

Confidential



**Shin Kong Financial Holding**

1Q06 Results Update

April 21, 2006

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



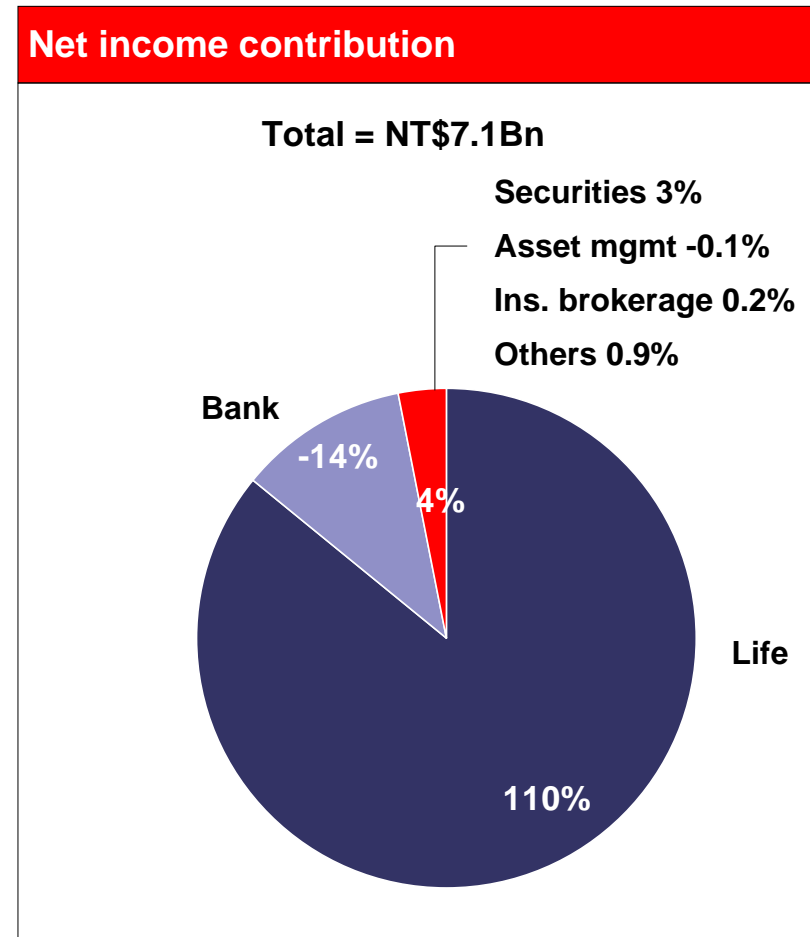
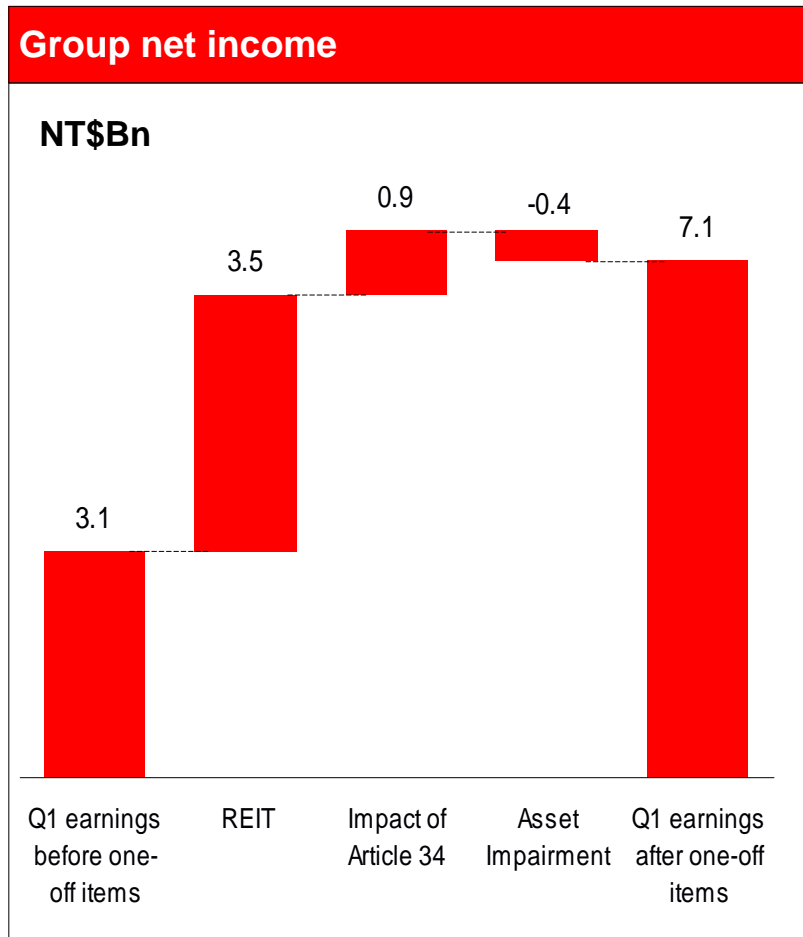
# Disclaimer

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. SKFH**
- II. Life Insurance Business**
- III. Banking Business**
- IV. Strategic Partnership**
- V. Other Updates**

# Net Income – Q1 2006



# Agenda

**I. SKFH**

**II. Life Insurance Business**

**III. Banking Business**

**IV. Strategic Partnership**

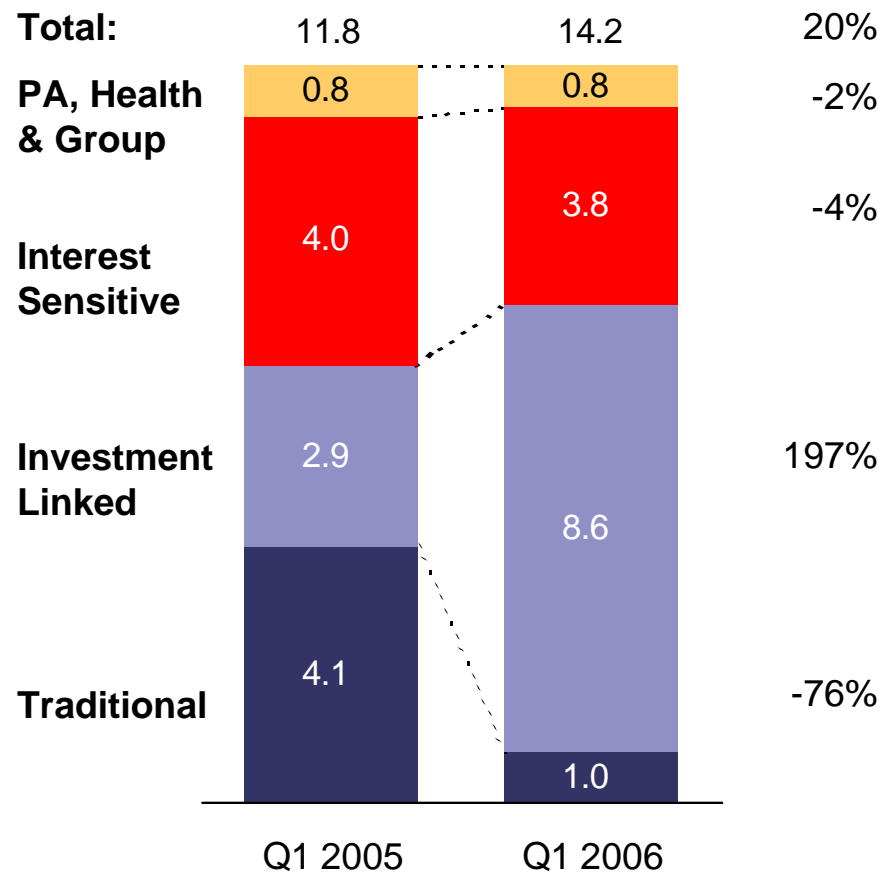
**V. Other Updates**

# First Year Premium – Q1 2006

NT\$Bn

Market share = 11.3%

## Growth



## Comments

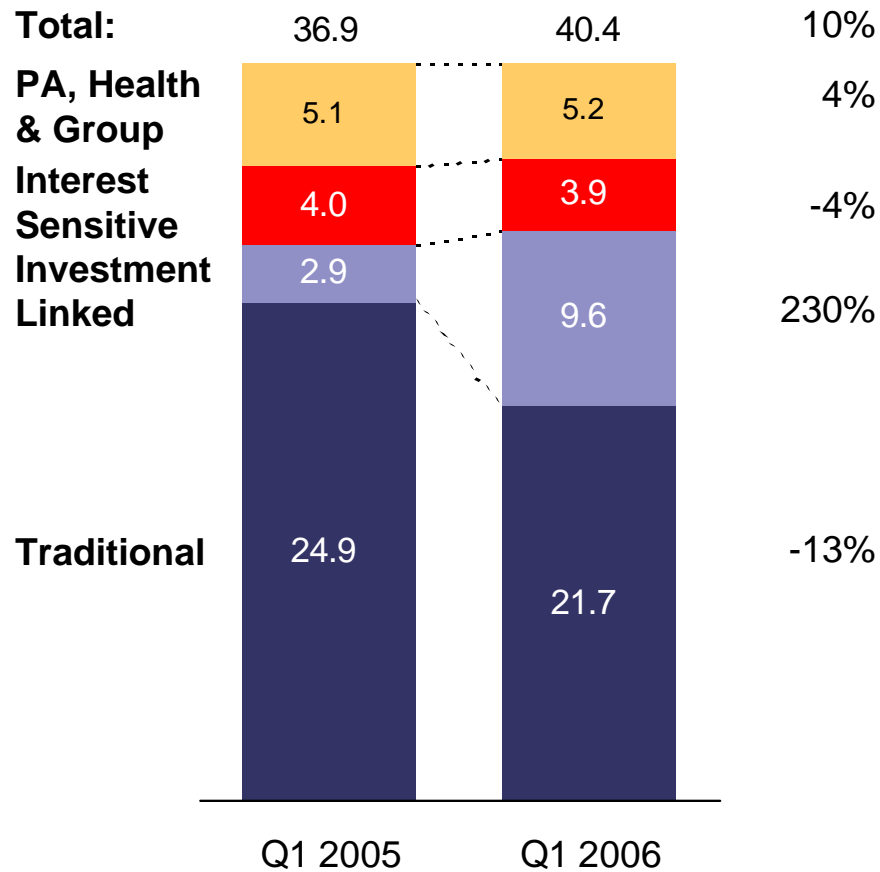
- Strong overall growth driven by investment products
- Significant quarter to quarter fluctuation in product mix due to sales campaigns, e.g., campaign to sell 6 year traditional products in Q1 2005
- Continued focus on protection under adverse market conditions
  - Promote par products
  - Inject protection element into interest sensitive and investment linked products
  - Align KPIs with sales of high margin, traditional products

# Total Premium – Q1 2006

NT\$Bn

Market share =10.4%

## Growth

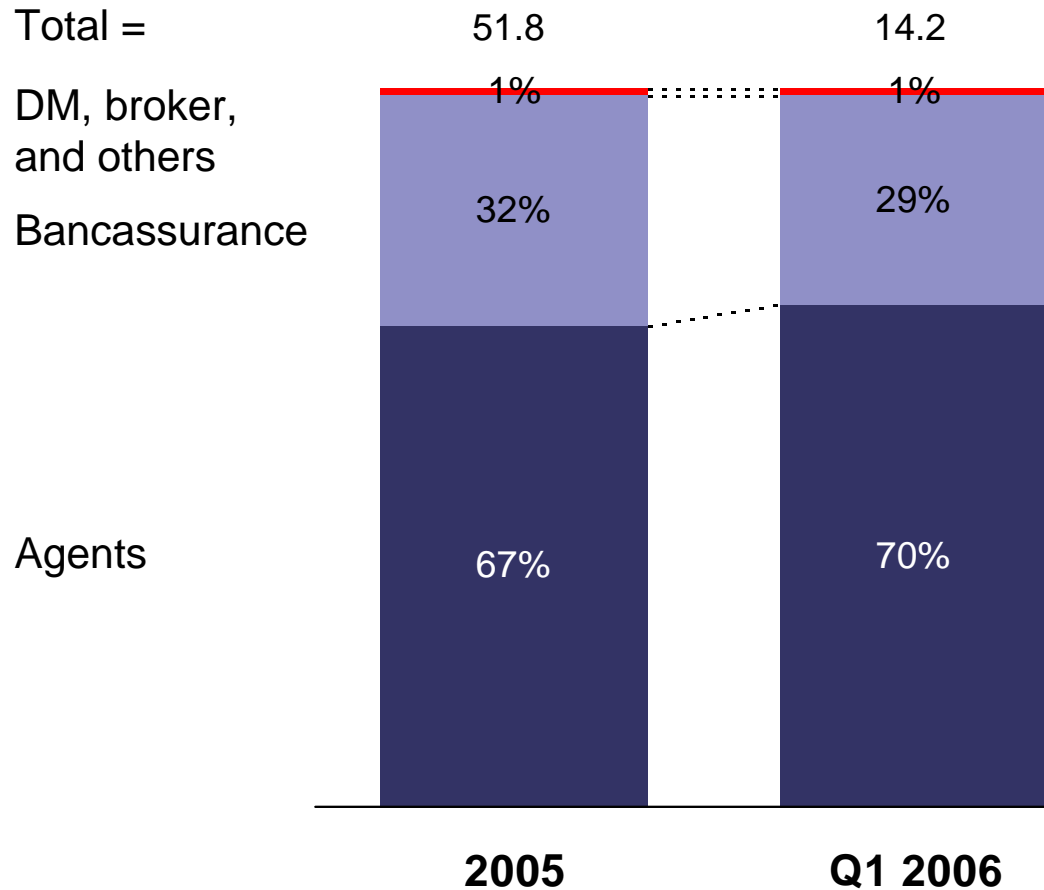


## Comments

- Strong overall growth
- Traditional products (mostly recurring premium) still dominate total premium mix
- Strong growth in investment linked products
- Share of other products remains stable

# FYP by Channel

NT\$Bn; %



## Comments

- Agency channel (preferred channel for sales of traditional products) still dominates
- Bancassurance accounts for roughly one-third of FYP – in line with market average
- Other alternative channels emerging but still insignificant

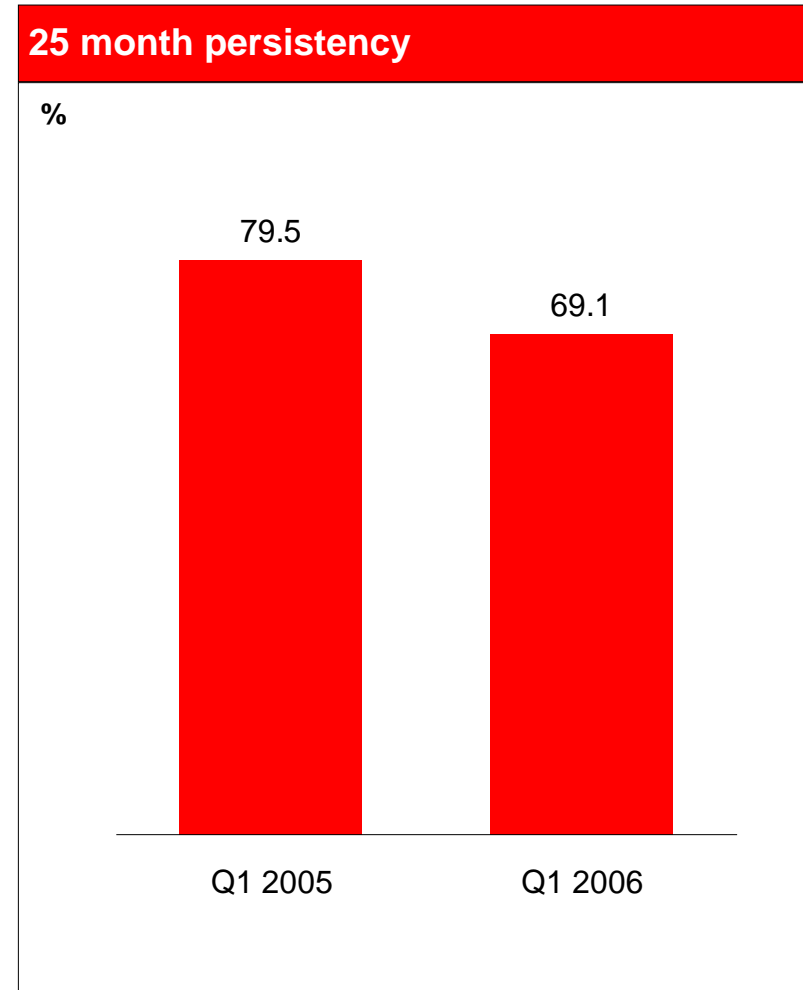
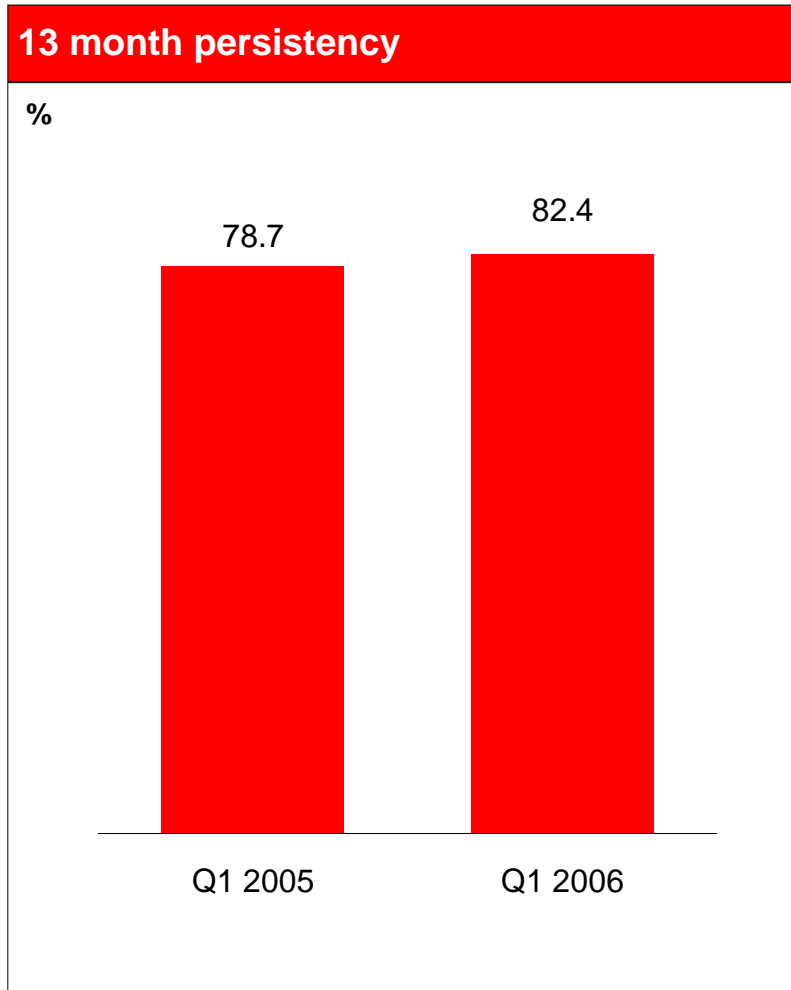


# SP / RP Breakdown – Q1 2006

First Year Premium, NT\$Bn

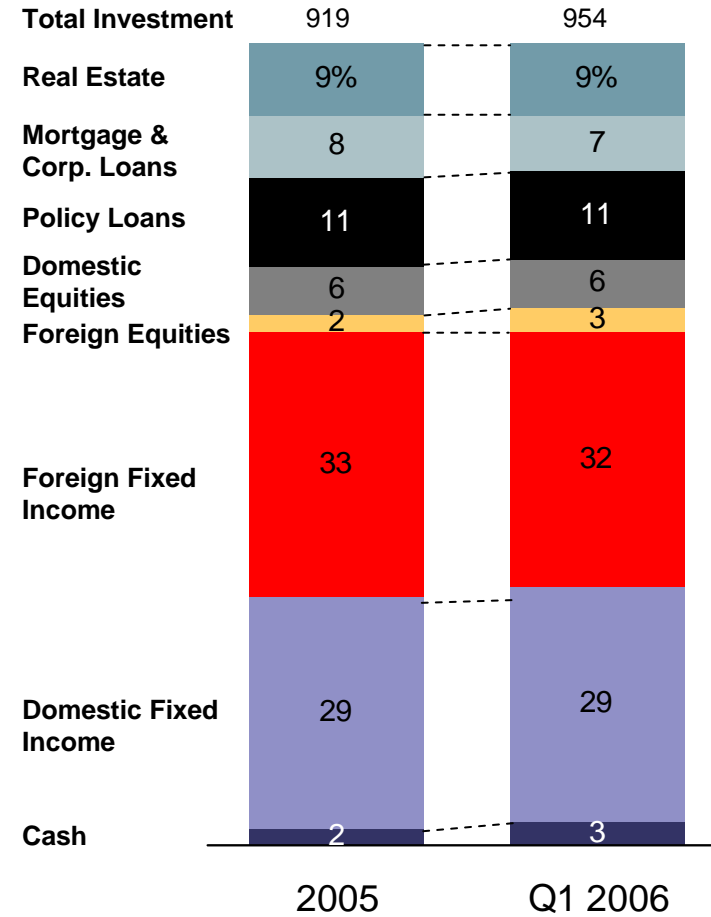
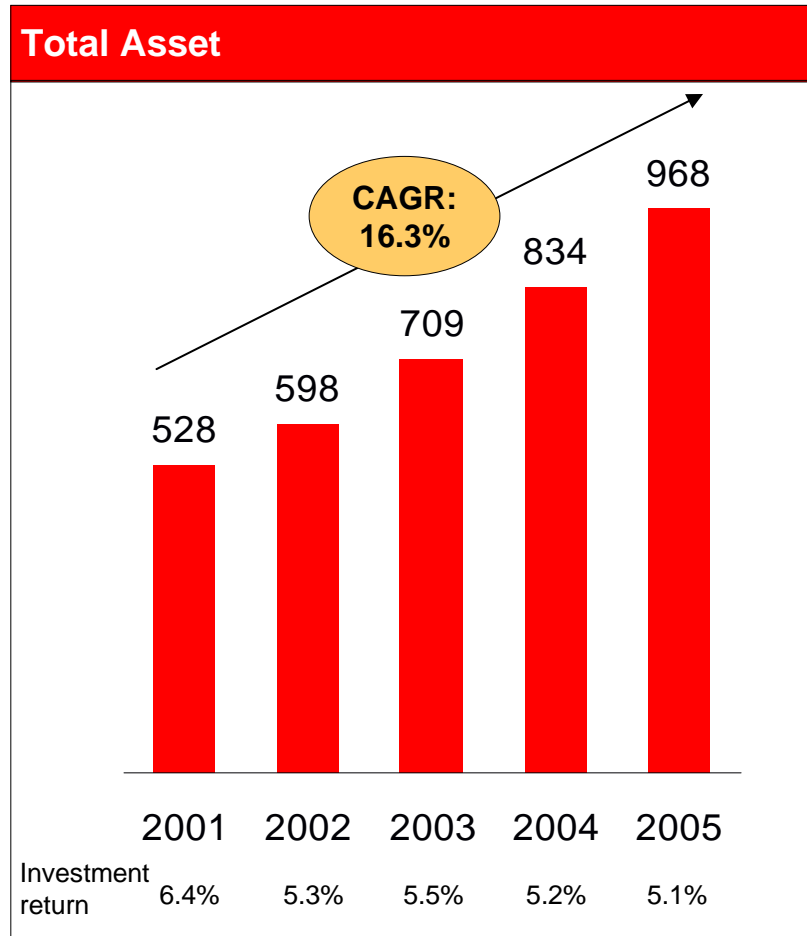
	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	0.03	0.96		0.99
Investment-linked				
VUL			6.45	6.45
Structured note	2.18			2.18
Interest Sensitive				
Annuity				
Life			3.85	3.85
PA, health and others			0.78	0.78
<b>Total</b>	<b>2.21</b>	<b>0.96</b>	<b>11.08</b>	<b>14.25</b>

# Persistency ratio



# Investment Portfolio

NT\$Bn



# 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 70%~80% of foreign assets
  - Pursue natural diversification of remaining assets
  - Review “proxy hedging” to achieve good hedging effectiveness at low cost

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# Loan Mix

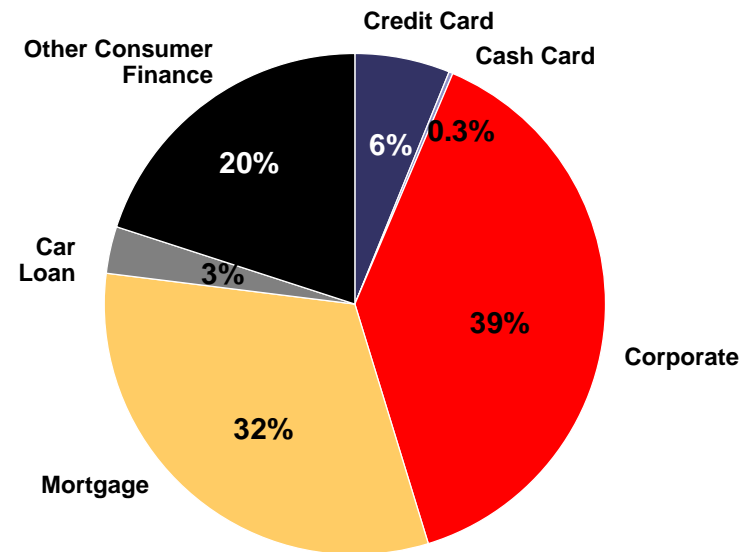
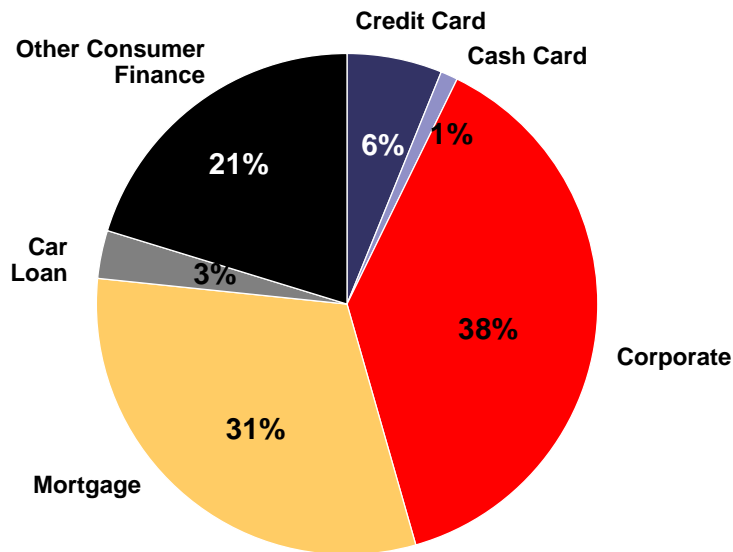
Loan balance

**2005**

**Q1 2006**

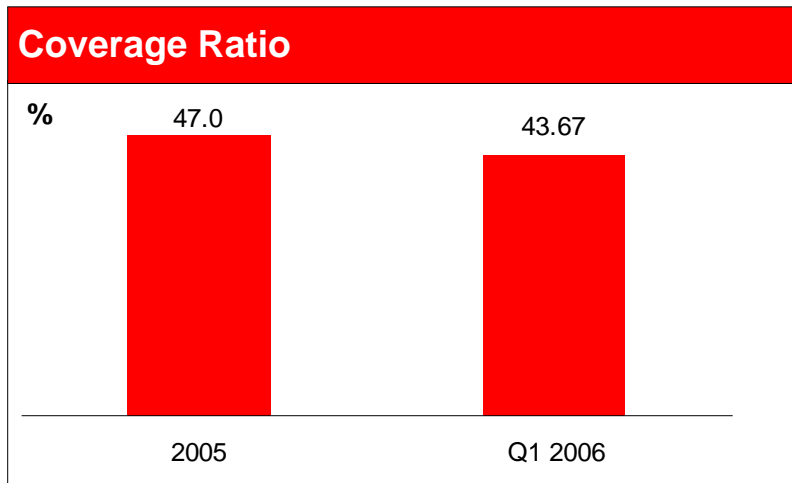
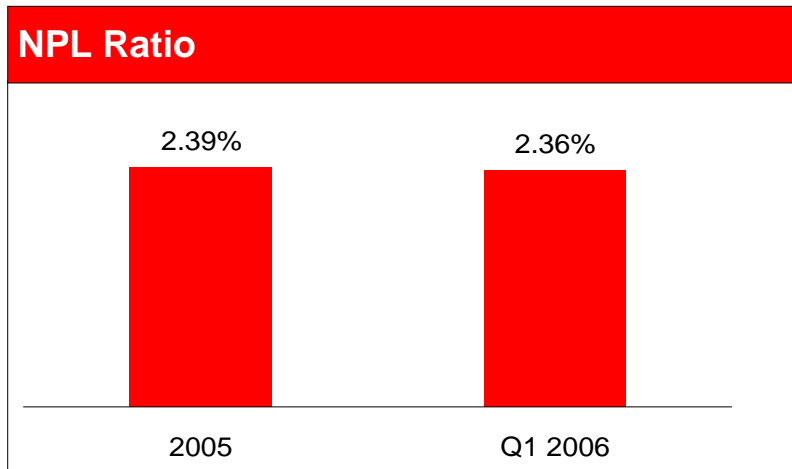
Total = NT\$216Bn <sup>(1)</sup>

Total = NT\$208Bn <sup>(1)</sup>



Note:  
(1) Net, excluding non-accrual loans

# Asset Quality

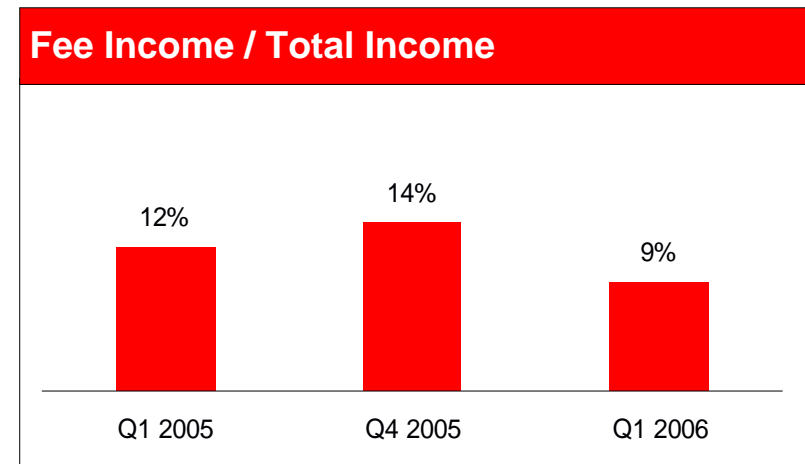
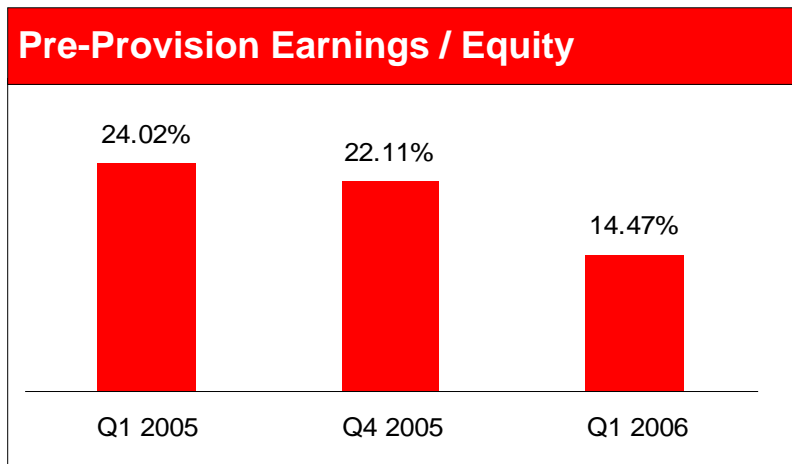
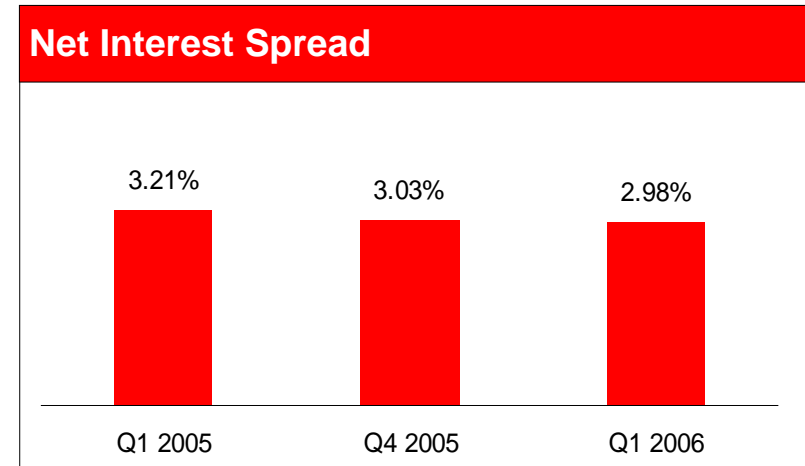
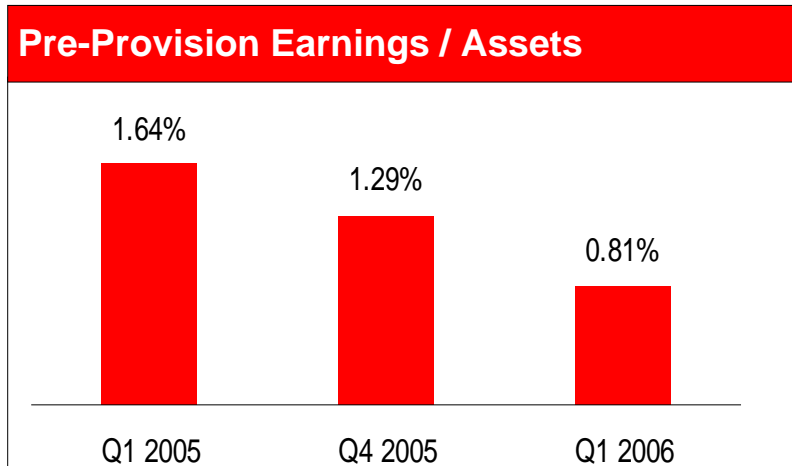


## Comments

- NPL maintained below 2.5%
- Coverage slightly decreased but remained above target of 40%
- Plan is to maintain NPL under 2.5% and coverage above 40% in the near term and improve further going forward

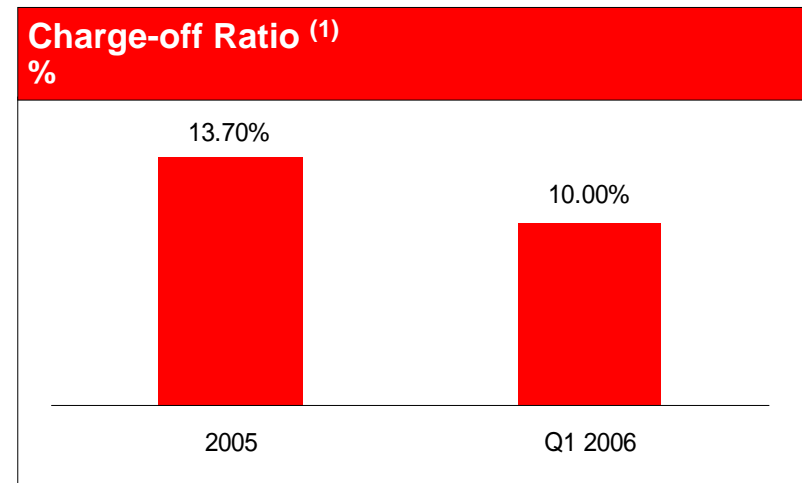
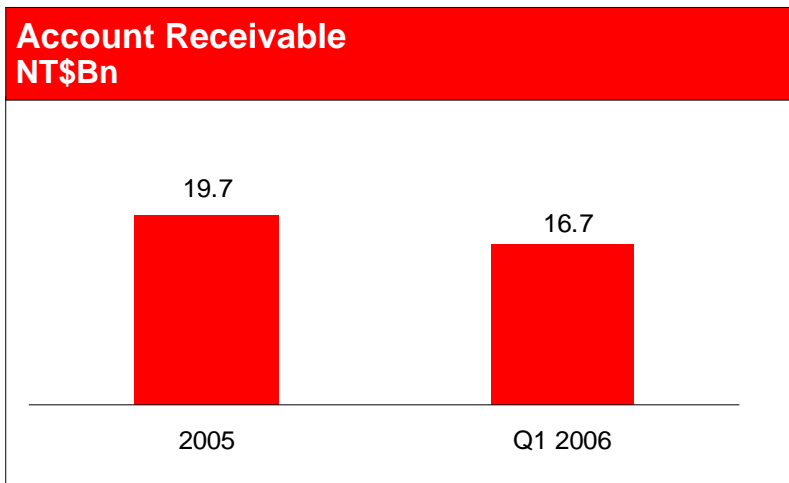
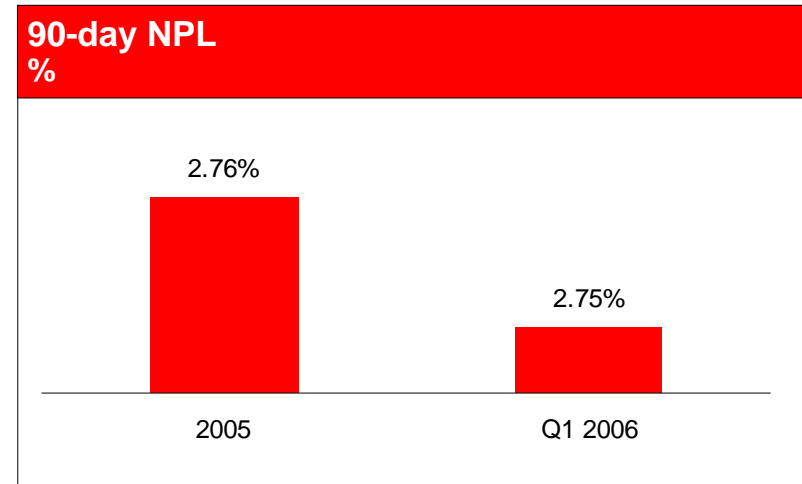
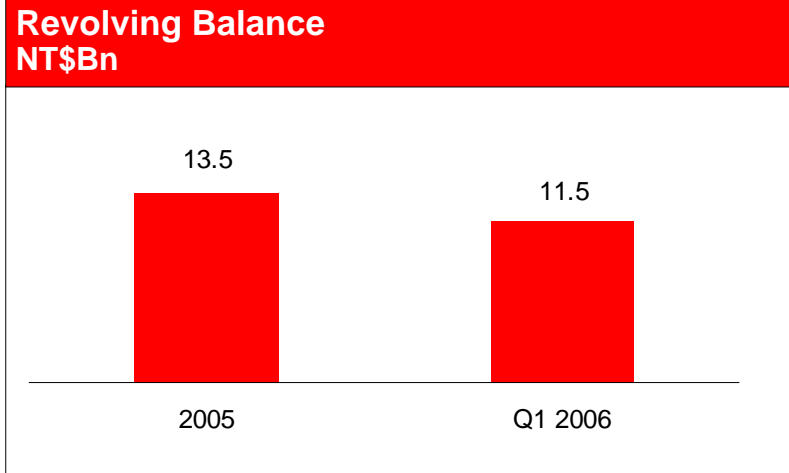
# Profitability

Percent





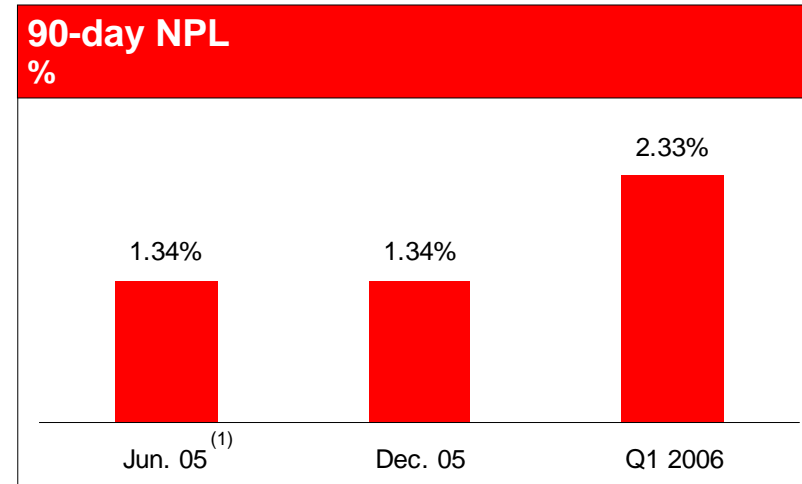
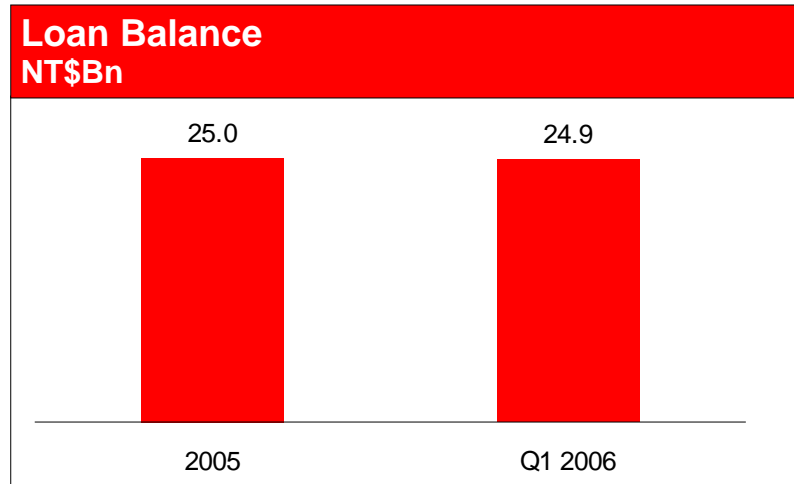
# Credit Cards Metrics



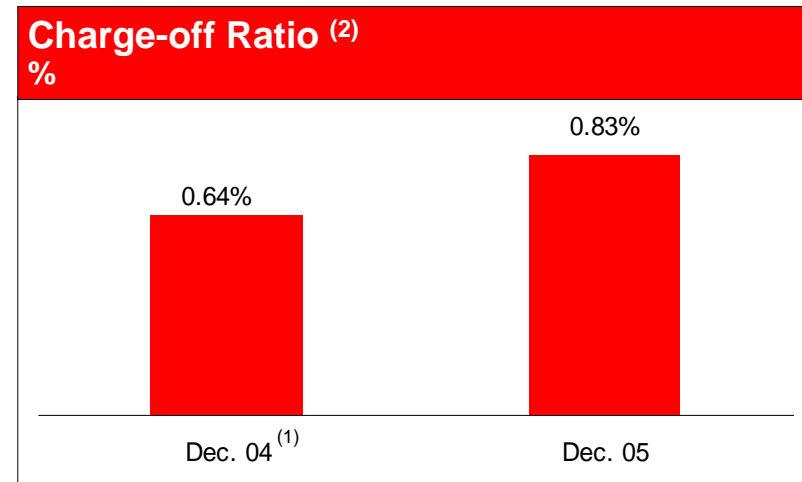
Note:

(1) Unannualized numbers

# Other Unsecured Consumer Loan



- 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



Note:

(1) Macoto bank

(2) No charge-off in 1Q 2006

## New Flagship Branches



Minshen Branch



Taipei Branch



Tunnan Branch

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# Transaction Summary

Company/issuer of shares	Shin Kong Financial Holding Co., Ltd.
Strategic Investor	Major financial institution
Transaction	The Company shall issue and the Investor shall subscribe and purchase <b>common shares</b> of the Company constituting a <b>~5%</b> shareholding interest in the Company by way of a <b>private placement</b>
Purchase price	<b>Market price</b>
Lock-up Period	<b>3 years</b> in accordance with the laws and regulations of the R.O.C. subject to (1) M&A that results in a change in control of the Company or (2) Credit ratings of the Company being reduced by 2 levels
Required Approvals	Board of Directors AGM (June 9, 2006) Other relevant authorities
Anticipated Closing	To be agreed between the Parties but <b>no earlier than June 9, 2006 (AGM)</b>

# Strategic Alliance and Use of Proceeds

## Strategic Alliance

- Higher level of strategic cooperation since the Investor is a financial institution rather than a private equity/hedge fund
- Potential areas of strategic cooperation
  - Exchange of management and expertise, e.g., product development, training
  - Partnering in new business areas, e.g., asset management
  - Partnering in developing international markets

## Use of proceeds

- M&A (no specific target has been identified)
- If an appropriate target cannot be found, proceeds may be used to satisfy other funding needs

# Tight Acquisition Criteria with Focus On Shareholder Value Creation

## Acquisition Criteria

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All targets need to

- Complement our existing business
- Demonstrate stable earnings
- Be of reasonable scale
- Create shareholder value

# Impact on Financial Ratios

%	Before (2005/12/31)	After
FHC CAR	138	153
Debt/Equity	36	32
DLR	117	106
Dilution (ROE & EPS)	-	~5%

## Comments

- Improve FHC CAR significantly
- Help lower overall debt/equity ratio
- Limited dilution of ~5%



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## Proposed Changes to Result Announcement Meetings

	Original format	New format
• <b>Frequency</b>	• Monthly	• Quarterly
• <b>Content</b>	• Mainly accounting data	• Accounting data • Operational metrics
• <b>Structure</b>	• Meeting with the press • Meeting with analysts/investors • Phone conference (quarterly) with overseas analysts/investors	• Combined meeting with the press, analysts, and investors • Phone conference with overseas analysts/investors
• <b>Participants</b>	• Finance and IR team	• Finance and IR team • Business leaders as appropriate

### Rationale for change

- High stock and earning volatility
- Satisfy demand from analysts/investors to understand operational details and 'see the people who run the business'
- Enhance transparency in line with market practice (i.e., lower frequency but more depth)

**Shin Kong Financial Holding**

## Financial Summary

(NT\$m)

<b>Income Statement Data</b>	<b>2005</b>	<b>1Q05</b>	<b>1Q06</b>	<b>1Q06/1Q05 %change</b>
Interest income	302	63	150	140%
Gain from long-term investment	7,157	3,023	7,095	135%
Income from subsidiaries				
Shin Kong Life	7,237	2,980	7,871	164%
Shin Kong Bank	(259)	(10)	(999)	10397%
Shin Kong Securities	149	46	214	368%
New Light Asset Management	1	2	(5)	-308%
Shin Kong Insurance Brokerage	29	5	14	167%
Adjustment	-	-	-	-
Total income from subsidiaries	7,157	3,023	7,095	135%
Other income	-	-	-	-
Operating costs	-	-	-	-
Administrative and general expenses	380	35	54	53%
Interest expense	228	67	48	-28%
Non-operating revenues	125	2	4	111%
Income tax benefit (expense)	80	(1)	(1)	70%
Net income	7,056	2,985	7,147	139%
EPS (NT\$)	1.74	0.99	1.76	78%

<b>Balance Sheet Data</b>	<b>2005</b>	<b>1Q05</b>	<b>1Q06</b>	<b>1Q06/1Q05 %change</b>
Long term investment	76,827	65,951	88,454	34%
Total assets (consolidated)	1,331,220	964,887	1,356,852	41%
Total shareholders' equity	65,811	54,773	77,489	41%

Note:

(1) Based on preliminary numbers

**Shin Kong Life**

Financial Summary

(NT\$m)

<b>Income Statement Data</b>	<b>1Q06/1Q05</b>			
	<b>2005</b>	<b>1Q05</b>	<b>1Q06</b>	<b>%change</b>
Premium income	138,513	34,082	30,958	-9%
Investment income				
Interest income	26,895	6,507	8,538	31%
Gains on disposal of bills & securities	11,921	3,700	3,702	0%
Gains on real estate investment	4,908	1,389	4,255	206%
Other Investment income	724	168	62	-63%
Total Investment income	44,448	11,764	16,558	41%
Other operating income	27,591	3,985	11,610	191%
Insurance claims payment	(18,825)	(4,410)	(4,837)	10%
Provision for reserves				
Provisions	(148,298)	(34,722)	(33,572)	-3%
Recoveries	42,316	7,858	10,067	28%
Total provision for reserves, net	(105,982)	(26,863)	(23,505)	-13%
Total commission and operating expenses	(77,942)	(15,250)	(23,635)	55%
Other operating expenses	0	0	0	0%
Operating income	7,803	3,309	7,149	116%
Non-operating income	99	106	3	-97%
Non-operating expense	(97)	(17)	(8)	-55%
Income tax	(442)	(392)	(182)	-54%
Cumulative effect of changes in accounting principles	0	0	934	0%
Net income	7,363	3,006	7,897	163%

<b>Balance Sheet Data</b>	<b>1Q06/1Q05</b>			
	<b>2005</b>	<b>1Q05</b>	<b>1Q06</b>	<b>%change</b>
Total assets	967,629	864,953	999,839	16%
Total shareholders' equity	54,407	52,903	66,811	26%

<b>Operating Metrics</b>	<b>2005</b>	<b>1Q05</b>	<b>1Q06</b>
Claims Ratio	76.9%	-	77.1%

Note:

(1) Based on preliminary numbers

**Shin Kong Bank**

## Financial Summary

(NT\$m)

<b>Income Statement Data</b>	<b>1Q06/1Q05</b>			
	<b>2005</b>	<b>1Q05</b>	<b>1Q06</b>	<b>%change</b>
Interest income	12,846	3,053	3,085	1%
Interest expense	(4,021)	(895)	(1,090)	22%
Net Interest Income	8,825	2,157	1,995	-8%
Fee income	2,077	485	340	-30%
Fee expense	(577)	(138)	(137)	-1%
Net Fee Income	1,499	346	203	-42%
Gains on bills & securities	278	406	46	-89%
Gains on long-term equity investment	80	1	(44)	-4346%
Other operating income (cost)	22	(21)	(29)	37%
Operating expense	(6,483)	(1,541)	(1,486)	-4%
Pre-provision operating income	4,223	1,348	685	-49%
Provisions expense	(4,729)	(421)	(1,964)	367%
Operating income	(506)	927	(1,279)	-238%
Non-operating income	243	34	37	7%
Non-operating expense	(63)	(39)	(5)	-86%
Income tax benefit (expense)	68	7	248	3671%
Net income	(259)	930	(999)	-207%

<b>Balance Sheet Data</b>	<b>1Q06/1Q05</b>			
	<b>2005</b>	<b>1Q05</b>	<b>1Q06</b>	<b>%change</b>
Total assets	340,636	328,682	336,693	2%
Total shareholders' equity	19,908	22,445	18,932	-16%
Total loans (net, exclude credit card)	206,976	195,974	199,903	2%
Total deposits	289,443	270,331	288,623	7%

<b>Operating Metrics</b>	<b>2005</b>	<b>1Q05</b>	<b>1Q06</b>
Fee income ratio	14%	12%	9%
Cost income ratio	61%	53%	68%
Loan/deposit ratio	72%	72%	69%
Net interest spread	3.03%	3.21%	2.98%
Pre-provision earnings/assets	1.24%	1.67%	0.81%
Pre-provision earnings/equity	21.21%	24.40%	14.47%

Note:

(1) Based on preliminary numbers