

Confidential



Shin Kong Financial Holding

Q1 2007 Results Update

May 9, 2007

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Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Life's 2006 EV/AV Results

V. Appendix - Life

SKFH – Q1 2007 Overview

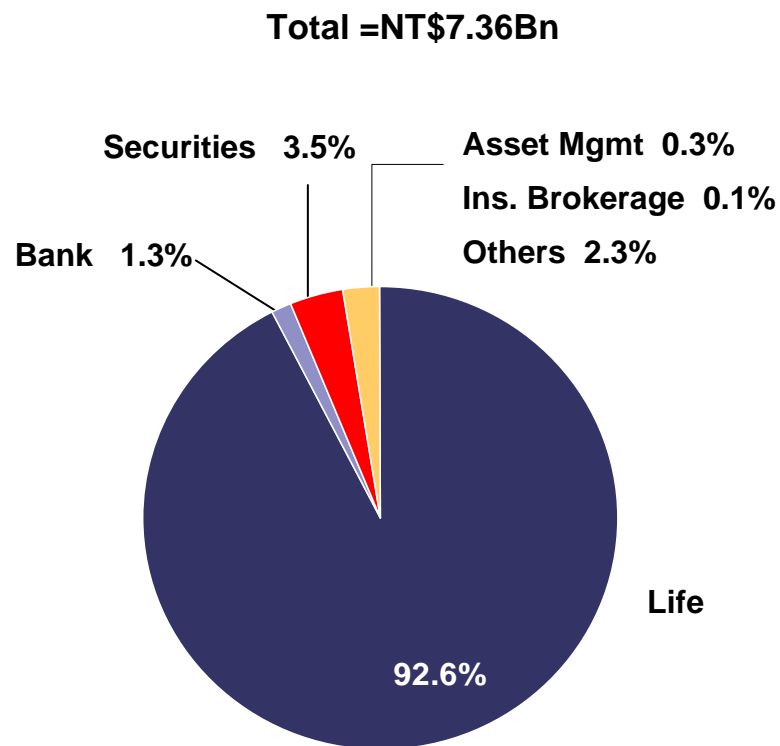
- Strong first quarter results with after-tax profit of NT\$7.36bn, EPS NT\$1.56; profit was up 173% (yoy) excluding one-off items (e.g., gains from real estate securitization and impact from accounting changes)
- Profit mainly contributed by SKL, while SKB returned to profit
 - SKL: after-tax profit was NT\$6.84bn, up 98% (yoy) excluding one-off items (e.g., gains from real estate securitization and impact from accounting changes)
 - SKB: net income improved to NT\$93mm compared to a loss of NT\$977mm in Q1 2006 due to significantly lower provision expense
 - SKSC: reported after-tax profit was NT\$256mm, up 8% (yoy), due to strong performance of proprietary business
 - SKIT: generated net income of NT\$19mm as impact of bond fund reclassification was fully reflected in 2006
 - SKIB: after-tax profit was NT\$9mm
- On 4/13, the Board of Directors approved cash dividend of NT\$1.0 and stock dividend of NT\$0.3 for the year 2006 (subject to AGM approval); the Company aims to maintain and gradually increase cash payout ratio and percentage of cash dividend taking into consideration capital needs of the Company and investor preference

Financial Highlights – Q1 2007

	Q1 2006	Q1 2007	YoY Growth
NT\$Mn (except per share data) , %			
Group net income	7,125	7,363	3%
First year premium (Insurance)	14,246	21,596	52%
Loans (Bank)	207,973	242,503	17%
Total assets	1,360,005	1,537,844	13%
Total shareholders' equity	78,844	95,100	21%
ROA (unannualized)	0.53%	0.49%	-8%
ROE (unannualized)	9.72%	7.95%	-18%
Earnings per share	1.75	1.56	-11%

Net Income – Q1 2007

Group net income



Net income contribution

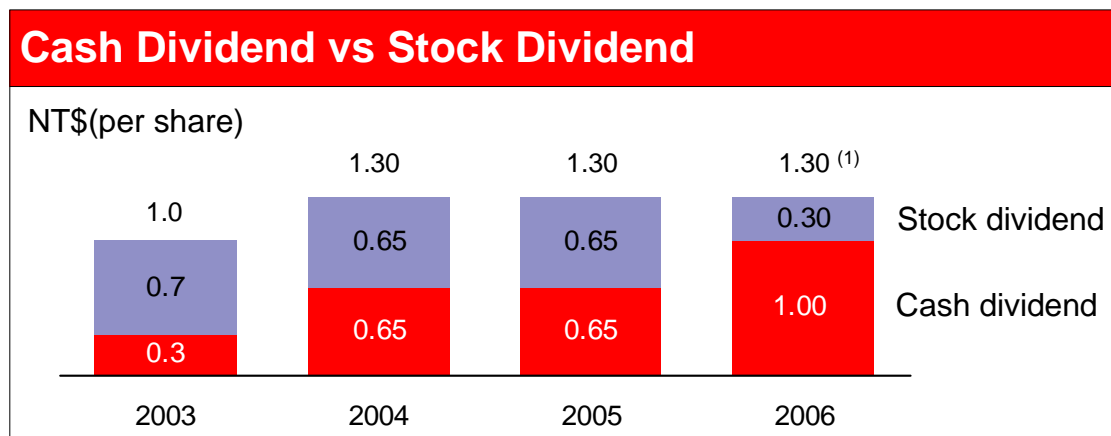
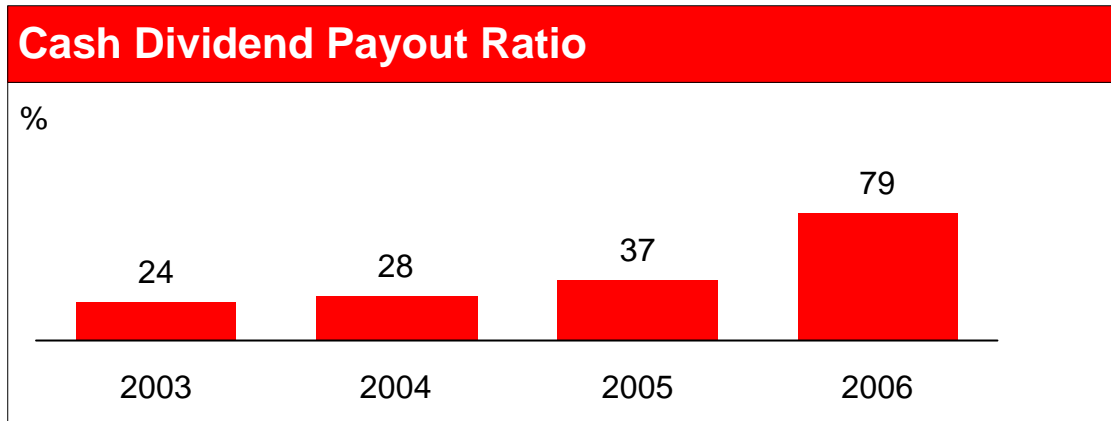
NT\$Bn

Subsidiaries	Q1 2007	YoY
Shin Kong Life ⁽¹⁾	6.82	-13%
Shin Kong Bank	0.09	-
Shin Kong Securities	0.26	8%
Shin Kong Investment Trust	0.02	-
Shin Kong Insurance Brokers	0.01	-36%
FHC and tax	0.16	96%
Net income	7.36	3%

Note:

(1) Excludes minority interest income

Dividend Distribution



Comment

- Cash dividend payout ratio increased over the years
- Despite lower earnings and EPS in 2006, total dividend payout remained stable
- Long-term goal is to increase cash payout ratio and percentage of cash dividend

Note:

(1) Subject to AGM approval

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SKL – Q1 2007 Overview

- Strong growth in premium and earnings: Q1 after-tax profit was NT\$6.84bn, up 98% (yoy) excluding one-off items (e.g., gains from real estate securitization and impact of accounting changes)
- Robust sales in investment-linked policies pushed FYP up by 52% (yoy) to NT\$21.6bn; maintained number 2 position in the market with market share increasing from 12.6% to 13.7%
- Premium mix: 80% investment-linked policies, 12% interest-sensitive policies and 8% traditional and related policies
- Achieved robust investment return, on-track to achieve the 5% annual target. Main drivers are strong equity performance, low hedging cost and stable recurring income. Fixed income securities are mainly AAA-rated, and exposure to U.S. sub-prime mortgages is limited (all CDO are A-rated or above)
- 13 and 25-month persistency continued to improve, 13-month persistency already close to 90%
- 2006 EV increased 30% to NT\$115.2bn driven by strong profits, unrealized gain on financial investments, and 2006 VNB. VNB increased 13% to NT\$8.9bn

SKL – Q2 2007 Outlook

- Target stable growth in FYP. New products expected to enhance overall profit margin:
 - Launched new VUL product at end of March with flattened loading and compulsory renewal of basic premium
 - Focus on endowment (e.g., Duo-Tsair-Duo-Yih), long-term care and cancer policies to sustain sales of traditional products
- Maintain 5% overall investment return target and effectively control hedging cost at 200bps or below; closely monitor developments in U.S. mortgage market
- Develop both agency and bancassurance channels. SKB continues to provide a strong cross-selling platform for bancassurance
- Identified China joint venture partner, and submitted application to Mainland Chinese authorities; expect to receive approval to set up preparatory office in Q3 and permission to set up operation in another 6 months
- Raising of overseas investment cap will help diversify risk and enhance investment return. Foreign-currency policies (to be allowed) will offer growth opportunities
- Aim to grow VNB by 10-15% every year

Financial Highlights – Q1 2007

	Q1 2006	Q1 2007	YoY Growth
NT\$Mn , %			
First year premium	14,246	21,596	52%
Total premium	40,413	48,234	19%
Investment income	16,315	16,551	1%
Net income	7,864	6,841	-13%
Total assets	998,956	1,156,014	16%
Total shareholders' equity	65,849	72,742	10%
ROE (unannualized) ⁽¹⁾	17.09%	9.97% ⁽²⁾	-42%
ROA (unannualized)	0.80%	0.60%	-25%

Note:

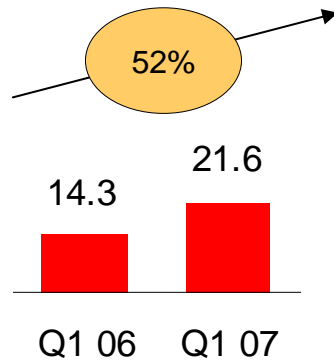
(1) Excludes preferred shares

(2) \$12bn of preferred shares were converted to common share in the fourth quarter of 2006, which substantially increased the Company's common share equity in the first quarter of 2007

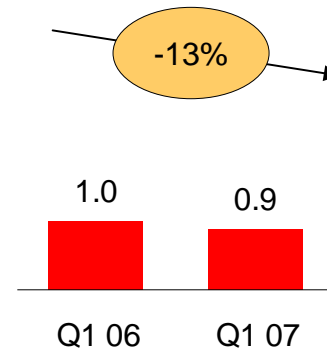
First Year Premium – Q1 2007

NT\$Bn

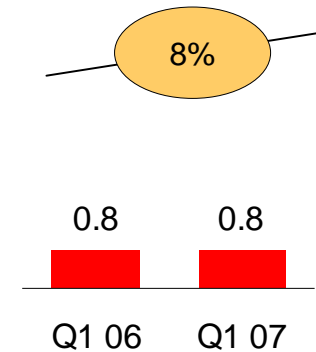
Market share 13.7%



Traditional



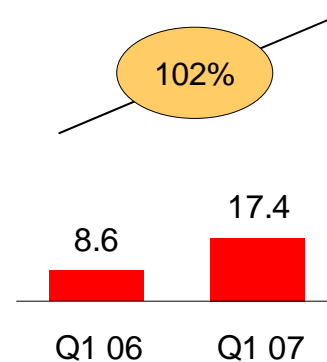
PA, Health and Group



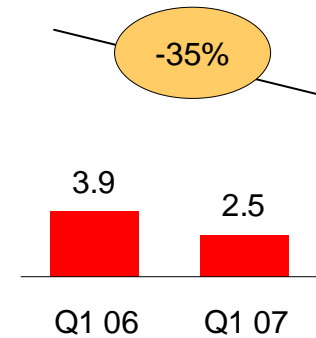
Comments

- FYP growth above market average of 25%
- ~80% of FYP from investment-linked policies, which is in line with industry; VUL accounted for 90% of investment-linked premium

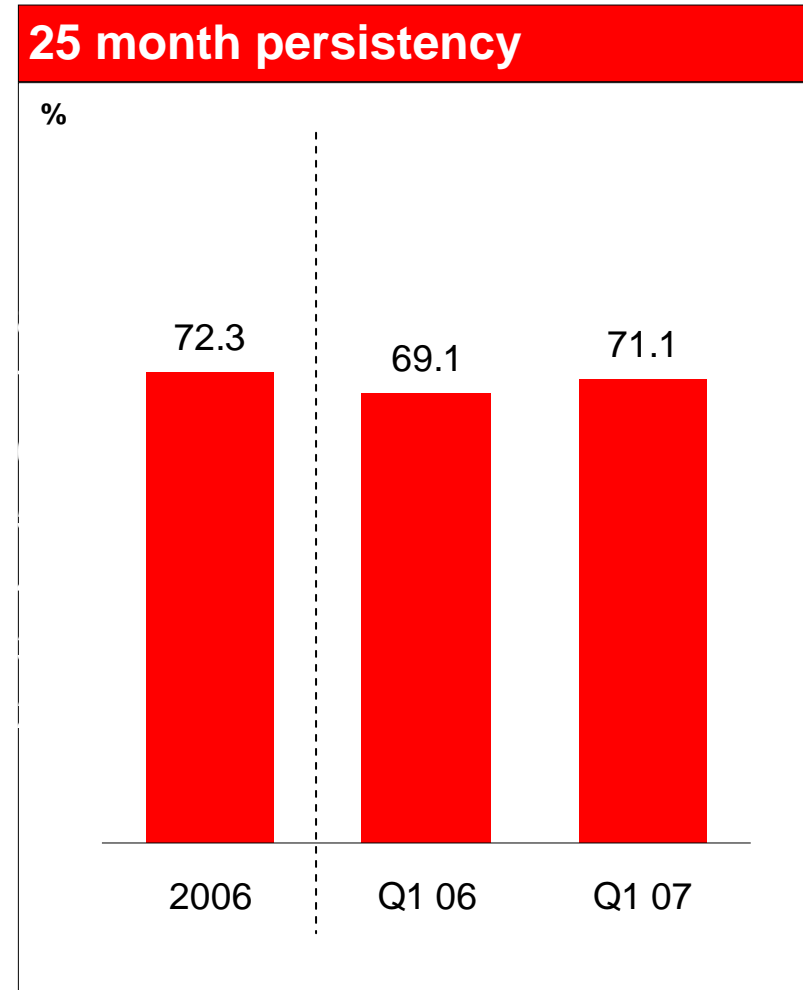
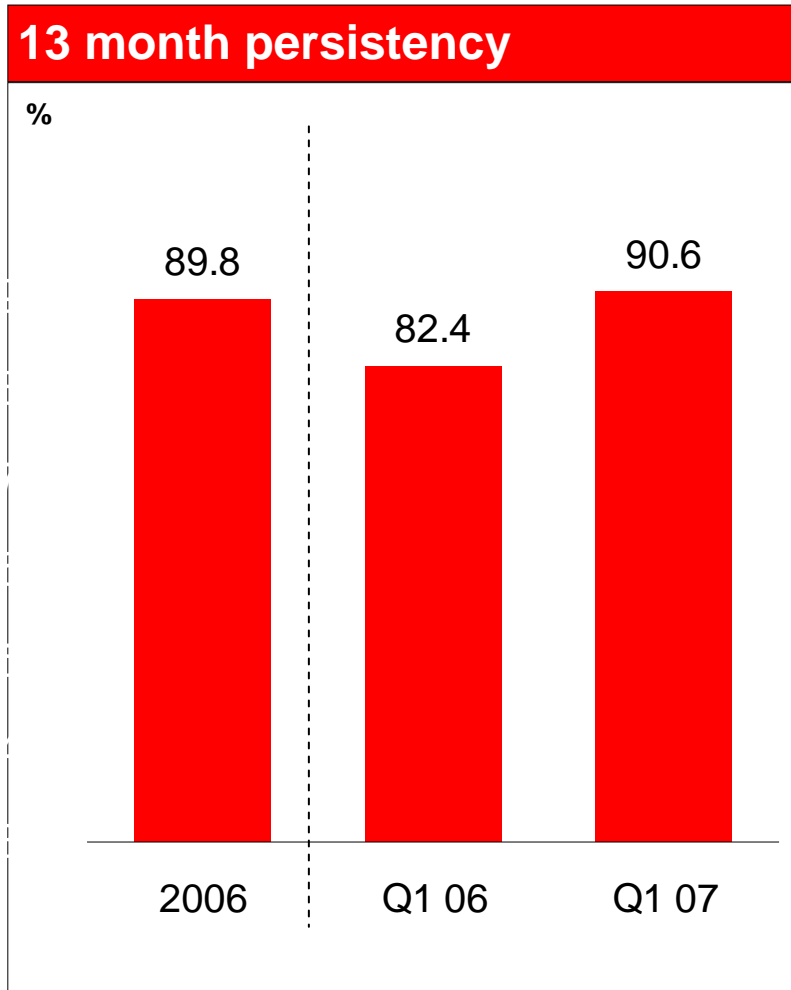
Investment-linked



Interest-sensitive

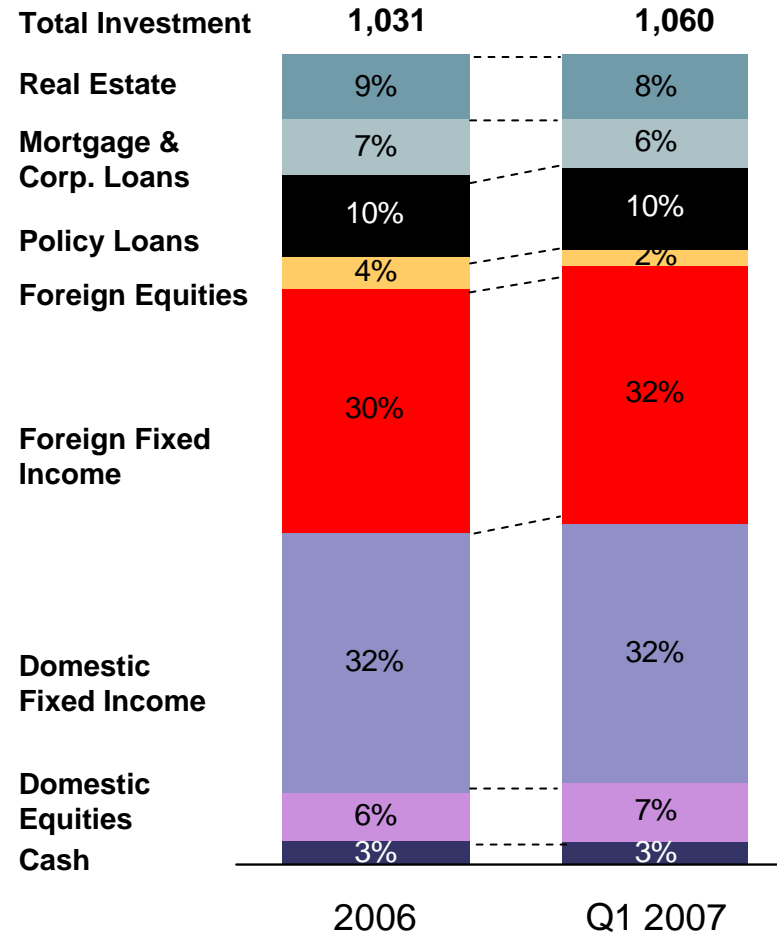
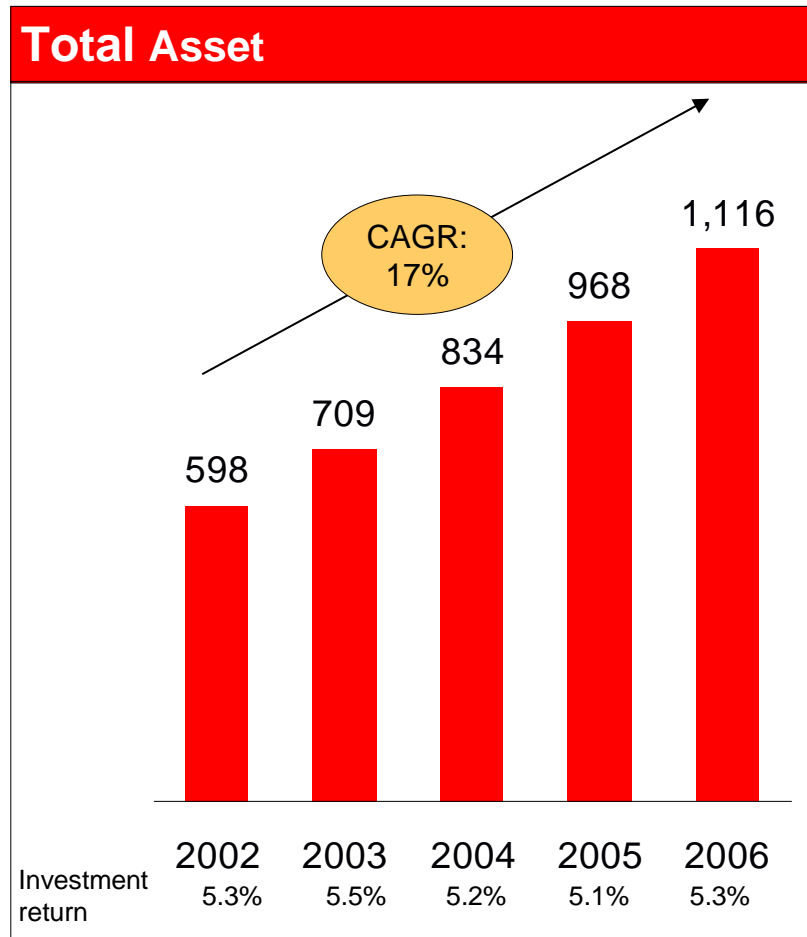


Persistence Ratio

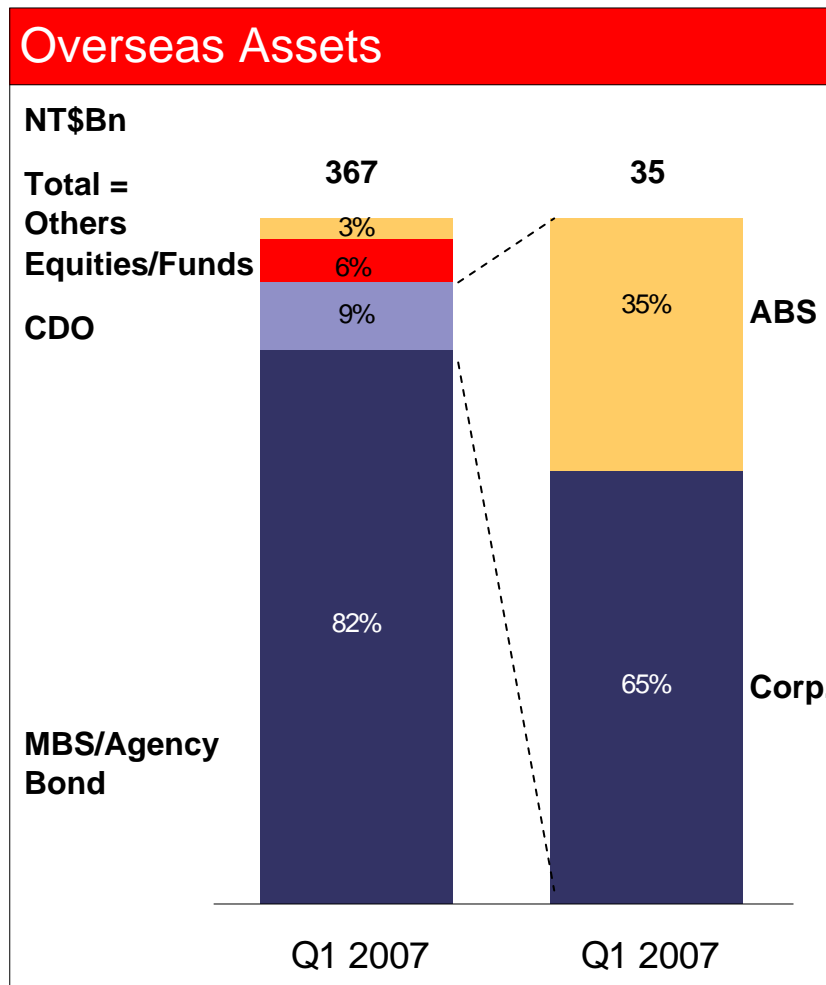


Investment Portfolio

NT\$Bn



Overseas Assets – Prudent Credit Exposure



Comments

- Majority of overseas assets are AAA rated
- All CDOs are continuously rated by S&P/Moody's/Fitch and bear rating of A or above
- 35% of CDOs are referenced to Asset Back Securities which consist of diversified set of collaterals in RMBS, CMBS, Auto Loans, etc.
- All ABS CDOs are managed by first tier external fund managers in US/Europe
- ABS CDOs are mostly ramped up before 2006 and therefore exposed to safe vintages of 2005 and 2004 with cushion from home price appreciation and principal repayment

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SKB – Q1 2007 Overview

- Net income improved to NT\$93mm compared to a loss of NT\$977mm as provision expense came down significantly from NT\$2.0bn to NT\$515mm
- Loan balance (\$234bn, excl. credit card revolving) and mix (60/40 between consumer and corporate) remained stable due to more stringent policies on credit and pricing; L/D ratio remained high at 83%
- Net interest income increased by 5.4% (QoQ). Rising funding cost caused by Central Bank rate hikes narrowed NIM and net interest spread by 5bps and 7bps respectively to 2.08% and 2.10%
- Good progress in wealth management with fee income up by 500% (yoy), representing 31% of total fee income. Achieved bancassurance cross-sales of NT\$2.4bn and increased proportion of traditional policies
- Credit card NPL and LLR coverage ratios remained stable at 2.53% and 408% respectively; quarterly write-offs declined from NT\$0.8bn to NT\$0.7bn, and the charge-off ratio decreased slightly to 5.35%
- Overall NPL ratio was 2.01%. Mortgage loan quality continues to improve with NPL coming down from 1.27% at the beginning of the year to 1.14% at the end of Q1. LLR coverage reduced slightly to 72.48% from the high level achieved through one-off provisioning last year

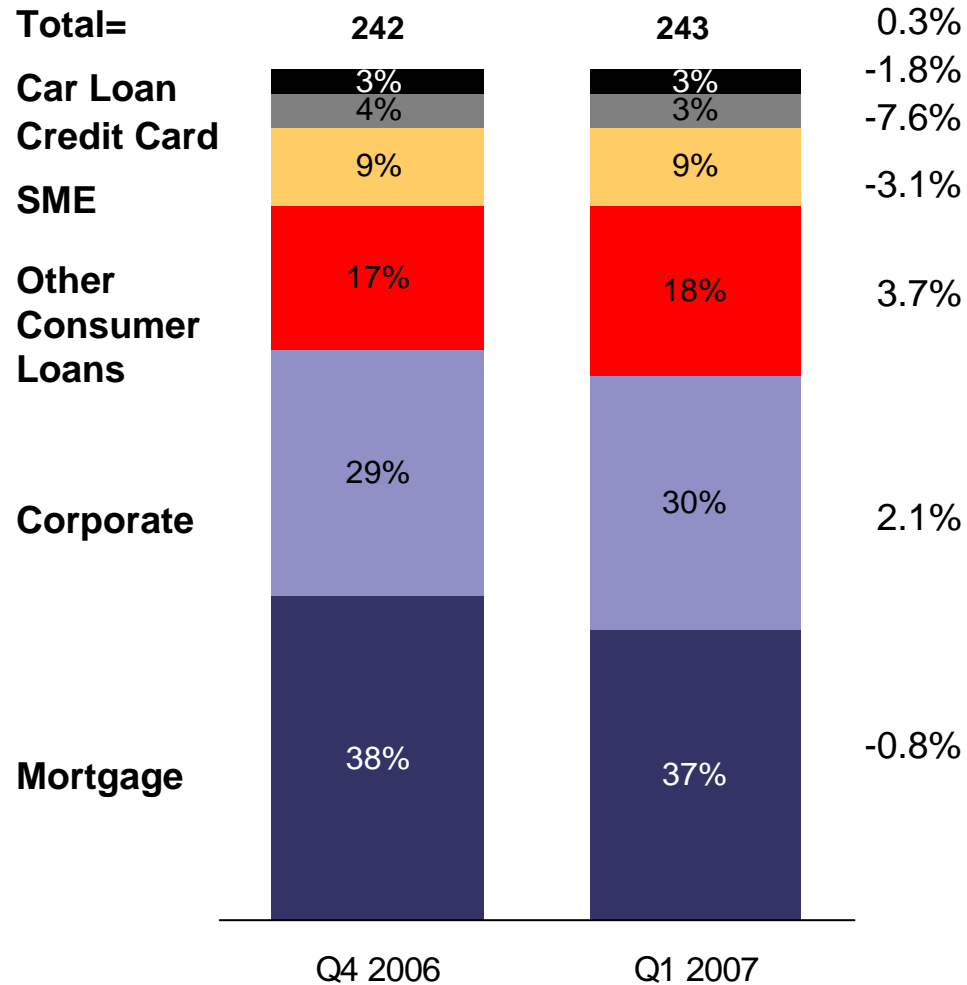
Net Income – Q1 2007

	Q1 2006	Q1 2007	YoY Growth
NT\$Mn , %			
Net interest income	1,995	1,657	-17%
Net fee income	203	303	50%
Other income	(8)	96	-
Operating expense	(1,458)	(1,441)	-1%
Pre-provision operating income	733	615	-16%
Provision expense	(1,992)	(515)	-74%
Non-operating income & tax	282	(7)	-109%
Net Income	(977)	93	-

Loan Mix

NT\$Bn

QoQ Growth

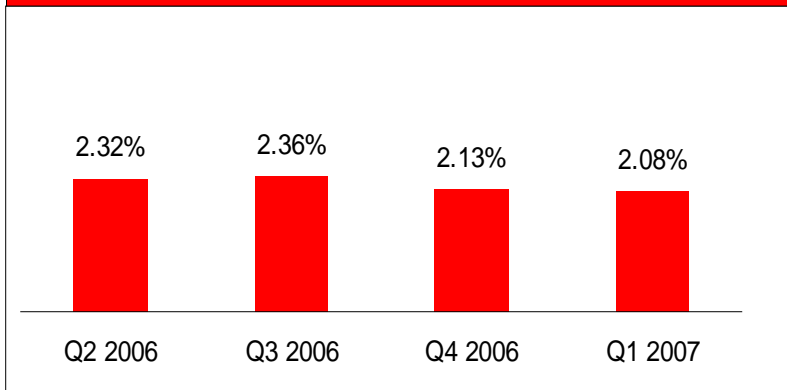


Comments

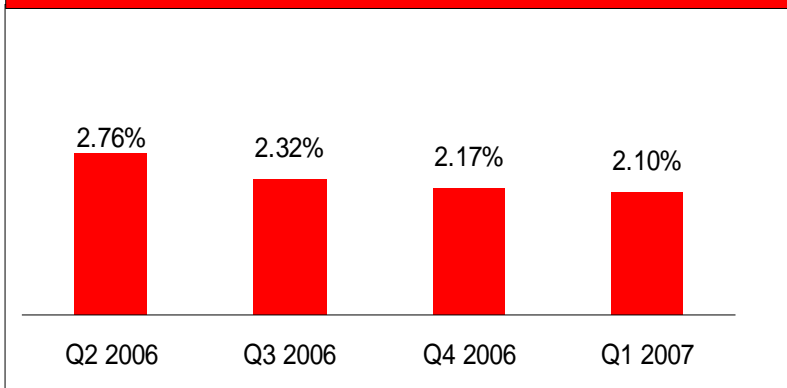
- Loan balance and mix remained stable due to more stringent policies on credit and pricing
- Slower growth in mortgage driven by tighter credit criteria and avoidance of price competition, e.g., no high or 100% LTV mortgage, <80% LTV for new loans, and ~40% of new growth from Greater Taipei area
- L/D ratio remained high at 80% (83% if credit card balance was included)

Interest Yield

Net Interest Margin



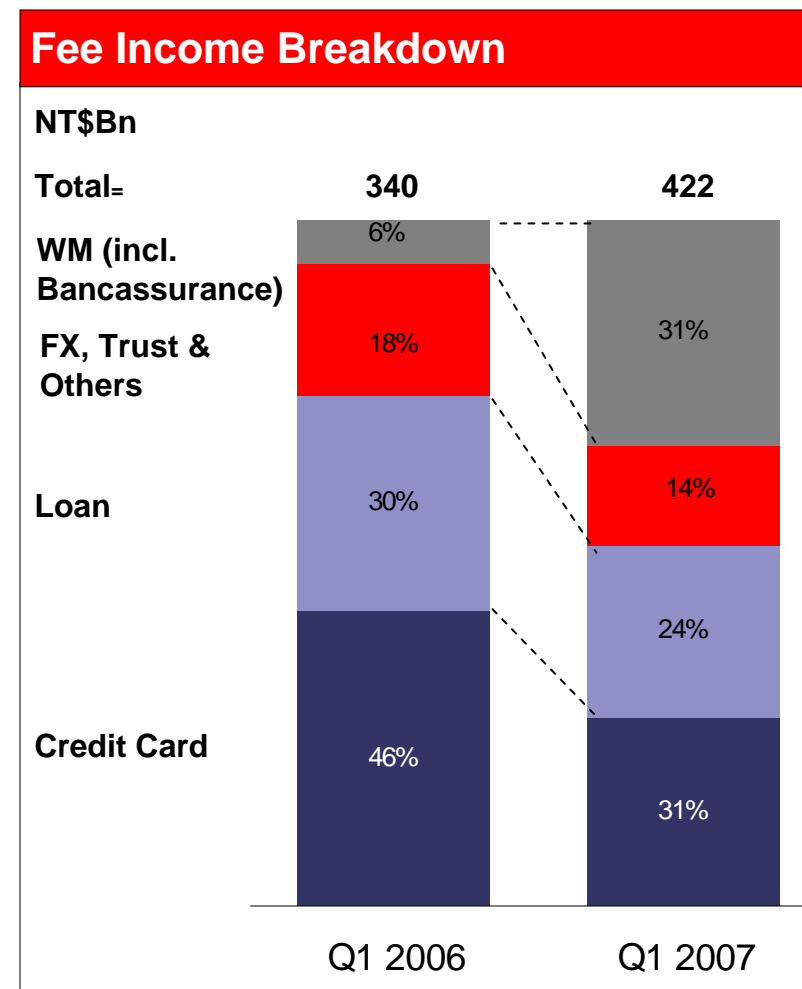
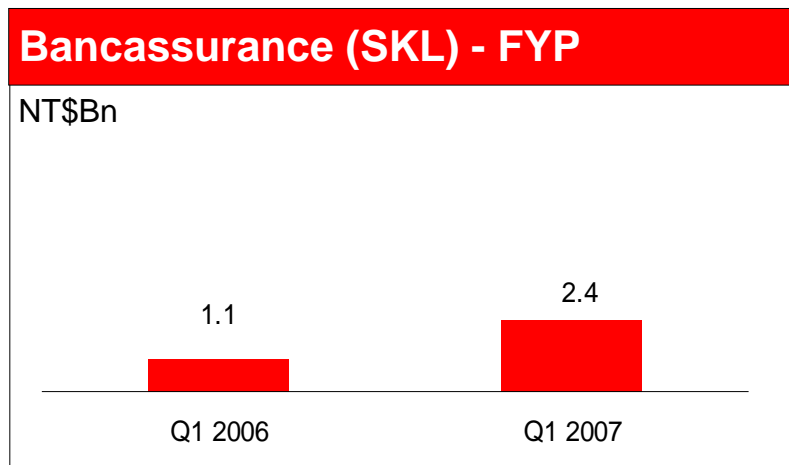
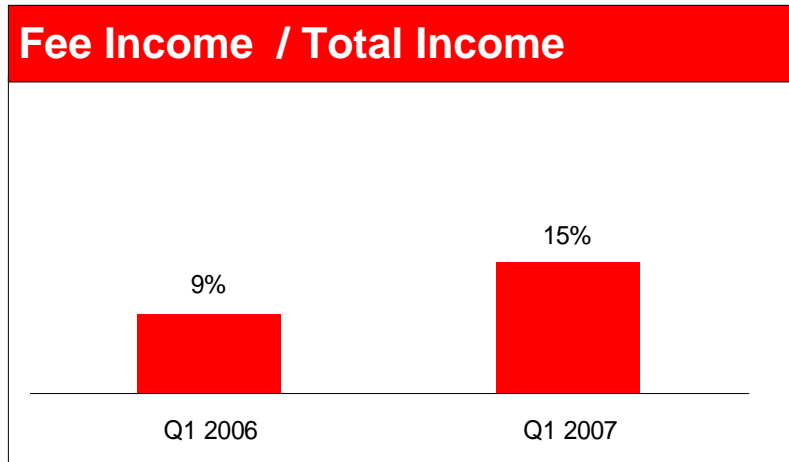
Net Interest Spread



Comments

- Reasons for tightened interest margin
 - Deposit rates continued to be pushed up by Central Bank rate hikes
 - Growth came mainly from low-risk segments
- Interest margin remains under pressure but will stabilize as loan rates are gradually moving up

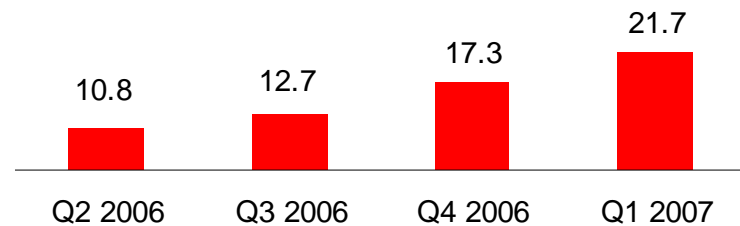
Fee Income



Wealth Management

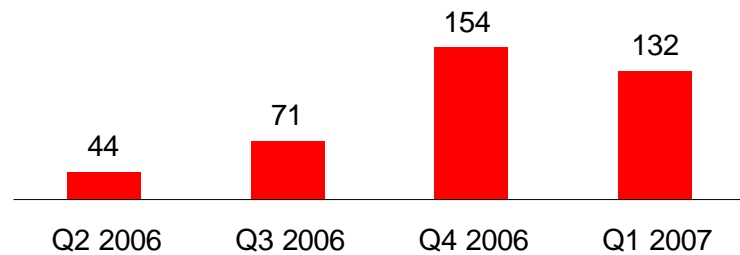
AUM

NT\$bn



WM Fee Income

NT\$Mn



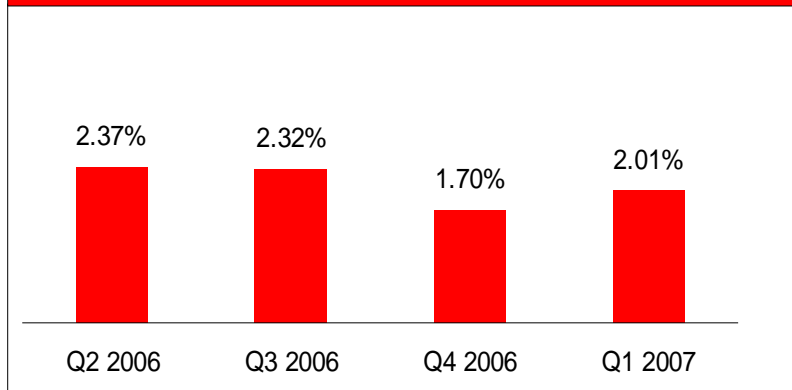
Wealth Management Center



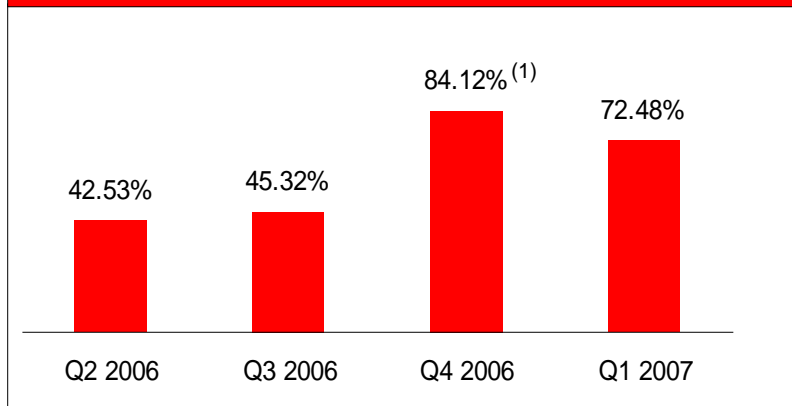
- Good progress in wealth management
 - WM accounted for 31% of total fee income, up from 6% in Q1 2006
 - AUM expanded by 25% compared to Q4 2006
 - Focus on penetrating existing customers and leveraging established relationships in central and northern Taiwan
 - Gradually reached critical scale to provide more comprehensive and tailor-made products

Asset Quality

NPL Ratio



Coverage Ratio



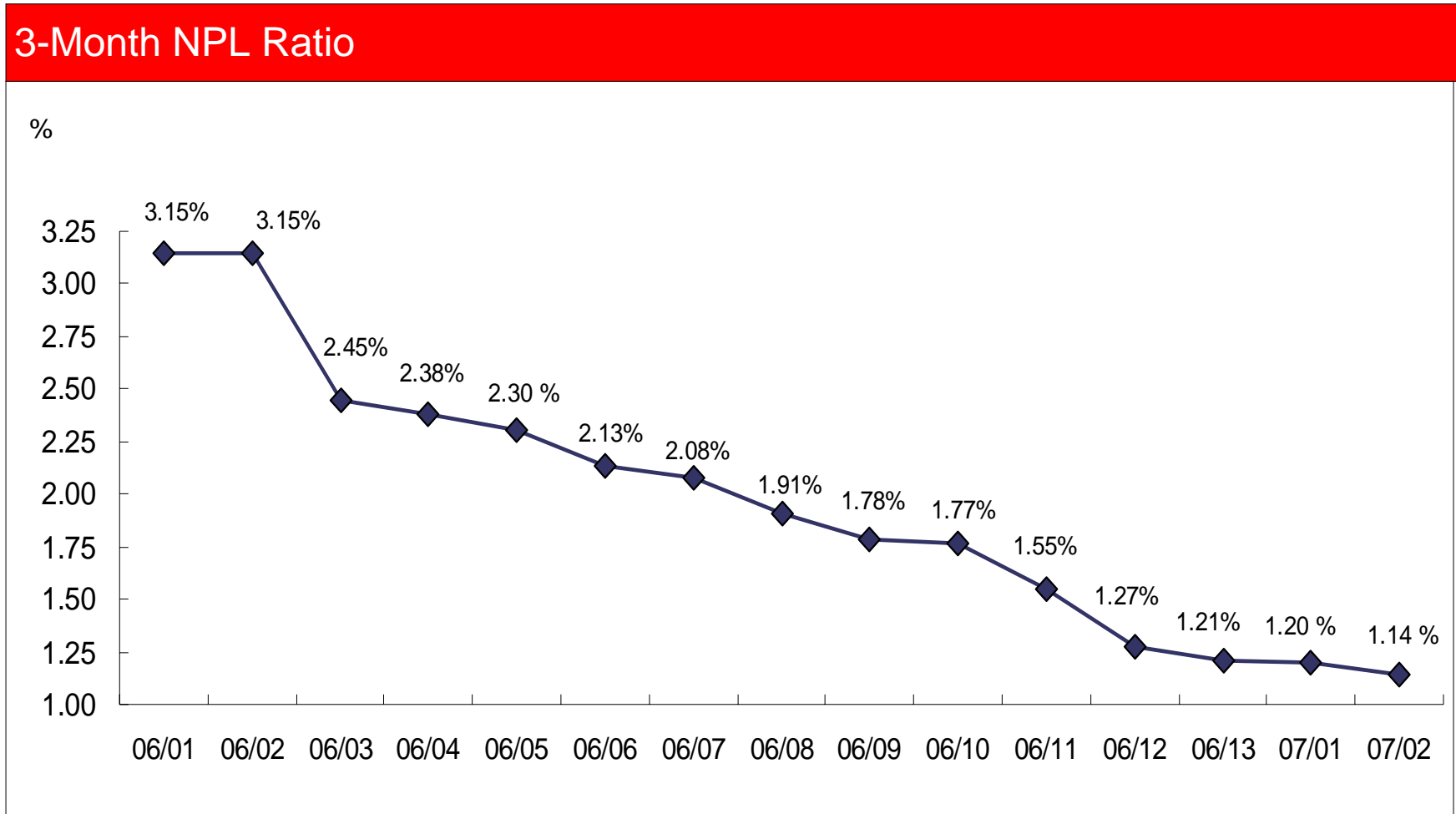
Comments

- Overall NPL maintained at 2%; NPL of mortgage improved from 1.27% at the beginning of the year to 1.14 % at the end of Q1
- Coverage ratio declined slightly since one-time provision at the end of 2006, but is still above Company's medium term target of 40%
- Cumulative repayment rate of DRP at ~79%, in line with Company expectation. 86% of DRP balance has made three consecutive payments or more

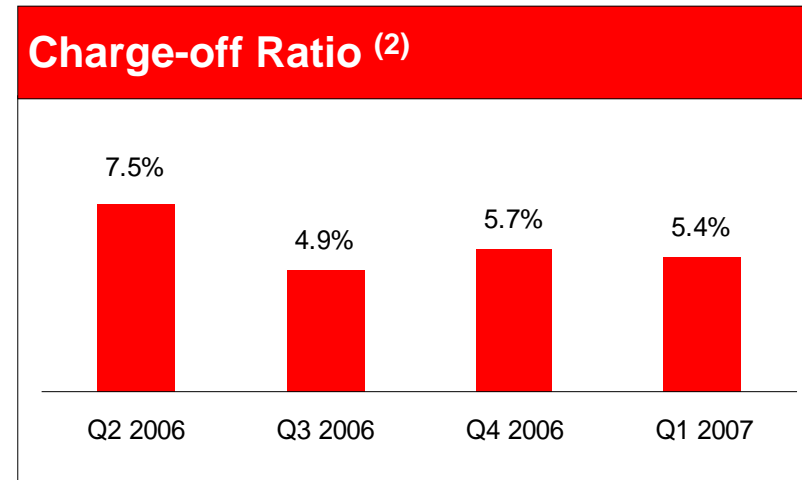
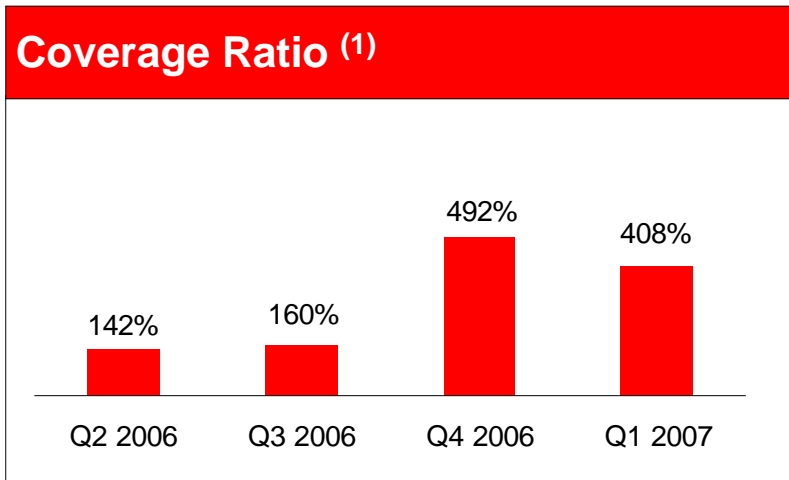
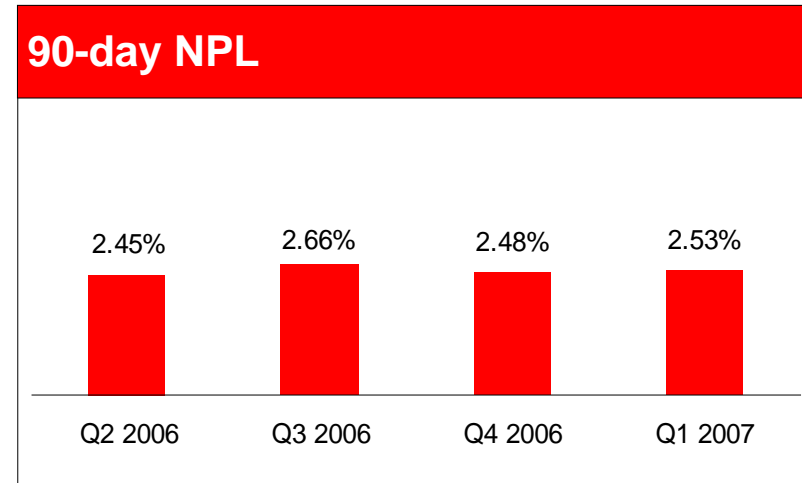
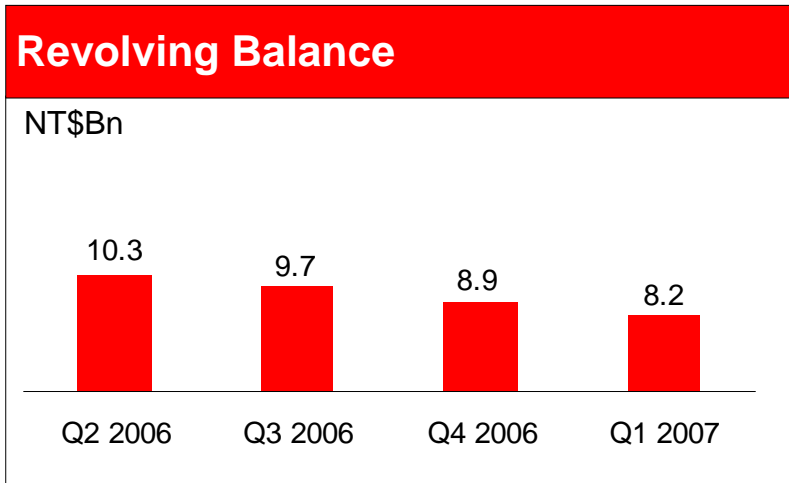
Note:

(1) Took NT\$44.7 bn of one-time provision at year- end 2006

NPL Ratio for Mortgage Loan



Credit Cards Metrics



Note:

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

SKB – Q2 2007 Outlook

- Stable loan growth to maintain interest margin and asset quality
- Interest margin expected to stabilize. Future regulatory audits will include pricing policy to ensure that funding cost and risk premium are fully reflected
- Momentum in WM expected to sustain due to rapid expansion in AOs and products, low penetration of existing customer base and Shin Kong's ability to leverage group resources
- Quality of credit cards gradually stabilizes and repayment of DRP loans expected to sustain. By year-end, losses (before recovery) may reach 30~50%
- Overall loan quality remains healthy. Stringent credit reviews and LTV limit helped maintain loan quality of mortgages
- Uncertainties exist on the regulatory front. Passage of CDSA (Consumer Debt Settlement Act) may cause another wave of moral hazard and increase credit risk in the unsecured and mortgage businesses

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SKL - EV & AV Result

Unit : NT\$Bn

	2005.12	2006.12	YoY growth
Adjusted NAV	84.6	100.3	18.6%
VIF	38.3	44.2	15.4%
COC	34.6	29.3	-15.3%
EV	88.3	115.2	30.5%
V1NB	7.9	8.9	12.7%
AV (5 years NB)	113.3	143.0	26.2%
AV (20 years NB)	143.0	170.4	19.2%

SKL - Estimate of Embedded Value Results

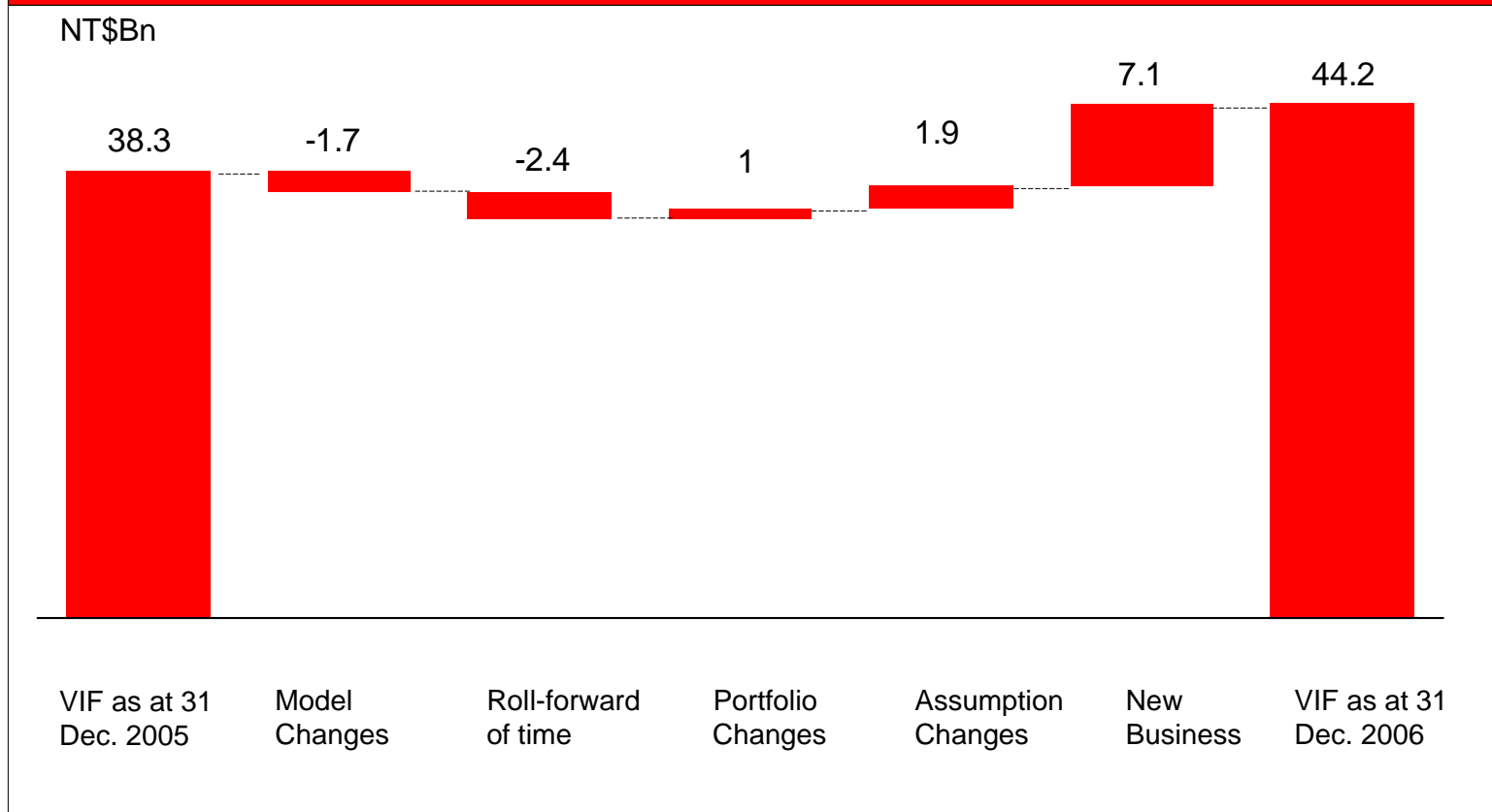
Unit: NTD bn Valn Date: 31 December 2006 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except:		Inv Return 5.05% p.a. RDR 11.90% p.a.	All else equal except:	
	Inv Return 4.80%	Inv Return 5.30%		RDR 10.90%	RDR 12.90%
Net Worth	100.3	100.3	100.3	100.3	100.3
VIF	20.5	65.0	44.2	48.1	41.0
EV (before COC)	120.8	165.3	144.5	148.4	141.3
Cost of Capital (COC)	29.9	28.6	29.3	28.0	30.3
EV (after COC)	90.9	136.7	115.2	120.4	111.0

SKL - Estimate of Appraisal Value Results

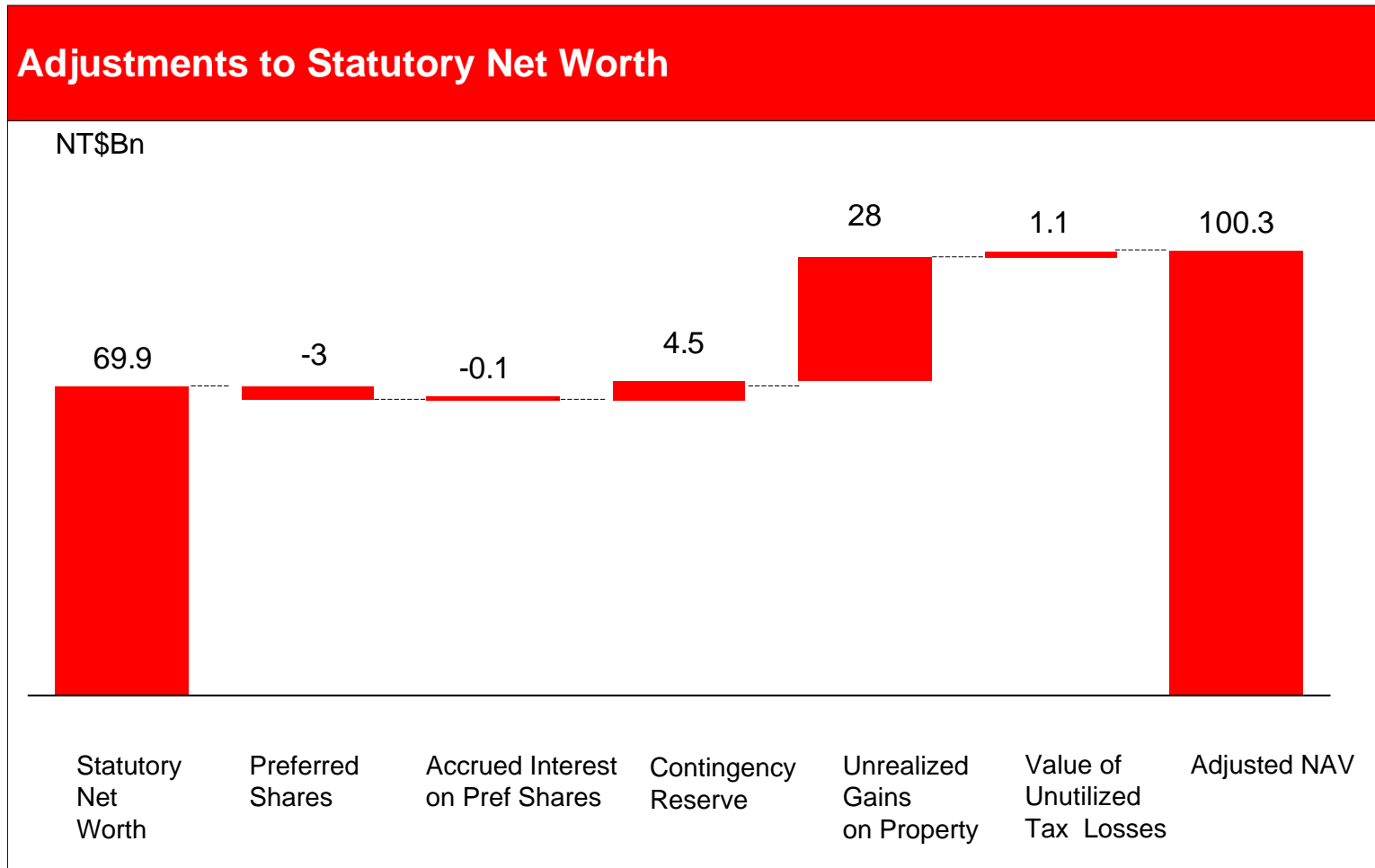
Unit: NT\$Bn Valn Date: 31 Dec, 06 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except		Inv Return 5.05% p.a. RDR 11.90% p.a.	All else equal except	
	Inv Return 4.8%	Inv Return 5.3%		RDR 10.90%	RDR 12.90%
Net Worth	100.3	100.3	100.3	100.3	100.3
VIF	20.5	65.0	44.2	48.1	41.0
Cost of Capital(COC)	29.9	28.6	29.3	28.0	30.3
EV after COC	90.9	136.7	115.2	120.4	111.0
V1NB after COC	8.4	9.4	8.9	9.7	8.3
AV (5 years NB)	117.2	166.0	143.0	151.3	136.2
AV (20 years NB)	142.6	195.4	170.4	184.2	159.2

SKL - Change in VIF before COC

**Changes between 31 Dec. 2005 and 31 Dec. 2006
broken down by components**



SKL – Adjusted NAV



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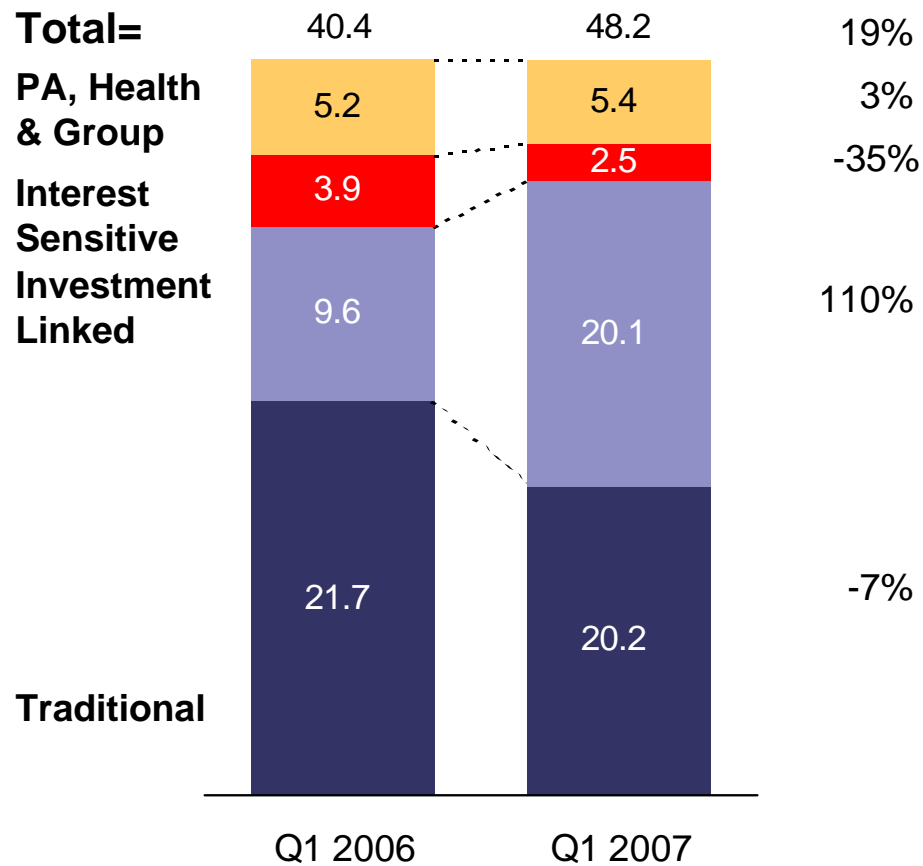
V. Appendix - Life

Total Premium – Q1 2007

NT\$Bn

Market Share = 11%

Growth

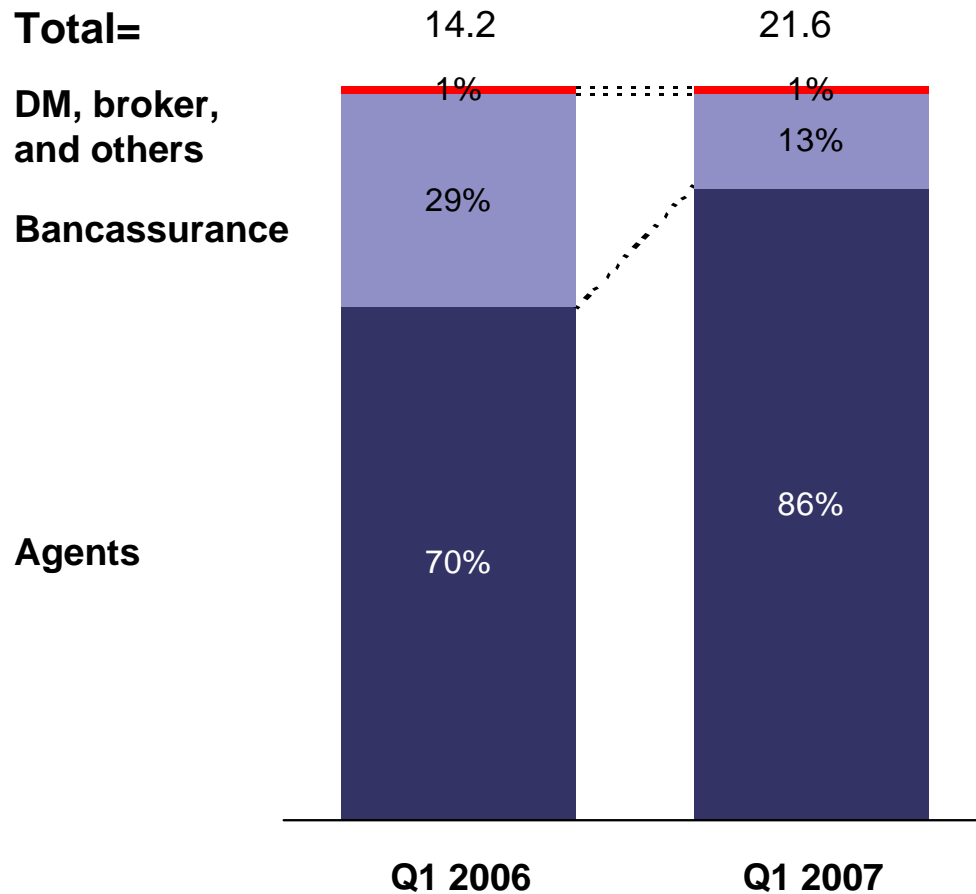


Comments

- Strong growth in total premium, mainly driven by increase in FYP
- Traditional products (mostly recurring premium) accounted for 42% of total premium
- Share of non-guaranteed rate policies (e.g., investment-linked and interest-sensitive products) increased to 58%

FYP by Channel

NT\$Bn



Comments

- Share of Agency channel (preferred channel for sales of traditional and investment-linked products) increased, driven by strong sales in investment-linked policies
- SKB accounted for 85% of bancassurance premium

SP / RP Breakdown – Q1 2007

NT\$Bn

Q1 2007 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	0.04	0.82		0.86
Investment-linked				
VUL			15.43	15.43
Structured note	1.96			1.96
Interest Sensitive				
Annuity	1.22			1.22
Life			1.29	1.29
PA, health and others		0.84		0.84
Total	3.22	1.66	16.72	21.60

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