

Confidential



**Shin Kong Financial Holding**

## Company Overview

June 2009

# 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.

Figures in this presentation and the presentation materials distributed herewith have been reviewed by auditors.

# Agenda

## I. SKFH

## II. Life Insurance Business

## III. Banking Business

## IV. Appendix

- Market opportunities
- SKL Premium
- One-off losses of CDO & CBO investment
- EV & AV Result
- SKL China Development Strategy
- Real Estate Securitization and Financing Plan

# Who We Are

- Major financial holding company in Taiwan
  - Five subsidiaries including life insurance, bank, securities, asset management, and insurance brokerage
  - 3rd largest life insurer with 10.5% market share
  - 10th largest private bank with 108 branches
- One of the few FHCs in Taiwan with significant presence in both insurance and banking

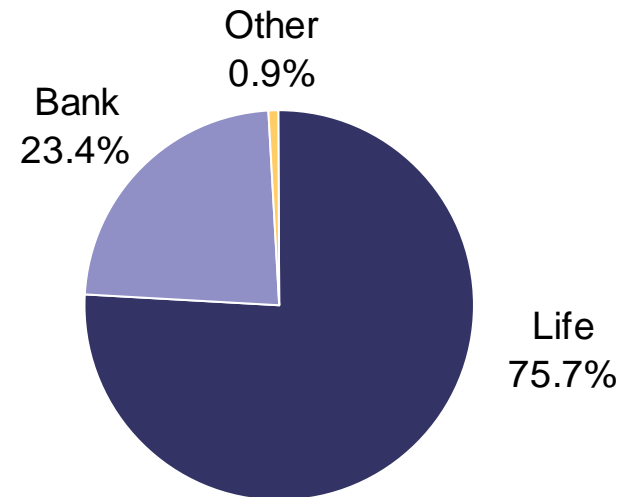
## Financial Overview

NT\$bn	2006	2007	2008
Total Assets	1,492.3	1,688.1	1,740.2
Shareholders' Equity	90.8	100.1	56.2
Market Value	164.6	112.6	55.7
Net Income <sup>(1)</sup>	5.9	5.0	-21.0
ROA	0.4%	0.3%	-1.3%
ROE	7.6%	5.3%	-28.4%
Foreign Ownership	31.8%	20.4%	22.6%

Note:

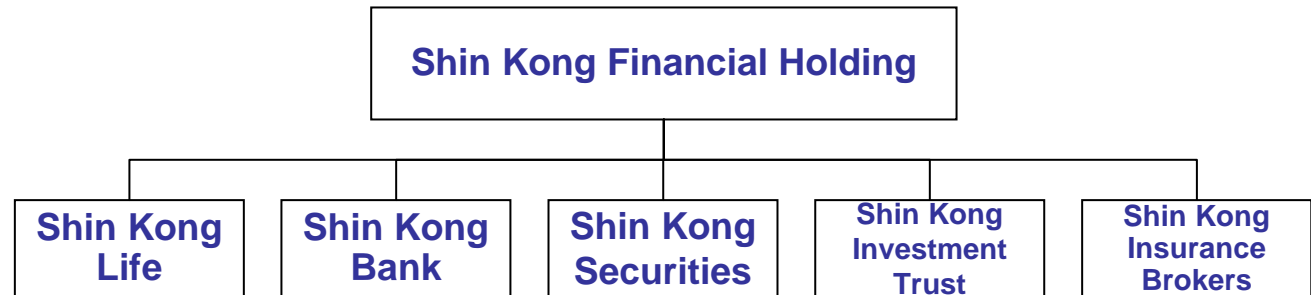
(1) Excludes minority interest income

## 2008 Asset Mix



# Corporate Structure

## Unique Integrated Financial Services Platform



	Shin Kong Life	Shin Kong Bank	Shin Kong Securities	Shin Kong Investment Trust	Shin Kong Insurance Brokers
Date of Incorporation	7/1963	1/1997	12/2001	9/1992	1/2003
Assets (NT\$bn)	1,301.3	402.9	14	0.65	0.13
% of Group Assets	75.7%	23.4%	0.8%	<0.1%	<0.1%
Earnings (NT\$m)	-19,738	227	-383	-2	50
Branches/Offices	366	108	7	3	1
Market Share	10.5%	1.4%	0.9%	2.1%	-

# Seasoned Management Team



**Hsu, Victor**  
President

- President & Spokesperson, Shin Kong Financial Holding

Experiences:

- First Vice President, Shin Kong Financial Holding
- CFO, Shin Kong Life

Membership & others:

- Director, Life Insurance Association of R.O.C.
- Member, Financial Holding Business Committee

- President, Shin Kong Life

Experiences:

- SEVP, Shin Kong Life



**Pan, Po Tseng**  
President  
Shin Kong Life

Membership & others:

- Director, Life Insurance Association of R.O.C.
- Director, Insurance Society of R.O.C.
- Director, Institute for Life Insurance Safety Fund

- President, Shin Kong Securities

Experiences:

- EVP, New Light Asset Management
- Chairman, Waterland Securities Investment Consulting Co. Ltd.



**Lin, Shih Chi**  
President  
Shin Kong Securities

- President & Director, Waterland Securities Investment Consulting Co. Ltd.



**Lee, Tseng Chang**  
President  
Shin Kong Bank

- President, Shin Kong Bank

Experiences:

- President, United Credit Commercial Bank
- President, Pin-tong First Credit Cooperative



**Huang, Richard**  
President  
Shin Kong Investment Trust

- President, Shin Kong Investment Trust

Experiences:

- Vice President, Shin Kong Investment Trust



**Chen, Cheng Luan**  
President  
Shin Kong Insurance Brokers

- President, Shin Kong Insurance Brokers

Experiences:

- AVP, Shin Kong Life

## Strong Track Record of Attracting and Integrating Outside Talent



**Yung, Winston**  
CFO  
Shin Kong FHC  
Shin Kong Life

- CFO, Shin Kong Financial Holding
- CFO, Shin Kong Life

Experience:

- Deputy CFO, Shin Kong Financial Holding
- Associate Principal, McKinsey & Co.
- Manager, Finance and Administration, Royal Insurance (Taiwan)



**Chu, Grace**  
CRO  
Shin Kong FHC  
Shin Kong Life

- CRO, Shin Kong Financial Holding
- CRO, Shin Kong Life

Experience:

- Senior Vice President, Taiwan International Securities Company
- Co-Chair, Risk Control Committee, Taiwan Securities Association
- Executive Vice President, Taiwan Ratings Corporation



**Lin, Han Wei**  
Vice President  
Shin Kong Life

- VP, Actuarial & Planning Department, Shin Kong Life

Experience:

- Assistant Actuary, New York Life (USA)
- Director and Actuary, Lincoln Financial Group (USA)
- FSA
- MAAA
- CFA



**Chen, Dennis**  
CIO  
Shin Kong FHC  
Shin Kong Life

- Chief Information Officer, Shin Kong Financial Holding
- Chief Information Officer, Shin Kong Life

Experiences:

- Director, Core Banking Business, Unisys Limited
- Director, e-Business, Electronic Data Systems



**Lin, Sunny**  
Vice President  
Shin Kong Bank

- VP, Wealth Management, Shin Kong Bank

Experiences:

- SVP, Wealth Management, Fuhwa Bank
- AVP, Int'l Private Client Group, Merrill Lynch (Taiwan)
- AVP, Personal Banking Center, Citibank, N.A. (Taiwan)

# Sound Policies and Practices to Ensure Proper Corporate Governance

## Board Control

- Increasingly diversified shareholding structure with ~20% foreign ownership and ~2% employee ownership
- 3 independent non-executive Board directors appointed in 2008
  - Chi-Shih Cheng: Former Head of Insurance Bureau, Ministry of Finance
  - Masao Tsuji: Chairman of the Japan Securities Investment Advisers Association
  - Wen-Chi Wu: Professor at the Chihlee Institute of Technology

## Legal Compliance

- Appointed Compliance Officer to further strengthen internal risk control and legal compliance
- Compliance officer is appointed by the Board and reports to the FHC President; he submits a report to the Board on a half-yearly basis

## Internal Audit

- Chief Auditor reports directly to the Board
- One business audit every year
- One finance, risk management and compliance audit every half year

## Disclosure

- Spokesperson and Deputy spokesperson appointed
- Upload information to public information website regularly
- Dedicated IR team established to respond to investor questions
- Quarterly result meeting to update media / investors on operational performance



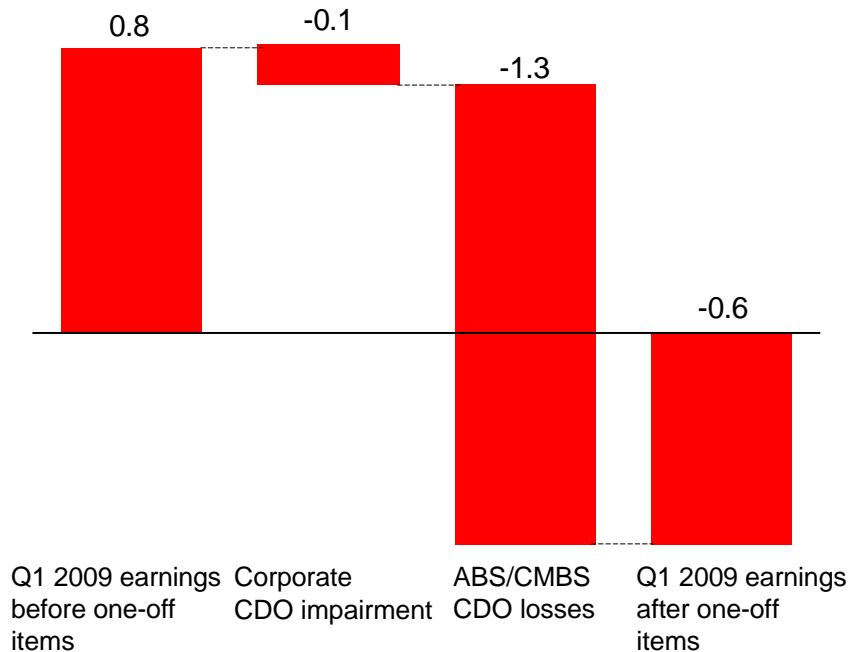
# SKFH – Q1 2009 Overview

- Markets started to show signs of recovery, although operating environment is still difficult in 2009
- Driven by stabilizing investment income and lower expenses, loss in Q1 was 91% lower YoY. SKFH recorded after-tax loss of NT\$0.64bn in Q1 2009. EPS was -NT\$0.10.
- Investment income has stabilized; annualized investment return for Q1 was 3.9%
  - Interest income at SKL was 3% higher than 1Q08
  - Strong capital gains from foreign exchange
  - Continued rebound of the Taiwan equity market
- Tight control of expenses
  - SKL: General and administrative expenses controlled at lower level than 1Q08
  - SKB: Overall expenses decreased 10% year-on-year and will continue to come down
- Strong liquidity position and proactive liability management
  - Secured NT\$5bn loan to repay 2004 ECB
  - Bought back and retired NT\$1.3bn of 2004 ECB at yield-to-put 8%
  - Strong liquidity with over NT\$100bn cash at SKL and L/D ratio of 79% at SKB
- Strategy going forward
  - Stabilize and enhance revenue in life and banking businesses
  - Control costs
  - Drive synergies among subsidiaries, e.g., merger of SKSC and Masterlink
  - Tighten risk management – Phase I of Algo system successfully completed in April
  - Enhance customer service – New Core System of SKL went live in February
  - Develop China JV and expand overseas – China JV started operation in April

# Net Income – Q1 2009

## Group net income

NT\$bn



## Net income contribution

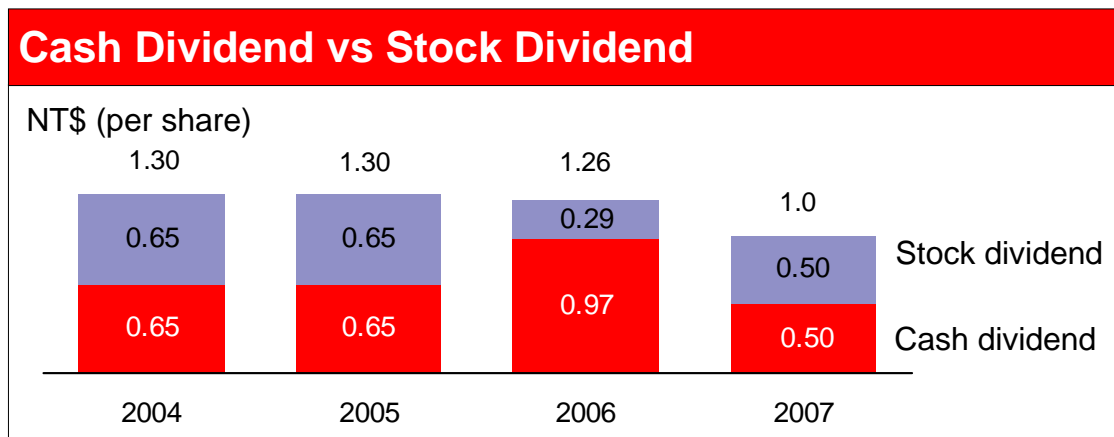
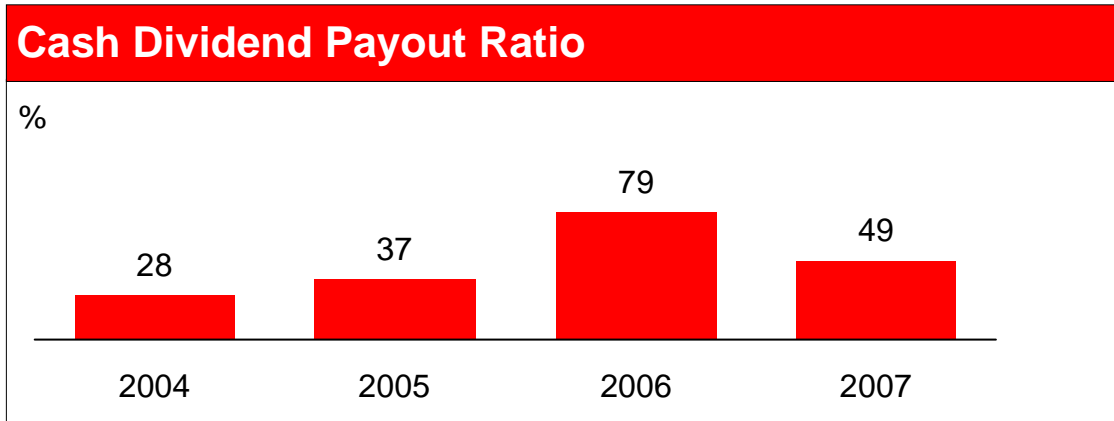
NT\$bn

Subsidiaries	Q1 09	Q1 08
Shin Kong Life	-1.03	-7.63
Shin Kong Bank	0.17	0.61
Shin Kong Securities	0.08	0.01
Shin Kong Investment Trust	0.00	0.02
Shin Kong Insurance Brokers	0.02	0.02
Others <sup>(1)</sup>	0.12	0.11
<b>Net income</b>	<b>-0.64</b>	<b>-6.86</b>

Note:

(1) Include other income of SKFH, income taxes, and profit from Masterlink Securities

# Dividend Distribution



### Comment

- Due to loss in 2008, no dividend payout is expected for the year
- Long-term goal is to increase cash payout ratio and percentage of cash dividend

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# Shin Kong Life

- 3<sup>rd</sup> largest life insurer in Taiwan with 10.5% market share and 3 million customers
- Strong distribution network with 13,000 agents, 366 sales offices and bancassurance relationships with over 20 banks
- Offer a wide range of life insurance products, including traditional life, accident and health, interest-sensitive and investment-linked products

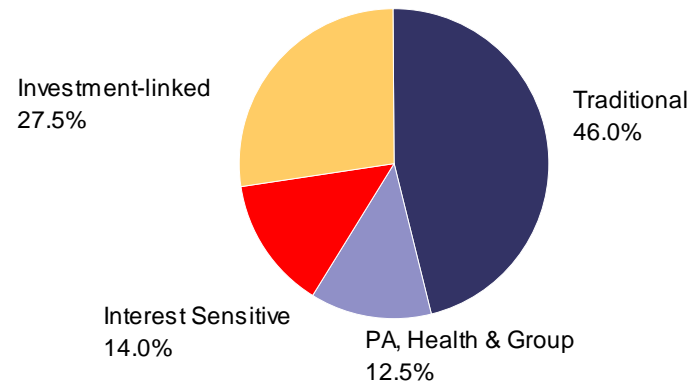
## Financial Overview

NT\$bn	2006	2007	2008
Total Premium	181.5	215.9	201.9
Net Income	11.8	2.4	-19.74
Total Assets	1,117.4	1,229.2	1,301.3
Shareholders' Equity	69.9	60.0	24.8
ROE <sup>(1)</sup>	21.90%	3.68%	-48.59%
ROA	1.13%	0.21%	-1.56%

Note:

(1) Excludes preferred shares

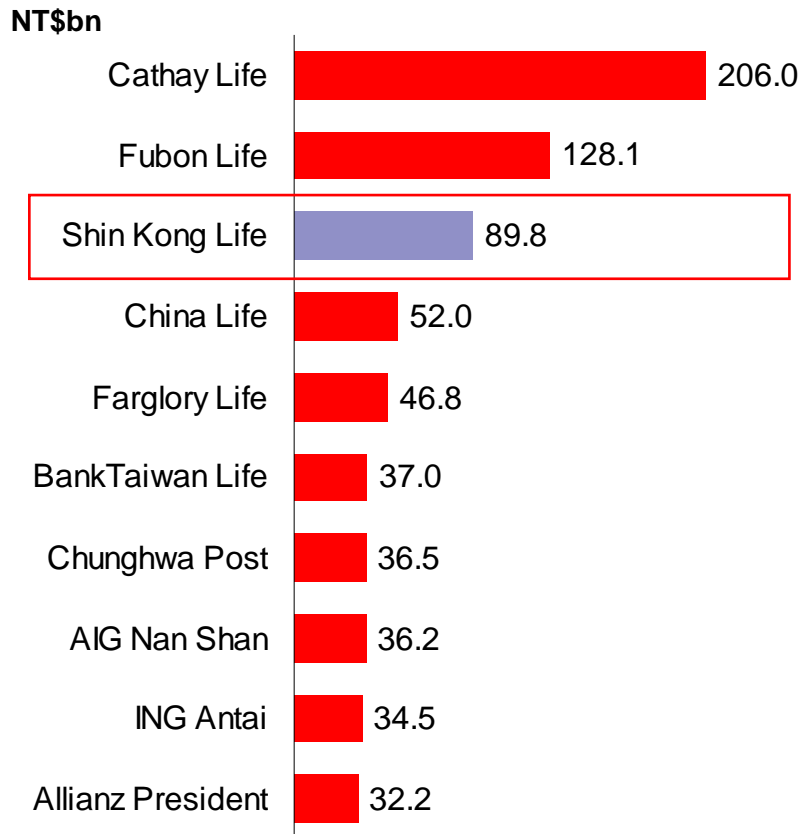
## 2008 Total Premium Written



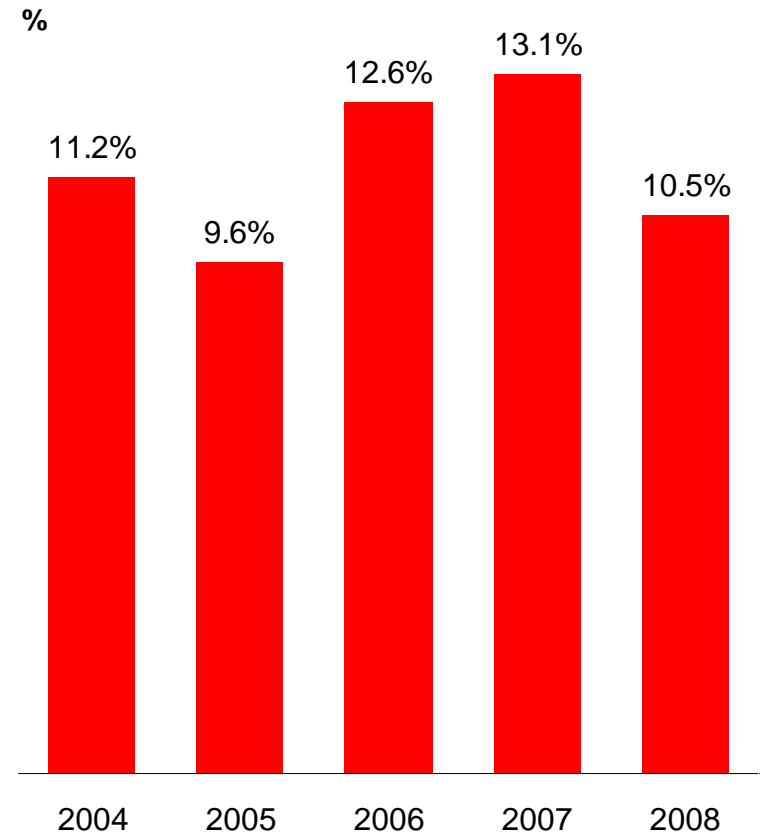
**Total Premium Written: NT\$201.9 bn**

# Shin Kong Market Share

**FYP of Top 10 Players – 2008**



**Shin Kong FYP Market Share Over Time**



# Awards and Recognition



**Taiwan Superbrand (2006)**  
by Superbrands International



**Information Disclosure A+**  
(2006, 2007, 2008)  
by Securities & Futures Institute



**Institutional Investor of the Year**  
(2006) by Finance Asia



**Insurance Faith, Hope and Love Award**  
by Risk Management & Insurance Media Group



**National Quality Award**  
(2004) by MOEA



**National Community Service Award (2007)**  
by Ministry of the Interior



**Global Views Excellent Service Award (2008)**  
by Taiwan Global Views Magazine



**Top 5 Websites in Greater China (2009)**  
by IR Global Rankings

## SKL – Q1 2009 Overview

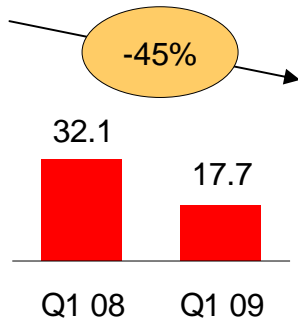
- SKL recorded after-tax loss of NT\$1.03bn in Q1 2009 driven by NT\$1.35bn loss from CDO investments. ROE was -4.2%.
- Affected by volatile global markets, demand for investment-linked products remained slow. FYP was NT\$17.69bn, 45% lower than the high basis achieved in 2008. To maintain reasonable overall profit margin, growth rate was lower than market growth of -12%. Market share was 8%.
- Traditional products contributed 74% of FYP. FYP from traditional products was NT\$13.1bn, up 649% YoY. Premium from PA, health and group products also grew by 186% to NT\$1.6bn, driven by strong sales of health products.
- 13-month persistency remained high at 86%. 25-month persistency was 78%.
- Q1 2009 investment return was 3.90%.
- JV with Hainan Airlines Group in China, Shin Kong - HNA Life, started operation in late April.



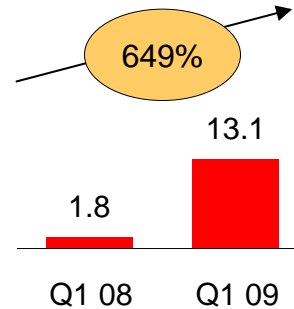
# First Year Premium – Q1 2009

NT\$bn

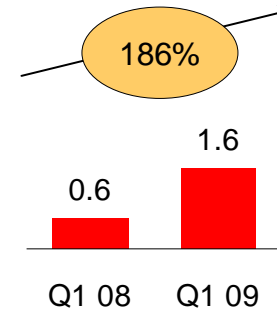
## Market share 7.9%



## Traditional



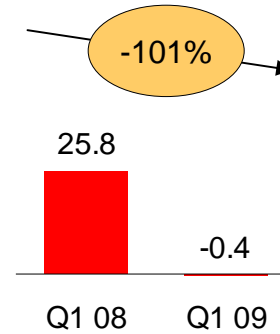
## PA, Health and Group



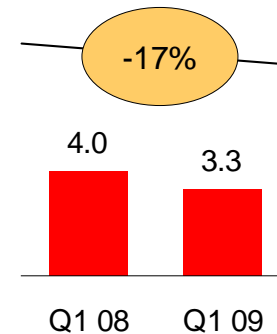
### Comments

- To maintain reasonable overall profit margin, FYP was controlled at level lower than last year
- Traditional products contributed significant share (74%) of FYP
- Affected by global market situation, sales of investment-linked products slowed
- In Q1, traditional products and high value health and long-term care products continued to be the focus of sales. FYP growth of traditional products was 649%; PA, health and group also grew by 186%

## Investment-linked

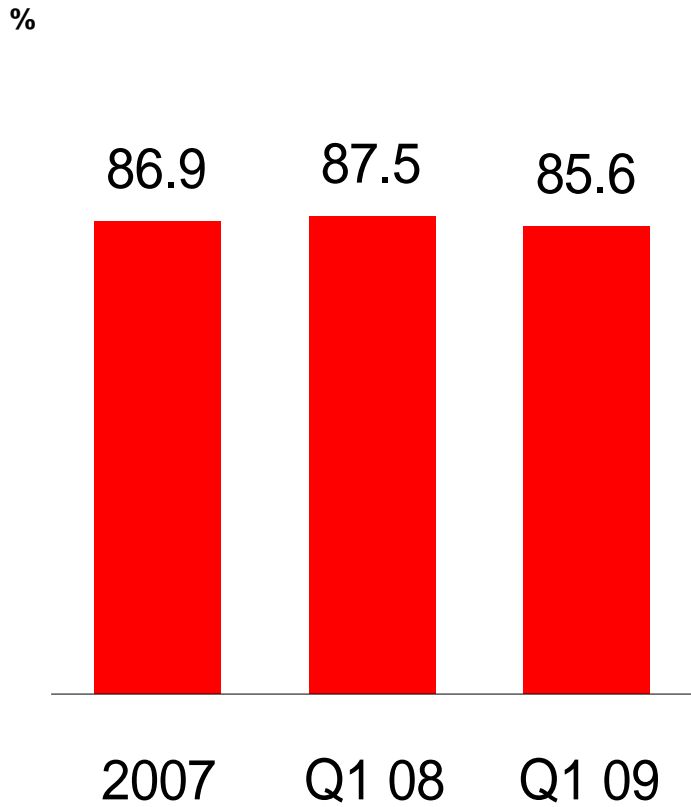


## Interest-sensitive

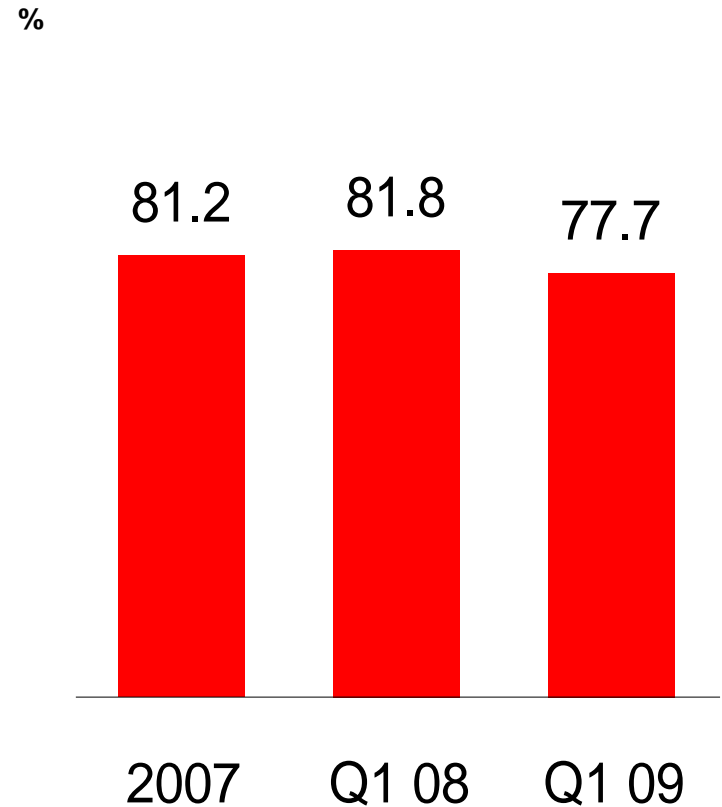


# Persistency Ratio

**13 month persistency**

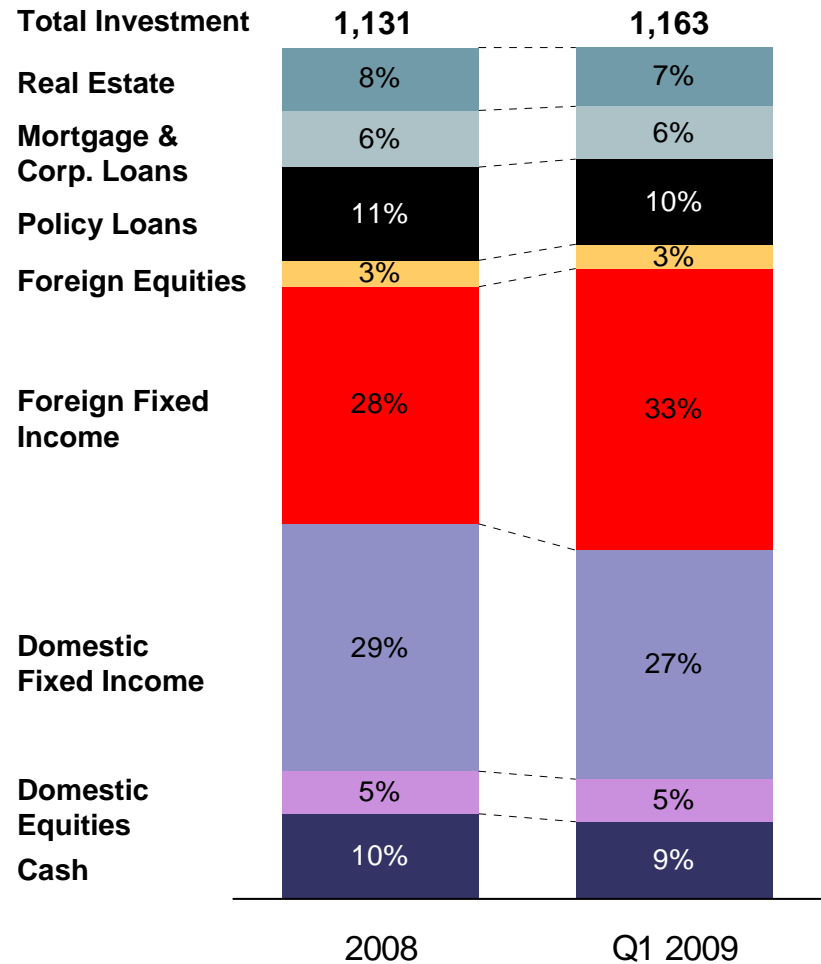
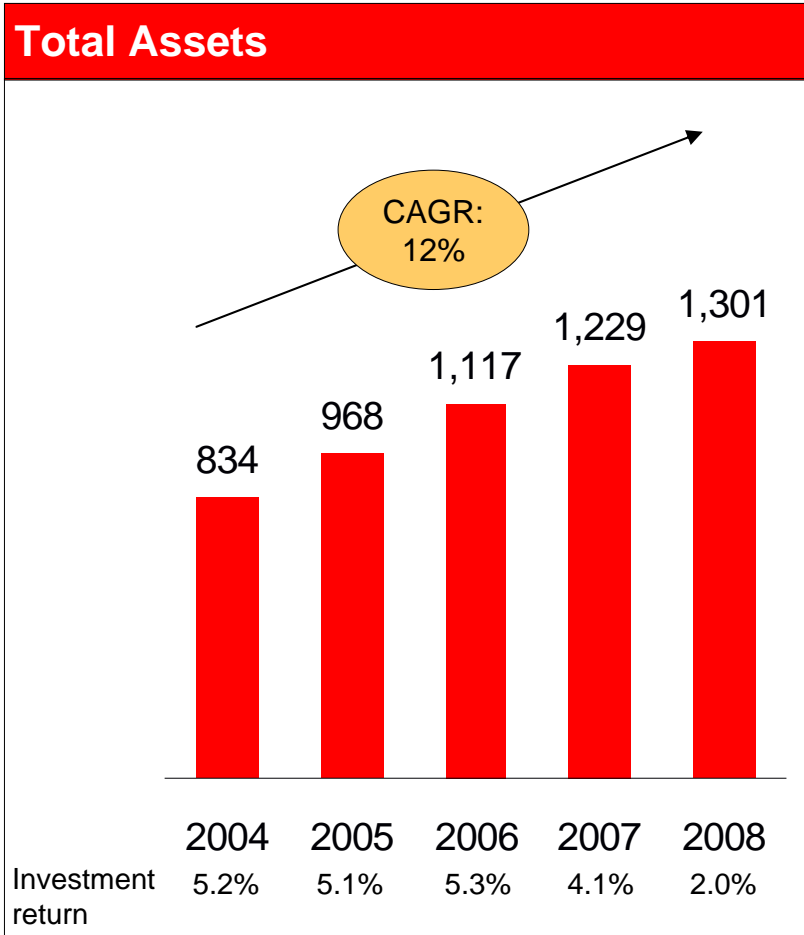


**25 month persistency**



# Investment Portfolio

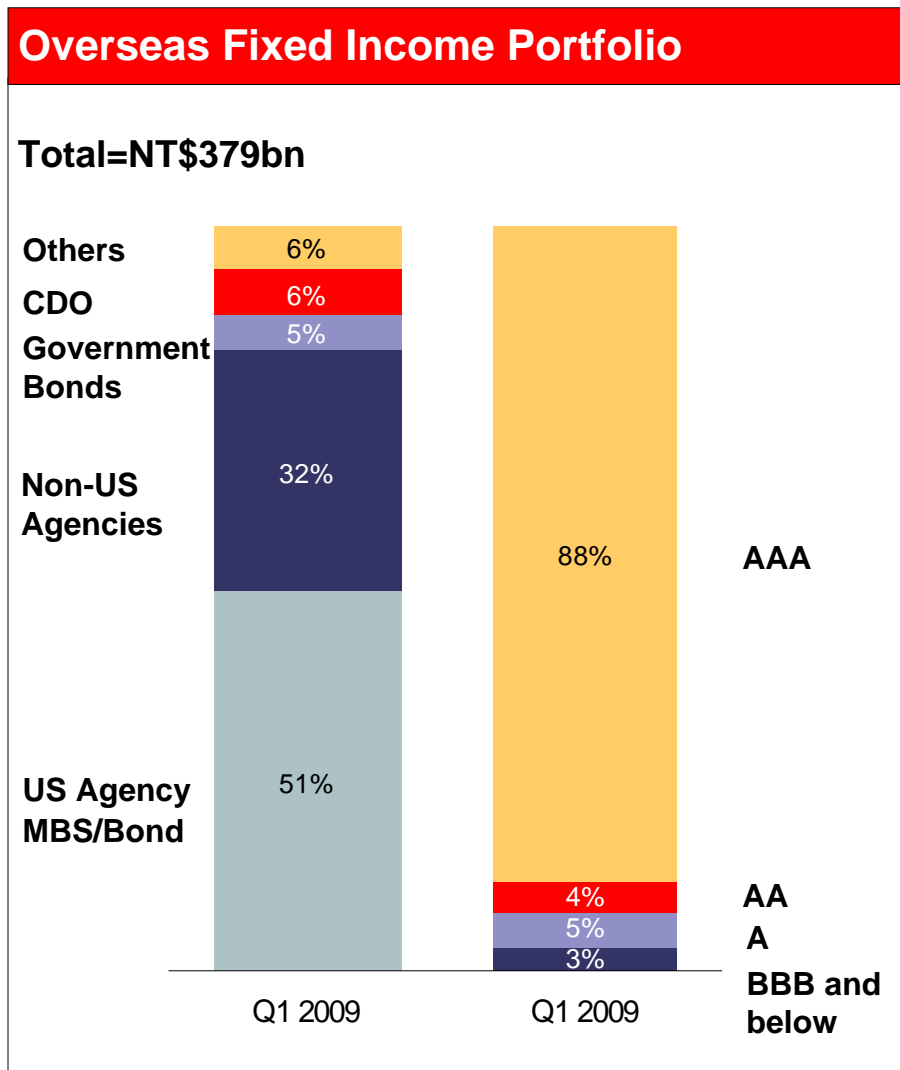
NT\$bn



Note:

- (1) Due to rounding, asset allocation figures may not add up to 100%
- (2) Includes capital gains and FX hedging cost

# Overseas Fixed Income – Prudent Credit Risk



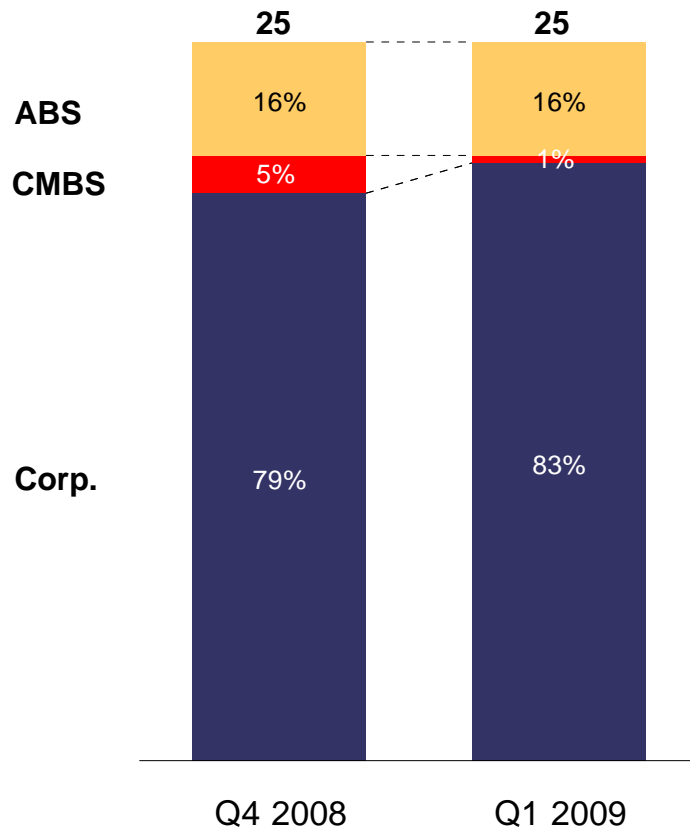
## Comments

- Portfolio mainly comprises low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 88% of the portfolio. 97% of the portfolio is rated A and above. Overall credit risk exposure is very limited
- ‘Others’ includes corporate bonds, financial debentures, hedge funds, and money market funds

# CDO Exposure

## CDO Exposure

NT\$bn



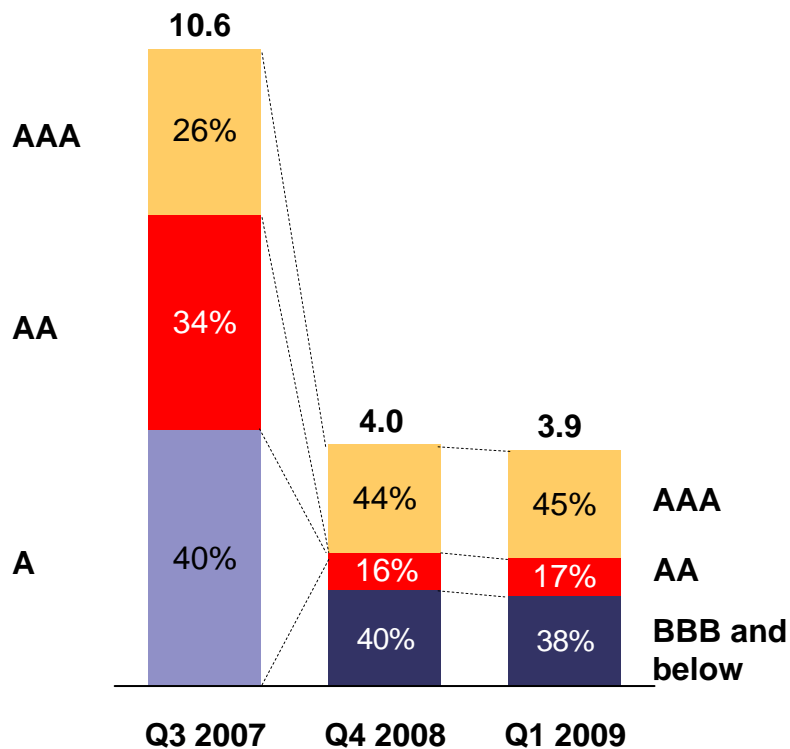
## Comments

- 16% of CDOs were referenced to Asset Backed Securities which consist of RMBS, CMBS, auto loans, etc.
- Accounting treatment is 'no active market'
- Policy is to conduct impairment test when there is significant deterioration in credit quality (downgrade by more than 5 notches or to non-investment grade)
- Total CDO exposure were NT\$25bn
- Due to volatility in CMBS market, one CMBS CDO was sold in Q1 with NT\$1bn loss recognized
- Due to deterioration in credit market, cumulative loss of NT\$1.5bn among corporate CDOs has been recorded. The company will proactively manage the portfolio and deploy necessary hedging strategies to minimize losses. Overall credit risk is expected to be manageable

# ABS CDO Rating Distribution

## ABS CDO Rating Distribution

NT\$bn

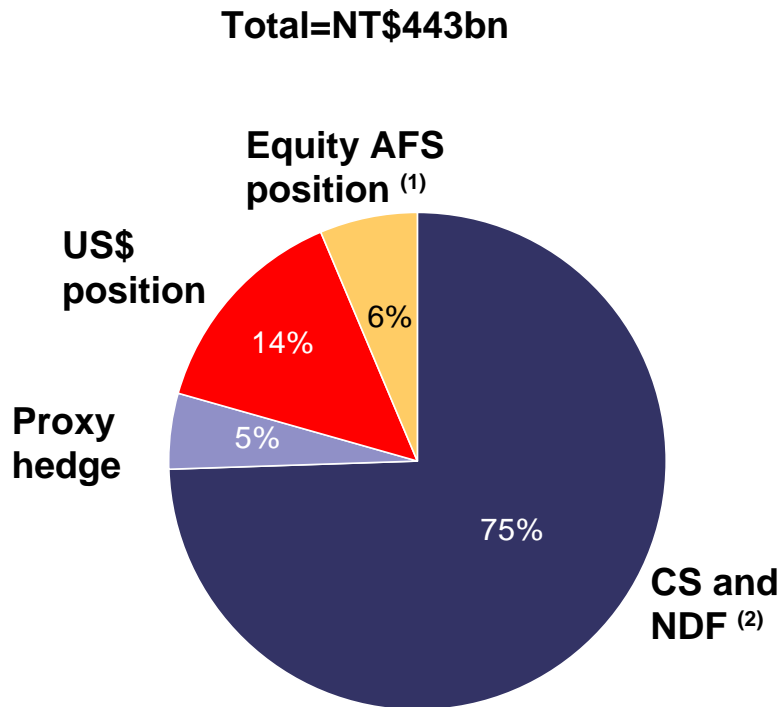


### Comments

- 26% of ABS CDO assets are referenced to U.S. sub-prime mortgages
- One ABS CDO sold in Q1 and 0.3bn loss recognized; cumulative loss was NT\$6.1bn
- 57% of ABS CDO has been impaired

# Hedging Strategy

## Mix of Hedging Strategies Used



## Comments

- Share of traditional hedges increased to 70~90% in the medium-long term
- Proxy hedging remained low at 5%
- Driven by USD appreciation and effective hedging strategy, foreign exchange gain was recorded in Q1. Hedging cost target of 2% expected to be achievable
- Available for sale position in foreign equities accounted for 6% of the portfolio and was not marked to market in income statement

Note:

(1) Available for sale position

(2) Currency swaps and non-delivery forwards

# Investment Strategy

## Strong ALM Discipline

- Develop Strategic Asset Allocation based on liability profile and capital budget
- Build core portfolio of recurring income
- Achieve diversification and yield pick-up through overseas investments; obtained approval to increase overseas investment to 40%; currently operating between 35~40%

## 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

- Increase share of traditional hedges to 70~90% in the medium-long term
- Target hedging cost at 200 bps or below

## Enhance Investment Risk Management

- Manage/ control investment risk by prudent SAA and TAA ranges
- Cooperated with leading consulting company to enhance investment processes and investment risk management
- Completed phase I of the Algo system (a cross-subsidiary market risk management platform) in April 2009



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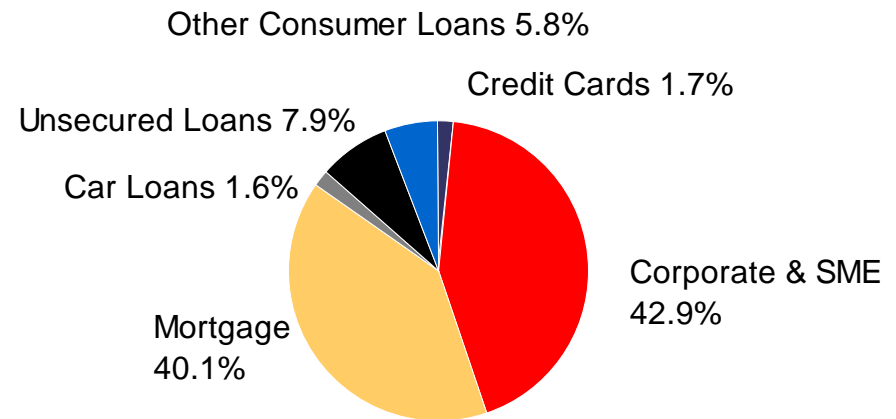
# Shin Kong Bank

- 10th largest private bank in Taiwan
- Over 2 million customers and 1 million credit cards outstanding
- 108 branches with over 50 located in the Greater Taipei area
- Offer a wide range of banking products including credit cards, mortgages, auto loans, deposits, other consumer finance and corporate products
- Established a representative office in Ho Chi Minh City, Vietnam in 2007.

## Financial Overview

NT\$bn	2006	2007	2008
Total Loans	241.76	280.34	283.99
Total Deposits	286.93	326.01	356.19
Net Income	(7.27)	1.42	0.23
Total Assets	351.53	385.66	402.86
Shareholders' Equity	19.91	21.22	20.61

## 2008 Loan Breakdown



**Total Loan: NT\$284bn<sup>(1)</sup>**

Note:

(1) Includes credit cards revolving balance but excludes overdue receivables

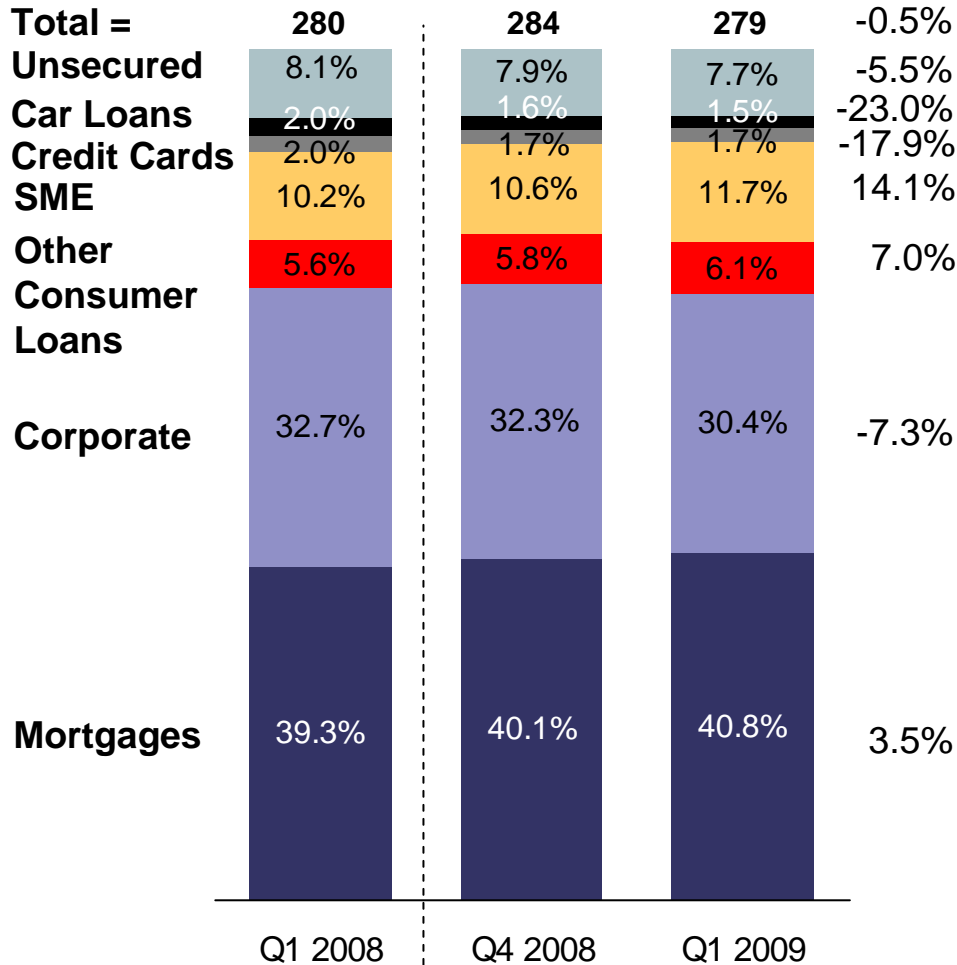
## SKB – Q1 2009 Overview

- After-tax profit increased to NT\$172 million (up 671% from Q4 2008); provision expense decreased to NT\$0.51bn (down 39% from Q4 2008).
- Loan balance shrank 1.8% quarter-on-quarter but remained flat year-on-year. L/D ratio was 79% (incl. credit cards balance). Due to low visibility of economic conditions, corporate risk reviews have been strengthened, high risk loans recovered, and low-yield corporate loans reduced.
- Affected by Central Bank rate cuts, NIM decreased to 1.12%.
- Fee income from wealth management increased 50% quarter-on-quarter due to recovery in global equities markets. SKB achieved bancassurance cross-sales of NT\$3.59bn in Q1 2009, accounting for 25% of SKL bancassurance premium.
- Credit card NPL and coverage ratios slightly increased to 2.11% and 139.17% respectively.
- 6,512 cases (amounting to NT\$523 million) were filed since implementation of the Consumer Debt Clearance Regulations until the end of March 2009. Numbers have increased due to economic downturn but overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 54.32%.
- Asset quality was maintained with overall NPL and coverage at 1.91% and 63.70% respectively. NPL ratio for mortgages remained good at 1.02%.

# Loan Mix

NT\$bn

## YoY Growth

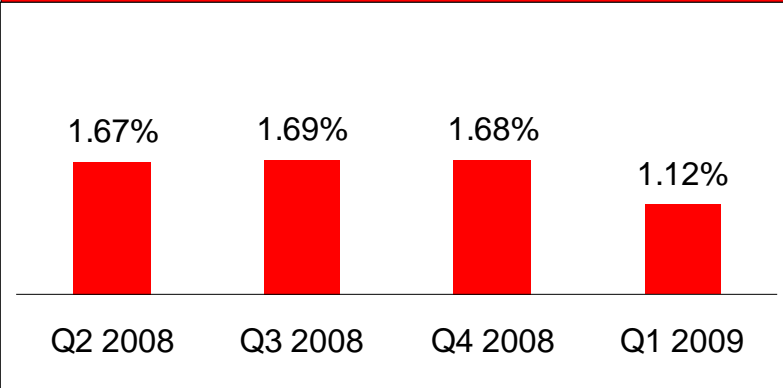


## Comments

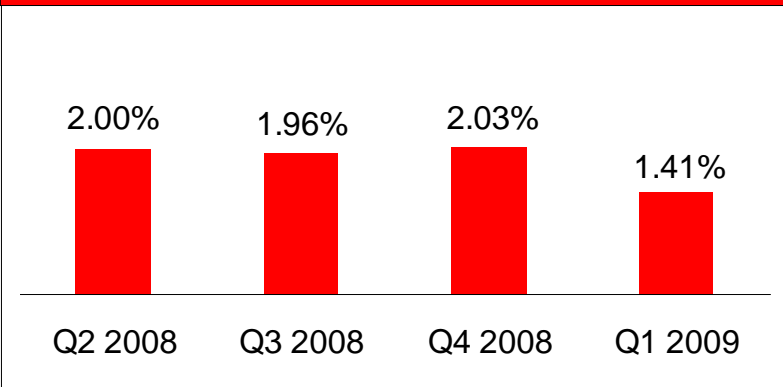
- Loan balance decreased 1.8% quarter-on-quarter but remained stable year-on-year.
- Despite stringent credit policies, mortgage business grew stably ; LTV ratio for Taipei city adjusted to 75% and for Taipei County and Taichung City adjusted to 70%; for other cities and counties, LTV ratio was reduced from 70% to 60% for urban planning areas, and from 60% to 50% for non-urban planning areas.
- L/D ratio was 79%. (incl. credit cards balance)

# Interest Yield

## Net Interest Margin



## Net Interest Spread

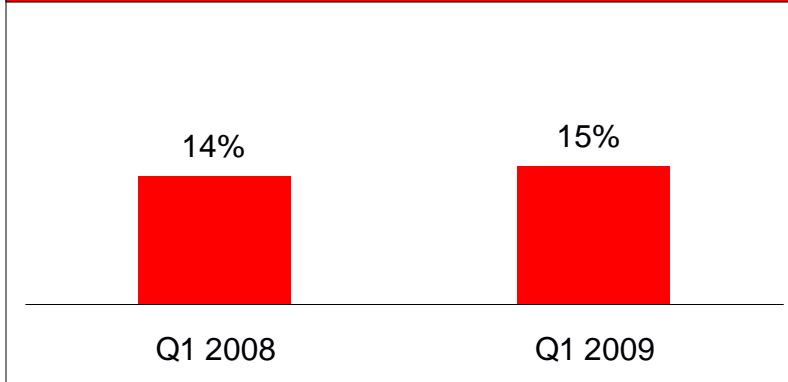


## Comments

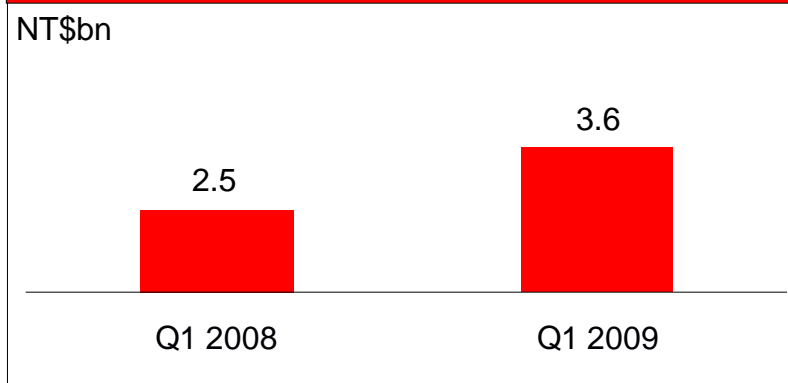
- Affected by Central Bank rate cuts, NIM decreased to 1.12% in Q1 2009. With renewed focus on risk and yield considerations, efforts were made to negotiate with customers for reasonable rates
- New mortgage rate down 59bps in Q1 2009, a smaller decline than the decrease in deposit index
- Impact of Central Bank rate cuts largely reflected in Q1 2009. NIM expected to bottom in Q1 and move higher as high rate deposits mature. NIM will gradually improve and recover to 2008 level

# Fee Income

## Net Fee Income / Total Income



## Bancassurance (SKL) - FYP



## Fee Income Breakdown

NT\$m

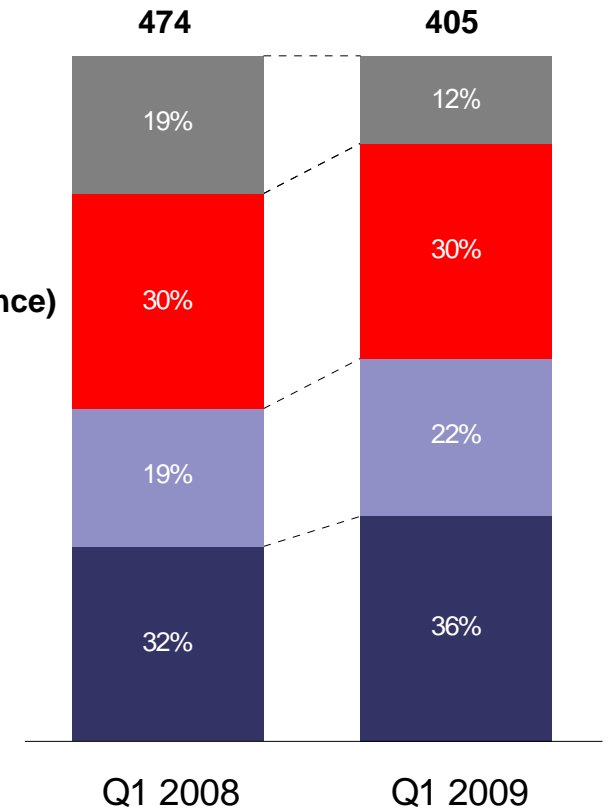
Total =

FX, Trust & Others

WM (incl. Bancassurance)

Loan

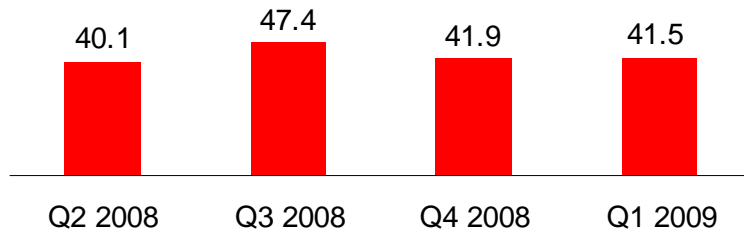
Credit Card



# Wealth Management

## AUM

NT\$bn

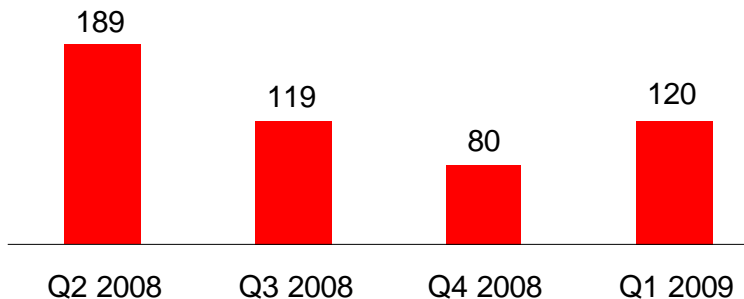


## Wealth Management Center



## WM Fee Income

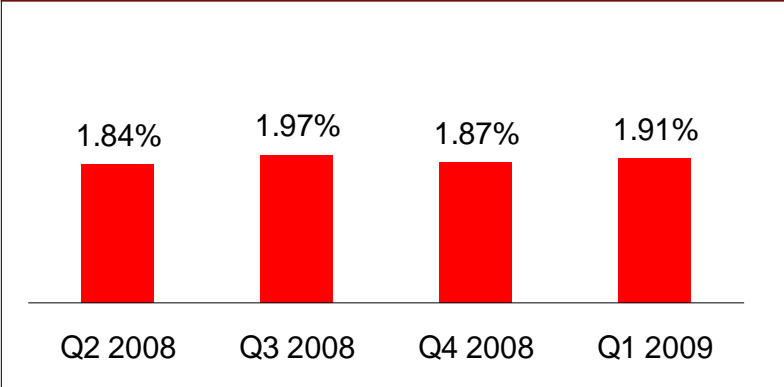
NT\$m



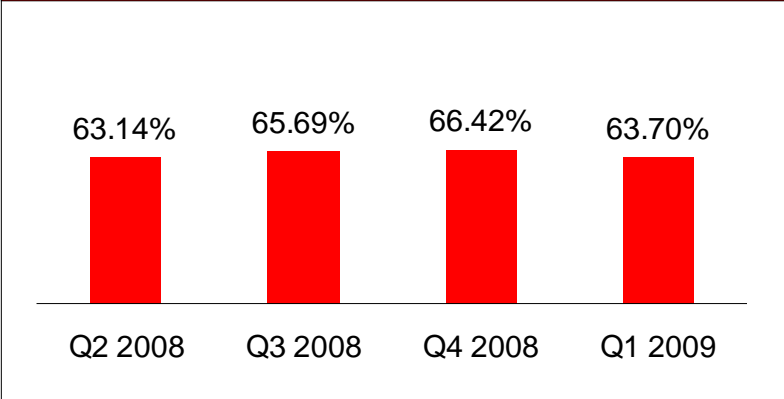
- Fee income from wealth management increased 50% quarter-on-quarter due to recovery in global equities markets and accounted for 30% of total fee income
- Strengthened sales of insurance products (e.g., Traditional, Health and PA) and introduced ETF funds that meet customers' investment needs to increase fee income

# Asset Quality

## NPL Ratio



## Coverage Ratio



## Comments

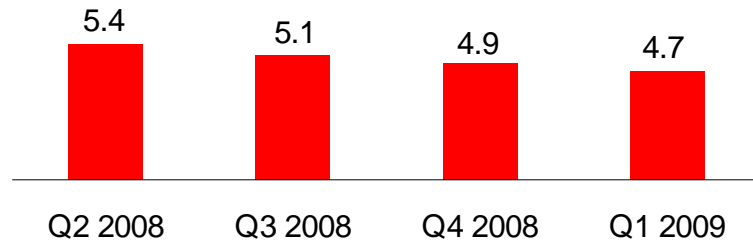
- Asset quality was maintained with overall NPL at 1.91%
- NPL ratio for mortgages remained good at 1.02%.
- Coverage was 63.70% - above the Company's medium term target
- 6,512 cases (amounting to NT\$523 million) were filed since implementation of the Consumer Debt Clearance Regulations until the end of March 2009. Numbers have increased due to economic downturn but overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 54.32%.
- As of March 31, 2009, loan balances on DRAM and TFT-LCD industries were NT\$5.69 billion and NT\$1.25 billion respectively, accounting for 2% and 0.4% of total loans. Exposures were limited.



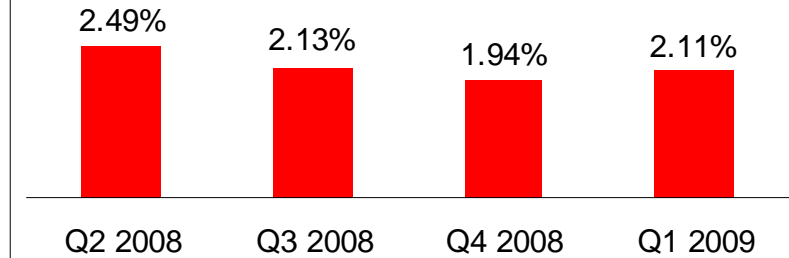
# Credit Cards Metrics

## Revolving Balance

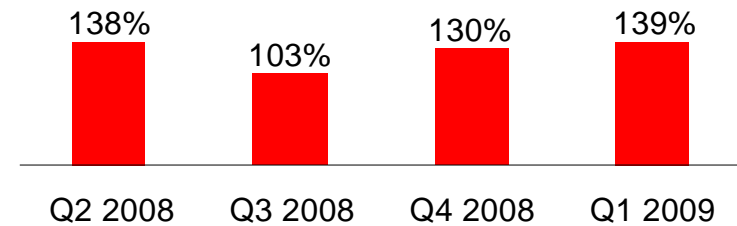
NT\$bn



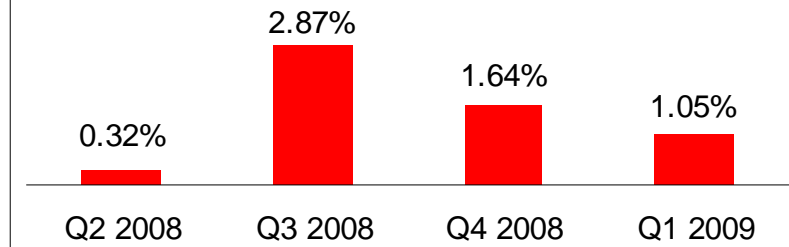
## 90-day NPL



## Coverage Ratio (1)



## Charge-off Ratio (2)



Note:

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

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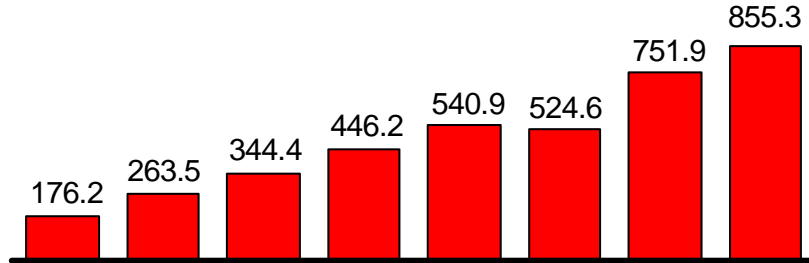
- **Market opportunities**
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## Insurance opportunity:

# High growth driven by new products and channels

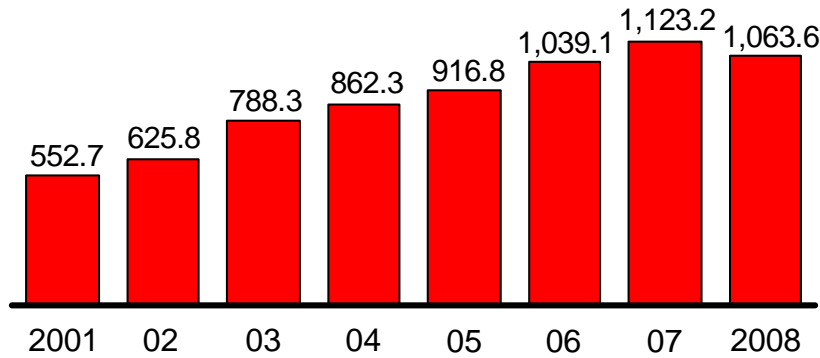
**Life FYP**  
NT\$bn



**Growth**  
Percent



**Life renewal premium**  
NT\$bn

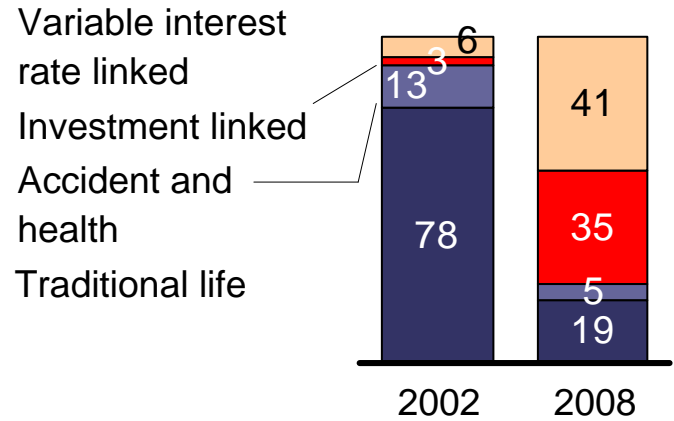


**Growth**  
Percent

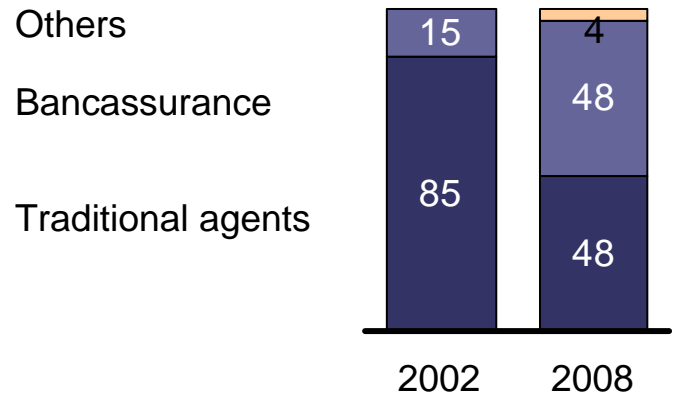


Source: Insurance Institute

**New business breakdown**  
Percentage

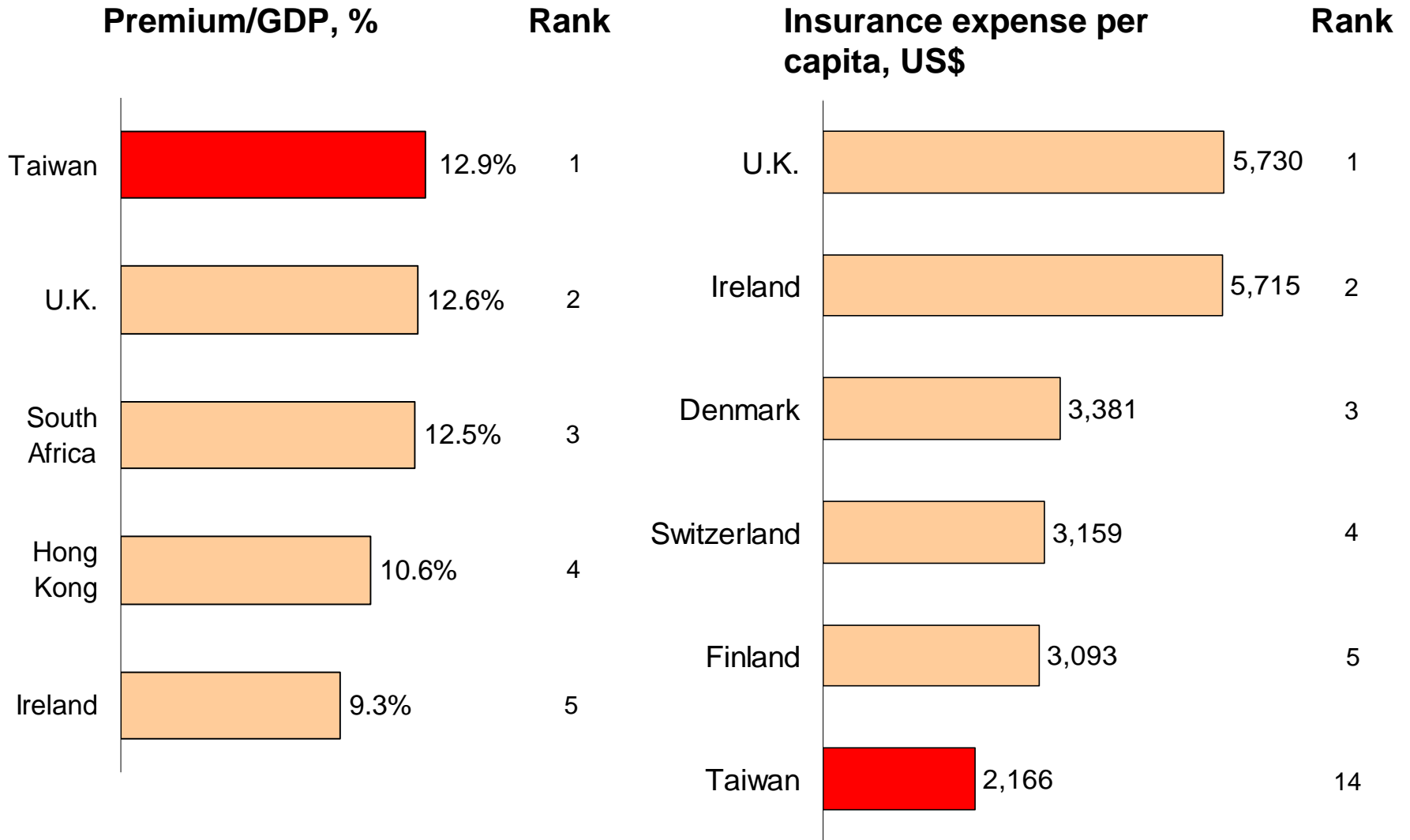


**New business channel mix**  
Percentage



*Insurance opportunity:*

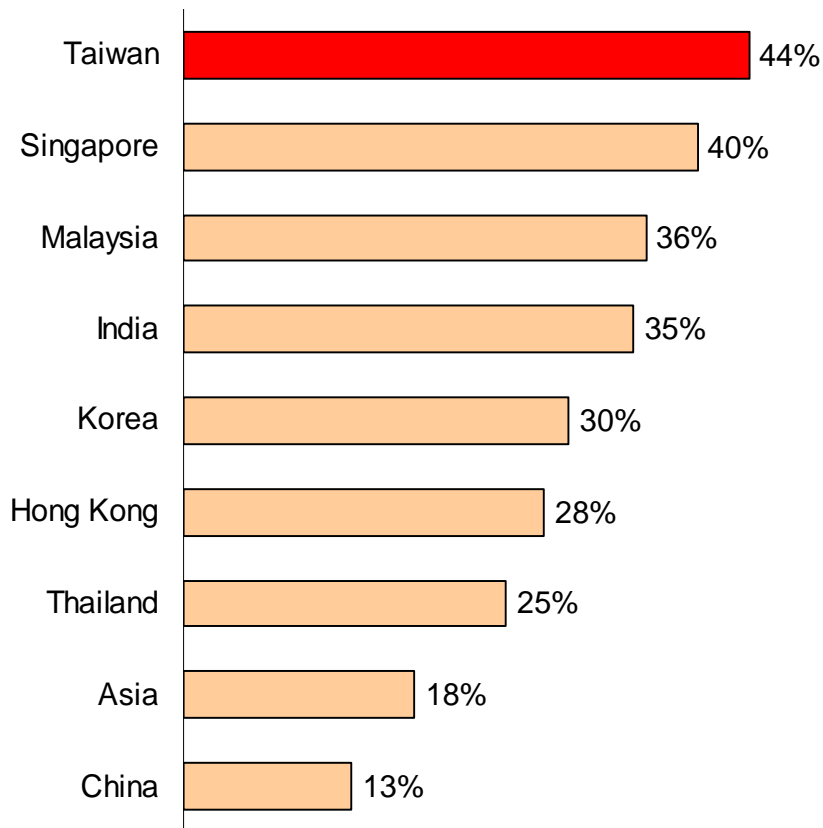
# High penetration but low density



*Wealth management opportunity:*

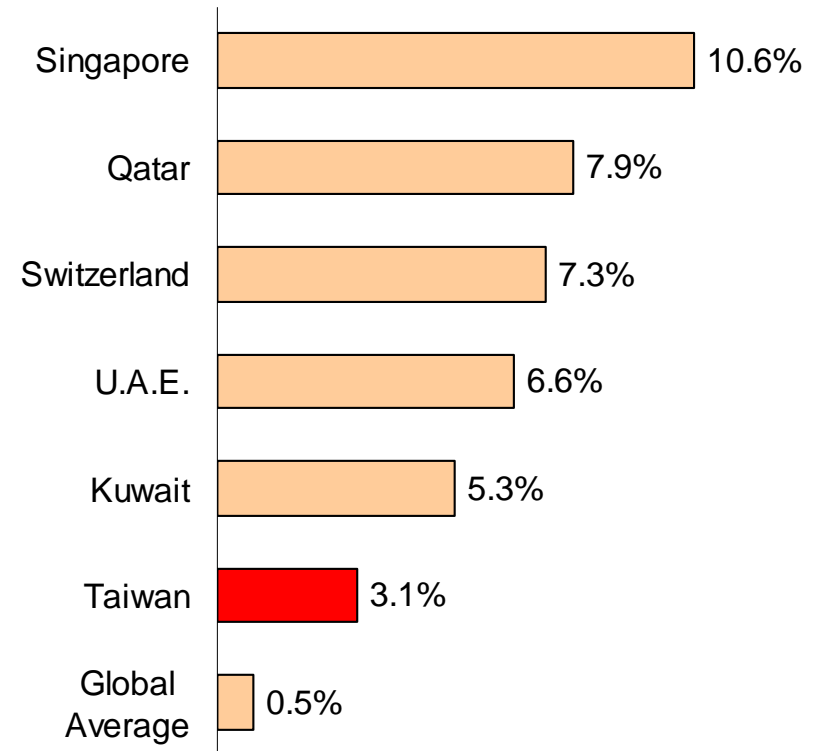
# High savings rate and wealth concentration

## Savings rate (1)



## Concentration of wealth (2)

Millionaire households as a percentage of total households



Source:

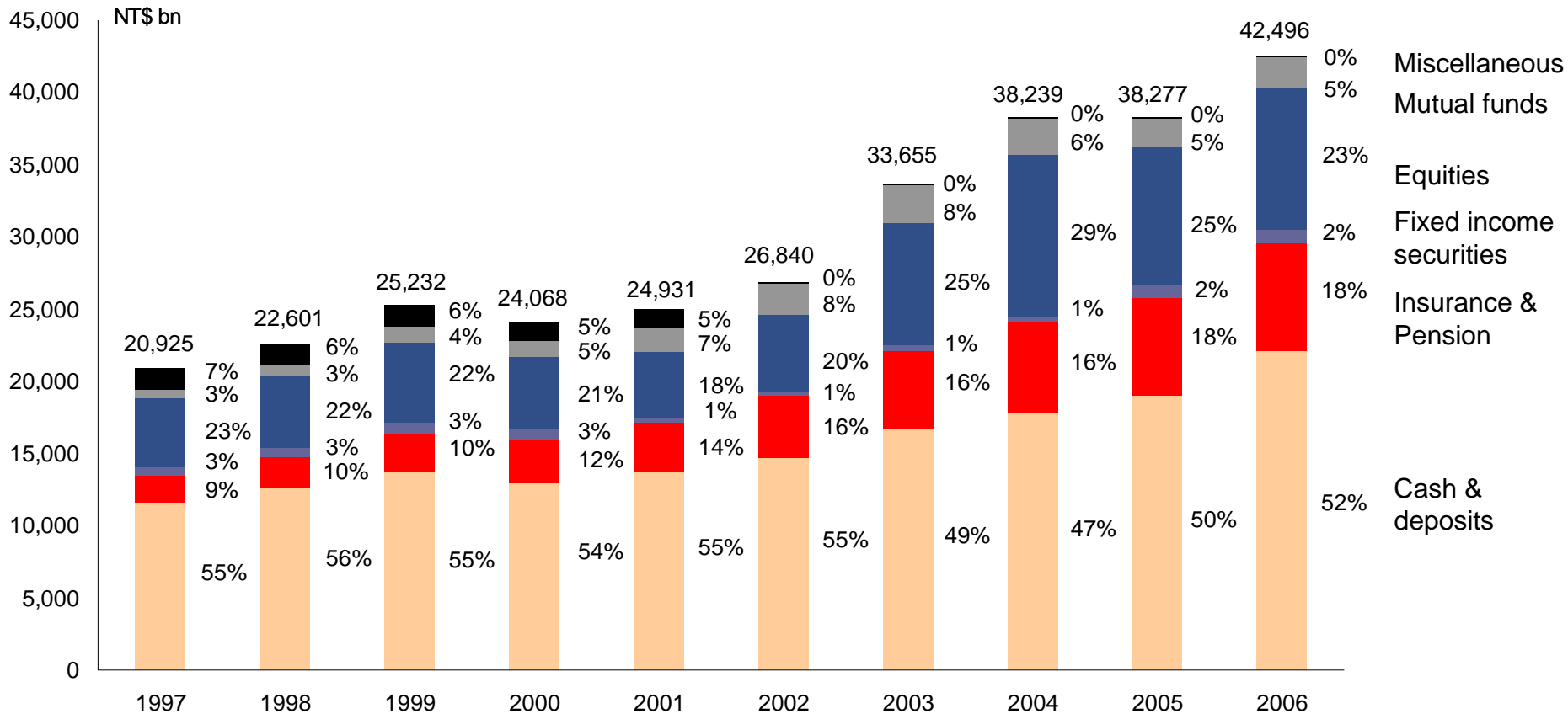
(1) BOMA, CBC, Asian Demographics, Central Banks and monetary authorities, Citigroup Investment Research

(2) BCG global wealth market-sizing database, 2008

*Wealth management opportunity:*

# Asset migration away from deposits

Taiwanese household assets (NT\$bn, Percent)



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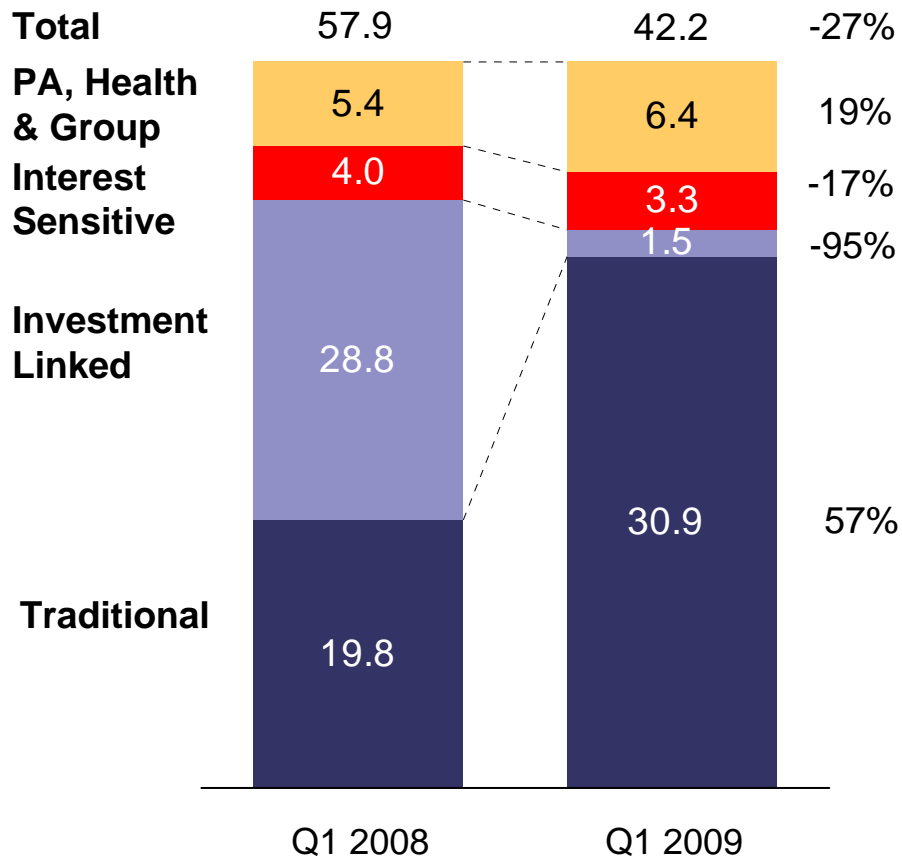
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# Total Premium – Q1 2009

NT\$bn

Market Share = 8.7%

**Growth**



## Comments

- Total premium decreased by 27%, mainly due to slow sales of investment-linked products
- Share of variable rate products decreased to 12%, driven by robust sales in traditional policies
- Traditional and related policies (mostly recurring premium) accounted for 57% of total premiums



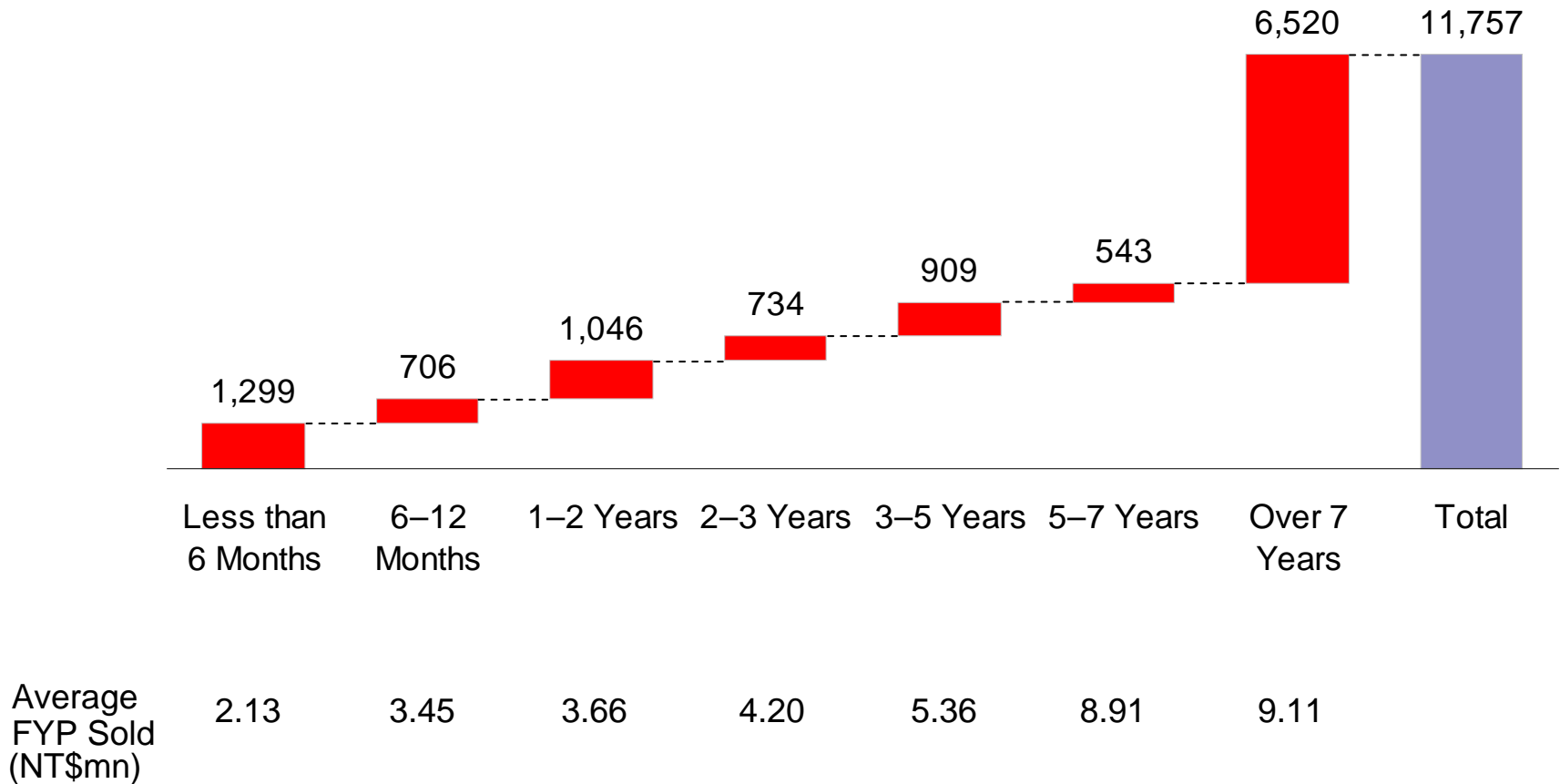
# SP / RP Breakdown – Q1 2009

NT\$bn

Q1 2009 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	10.50	2.63		13.13
Investment-linked				
VUL			-0.37	-0.37
Structured note				0.00
Interest Sensitive				
Annuity	3.15			3.15
Life			0.19	0.19
PA, health and others		1.59		1.59
<b>Total</b>	<b>13.65</b>	<b>4.22</b>	<b>-0.18</b>	<b>17.69</b>

# Agent Number and Productivity by Tenure

2008



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# Summary of CDO/CBO Losses

Reflected in Income Statement

Impairment Loss Recognized (NT\$bn)	2007	1H 2008	2H 2008	Q1 2009	Total
<b>ABS CDOs</b>	1.88	3.20	0.74	0.29	6.10
<b>CBOs</b>	1.03	1.37	-	-	2.40
<b>CMBS CDOs</b>	-	0.13	-	0.97	1.10
<b>Corporate CDOs</b>	-	-	1.40	0.09	1.49
<b>Total</b>	2.91	4.70	2.14	1.35	11.09

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# SKL - EV & AV Results

Unit: NT\$bn

	2007.12	2008.12	YoY growth
Adjusted NAV	89.8	70.2	-21.8%
VIF	56.2	37.5	-33.3%
COC	32.0	27.0	-15.7%
EV	114.0	80.7	-29.2%
V1NB	12.8	10.7	-16.3%
AV (5 years NB)	156.7	117.9	-24.8%
AV (20 years NB)	205.0	161.0	-21.5%

Note:

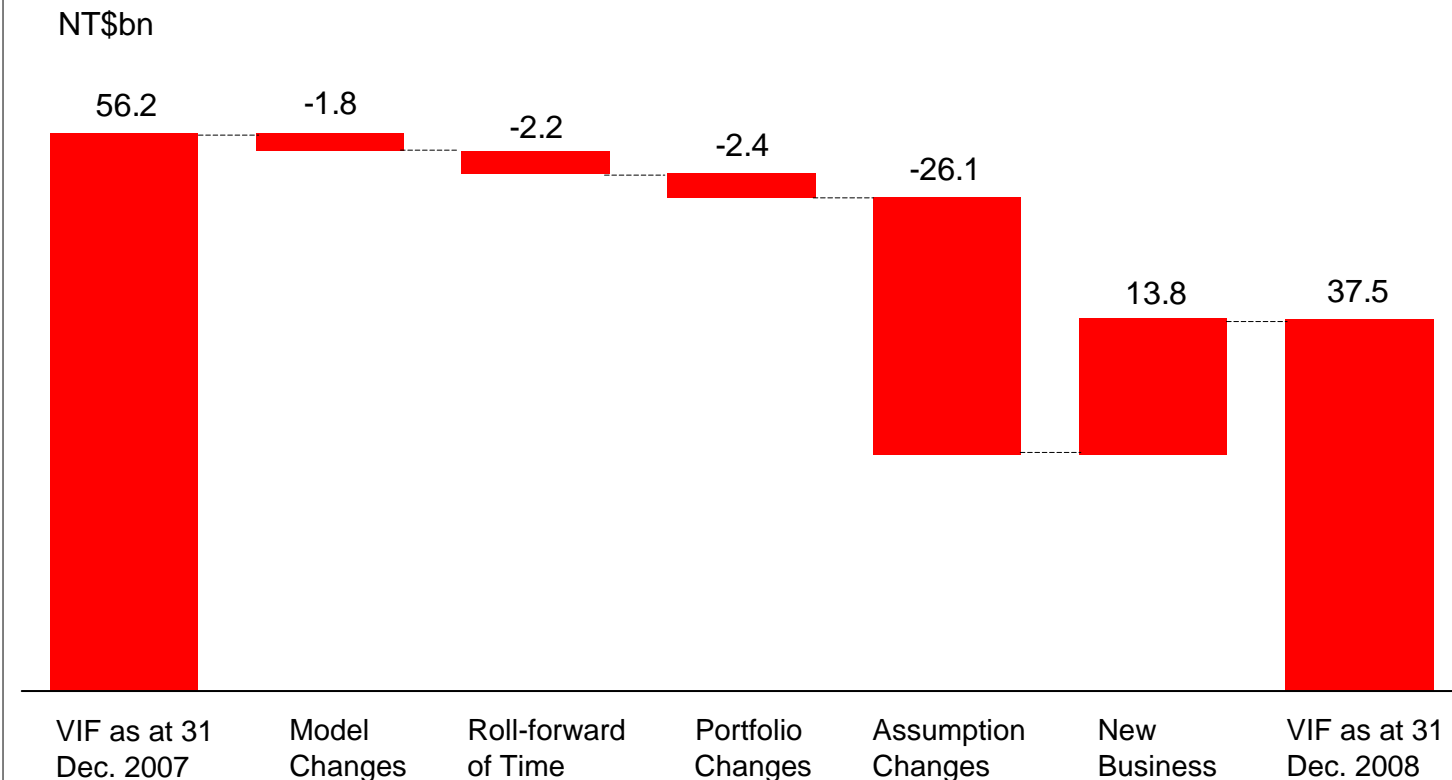
(1) Based on SKFH's outstanding shares of 6.2bn as of the end of Q1 09, per share AV (5 year NB) = NT\$19 and per share AV (20 year NB) = NT\$26

# SKL - Estimate of Embedded/ Appraisal Value

Unit: NT\$bn Valuation Date: 31 Dec, 08 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except		Inv Return 4.65% p.a. RDR 9.5% p.a.	All else equal except	
	Inv Return 4.4%	Inv Return 4.9%		RDR 8.5%	RDR 10.5%
Adjusted Net Worth	70.2	70.2	<b>70.2</b>	70.2	70.2
VIF	5.4	67.8	<b>37.5</b>	40.6	35.1
Cost of Capital (COC)	29.2	24.9	<b>27.0</b>	24.6	28.8
<b>EV after COC</b>	<b>46.4</b>	<b>113.1</b>	<b>80.7</b>	<b>86.2</b>	<b>76.5</b>
<b>V1NB after COC</b>	<b>10.1</b>	<b>11.4</b>	<b>10.7</b>	<b>11.9</b>	<b>9.7</b>
<b>AV (5 years NB)</b>	<b>81.2</b>	<b>152.6</b>	<b>117.9</b>	<b>128.8</b>	<b>109.0</b>
<b>AV (20 years NB)</b>	<b>121.6</b>	<b>198.4</b>	<b>161.0</b>	<b>182.4</b>	<b>143.8</b>

# SKL – Analysis of Change in VIF

**Changes between 31 Dec. 2007 and 31 Dec. 2008  
broken down by components**





# SKL – Adjusted NAV

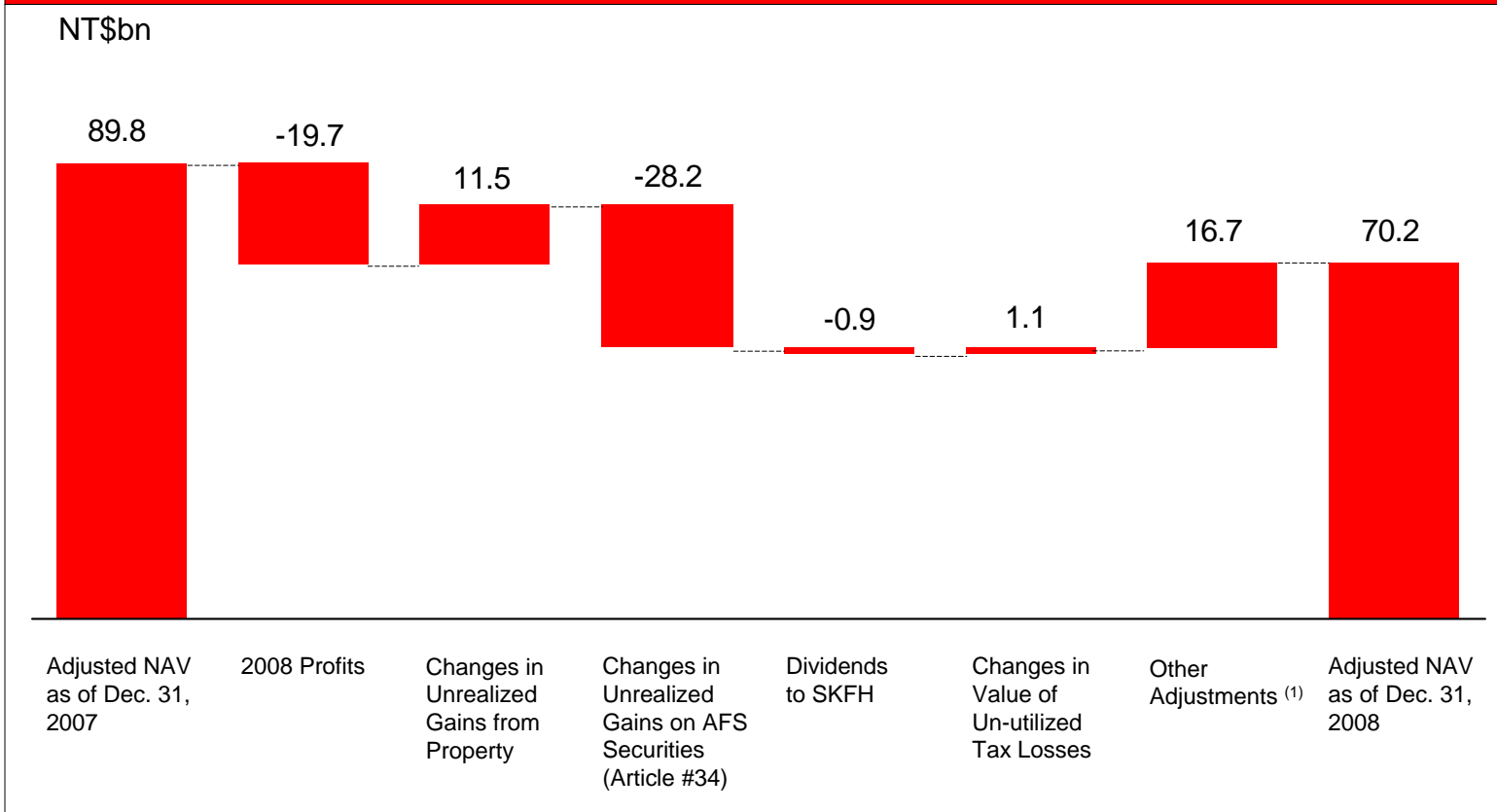
## Adjustments to Statutory Net Worth at 31 Dec. 2008

NT\$bn



# SKL – Analysis of Change in NAV

## Changes between 31 Dec. 2007 and 31 Dec. 2008 broken down by components



Note:

(1)

Included rights issue, changes in contingency reserve, and other items.

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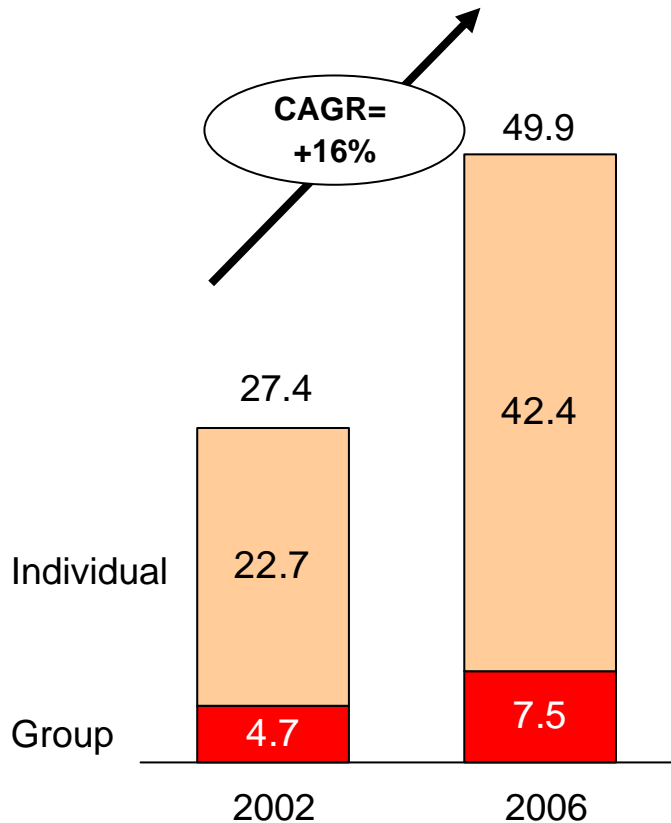
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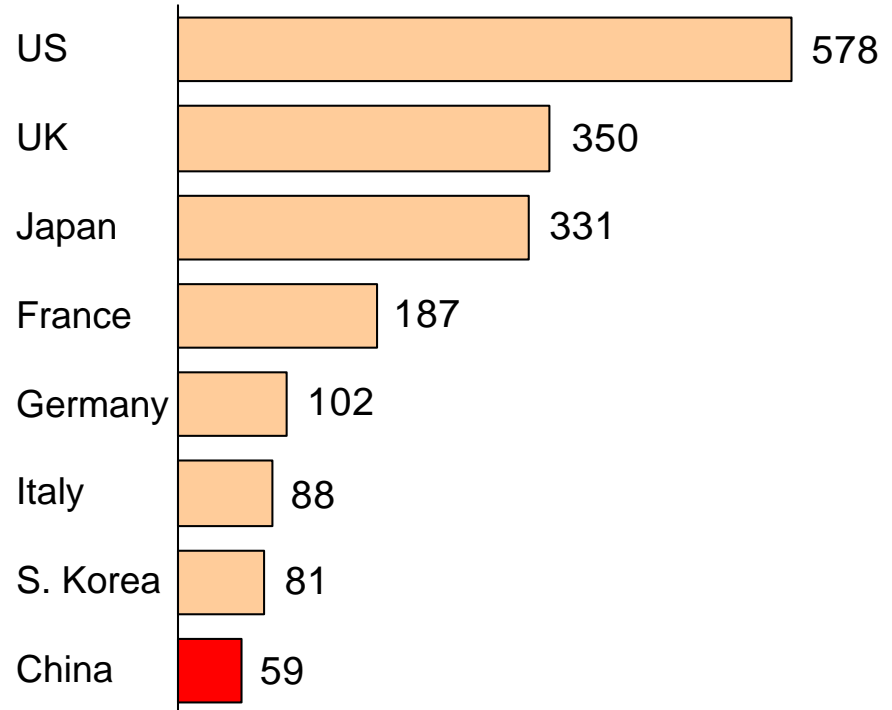
# China insurance market is growing rapidly and ranked number 8 in the world

US\$bn

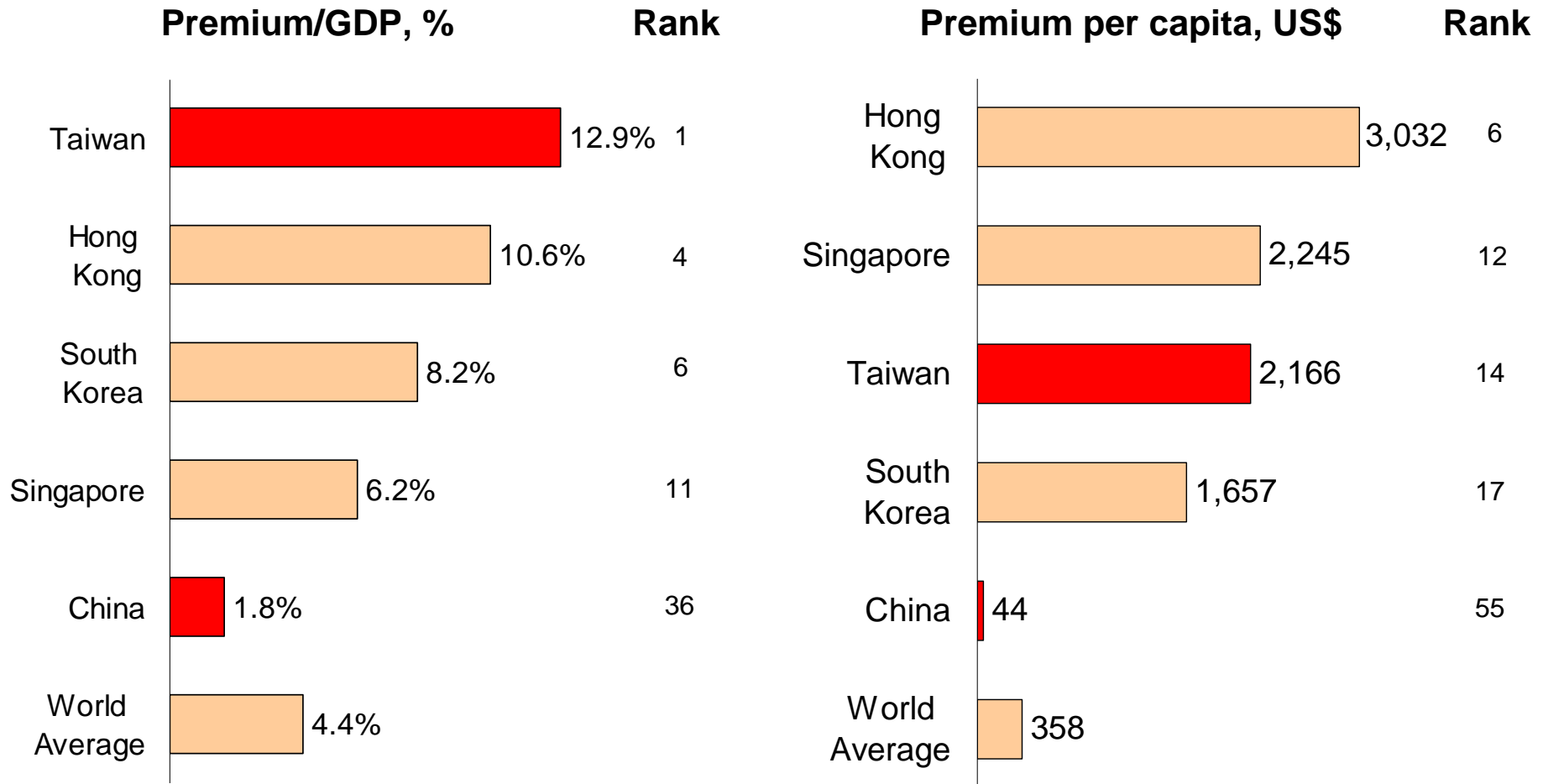
Total life premium



Total life premium 2007



# Low Penetration and Density

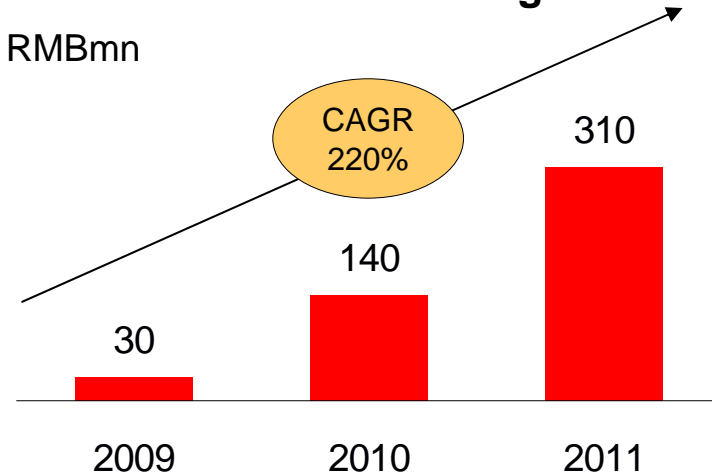


# Shin Kong - HNA Life Started Operation



## 3 Year Total Premium Target

RMBmn



## SKHNA Life Started Operation in April 2009

- Focus on agency and bancassurance channels:
  - 80 agents now to be expanded to 120 by year-end 2009
  - Bancassurance channel to be established in June
- Target to establish one new branch per year:
  - Cities with direct flights to Taiwan are prioritized
  - Cities with airports managed by HNA will provide additional advantage
- Leverage tourism to Taiwan and Shin Kong Group's medical/ entertainment resources

# Joint Venture Partner – HNA Group



- Hainan Airlines Group (HNA Group) is one of China's top-four aviation consortiums. In addition to its core Hainan airlines business, the group is involved in China Xinhua Airlines, Changan Airlines, and Shanxi Airlines
- Total assets of about RMB 60 billion yuan (approx. NT\$250 billion)
- Hainan Airlines' B shares were listed in the Shanghai Stock Exchange in 1997, while its A shares were listed in 1999
- Total employees of 30,000 in HNA Group
- Group headquarters is in Haikou and Beijing will be the future operation center
- HNA Group brings together air transport, airport management, hotel, travel, retail and other related businesses, with operations in Hainan, Beijing, Shanghai, Guangzhou, Xian, and Tianjin

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# SKL - Real Estate Securitization

- Create recurring management fees
- Obtain special tax treatment
- Unlock value in balance sheet
- Ensure earnings stability

	CMBS#1	CMBS#2	REIT#1	CMBS#3
Issue Date	01/10/05	06/22/05	12/26/05	02/08/07
Total Size	\$2.8 bn	\$3.1 bn	\$11.3 bn	\$1.4 bn
Retention	56% <sup>(1)</sup>	46% <sup>(1)</sup>	20%	40% <sup>(1)</sup>
Underlying Asset(s)	1 Office Building	1 Office Building	3 Office Buildings <sup>(3)</sup> , 1 Department Store, 1 Service Apartment Complex	3 Office Buildings
Type	Debt Financing at 2.85% <sup>(2)</sup>	Debt Financing at 2.69% <sup>(2)</sup>	Equity Financing	Debt Financing at 2.25% <sup>(2)</sup>
Term	5yr	7yr	N/A	5yr
Capital Gain	\$0.79 bn	\$0.73 bn	\$3.6+0.7 bn <sup>(3)(4)</sup>	0.57bn <sup>(5)</sup>

- Notes:
- (1) Retained equity tranches of CMBS deals, therefore effectively maintain economic ownership and capital appreciation potential of the properties
  - (2) Weighted average cost
  - (3) One building was purchased by REIT#1 from SKL with a capital gain of NT\$0.7bn (Q4 2007)
  - (4) NT\$3.6bn gains booked in January 2006
  - (5) To be recognized over four years

# Private Placement to Dai-ichi Life - 2008

Strategic Investor	Dai-ichi Life Insurance Company	
Transaction	<ol style="list-style-type: none"> <li>1. Total capital raised was NT\$8bn (through private placements)</li> <li>2. NT\$6.3bn in SKFH common shares; NT\$1.7bn in SKL preferred shares</li> <li>3. Dai-ichi Life owns 14.9% of SKFH common shares outstanding after the transaction</li> </ol>	
Issuer	SKFH	SKL
Type of Capital	Common Shares	Preferred Shares
Purchase price	NT\$10.6 (3 month average prior to pricing day)	Face Value
Other Relevant Terms	N.A.	<ol style="list-style-type: none"> <li>1. 7 years tenure callable after 5</li> <li>2. 7.71% coupon cumulative</li> </ol>
Approvals	<ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. Special General Shareholders Meeting (October 31, 2008)</li> <li>3. Other relevant authorities</li> </ol>	<ol style="list-style-type: none"> <li>1. Board/ Shareholders meetings at SKL level</li> <li>2. Other relevant authorities</li> </ol>

# Overview of Capital Enhancement Plan - 2009

	<u>Amount</u>	<u>Comments</u>
<b>NT\$25~30bn capital injection to SKL</b>	<b>Sale of Mitsukoshi A11 and CMBS securitization</b>	<b>~NT\$8bn</b> <ul style="list-style-type: none"> <li>▪ Capital gain of NT\$7.3bn from sale of Mitsukoshi A11 to be booked in Q2</li> <li>▪ CMBS securitization with 2 buildings in Neihu district to be completed in 2H</li> </ul>
	<b>Merger of SKSC and Masterlink</b>	<b>~ NT\$4.7bn</b> <ul style="list-style-type: none"> <li>▪ Merge SKSC with Masterlink and upstream excess capital to FHC</li> <li>▪ Proposal approved by both SKFH and Masterlink Boards</li> <li>▪ Transaction to be completed in Q4</li> </ul>
	<b>Capital Raising</b>	<b>NT\$13~18bn</b> <ul style="list-style-type: none"> <li>▪ Proposals for GDR and private placement included in AGM agenda</li> <li>▪ Format and details to be determined</li> </ul>

# Auction of Shin Kong Mitsukoshi A11 Building

## Shin Kong Mitsukoshi A11



## Building Profile

Year of Completion	1997
Levels	B5 ~ 7F
Land Area	2,534 ping
Floor Space	19,205 ping
Building Structure	Steel Construction
Auction Date	April 3, 2009
Closing Price	NT\$11.6bn

# SKSC Merger Transaction Summary


NT\$bn		Price/ sale value	Book value as of Dec. 31, 2008
Assets to be acquired by Masterlink	Brokerage/ stock affairs business including equipments	0.32	4.63
	Operational real estate	0.11	
	No-active market stock investments	0.20 <sup>(1)</sup>	
Other assets to be sold		4.03 <sup>(1)</sup>	
Total capital released from SKSC		4.66 <sup>(1)</sup>	
Use of fund		Capital injection to SKL	
SKFH's holding in Masterlink		25%	

Note:

(1) Estimation only. Price to be confirmed.

# Impact on Financial Ratios

%	Before (2008/12/31)	After		
		A11 sale and CMBS securitization	SKSC merger with Masterlink	Capital raising
Life RBC	225	261	281	335~357
FHC CAR	102	113	116	133~140
DLR	125	121	121	116~117
Life Leverage Ratio	53x	40x	35x	24~26x
Dilution	-	-	-	<25%

- 
- Improve FHC CAR and LIFE RBC significantly
  - Help lower overall debt/equity ratio

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