit card book, assuming 30~40% ultimate loss rate

Credit Cards Metrics



Note:

- (1) Actual reserves / NPL
- (2) Unannualized numbers

SKB – 2007 Outlook

Market Outlook

- Market is recovering from credit crisis; loan growth will resume
- NIM remains under pressure. Reasons: market competition and reduction in balance of higher-yield consumer loans
- Centralized restructured loan program stopped at the start of 2007, impact is expected to be immaterial

SKB Strategy

- Target loan growth of 10~15% and loan mix of 50/50 between corporate and consumer lending in the medium term. Most growth this year will come from mortgage and large corporate segments
- Focus on fee income growth and increase fee income ratio to ~20%
 - Wealth management: continue to expand AOs from 130 to ~270 till year-end, target fee income of \$500mm, equivalently to ~20% of total fee income
 - Bancassurance: increase fee revenue through cross-selling SKL policies
- Cautious expansion in credit card business
 - Increase usage/spending of current cardholders through differentiated marketing programs
 - Tap into good-quality customer segments through group resources (e.g., SKL policyholders) and co-brand card with Mitsukoshi department stores
- Provision expense will be significantly reduced, but uncertainties (e.g., repayment of restructured loans) remain, especially in 1H

SKFH – 2007 Outlook

Market outlook

- Interest rates will steadily move up, but compared to other countries, long-term and real rates are still low
- Credit crisis stabilizing and lending market will resume growth
- 2nd stage of Financial Reform slowed down; privatization of state-owned banks remains uncertain. However, M&A transactions initiated by foreign banks and private equity funds should improve quality of competition and pricing discipline in the market

SKFH Strategy

- Continue to pursue growth and enhance profitability in subsidiaries
 - Gain market share and economies of scale through organic growth and acquisitions
- Drive synergies among subsidiaries
 - Establish cross-sales counters, e.g., securities counters at bank branches
- Improve service level
 - Provide customers with comprehensive products and one-stop financial service; enhance professionalism of employees through educational trainings
- Tighten risk management
 - Build system to quantify risk exposure and concentration at the FHC level
- Pursue overseas expansion (to China and Vietnam) in a prudent manner
 - SKL proactively seeks joint venture partner in China and expects to see major breakthrough in next 12~18 months

Agenda

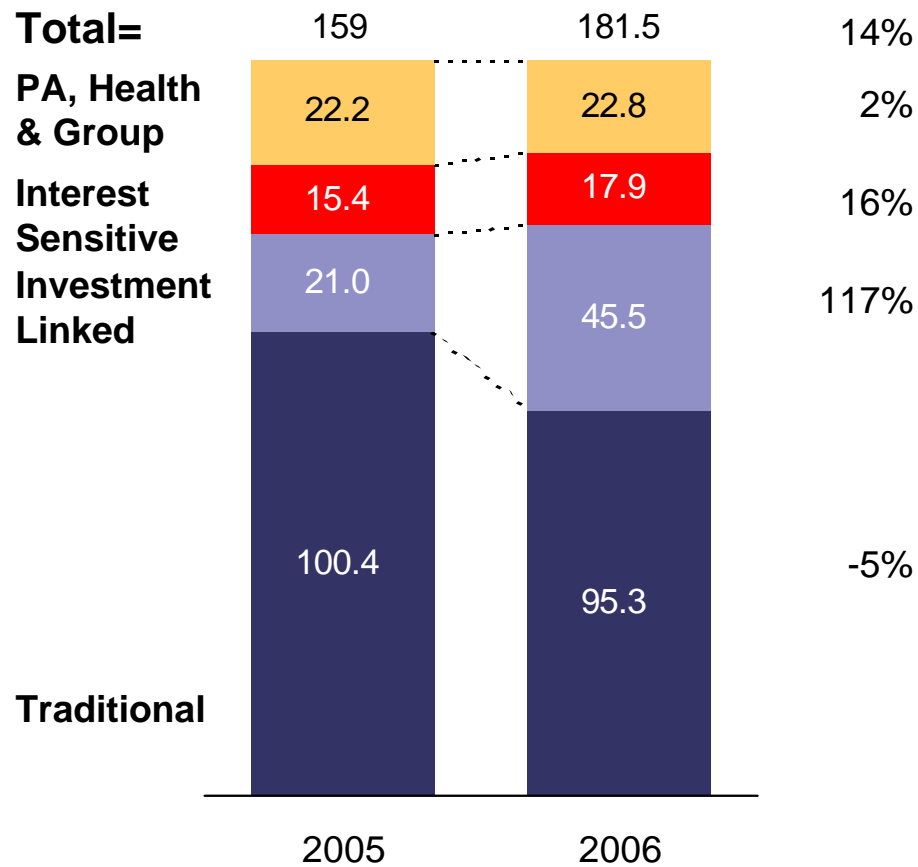
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Total Premium – 2006

NT\$Bn

Market Share = 11.6%

Growth

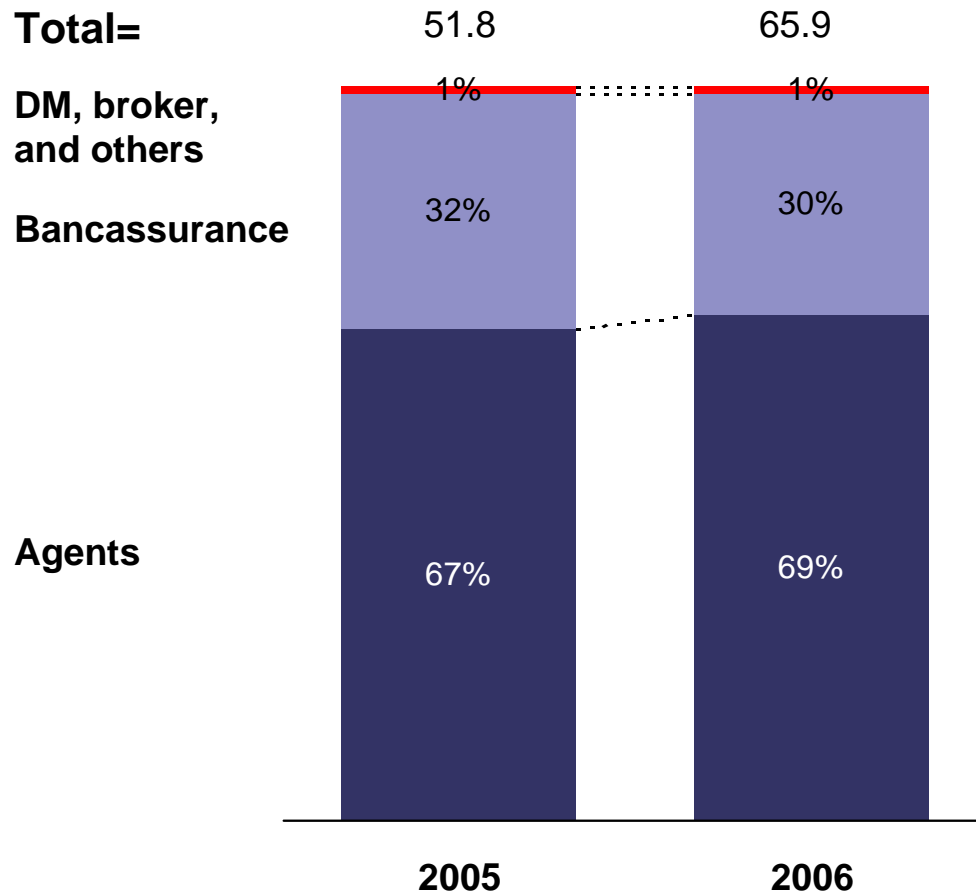


Comments

- Strong overall growth, partly driven by increase in FYP
- Traditional products (mostly recurring premium) still dominate total premium mix
- Share of non-guaranteed rate policies, e.g., investment-linked and interest sensitive products, becomes more significant

FYP by Channel

NT\$Bn



Comments

- Channel mix remained stable in 2006
- Agency channel (preferred channel for sales of traditional and investment-linked products) still dominates
- SKB accounts for roughly two-thirds of bancassurance sales

SP / RP Breakdown – 2006

NT\$Bn

2006 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	0.22	4.16		4.38
Investment-linked				
VUL			31.07	31.07
Structured note	9.00			9.00
Interest Sensitive				
Annuity	9.39		0.06	9.45
Life			8.44	8.44
PA, health and others		3.53		3.53
Total	18.61	7.69	39.57	65.87

Website : www.skfh.com.tw

E-mail : ir@skfh.com.tw

Shin Kong Financial Holding

Financial Summary

(NT\$m)

Statement of Income Data	4Q06/4Q05			YoY		
	4Q2005	4Q2006⁽¹⁾	% change	2005	2006⁽¹⁾	% change
Net interest income	35	171	389%	74	497	572%
Income from subsidiaries						
Shin Kong Life	340	600	76%	7,237	11,133	54%
Shin Kong Bank	(271)	(4,468)	1550%	(259)	(7,271)	2712%
Shin Kong Securities	24	262	974%	149	600	303%
Shin Kong Insurance Brokers	9	11	18%	29	45	57%
Shin Kong Investment Trust ⁽²⁾	(2)	(72)	3500%	1	(79)	-
Total income from subsidiaries	101	(3,667)	-3734%	7,157	4,428	-38%
Other income	3	1	-66%	125	208	66%
Administrative and general expenses	(241)	(74)	-69%	(380)	(320)	-16%
Income tax benefit (expense)	29	194	570%	80	579	621%
Cumulative effect of changes in accounting principle	-	-	-	-	(63)	-
Net income	(74)	(3,376)	4480%	7,056	5,329	-24%

Balance Sheet Data	4Q06/4Q05			YoY		
	4Q2005	4Q2006⁽¹⁾	% change	2005	2006⁽¹⁾	% change
Long term investment	76,827	92,884	21%	76,827	92,884	21%
Total assets	1,331,220	1,494,152	12%	1,331,220	1,494,152	12%
Total shareholders' equity	68,301	88,897	30%	68,301	88,897	30%

Note:

(1) preliminary numbers

(2) New Light Asset Management and Shin Kong Investment Trust merged on October 9, 2006. Earnings of the latter have been recognized since its incorporation into the Group on July 18, 2006

Shin Kong Life

Financial Summary

(NT\$m)

Statement of Income Data ⁽²⁾	4Q2005	4Q2006 ⁽¹⁾	4Q06/4Q05 % change	2005	2006 ⁽¹⁾	YoY % Change
Premium income	37,122	36,410	-2%	145,505	149,421	3%
Investment income						
Interest income	8,650	8,805	2%	32,884	34,533	5%
Gains on investments in securities	2,290	1,245	-46%	13,128	12,848	-2%
Gains on real estate investments	733	598	-18%	4,041	5,349	32%
FX	(2,828)	(758)	-73%	(7,180)	(2,985)	-58%
FX gain or loss	(798)	(4,458)	458%	(1,129)	(1,376)	22%
Hedging	(2,030)	3,700	-282%	(6,051)	(1,609)	-73%
Total Investment income	8,845	9,890	12%	42,873	49,744	16%
Other operating income	1,253	913	-27%	4,201	3,906	-7%
Provision for reserves						
Provisions	(41,339)	(41,460)	0%	(148,298)	(153,664)	4%
Recoveries	17,193	21,509	25%	42,316	54,261	28%
Total provisions for reserves, net	(24,145)	(19,951)	-17%	(105,982)	(99,403)	-6%
Insurance payments	(16,426)	(20,122)	23%	(55,100)	(66,731)	21%
Commissions	(1,783)	(2,156)	21%	(6,679)	(7,662)	15%
Separate account revenue	10,192	15,167	49%	16,409	42,254	158%
Separate account expenses	(10,192)	(15,167)	49%	(16,409)	(42,254)	158%
Operating expense	(4,230)	(3,991)	-6%	(14,491)	(15,497)	7%
Other operating costs	(1,070)	(1,007)	-6%	(4,087)	(3,785)	-7%
Operating income	(434)	(15)	-97%	6,241	9,992	60%
Non-operating income, net	881	(139)	-116%	1,564	662	-58%
Income tax benefit (expense)	(81)	780	-1062%	(442)	(298)	-32%
Cumulative effect of changes in accting principles	0	0	-	0	934	-
Net income	366	626	71%	7,363	11,290	53%

Balance Sheet Data	4Q2005	4Q2006 ⁽¹⁾	4Q06/4Q05 % change	2005	2006 ⁽¹⁾	YoY % Change
Total assets	967,629	1,116,286	15%	967,629	1,116,286	15%
Total shareholders' equity	54,407	68,040	25%	54,407	68,040	25%

Note:

(1) preliminary numbers

(2) classification has been revised to be more in line with financial reporting

Shin Kong Bank

Financial Summary

(NT\$m)

Statement of Income Data	4Q06/4Q05			YoY		
	4Q2005	4Q2006 ⁽¹⁾	% change	2005	2006 ⁽¹⁾	% change
Interest income	3,439	2,933	-15%	12,846	11,728	-9%
Interest expense	(1,103)	(1,255)	14%	(4,021)	(4,592)	14%
Net interest income	2,336	1,678	-28%	8,825	7,136	-19%
Fee income	484	511	6%	2,077	1,596	-23%
Fee expense	(139)	(88)	-37%	(577)	(448)	-22%
Net fee income	345	423	23%	1,499	1,147	-23%
Gains on bill & securities investment	1	292	29100%	278	470	69%
Gains on long-term equity investment	54	176	226%	80	117	45%
Other income	(26)	(38)	46%	22	(58)	-362%
Operating expense	(1,663)	(1,652)	-1%	(6,483)	(5,942)	-8%
Pre-provision operating income	1,046	879	-16%	4,223	2,870	-32%
Provision expense	(2,701)	(5,647)	109%	(4,729)	(10,746)	127%
Other operating expense	-	-	-	-	-	-
Operating income	(1,655)	(4,767)	188%	(506)	(7,876)	1456%
Non-operating income	101	93	-8%	243	215	-11%
Non-operating expense	19	7	-63%	(63)	(93)	47%
Income tax benefit (expense)	266	200	-25%	68	483	611%
Net income	(1,268)	(4,467)	252%	(259)	(7,271)	2712%

Balance Sheet	4Q06/4Q05			YoY		
	4Q2005	4Q2006 ⁽¹⁾	% change	2005	2006 ⁽¹⁾	% change
Total assets	340,636	351,652	3%	340,636	351,652	3%
Total shareholders' equity	19,908	19,913	0%	19,908	19,913	0%
Total loans (net, exclude credit card)	206,976	235,684	14%	206,976	235,684	14%
Total deposits	289,443	291,123	1%	289,443	291,123	1%

Operating Metrics (cumulative)	2005	2006 ⁽¹⁾
Fee income ratio	14%	13%
Cost income ratio	61%	67%
Loan/deposit ratio(excl. credit card)	72%	81%
Loan/deposit ratio(incl. credit card)	76%	84%
Net interest margin	3.02%	2.41%
Net interest spread	3.03%	2.17%
Pre-provision earnings/assets	1.24%	0.83%
Pre-provision earnings/equity	21.21%	14.41%

Note:

(1) preliminary numbers