

Confidential



Shin Kong Financial Holding

1H 2007 Results Update

August 9, 2007

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Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

IV. Appendix - Life

SKFH – 1H 2007 Overview

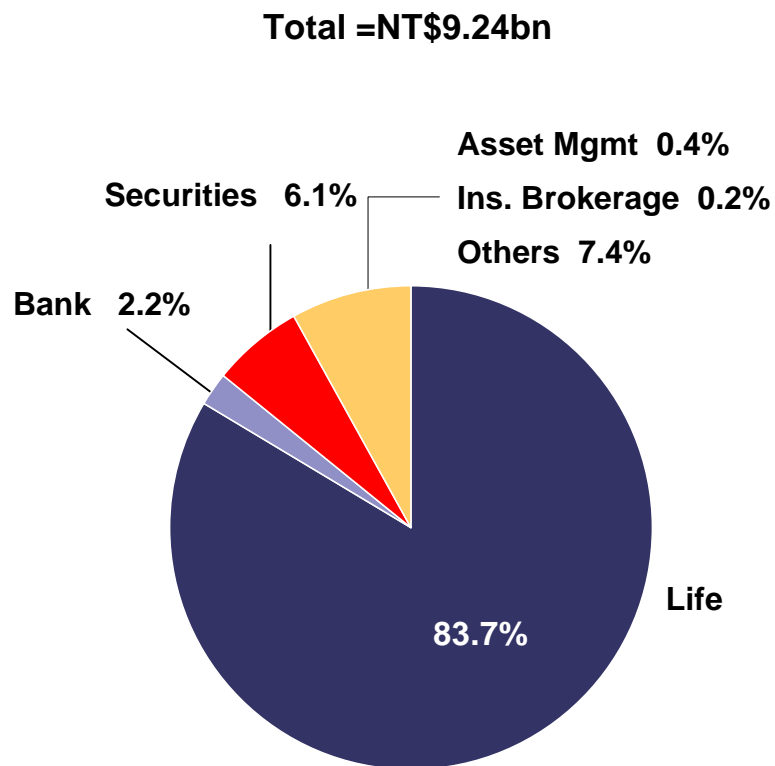
- Strong first half results with after-tax profit of NT\$9.2bn, EPS NT\$1.90; profit was up 471% yoy excluding one-off items (e.g., gains from real estate securitization and impact from accounting changes)
- Profit mainly contributed by SKL, while SKB returned to profit
 - SKL: after-tax profit was NT\$7.8bn, up 116% yoy excluding one-off items (e.g., gains from real estate securitization and impact from accounting changes)
 - SKB: net income improved to NT\$202mm due to improving pre-provision operating profit (PPOP up 7% yoy) and significantly lower provision expense
 - SKSC: reported after-tax profit of NT\$572mm due to strong performance of proprietary business
 - SKIT and SKIB: stable 1H results with after-tax profit NT\$41mm and NT\$24mm respectively
- 2007 ex-dividend (and ex-right) trading date and cash dividend payout date are 8/17 and 9/14 respectively. Cash and stock dividends per share are confirmed to be NT\$0.97 and NT\$0.29

Financial Highlights – 1H 2007

	1H 2006	1H 2007	YoY Growth
NT\$m (except per share data), %			
Group net income	6,081	9,236	52%
First year premium (Insurance)	29,588	46,961	59%
Loans (Bank)	216,676	250,716	16%
Total assets	1,386,233	1,581,073	14%
Total shareholders' equity	76,113	91,912	21%
ROA (unannualized)	0.47%	0.61%	31%
ROE (unannualized)	8.50%	10.11%	19%
Earnings per share	1.40	1.90	36%

Net Income – 1H 2007

Group net income



Net income contribution

NT\$bn

<u>Subsidiaries</u>	<u>1H 2007</u>	<u>1H 2006</u>
Shin Kong Life ⁽¹⁾	7.7	7.9
Shin Kong Bank	0.2	-2.2
Shin Kong Securities	0.56	-0.02
Shin Kong Investment Trust	0.04	-
Shin Kong Insurance Brokers	0.02	0.03
FHC and tax	0.72	0.37
Net income	9.24	6.08

Note:

(1) Excludes minority interest income

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SKL – 1H 2007 Overview

- Strong growth in earnings: 1H after-tax profit was NT\$7.8bn, up 116% yoy excluding one-off items (e.g., gains from real estate securitization and impact of accounting changes). ROE was 11.6%
- Ongoing strong demand for investment-linked policies pushed FYP up by 58.7% to NT\$46.96bn, above market average of 52%. Maintained number 2 position in the market with 13% market share
- Investment-linked policies contributed 72% (VUL: 64%) of FYP. Share of traditional policies increased to 11% from 4% in Q1, and interest-sensitive and other policies accounted for 14% and 3% respectively
- Achieved robust investment return, on-track to achieve the 5% annual target. Main drivers are strong equity performance and low hedging cost. U.S. sub-prime mortgage problem did not affect Q2 investment performance. Fixed income securities are mainly AAA-rated, and exposure to U.S. sub-prime mortgage is limited (all CDOs are A-rated or above)
- 13-month persistency remains stable at ~90%. 25-month persistency improved to 77%

Financial Highlights – 1H 2007

	1H 2006	1H 2007	YoY Growth
NT\$m, %			
First year premium	29,588	46,961	59%
Total premium	89,081	106,403	19%
Investment income	26,766	28,491	6%
Net income	8,040	7,816	-3%
Total assets	1,034,208	1,179,876	14%
Total shareholders' equity	60,842	69,503	14%
ROE (unannualized)	18.15%	11.62% ⁽¹⁾	-36%
ROA (unannualized)	0.80%	0.68%	-15%

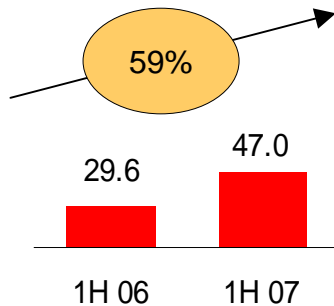
Note:

(1) \$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 2007

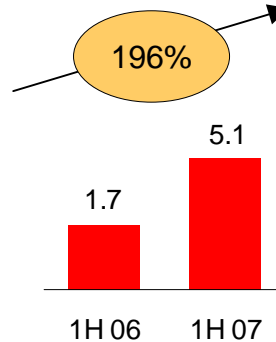
First Year Premium – 1H 2007

NT\$bn

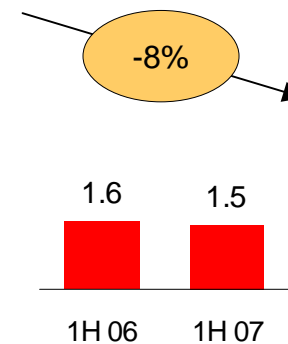
Market share 12.9%



Traditional



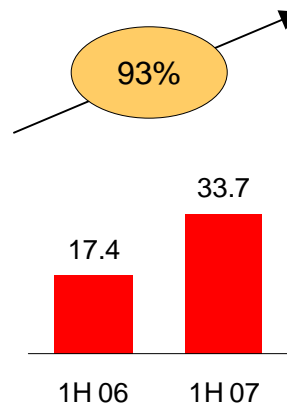
PA, Health and Group



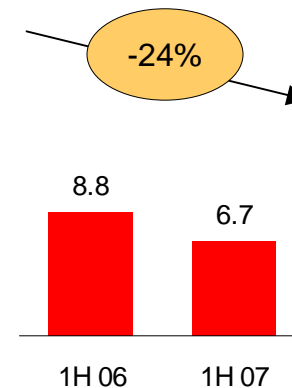
Comments

- FYP increased by 59%, above market average of 52%
- VUL contributed significant share (64%) of FYP
- Robust sales from new VUL; cumulative FYP since launch to end of June was NT\$12.7bn
- Focus on Duo-Tsair-Duo-Yih endowment and long-term care products pushed traditional sales up by 196% yoy

Investment-linked

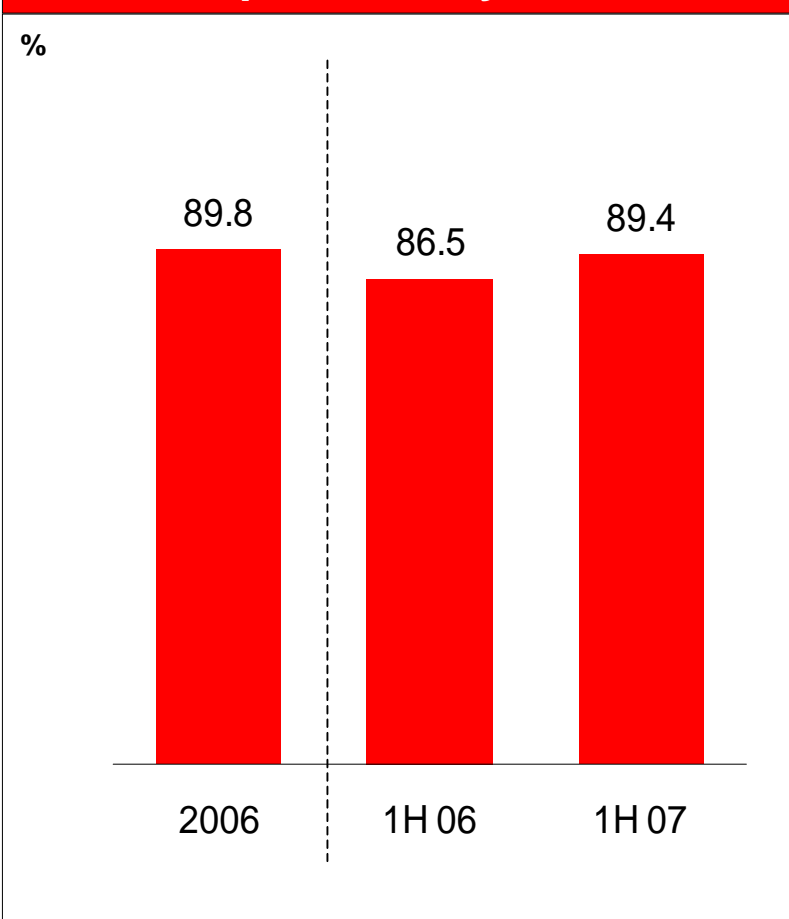


Interest-sensitive

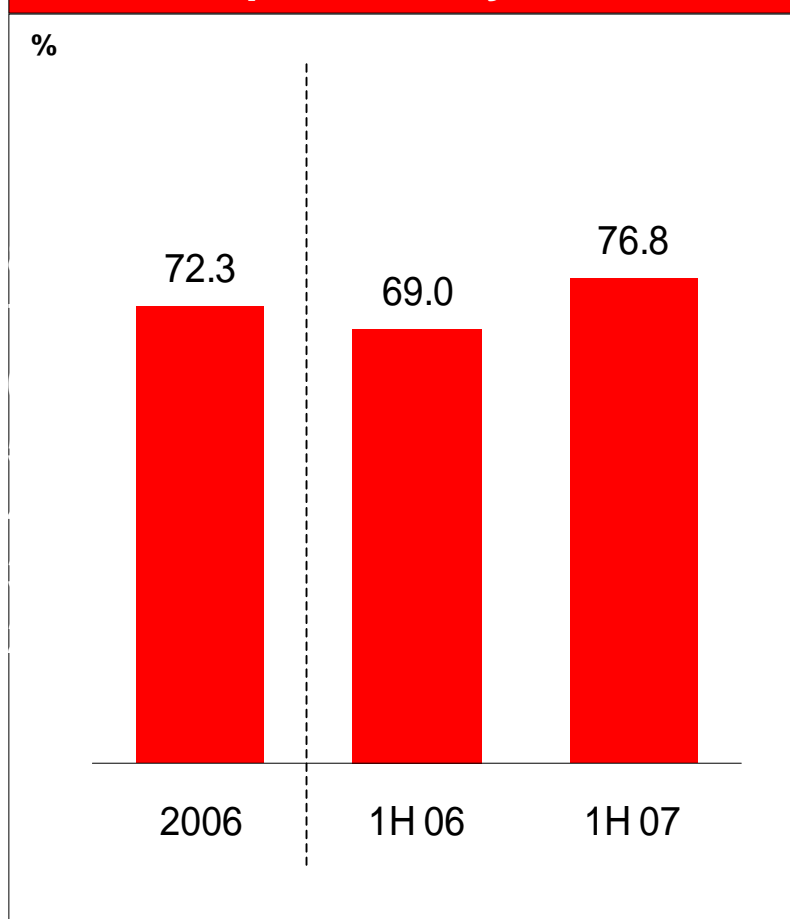


Persistency Ratio

13 month persistency

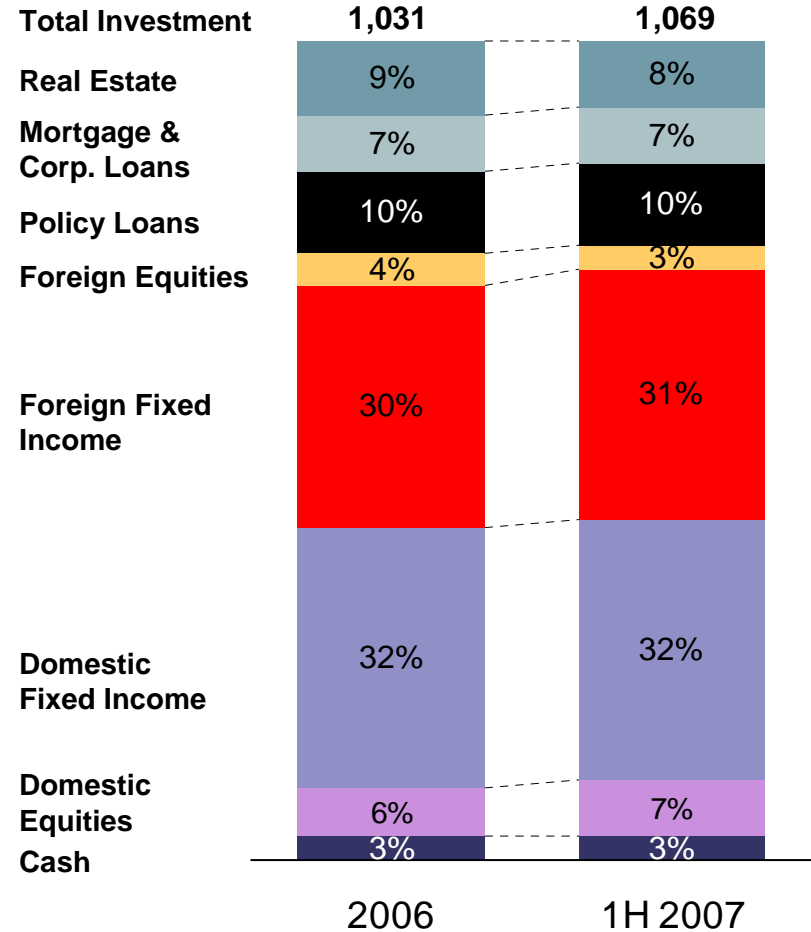
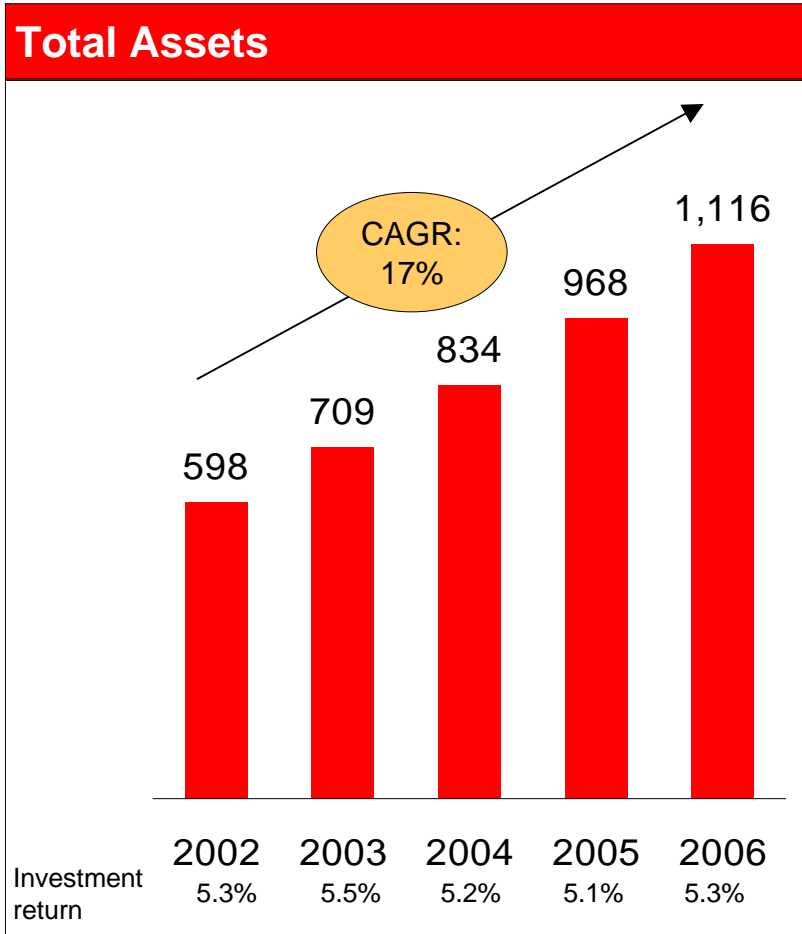


25 month persistency



Investment Portfolio

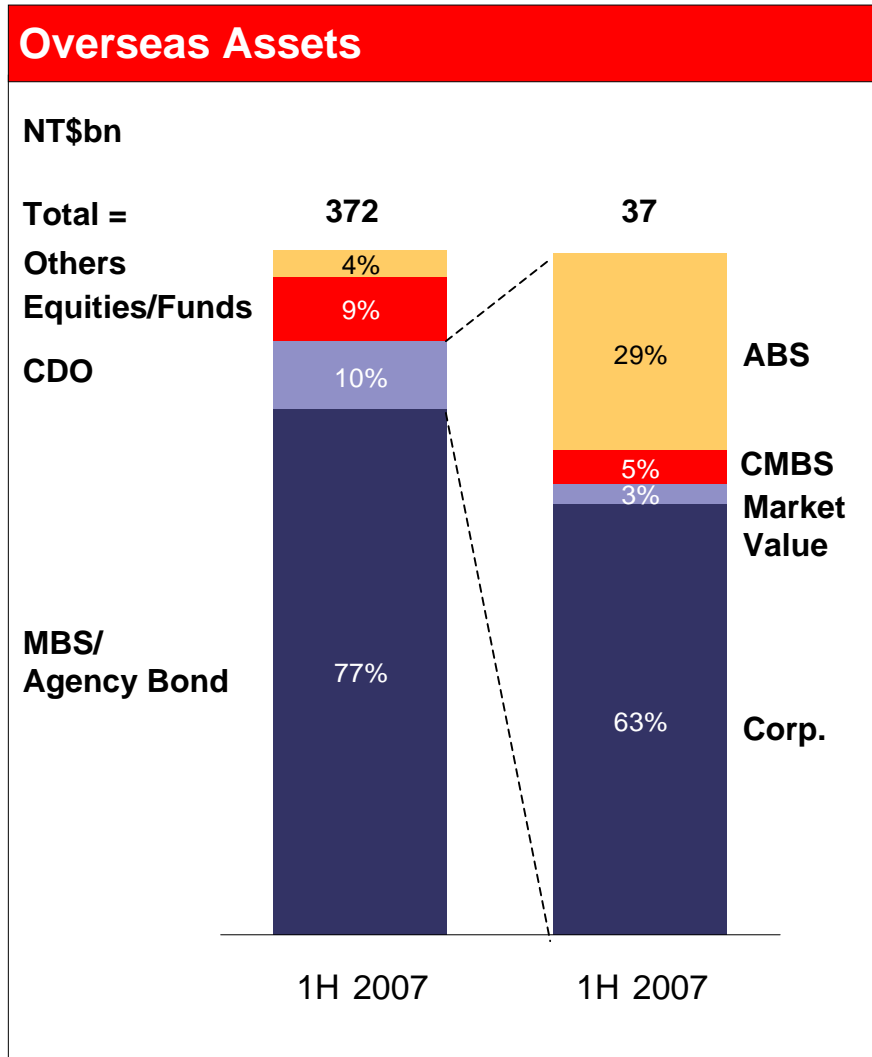
NT\$bn



Note:

(1) Due to rounding, asset allocation figures may not add up to 100%

Overseas Assets – Prudent Credit Exposure



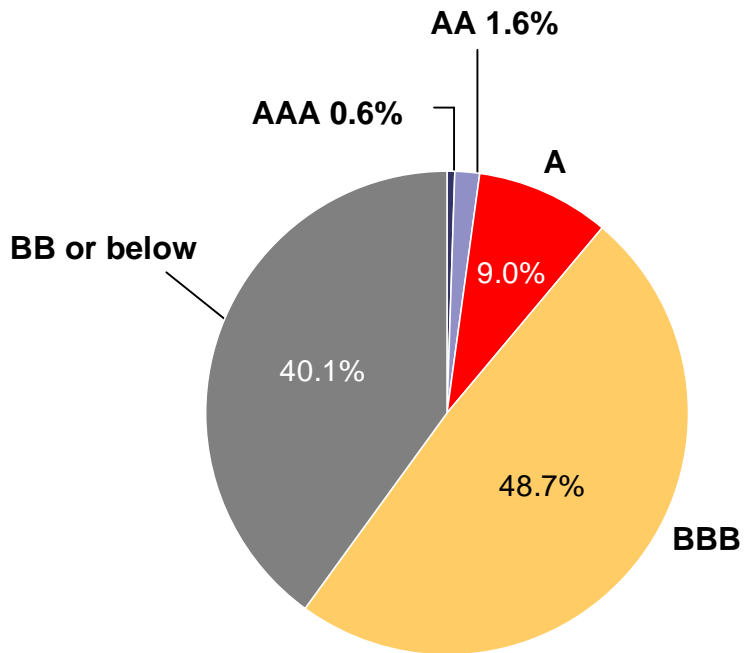
Comments

- Majority of overseas assets are AAA rated
- All CDOs are continuously rated by S&P/Moody's/Fitch and have rating of A or above
- 29% of CDOs are referenced to Asset Back Securities which consist of diversified set of collaterals such as RMBS, CMBS, Auto Loans, etc.
- 37% of ABS CDO assets are referenced to U.S. sub-prime
- All ABS CDOs are managed by first tier external fund managers in US/Europe
- ABS CDOs are mostly bought before 2006, and exposure to riskier 2006 vintage is limited
- All ABS CDOs are paying interests normally, and no downgrade or negative watch has been reported

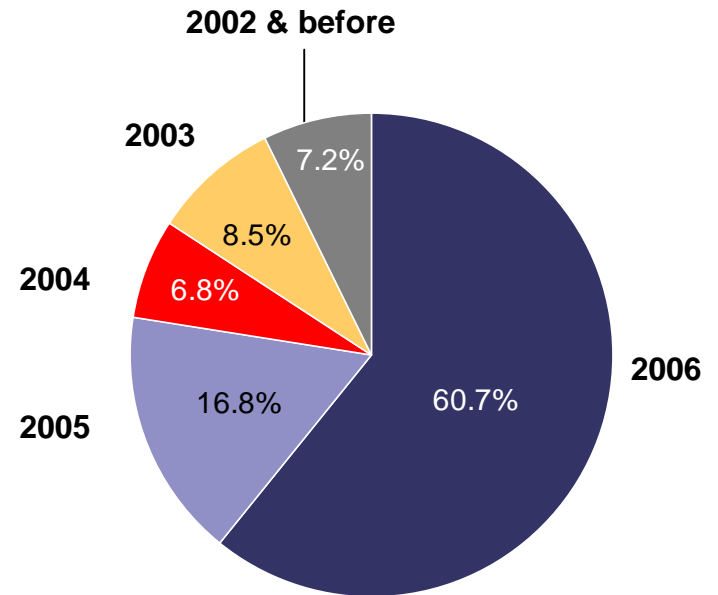
Market Downgrades of Subprime RMBS (May~July 07)

Market downgrades have been concentrated on bonds rated BBB or below and from 2006 vintage

Rating distribution



Vintage distribution



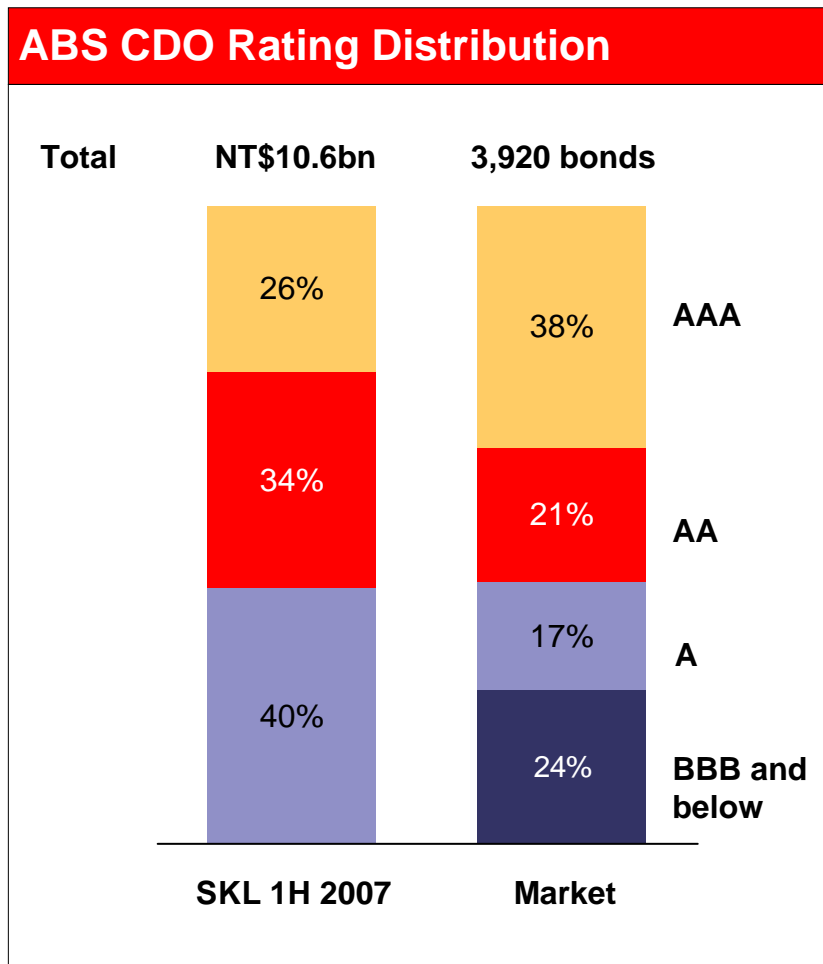
Note:

(1) Percentages calculated from number of RMBSes downgraded by Moody's, S&P, and Fitch combined

Source: Morgan Stanley

ABS CDO Rating Distribution

All ABS CDOs held by SKL are A-rated or above and most are from non-2006 vintages



Comment

- All ABS CDOs are A-rated or above, of which 60% are AAA or AA rated with reliable principle protection
- Historical 7-year cumulative loss rate by Moody's (1993-2006):
 - AAA = 0%
 - AA = 0.53%
 - A = 1.93%

Historically, loss rates of CDOs rated A or above are extremely low

Investment Strategy

Strong ALM Discipline

- Develop Strategic Asset Allocation based on liability profile and capital budget
- Build core portfolio of recurring income
- Achieve yield pick-up through overseas investments; plan to increase overseas investment to 45% after detailed regulations are released

Well-diversified Portfolio

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

Cost-effective Currency Hedging

- Flexible use of traditional (currency swaps, NDFs) and proxy hedging strategies; maintain 60/40 mix in medium to long term
- Target hedging cost at 200 bps or below

Solid Investment Return for 1H 2007

- Investment return for 1H 07 was 5.5%, in-line with Company expectation
- Limited sub-prime exposure (CDO rated A or above)
- Going forward, SKL will:
 - Closely monitor trends of domestic/foreign equity markets
 - Effectively manage currency hedging costs

SKL – 2H 2007 Outlook

- Due to better-than-expected sales from new VUL product, 2007 FYP likely to exceed original forecast of flat growth. However, growth in 2H likely to be slower than 1H due to uncertainties in the equity, currency, and interest rate markets (which may affect sales of investment-linked and interest-sensitive products)
- Maintain 5% investment return target and effectively control hedging cost at 200 bps or below. Continue to 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
- Expect to receive regulatory approval to set up preparatory office for China JV in the near future; permission to set up operation requires another 6 months
- Raising of overseas investment cap will help diversify risk and enhance investment return. Execution must wait till detailed regulations are released
- Aim to grow VNB by 10~15% in the medium term

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SKB – Q2 2007 Overview

- 1H net income was NT\$202mm, in line with Company expectation; despite one-time bad debt provision of \$350mm taken for Ya Hsin Industrial Co., Q2 net income improved by 18% (QoQ)
- Q2 pre-provision operating profit (PPOP) improved by 40% (QoQ) to NT\$1.48bn
- Loan balance increased 3.4% in Q2 and mix between consumer and corporate loans remained stable at 60/40; L/D ratio remained high at 82%
- Quarterly net interest income remained stable. Rising short-term rate has not flowed through to lending rate, and net interest spread and NIM have tightened by 10 bps to 2.00% and 1.98%
- Quarterly net fee income grew by 58%, mostly driven by wealth management (~37% of total fee income). NT\$5.1bn bancassurance cross-sales achieved in the first six months
- Credit card NPL and LLR coverage ratios remained healthy at 2.21% and 214%. Monthly repayment for restructured debts (DRP) remained stable. Cumulative repayment rate reached 74.52%, in line with expectation
- Overall NPL and coverage ratios were 1.94% and 71.28%. NPL ratio for mortgage portfolio remained low at 1.13%

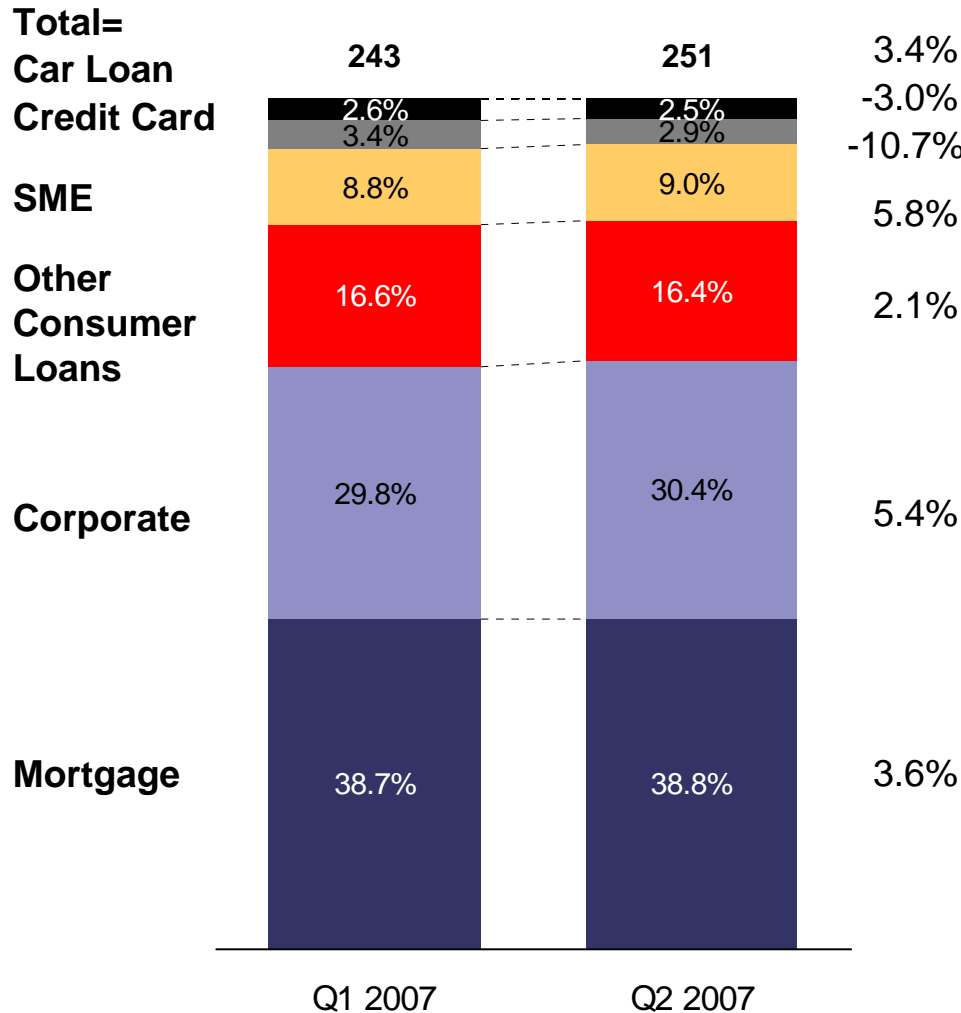
Net Income – 1H 2007

	1H 2006	1H 2007	YoY Growth
NT\$mn, %			
Net interest income	3,719	3,207	-14%
Net fee income	458	783	71%
Other income	65	340	423%
Operating expense	(2,866)	(2,851)	-1%
Pre-provision operating income	1,376	1,478	7%
Provision expense	(3,869)	(1,341)	-65%
Income tax benefit (expense)	284	65	-77%
Net Income	(2,209)	202	-

Loan Mix

NT\$bn

QoQ Growth



Comments

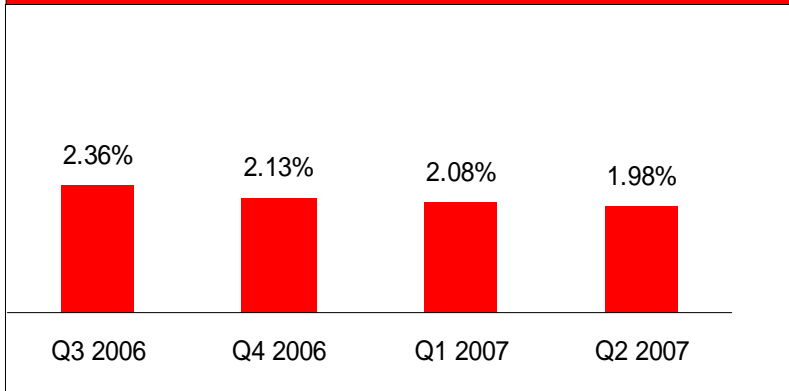
- Achieved stable loan growth in Q2 despite stringent policies on credit and pricing
- Low growth in mortgage due to tight control over properties for investment purpose and at non-core locations. ~40% of new business comes from Greater Taipei area
- L/D ratio remained high at 82%

Note:

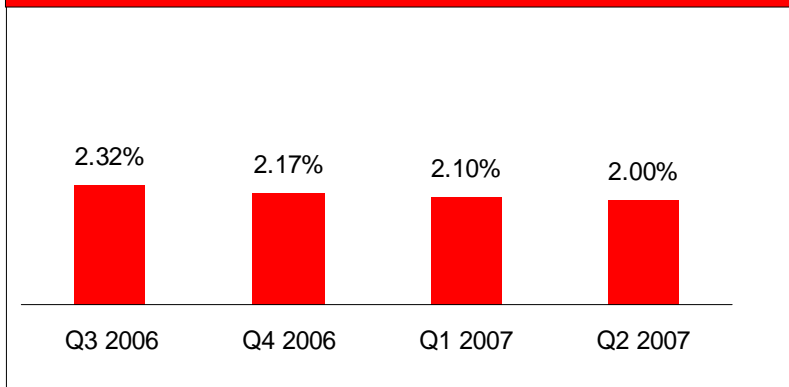
(1) Due to rounding, loan mix figures may not add up to 100%

Interest Yield

Net Interest Margin



Net Interest Spread

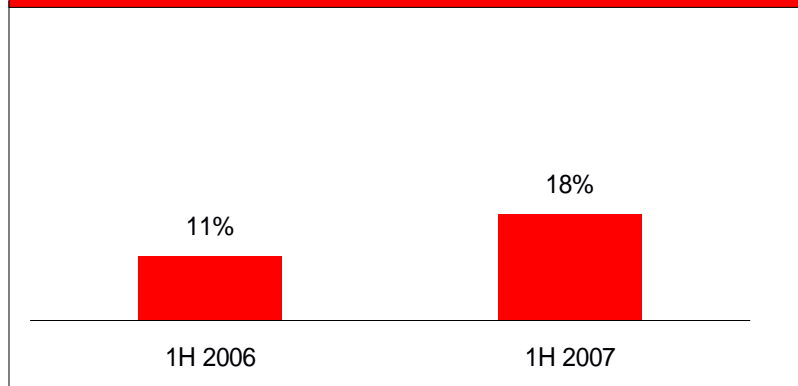


Comments

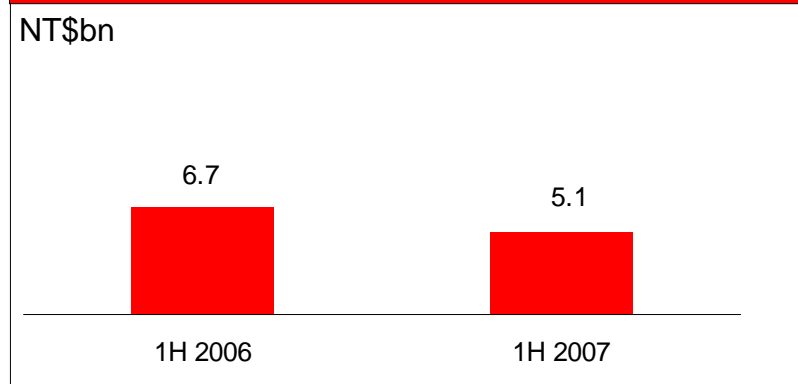
- Lending rates fail to move up with short-term rate hikes, leading to lower interest margin
- New mortgage rate continued to improve, up 15 bps in Q2
- Interest margin remains under pressure but will stabilize as lending rates move up in Q3

Fee Income

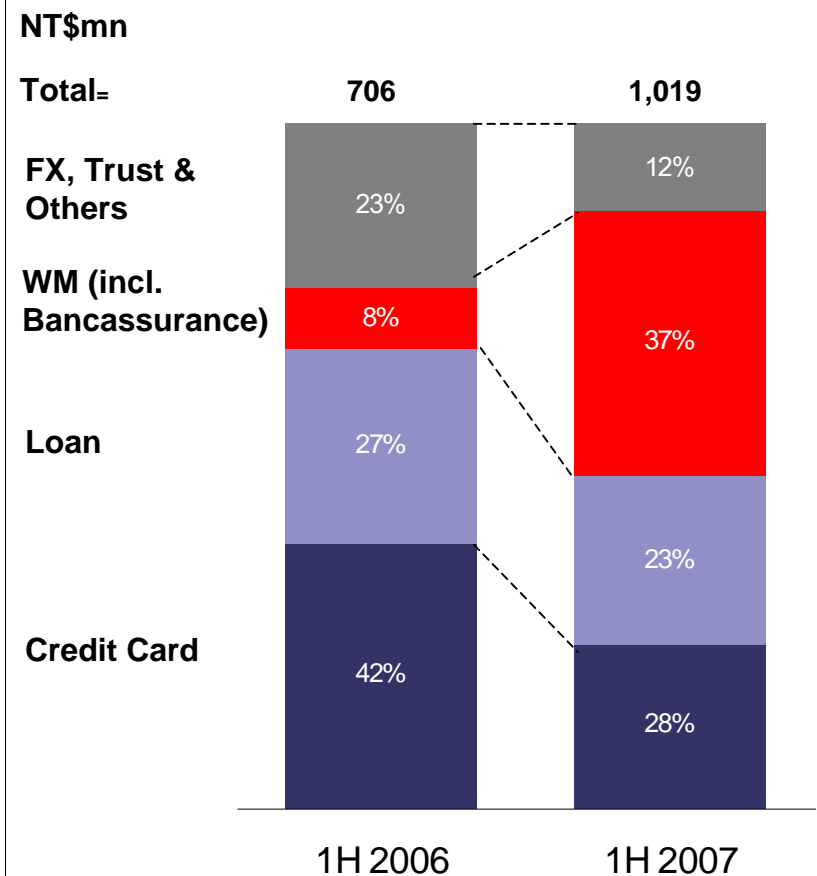
Net Fee Income / Total Income



Bancassurance (SKL) - FYP



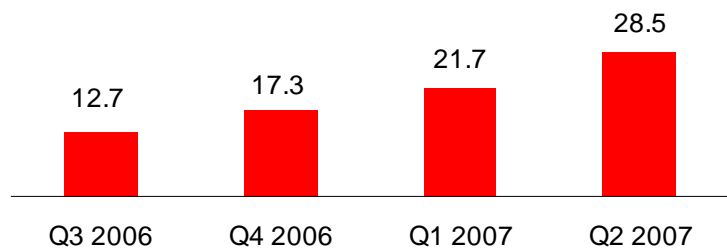
Fee Income Breakdown



Wealth Management

AUM

NT\$bn

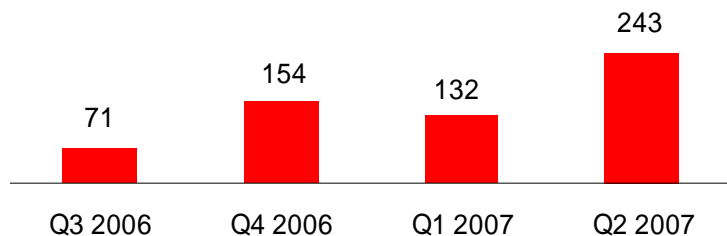


Wealth Management Center



WM Fee Income

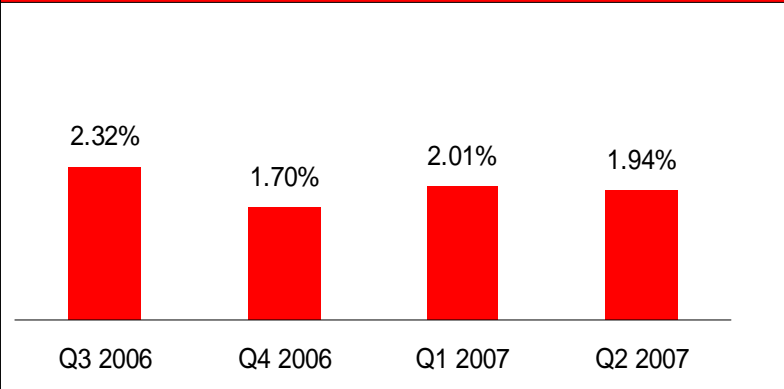
NT\$m



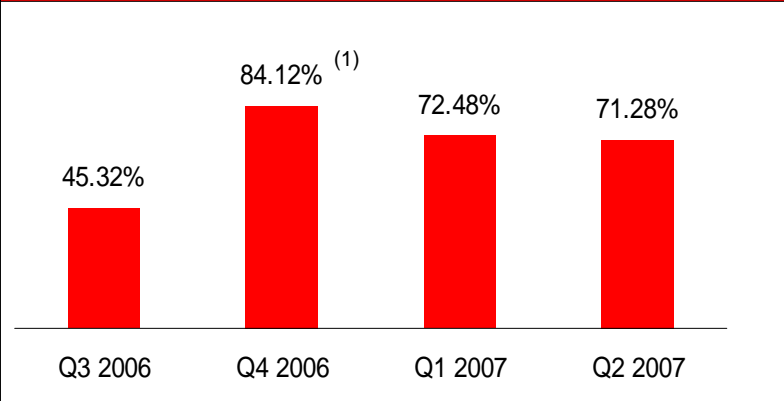
- Significant progress in wealth management
 - WM accounted for 37% of total fee income, up from 8% in 1H 06
 - Fee income and AUM expanded by 84% and 31% respectively compared to Q1 07
 - Sales force increased to ~220 AOs; reached critical scale to provide more comprehensive and tailor-made products

Asset Quality

NPL Ratio



Coverage Ratio



Comments

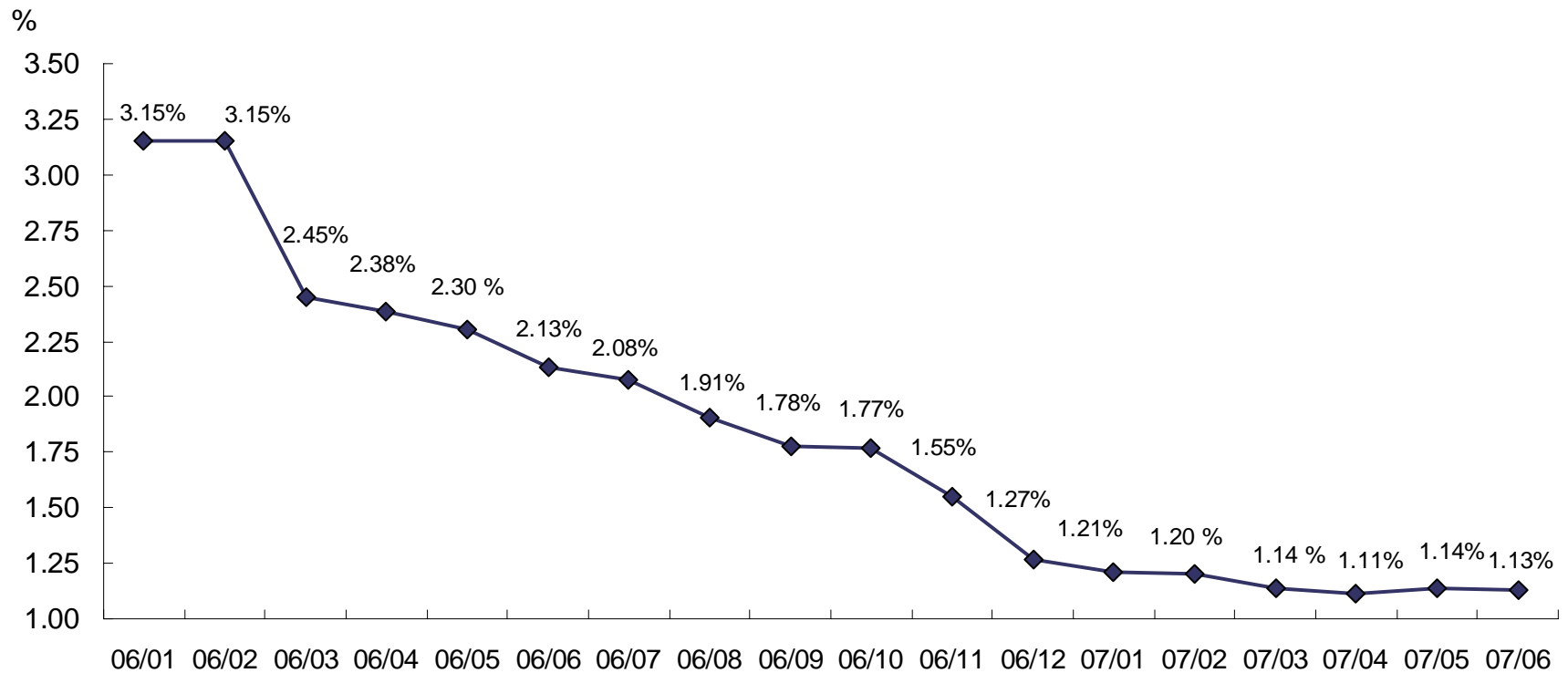
- Overall loan quality remained good in Q2
- NPL controlled at ~2%; NPL of mortgage improved to 1.13% from 1.14% in Q1
- Coverage ratio slightly lower than Q1 but remained at a high level
- Cumulative repayment rate of DRP at 74.52%, in line with Company expectation; no impact from passage of CDSA observed so far

Note:

(1) Took NT\$4.47bn one-time provision at year-end 2006

NPL Ratio for Mortgage Loan

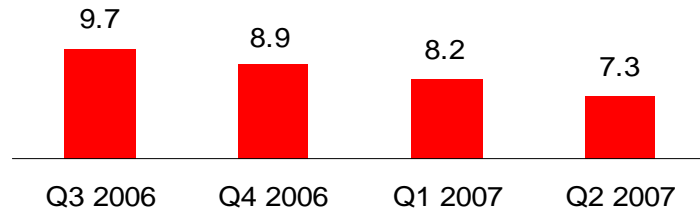
3-month NPL Ratio



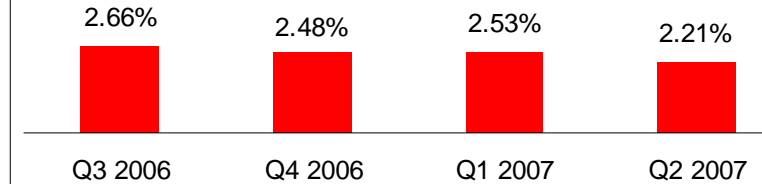
Credit Cards Metrics

Revolving Balance

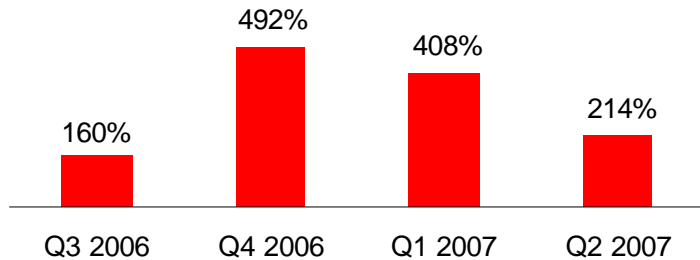
NT\$bn



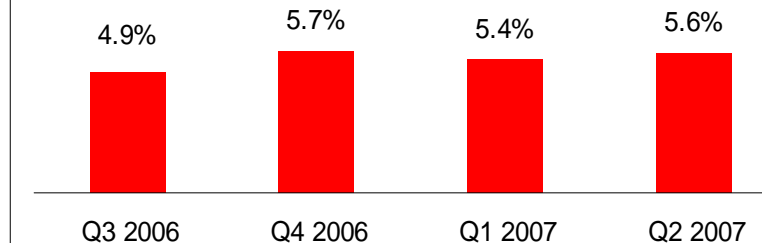
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

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

SKB – 2H 2007 Outlook

- Target loan growth of 10~15% balancing NIM and risk considerations
- Growth in PPOP expected to continue driven by fee-based business
- NIM likely to stabilize as impact of Central Bank rate hikes flow through to lending rates in Q3
- Growth momentum of wealth management expected to strengthen as market demand, number of AOs and products increase; WM fee income likely to exceed target NT\$500mm
- Credit card write-offs expected to reduce driven by improvement in credit quality. Potential future losses likely to be within control as DRP balance is relatively small
- Overall loan quality remains healthy. Stringent credit policies and stable economy and employment situation help maintain loan quality of mortgages. Coverage ratio will gradually decline since one-time provision taken at the end of 2006, but will remain above Company's medium term target of 50%
- CDSA passed is less lenient to consumers than previously anticipated. Risk of moral hazard and uncertainty of mortgage loan could hopefully be reduced

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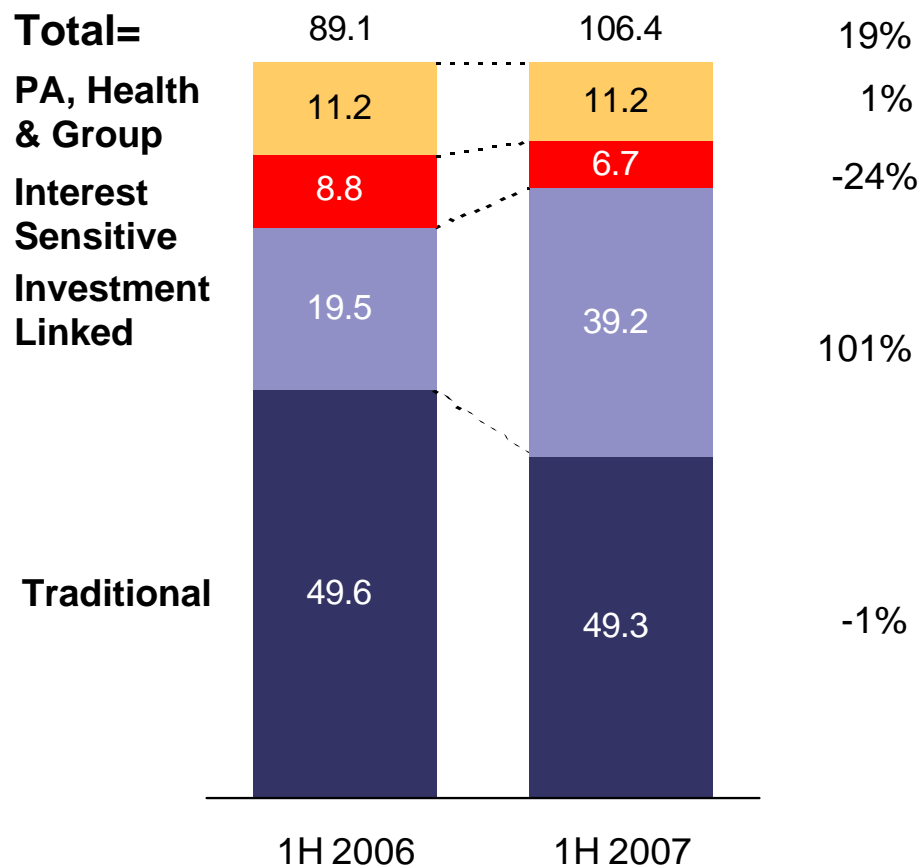
IV. Appendix - Life

Total Premium – 1H 2007

NT\$bn

Market Share = 11.6%

Growth

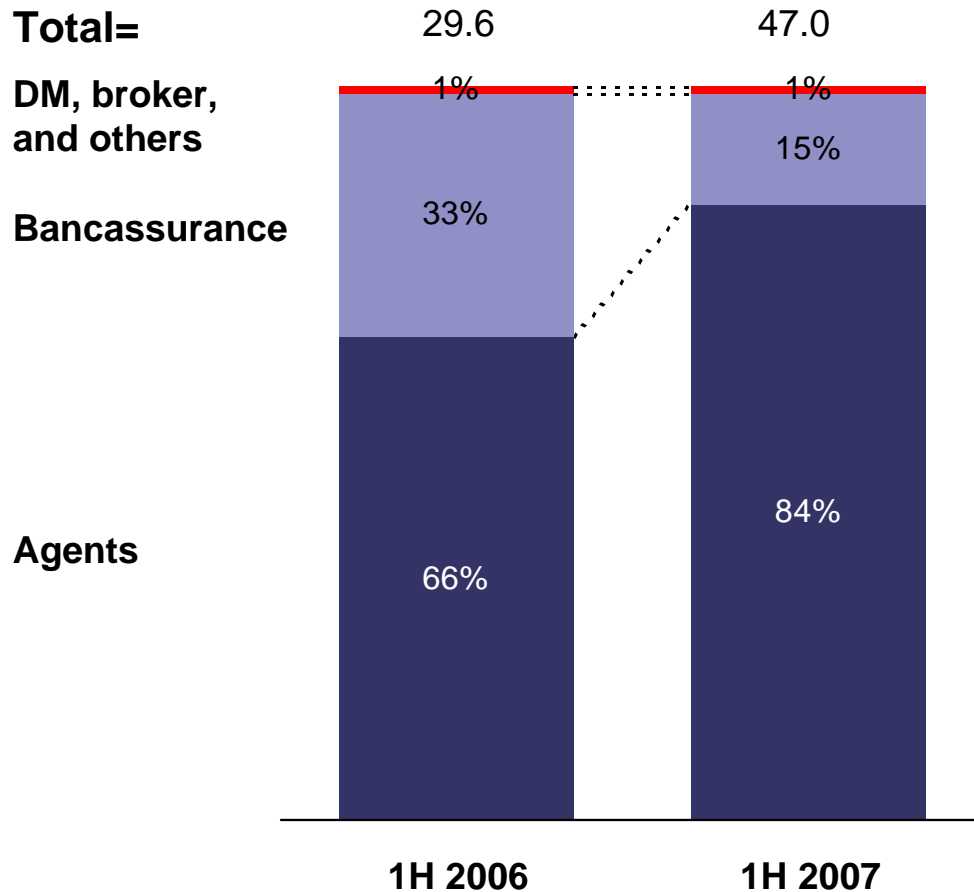


Comments

- Strong growth in total premium, mainly driven by increase in FYP
- Share of variable rate products increased to 43%, driven by robust sales in investment-linked policies
- Traditional and related policies (mostly recurring premium) accounted for 57% of total premiums

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 70% of bancassurance premium

SP / RP Breakdown – 1H 2007

NT\$bn

1H 2007 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	0.09	5.02		5.11
Investment-linked				
VUL			30.21	30.21
Structured note	3.45			3.45
Interest Sensitive				
Annuity	4.29		0.01	4.30
Life			2.40	2.40
PA, health and others		1.49		1.49
Total	7.83	6.51	32.62	46.96

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Shin Kong Financial HoldingFinancial Summary
(NT\$m)

Income Statement Data	1H07/1H06				Q207/Q206		
	2006	1H 2006	1H 2007	% change	Q2 2006	Q2 2007	% change
Net interest income	301	227	46	-80%	151	23	-85%
Income from subsidiaries							
Shin Kong Life	11,615	7,936	7,729	-3%	97	913	841%
Shin Kong Bank	(7,276)	(2,209)	203	-109%	(1,232)	110	-109%
Shin Kong Securities	596	(15)	564	-3860%	(251)	308	-223%
New Light Asset Management	-	(11)	-	-	(8)	-	-
Shin Kong Insurance Brokers	44	25	23	-8%	11	14	27%
Shin Kong Investment Trust ⁽²⁾	(78)	-	41	-	-	22	-
Total income from subsidiaries	4,901	5,726	8,560	49%	(1,383)	1,367	-199%
Other income	404	23	292	1170%	(26)	171	-758%
Administrative and general expenses	(320)	(136)	(127)	-7%	(69)	(73)	6%
Income tax benefit (expense)	706	305	465	52%	283	384	36%
Cumulative effect of changes in accounting principle	(63)	(63)	-	-	-	-	-
Net income	5,928	6,081	9,236	52%	(1,044)	1,873	-279%

Balance Sheet Data	1H07/1H06				Q207/Q206		
	2006	1H 2006	1H 2007	% change	Q2 2006	Q2 2007	% change
Long term investment	94,710	80,910	94,537	17%	80,910	94,537	17%
Total assets	1,492,302	1,386,233	1,581,073	14%	1,386,233	1,581,073	14%
Total shareholders' equity	90,847	76,113	91,912	21%	76,113	91,912	21%

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)

Income Statement Data	2006	1H 2006	1H 2007	1H07/1H06 % Change	Q2 2006	Q2 2007	Q207/Q206 % change
Premium income	149,421	76,244	75,719	-1%	41,961	42,169	0%
Investment income							
Interest income	34,311	16,957	18,630	10%	8,436	9,465	12%
Gains on investments in securities	12,964	8,741	7,215	-17%	2,209	1,680	-24%
Gains on real estate investments	5,349	4,168	1,272	-69%	574	646	13%
FX	(2,392)	(3,099)	1,374	-144%	(766)	149	-119%
FX gain or loss	(1,376)	(3,845)	3,334	-187%	(123)	(2,639)	2046%
Hedging	(1,016)	746	(1,960)	-363%	(643)	2,788	-534%
Total Investment income	50,232	26,766	28,491	6%	10,452	11,940	14%
Other operating income	3,906	1,935	1,840	-5%	1,060	1,049	-1%
Provision for reserves							
Provisions	(153,564)	(75,432)	(74,013)	-2%	(41,860)	(42,612)	2%
Recoveries	54,261	21,994	40,388	84%	11,927	28,084	135%
Total provisions for reserves, net	(99,303)	(53,438)	(33,625)	-37%	(29,933)	(14,530)	-51%
Insurance payments	(66,731)	(30,984)	(49,114)	59%	(16,736)	(32,636)	95%
Commission expense	(7,662)	(3,990)	(4,780)	20%	(1,923)	(2,613)	36%
Separate account revenue	42,254	15,518	47,029	203%	8,108	27,649	241%
Separate account expenses	(42,254)	(15,518)	(47,029)	203%	(8,108)	(27,649)	241%
General and administrative expenses	(15,525)	(7,384)	(8,375)	13%	(3,576)	(3,738)	5%
Other operating costs and expenses	(3,770)	(1,839)	(1,514)	-18%	(905)	(728)	-20%
Operating income	10,566	7,312	8,641	18%	400	915	129%
Non-operating income and expenses	572	628	201	-68%	389	48	-88%
Income taxes	(301)	(834)	(1,026)	23%	(613)	13	-102%
Cumulative effect of changes in accounting principle	934	934	-	-	-	-	-
Net income	11,771	8,040	7,816	-3%	176	974	454%

Balance Sheet Data	2006	1H 2006	1H 2007	1H07/1H06 % Change	Q2 2006	Q2 2007	Q207/Q206 % change
Total assets	1,117,186	1,034,208	1,179,876	14%	1,034,208	1,179,876	14%
Total shareholders' equity	69,882	60,842	69,503	14%	60,842	69,503	14%

Note:
(1) preliminary numbers

Shin Kong Bank

Financial Summary

(NT\$m)

Income Statement Data	2006	1H 2006	1H07/1H06		Q2 2006	Q2 2007	Q207/Q206
			1H 2007	% change			% change
Interest income	11,732	5,915	5,957	1%	2,830	2,974	5%
Interest expense	(4,702)	(2,196)	(2,749)	25%	(1,106)	(1,423)	29%
Net interest income	7,030	3,719	3,207	-14%	1,723	1,550	-10%
Fee income	1,596	706	1,019	44%	366	597	63%
Fee expense	(448)	(248)	(236)	-5%	(110)	(117)	6%
Net fee income	1,147	458	783	71%	255	480	88%
Gains on bill & securities	471	127	138	9%	82	88	8%
Gains recognized under equity method, net	114	(82)	103	-226%	(19)	64	-429%
Gains on foreign exchange, net	20	1	30	2900%	8	10	22%
Other gains or losses, net	133	19	69	263%	2	82	3656%
Operating expense	(5,935)	(2,866)	(2,851)	-1%	(1,408)	(1,410)	0%
Pre-provision income or loss	2,980	1,376	1,478	7%	643	863	34%
Provision expense	(10,745)	(3,869)	(1,341)	-65%	(1,877)	(826)	-56%
Income tax (expense) benefit	488	284	65	-77%	2	72	3667%
Net income	(7,276)	(2,209)	202	-109%	(1,232)	109	-109%

Balance Sheet Data	2006	1H 2006	1H07/1H06		Q2 2006	Q2 2007	Q207/Q206
			1H 2007	% change			% change
Total assets	351,532	325,035	368,822	13%	325,035	368,822	13%
Total shareholders' equity	19,900	17,433	19,885	14%	17,433	19,885	14%
Total loans (net, exclude credit card)	232,307	206,555	243,505	18%	206,555	243,505	18%
Total deposits	286,922	273,191	305,900	12%	273,191	305,900	12%

Operating Metrics (cumulative)	2006	1H 2006	1H 2007	Q2 2006	Q2 2007
Fee income ratio	13%	11%	18%	12%	21%
Cost income ratio	67%	68%	66%	69%	63%
Loan/deposit ratio(excl. credit card)	81%	76%	80%	76%	80%
Loan/deposit ratio(incl. credit card)	84%	79%	82%	79%	82%
Net interest margin	2.38%	2.51%	1.99%	2.51%	1.98%
Net interest spread	2.17%	2.86%	2.05%	2.76%	2.00%
Pre-provision earnings/assets	0.86%	0.85%	0.41%	0.80%	0.23%
Pre-provision earnings/equity	15.01%	15.79%	7.43%	14.20%	4.14%

Note:

(1) preliminary numbers