

Confidential



Shin Kong Financial Holding

Company Overview

September 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 are preliminary numbers.

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

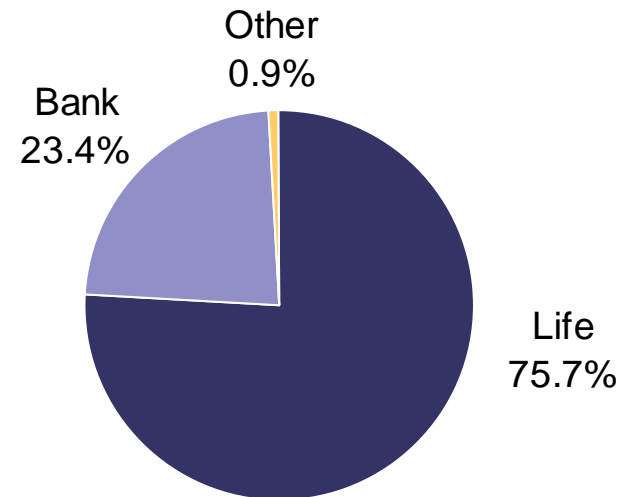
Financial Overview

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 ⁽¹⁾	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:

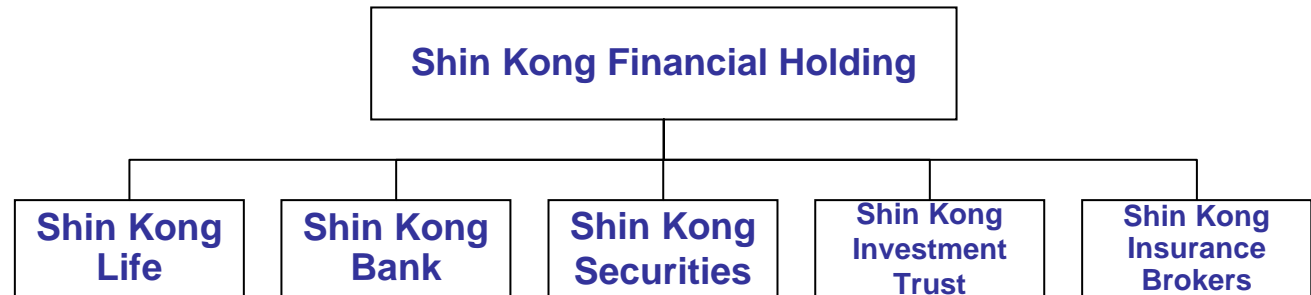
(1) Excludes minority interest income

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	-380	-2	51
Branches/Offices	366	108	7	3	1
Market Share	10.5%	1.4%	0.9%	2.1%	-

Seasoned Management Team



**Hsu,
Victor**

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



**Pan,
Po Tseng**

President, Shin Kong Life

Experiences:

- SEVP, 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



**Lin,
Ming Hsin**

President, Shin Kong Securities

Experiences:

- Director, Taiwan Securities Association
- President, Taishin Securities



**Lai,
Chin Yuan**

President, Shin Kong Bank

Experiences:

- SEVP & President of Asia-Pacific market, Mega Bank
- SEVP & General Manger of Taichung Branch, ICBC
- Director of Waterland Financial Holdings
- Director of R.O.C. Bills Finance Association



**Huang,
Richard**

President, Shin Kong Investment Trust

Experiences:

- Vice President, Shin Kong Investment Trust



**Chen,
Cheng Luan**

President, Shin Kong Insurance Brokers

Experiences:

- AVP, Shin Kong Life

Strong Track Record of Attracting and Integrating Outside Talent



**Yung,
Winston**

CFO, Shin Kong Financial Holding
CFO, Shin Kong Life

Experiences:

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



**Chu,
Grace**

CRO, Shin Kong Financial Holding
CRO, Shin Kong Life

Experiences:

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



**Lin,
Han Wei**

VP, Actuarial & Planning Department,
Shin Kong Life

Experiences:

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



**Chen,
Dennis**

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**

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

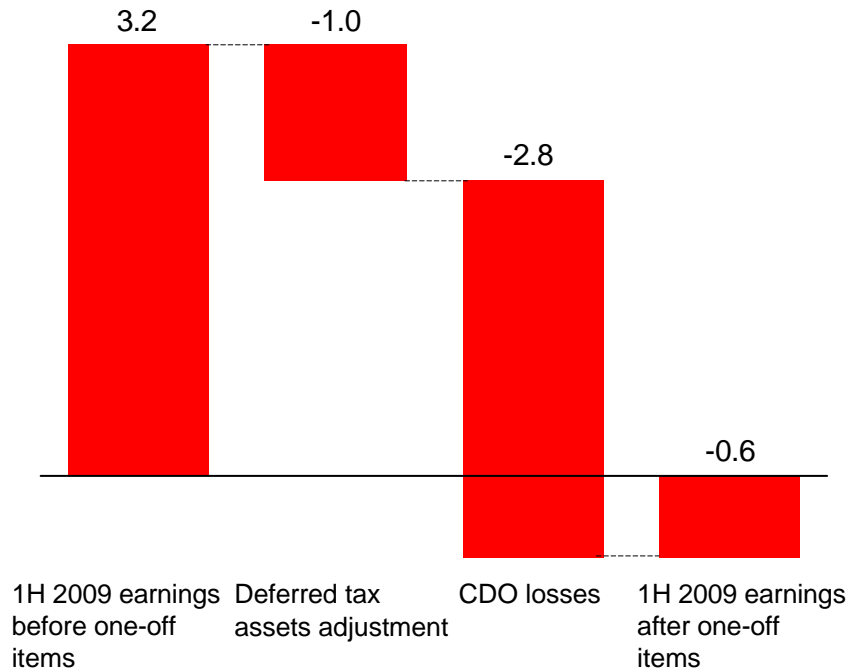
SKFH – 1H 2009 Overview

- Markets started to show signs of recovery, although operating environment is likely to remain difficult in 2H 2009
- Driven by stabilizing investment income and lower expenses, loss in 1H was 95.0% lower YoY. SKFH recorded after-tax loss of NT\$0.62bn in 1H 2009. EPS was -NT\$0.10.
- Excluding one-off items such as CDO losses (NT\$2.81bn) and DTA adjustment (NT\$1.00bn), profit would have been NT\$3.19bn
- Investment income has stabilized; annualized investment return for 1H was 3.6%
- Tight control of expenses
 - SKL: Operating expenses were 17.6% lower than 1H08
 - SKB: Operating expenses decreased 11.6% year-on-year and will continue to come down
- Successful 2009 GDR issuance
 - NT\$13.13bn GDRs listed on 7/27 at NT\$11.71 per common share
 - SKFH 2009 GDR was the largest equity offering among Taiwanese financials after the global financial crisis. The GDR was met with strong demand and upsized 25%.
 - Diversified mix of investors including long funds, sovereign wealth funds, and hedge funds in Asia and North America

Net Income – 1H 2009

Group net income

NT\$bn



Net income contribution

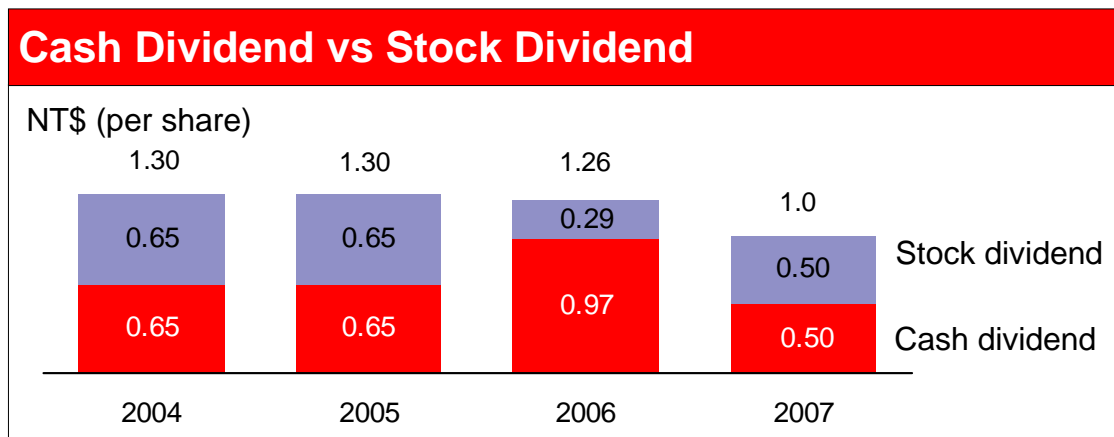
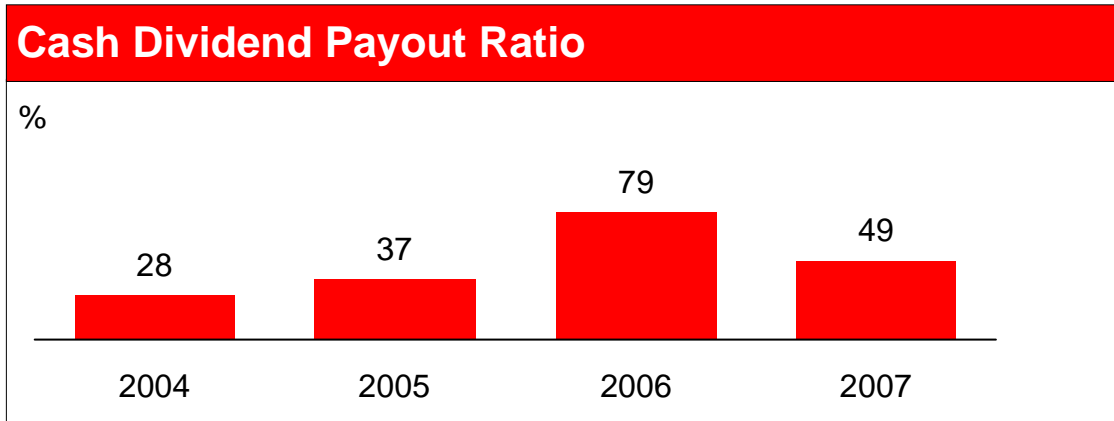
NT\$bn

Subsidiaries	1H 09	1H 08
Shin Kong Life	-1.32	-12.93
Shin Kong Bank	0.23	0.68
Shin Kong Securities	0.27	-0.03
Shin Kong Investment Trust	0.00	0.05
Shin Kong Insurance Brokers	0.03	0.03
Others ⁽¹⁾	0.17	-0.15
Net income	-0.62	-12.35

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

- 3rd 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

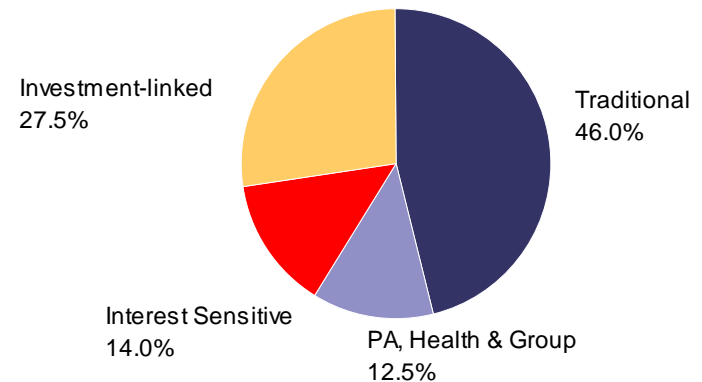
Financial Overview

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 ⁽¹⁾	21.90%	3.68%	-48.59%
ROA	1.13%	0.21%	-1.56%

Note:

(1) Excludes preferred shares

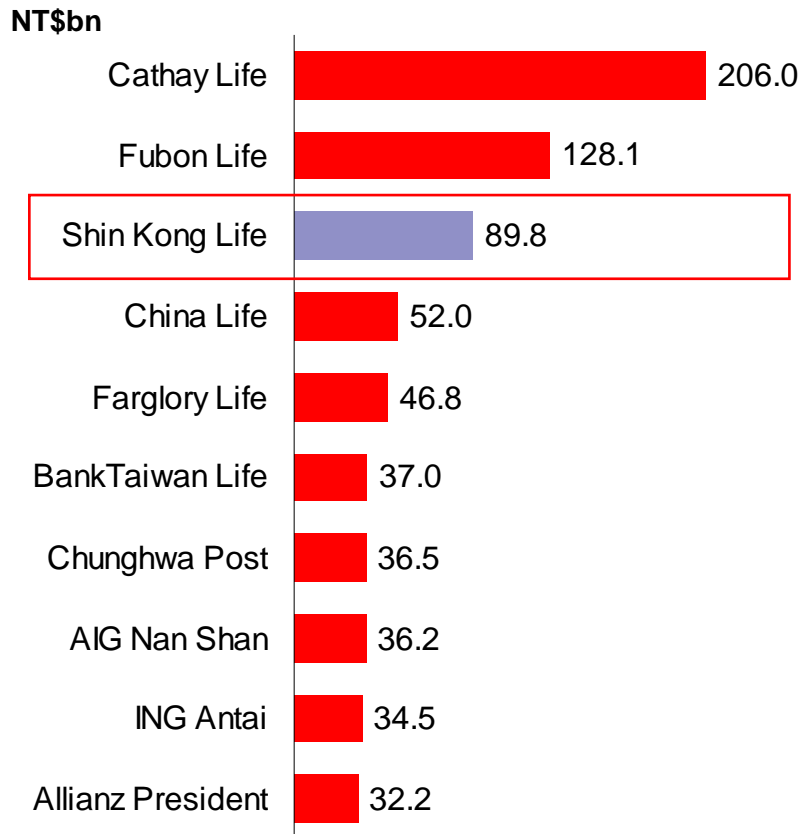
2008 Total Premium Written



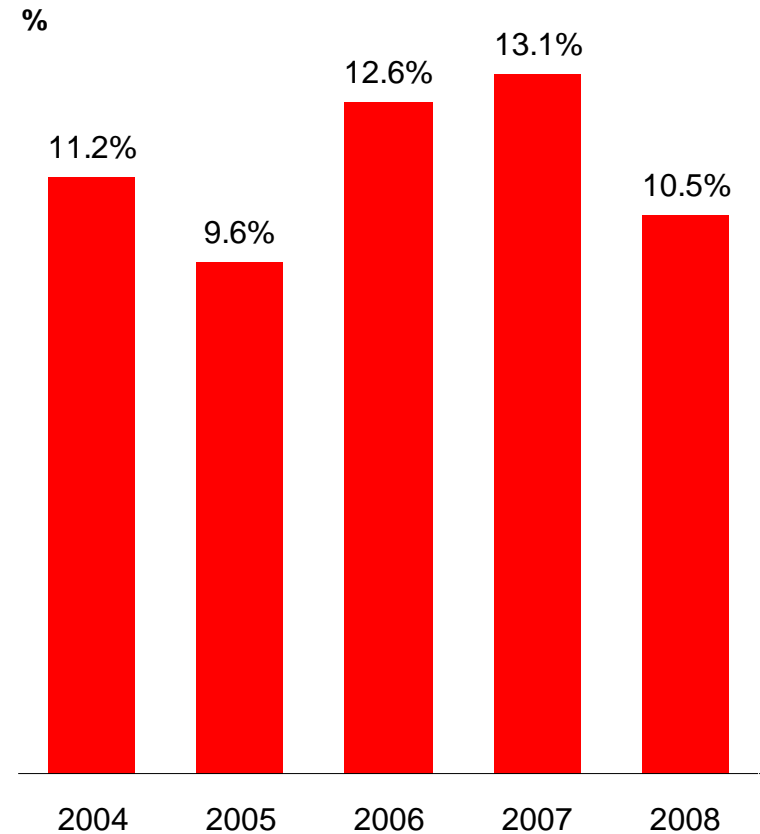
Total Premium Written: NT\$201.9 bn

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, 2009)
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

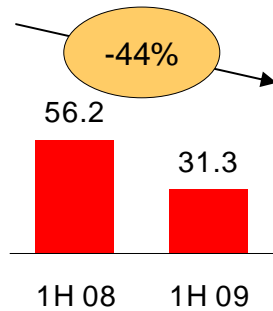
SKL – 1H 2009 Overview

- SKL recorded after-tax loss of NT\$1.32bn in 1H 2009 driven by NT\$2.81bn loss from CDO investments and NT\$1.00bn loss from deferred tax assets adjustment. ROE was -5.0%. Excluding one-off items, after-tax profit would have been NT\$2.49bn.
- Affected by volatile global markets, demand for investment-linked products remained slow. FYP was NT\$31.30bn, 44.4% lower than the high basis achieved in 2008. To maintain reasonable overall profit margin, growth rate was lower than market growth of -16.6%. Market share was 7.8%.
- Traditional products contributed 53.1% of FYP. FYP from traditional products was NT\$16.62bn, up 342.6% YoY. Premium from health products grew by 556.2% with market share of 17.0%
- VNB grew strongly compared to 1H 2008.
- 13-month persistency remained high at 86.5%. 25-month persistency was 81.1%.
- 1H 2009 annualized investment return was 3.64%, significantly higher than 1.96% in 2008.
- Shareholders' equity improved from NT\$23.98bn to NT\$28.17bn, up 17.5% YoY.
- On overseas expansion, SKHNA Life signed bancassurance distribution agreement with SPD Bank and started selling policies through their branches in August 2009.

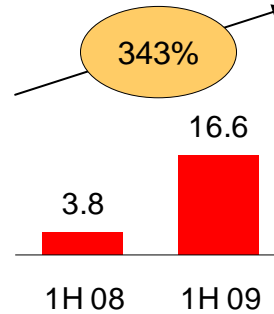
First Year Premium – 1H 2009

NT\$bn

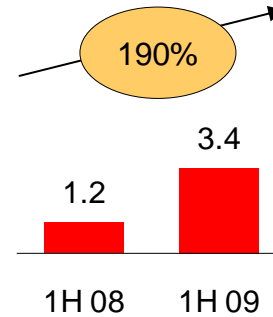
Market share 7.8%



Traditional



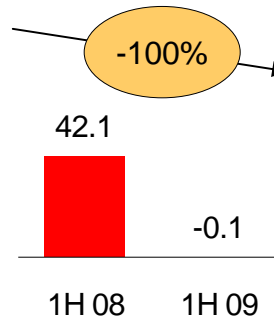
PA, Health and Group



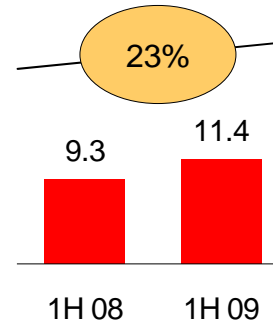
Comments

- To maintain reasonable overall profit margin, FYP was controlled at level lower than last year
- Traditional products contributed significant share (53.1%) of FYP
- Affected by global market situation, sales of investment-linked products slowed
- In 1H, traditional products and high value health products continued to be the focus of sales. FYP growth of health products was 556.2%; market share was 17.0%

Investment-linked

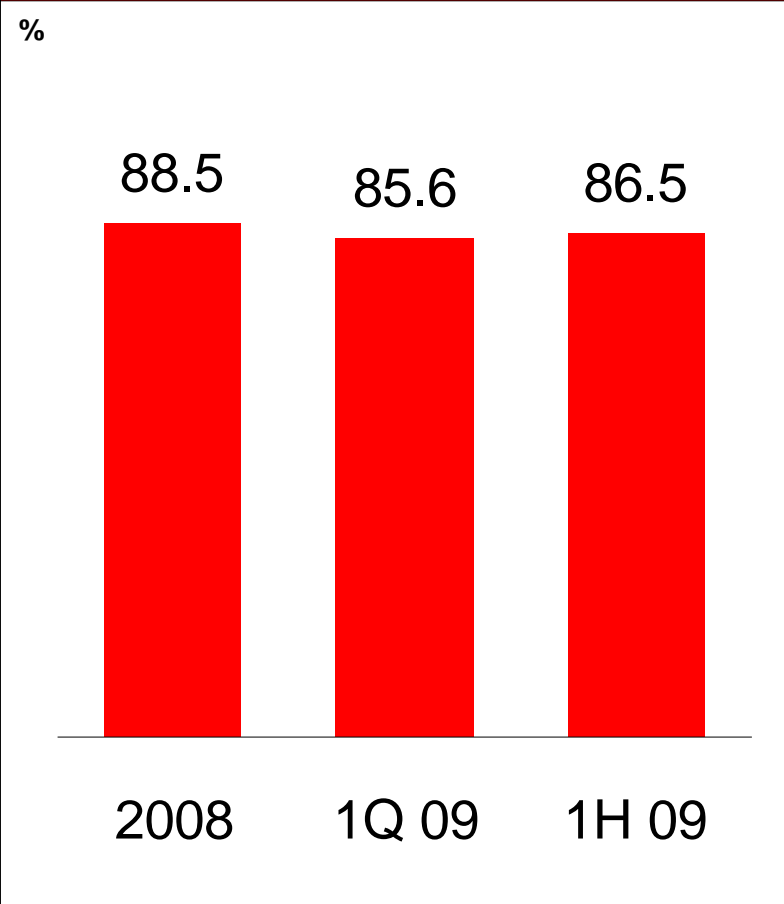


Interest-sensitive

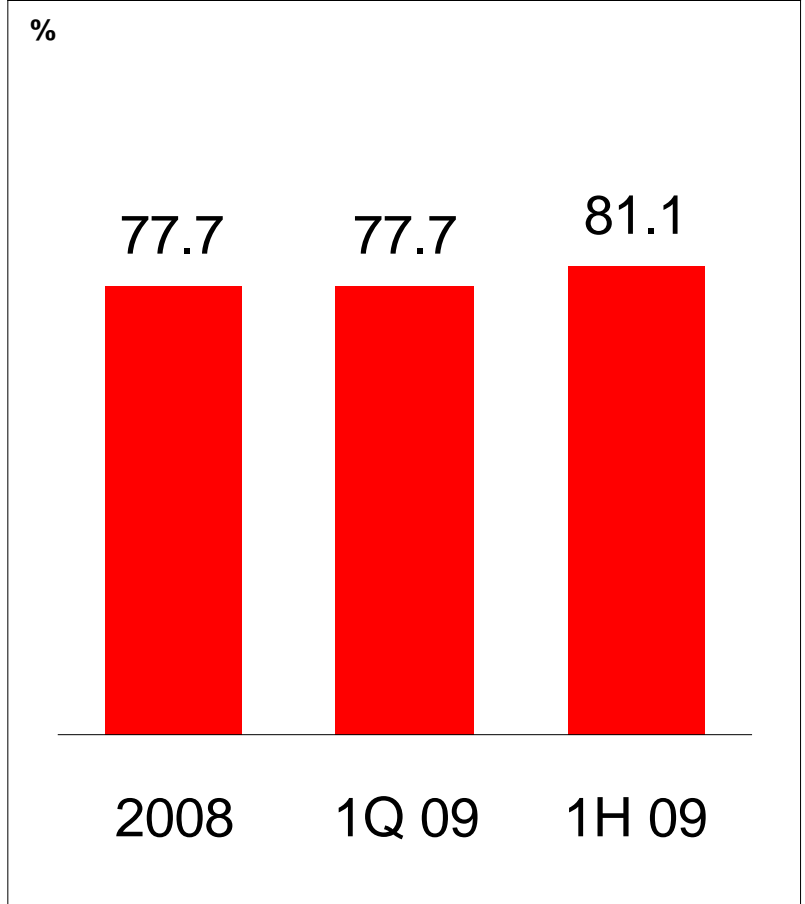


Persistency Ratio

13 month persistency

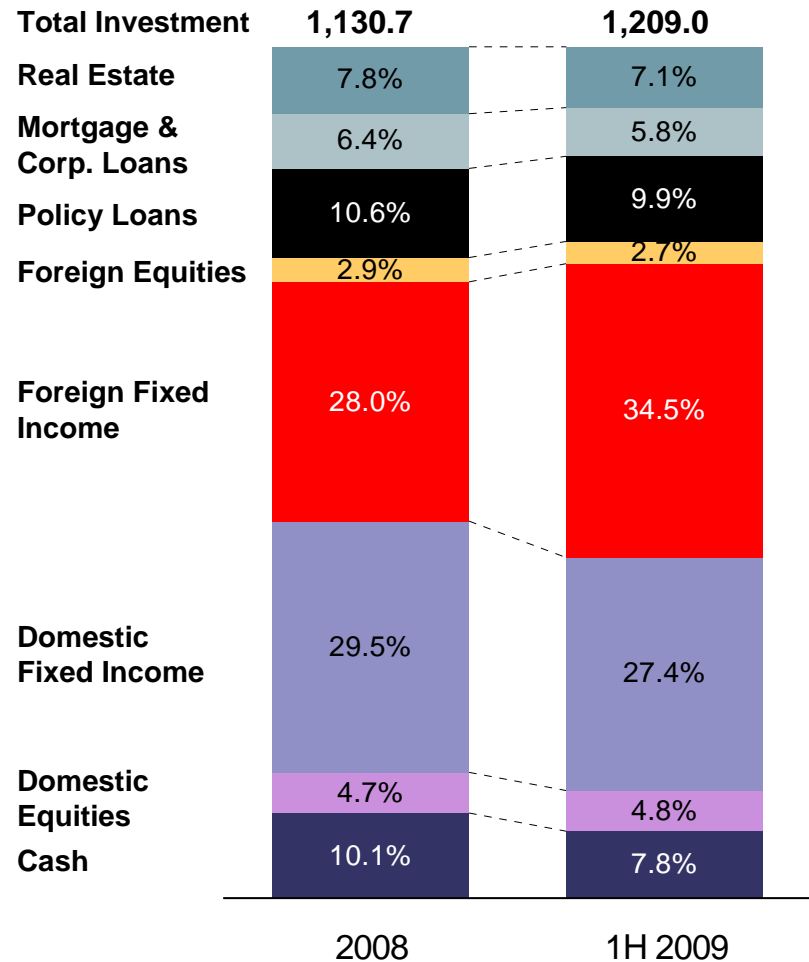
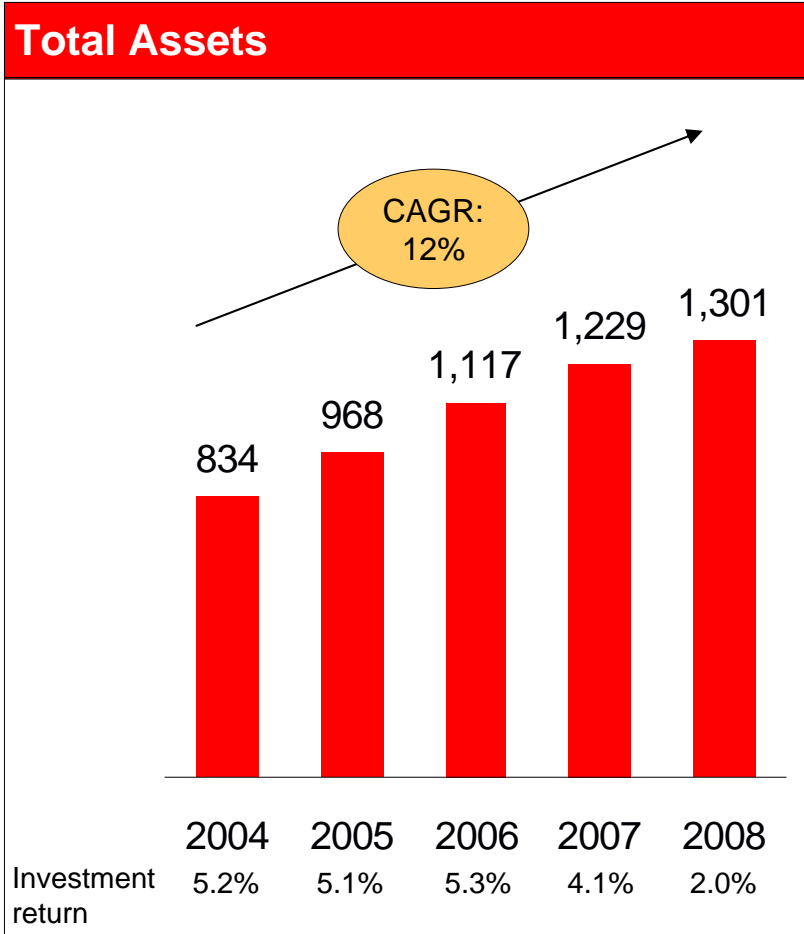


25 month persistency



Investment Portfolio

NT\$bn



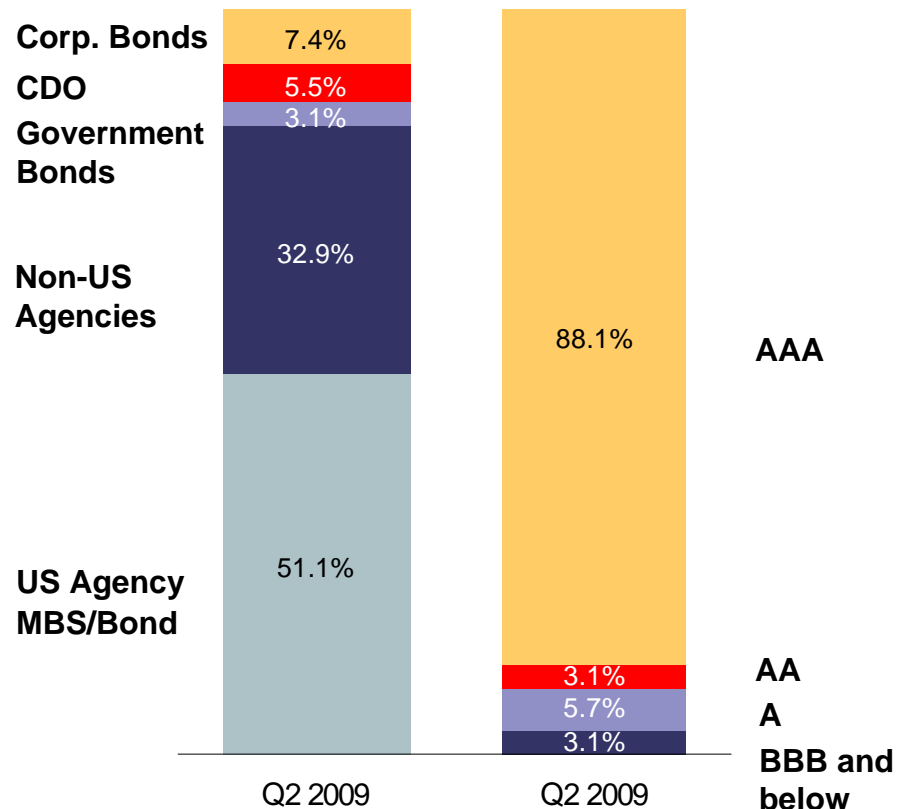
Note:

- (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

Overseas Fixed Income Portfolio

Total=NT\$417.57bn



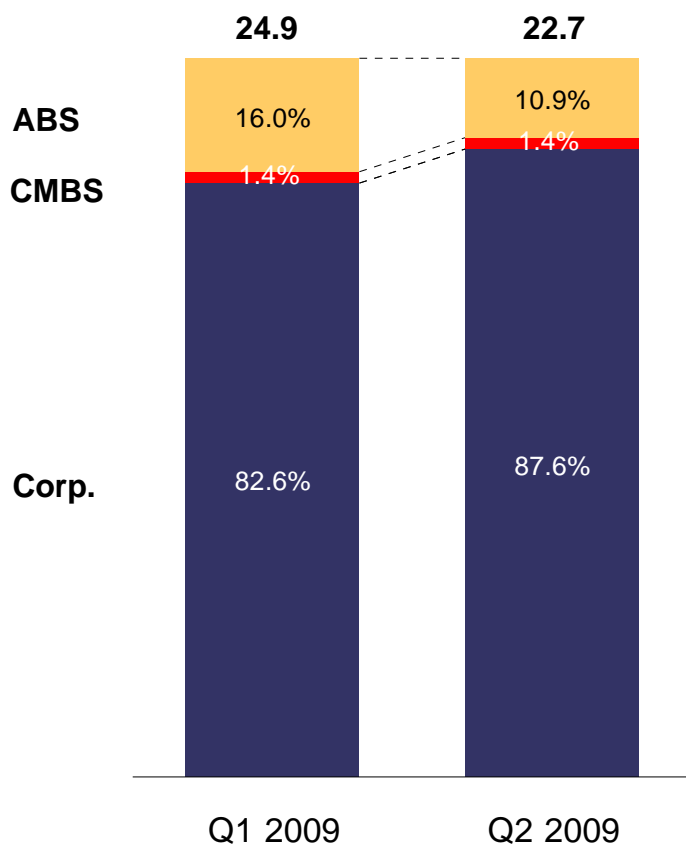
Comments

- Portfolio mainly comprises low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 88.1% of the portfolio. 96.9% of the portfolio is rated A and above. Overall credit risk exposure is very limited
- Corporate bond portfolio comprises leading investment grade names with stable credit quality (e.g., Dell, AT&T, Wal-Mart, Du Pont)

CDO Exposure

CDO Exposure

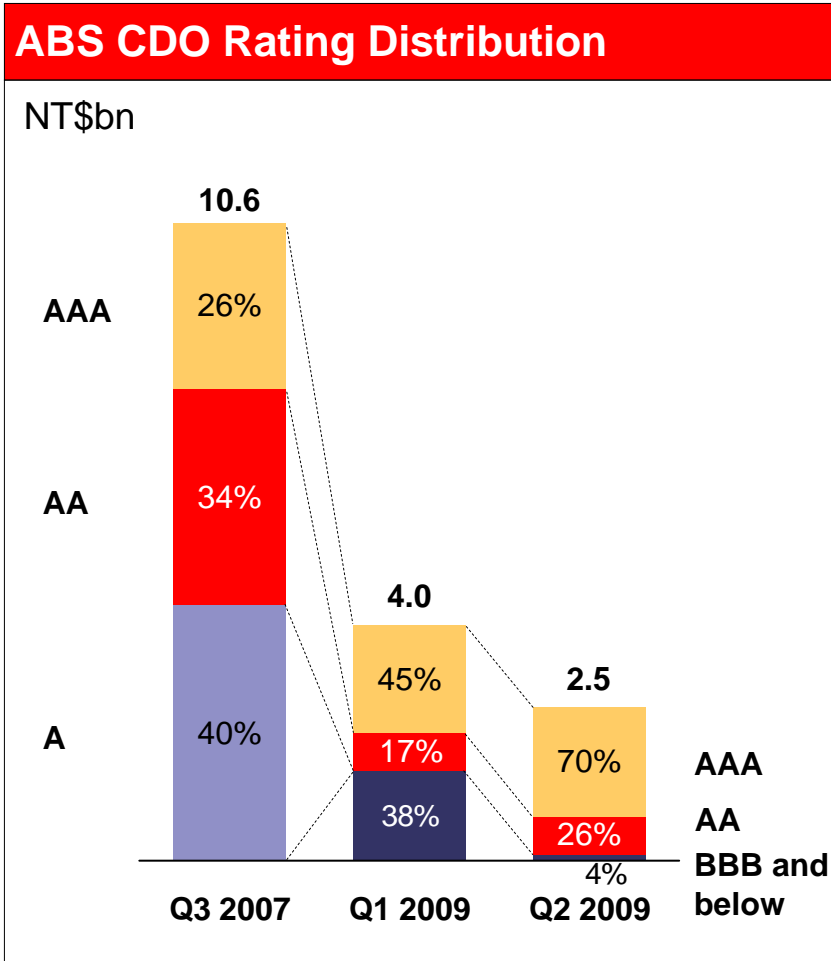
NT\$bn



Comments

- 10.9% 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\$22.69bn
- Due to deterioration in credit market, cumulative loss of NT\$1.49bn 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

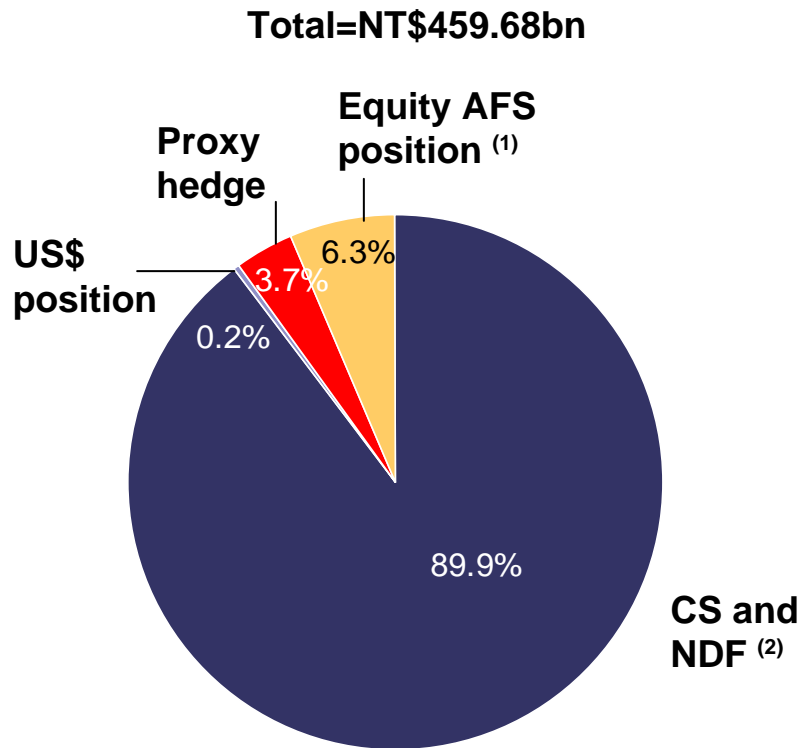


Comments

- 12.7% of ABS CDO assets are referenced to U.S. sub-prime mortgages
- Two ABS CDOs sold in Q2 and 1.46bn loss recognized; cumulative loss was NT\$7.56bn
- 68.8% of ABS CDO has been impaired

Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Share of traditional hedges increased to the upper limit of medium-long term target 70~90%
- Proxy hedging remained low at 3.7%
- Driven by effective hedging strategy, annualized hedging cost was lower than 1% in 1H
- Available for sale position in foreign equities accounted for 6.3% 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

- Target share of traditional hedges at 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-subsidary market risk management platform) in April 2009

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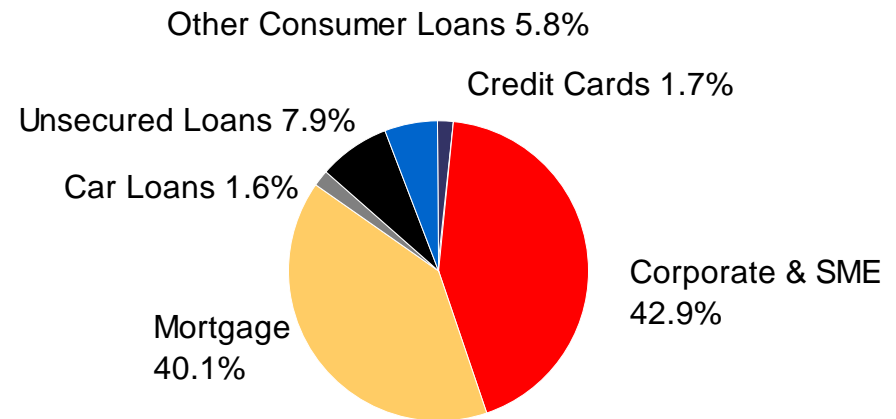
Shin Kong Bank

- 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⁽¹⁾

Note:

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

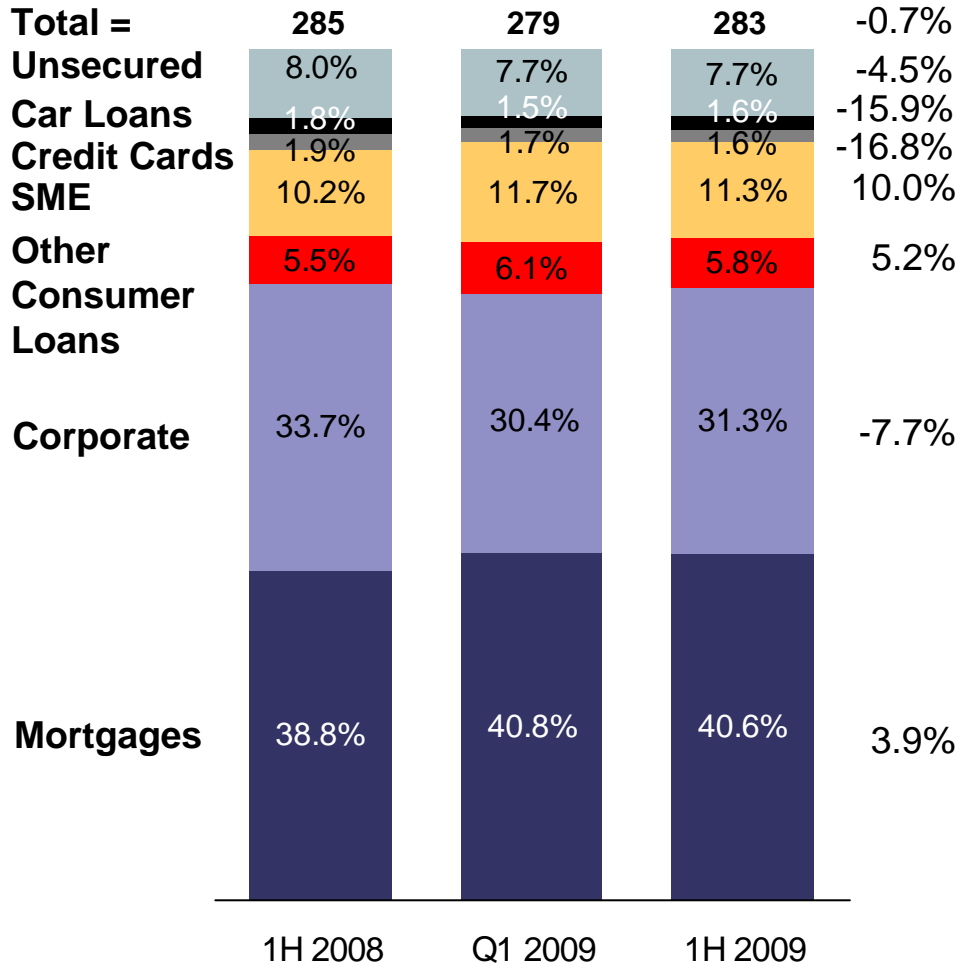
SKB – 1H 2009 Overview

- After-tax profit was NT\$230 million (down 66.2% from 1H 2008); provision expense decreased to NT\$872 million (down 2.2% from 1H 2008).
- Loan balance increased 1.4% quarter-on-quarter. L/D ratio was 79.9% (incl. credit cards balance). Due to uncertain economic conditions, corporate risk reviews have been strengthened, high risk loans recovered, and low-yield corporate loans reduced.
- NIM improved to 1.19% in Q2 2009
- Fee income from wealth management increased 39.2% quarter-on-quarter due to recovery in global equities markets. SKB achieved bancassurance cross-sales of NT\$8.70 billion in 1H 2009, accounting for 39.1% of SKL bancassurance premium.
- Credit card NPL ratio decreased to 2.04% and coverage ratio increased to 149.64%.
- 7,683 cases (amounting to NT\$677 million) were filed from implementation of the Consumer Debt Clearance Regulations to the end of June, 2009; overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 53.71%.
- Asset quality improved with overall NPL and coverage at 1.85% and 68.22% respectively. NPL ratio for mortgages remained low at 0.91%.

Loan Mix

NT\$bn

YoY Growth

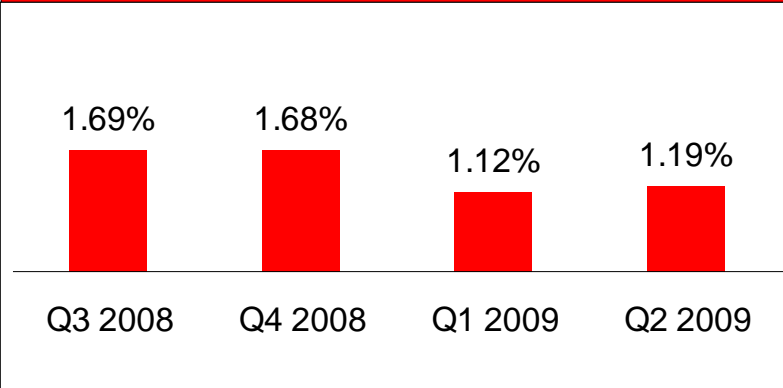


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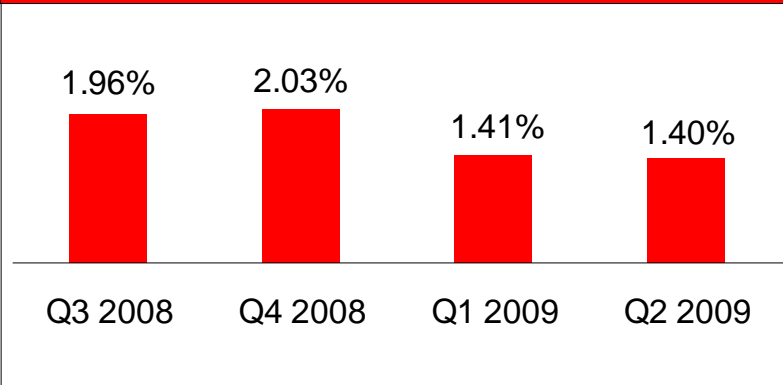
- Loan balance increased 1.4% quarter-on-quarter but remained stable year-on-year.
- Despite stringent credit policies, mortgages achieved stable growth; maximum LTV ratio for mortgages was 80%.
- L/D ratio was 79.9% (incl. credit cards balance)

Interest Yield

Net Interest Margin



Net Interest Spread

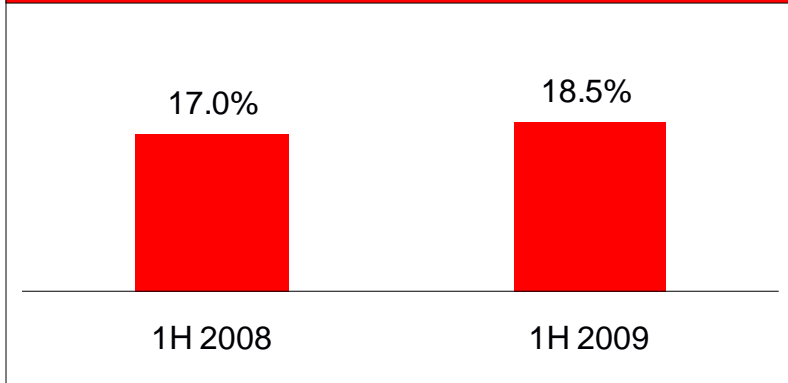


Comments

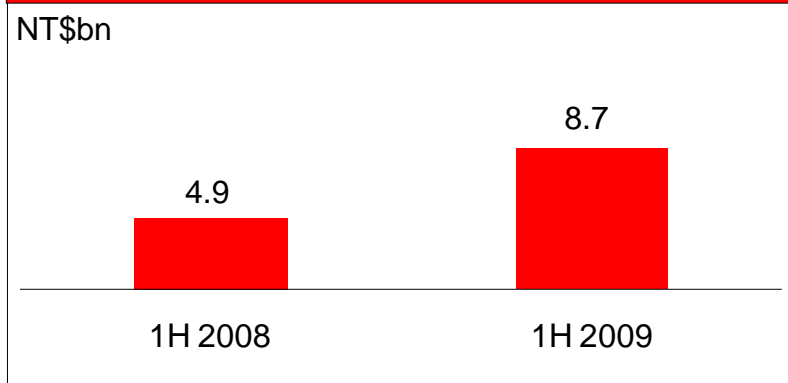
- NIM improved to 1.19% in Q2 2009
- Impact of Central Bank rate cuts on loan rates has been largely reflected. Loan rates have stabilized
- Average deposit rate decreased 30bps from Q1 2009 as high rate deposits mature
- SKB will continue to :
 - Develop cash management to increase demand deposits and lower cost of funds
 - Increase fee income and non-interest income from corporate customers, and
 - Develop SME and consumer loans with appropriate risk control to enhance interest income

Fee Income

Net Fee Income / Total Income



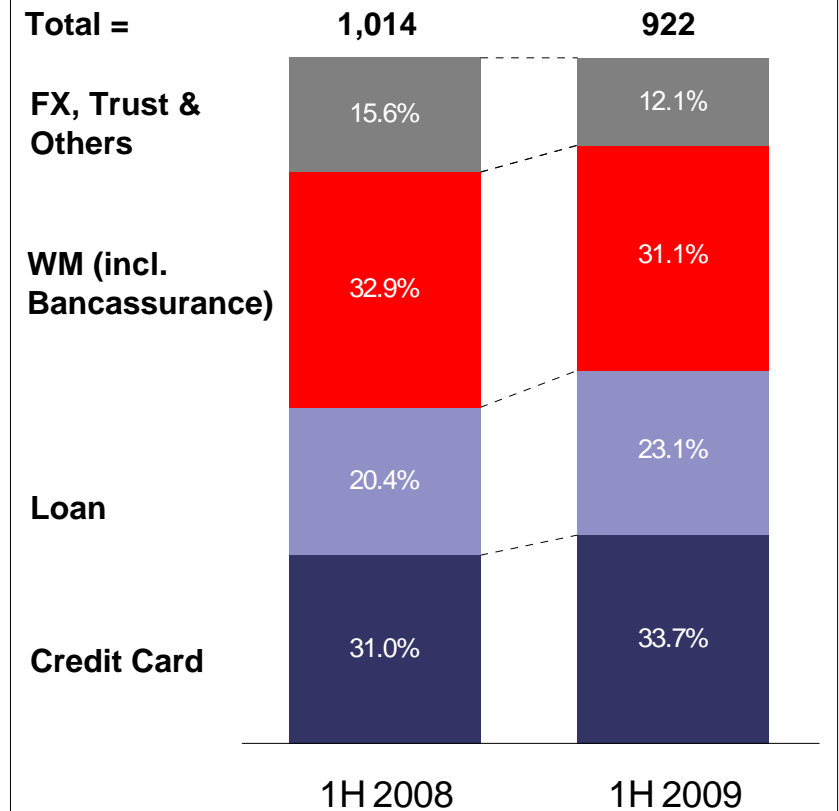
Bancassurance (SKL) - FYP



Fee Income Breakdown

NT\$m

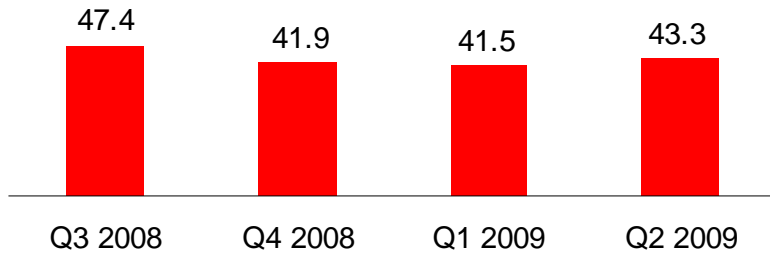
Total =



Wealth Management

AUM

NT\$bn

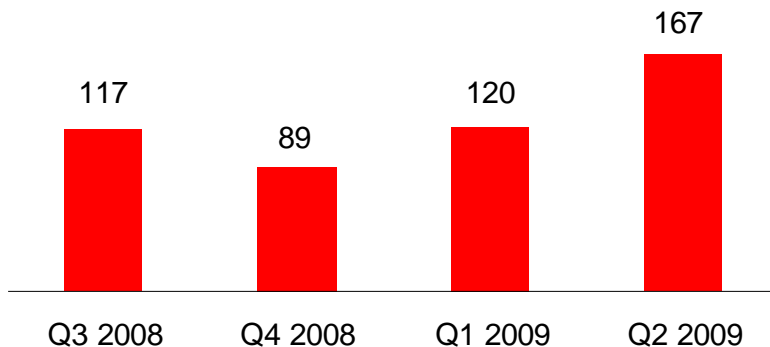


Wealth Management Center



WM Fee Income

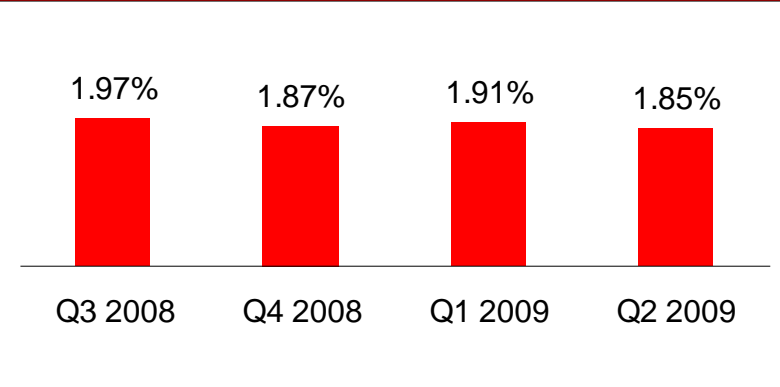
NT\$m



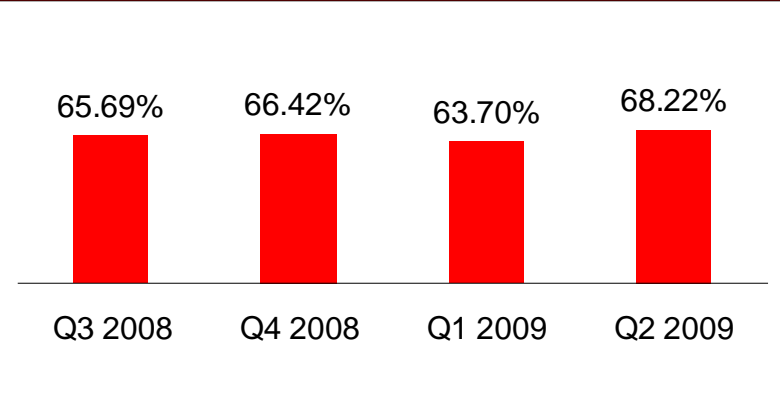
- Fee income from wealth management increased 39.2% quarter-on-quarter due to recovery in global markets and accounted for 31.1% of total fee income
- Sales focuses were on insurance products (e.g., Traditional, Health and PA) and structured notes in 1H 2009. As global markets stabilize, sales of mutual funds are expected to recover

Asset Quality

NPL Ratio



Coverage Ratio

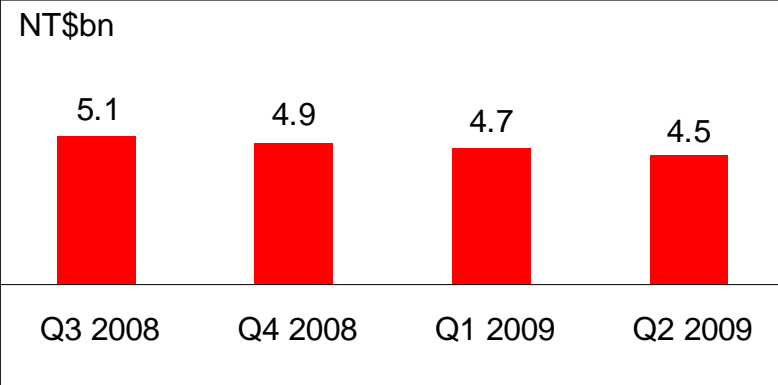


Comments

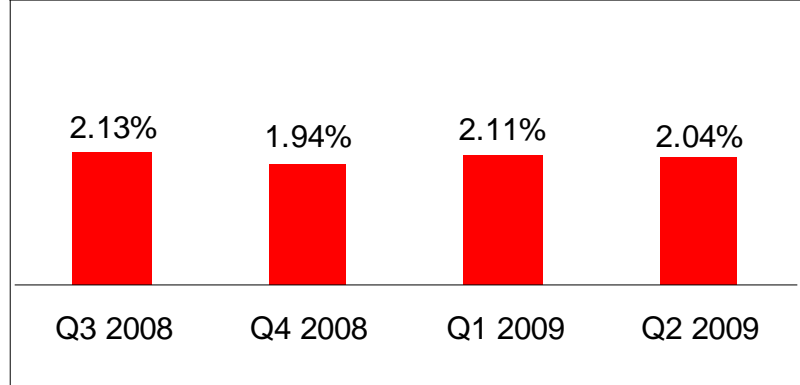
- Asset quality improved with overall NPL at 1.85%
- NPL ratio for mortgages remained low at 0.91%.
- Coverage was 68.22% - above the Company's medium term target
- 7,683 cases (amounting to NT\$677 million) were filed from implementation of the Consumer Debt Clearance Regulations to the end of June, 2009. Overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 53.71%.
- As of June 30, 2009, loan balances on DRAM and TFT-LCD industries were NT\$5.29bn and NT\$1.10bn respectively, accounting for 1.9% and 0.4% of total loans. Exposures were limited.

Credit Cards Metrics

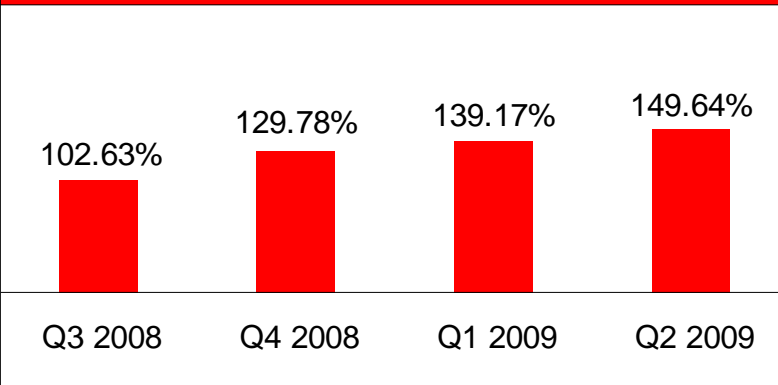
Revolving Balance



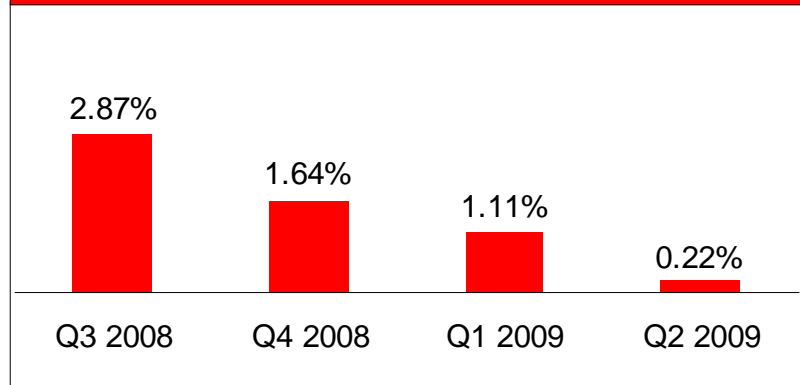
90-day NPL



Coverage Ratio (1)



Charge-off Ratio (2)



Note:

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

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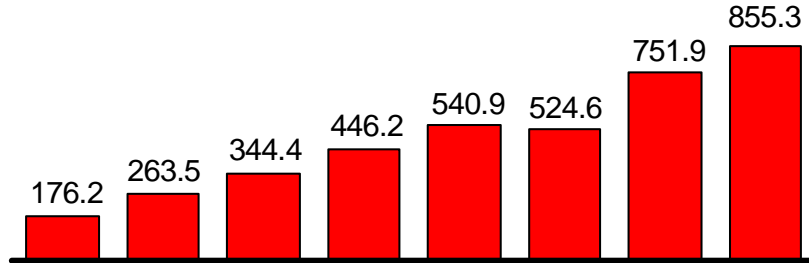
- **Market opportunities**
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Insurance opportunity:

High growth driven by new products and channels

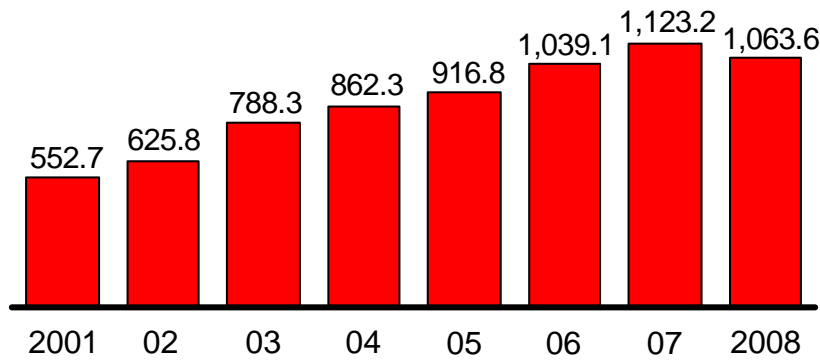
Life FYP
NT\$bn



Growth
Percent

22.5 49.5 30.7 29.6 21.2 -3.0 43.3 13.8

Life renewal premium
NT\$bn

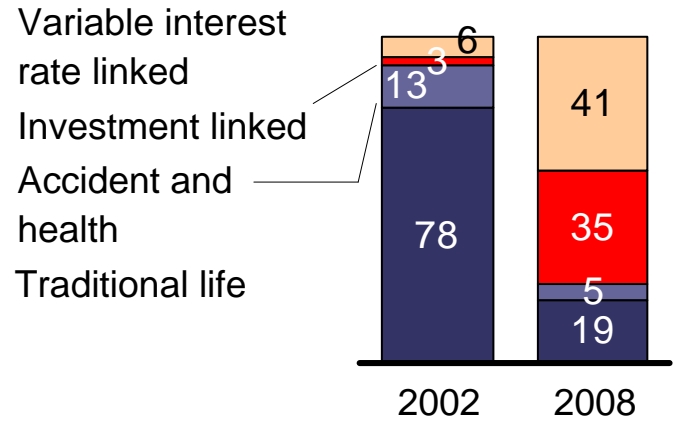


Growth
Percent

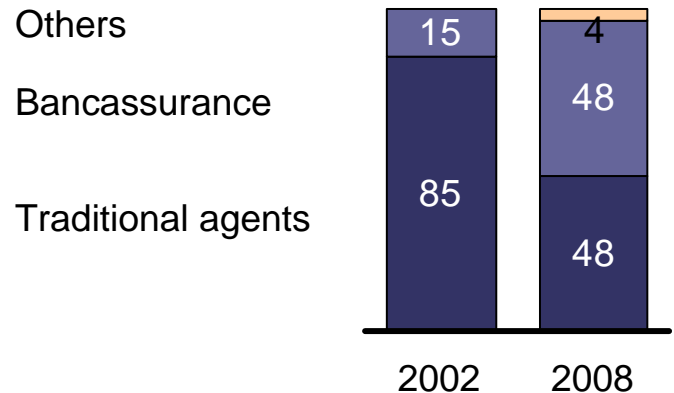
14.5 13.2 26.0 9.4 6.3 13.3 8.1 -5.3

Source: Insurance Institute

New business breakdown
Percentage



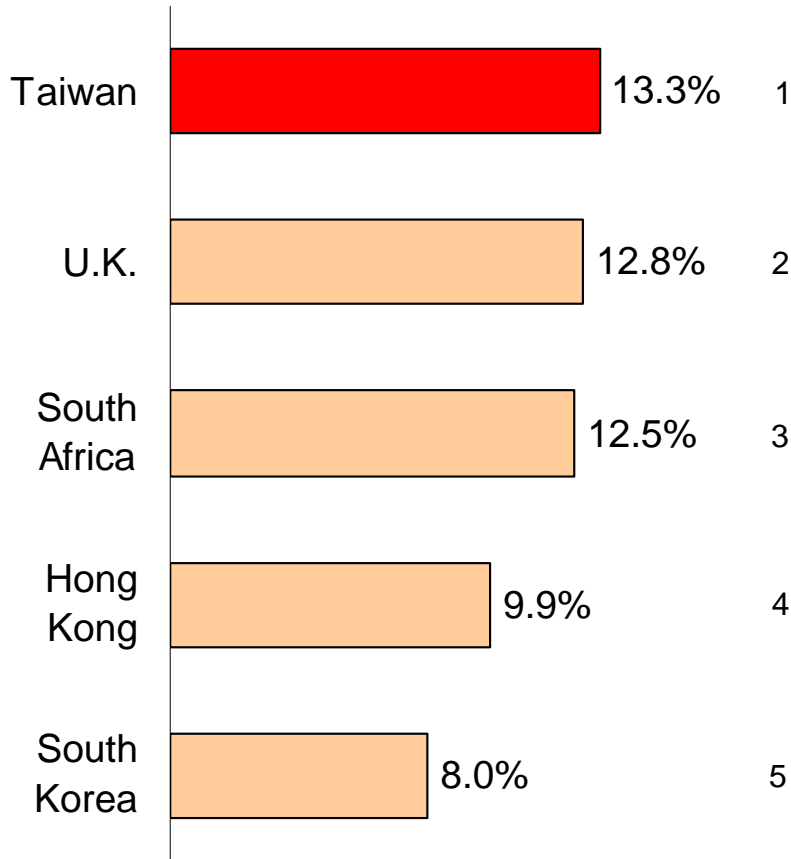
New business channel mix
Percentage



Insurance opportunity:

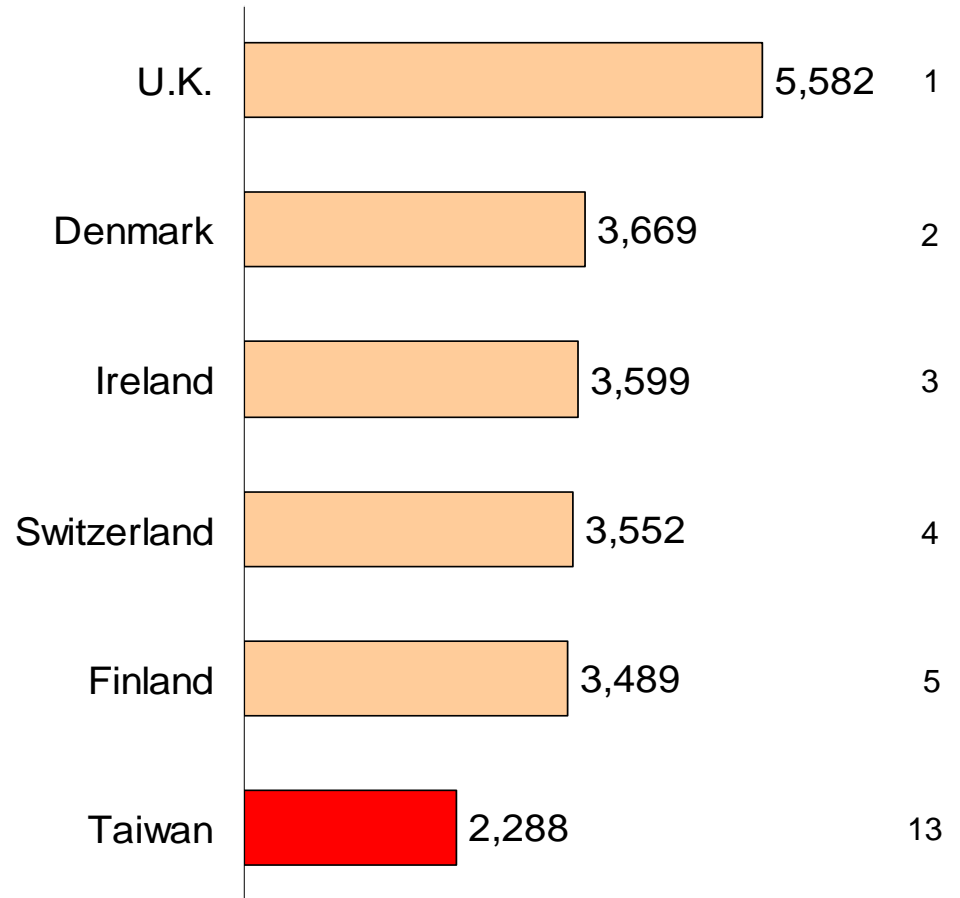
High penetration but low density

Life business premiums/GDP, % Rank



Life insurance expense per capita, US\$

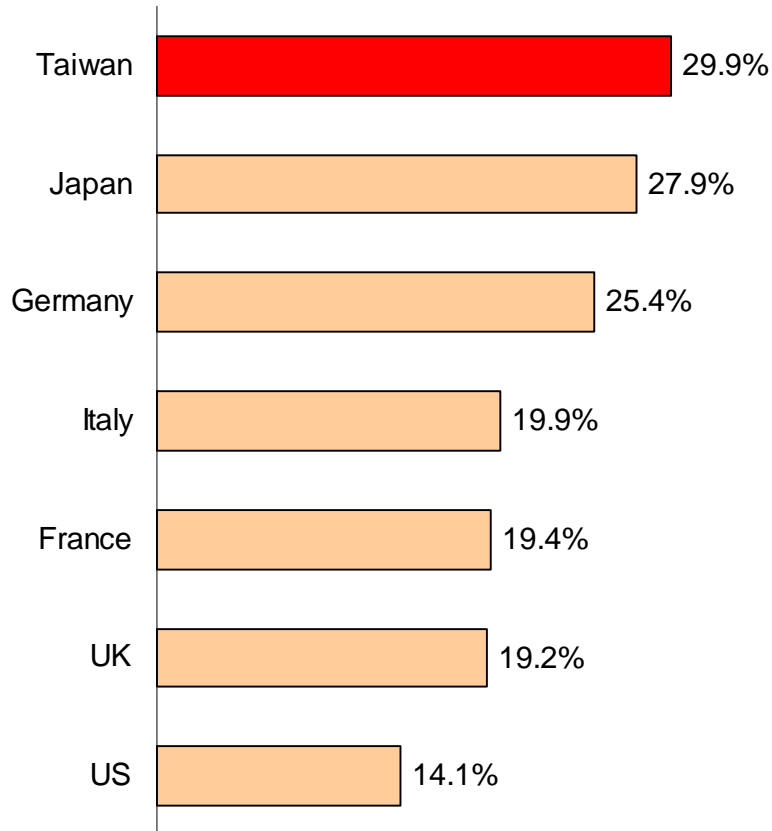
Rank



Wealth management opportunity:

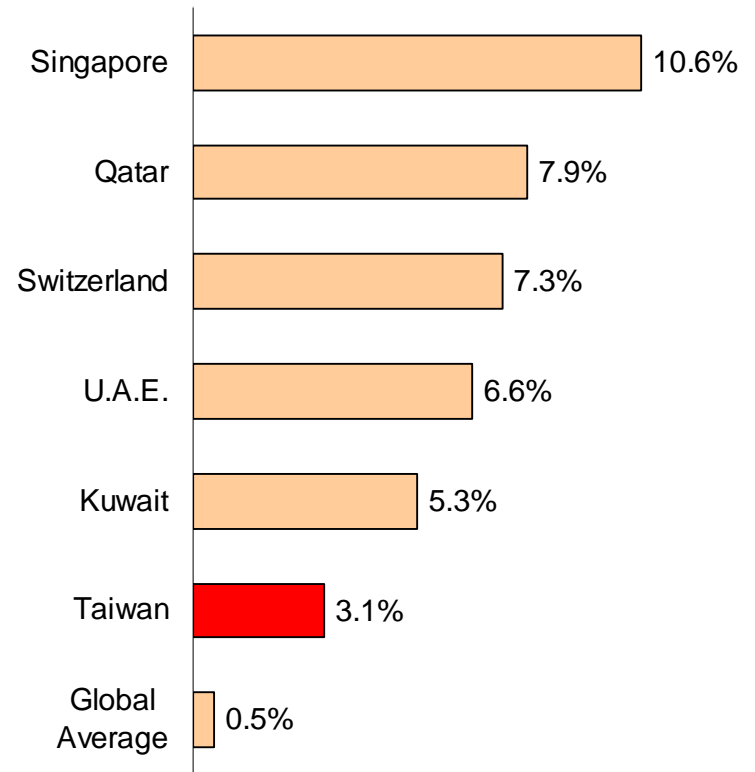
High savings rate and wealth concentration

Savings rate (1)



Concentration of wealth (2)

Millionaire households as a percentage of total households



Source:

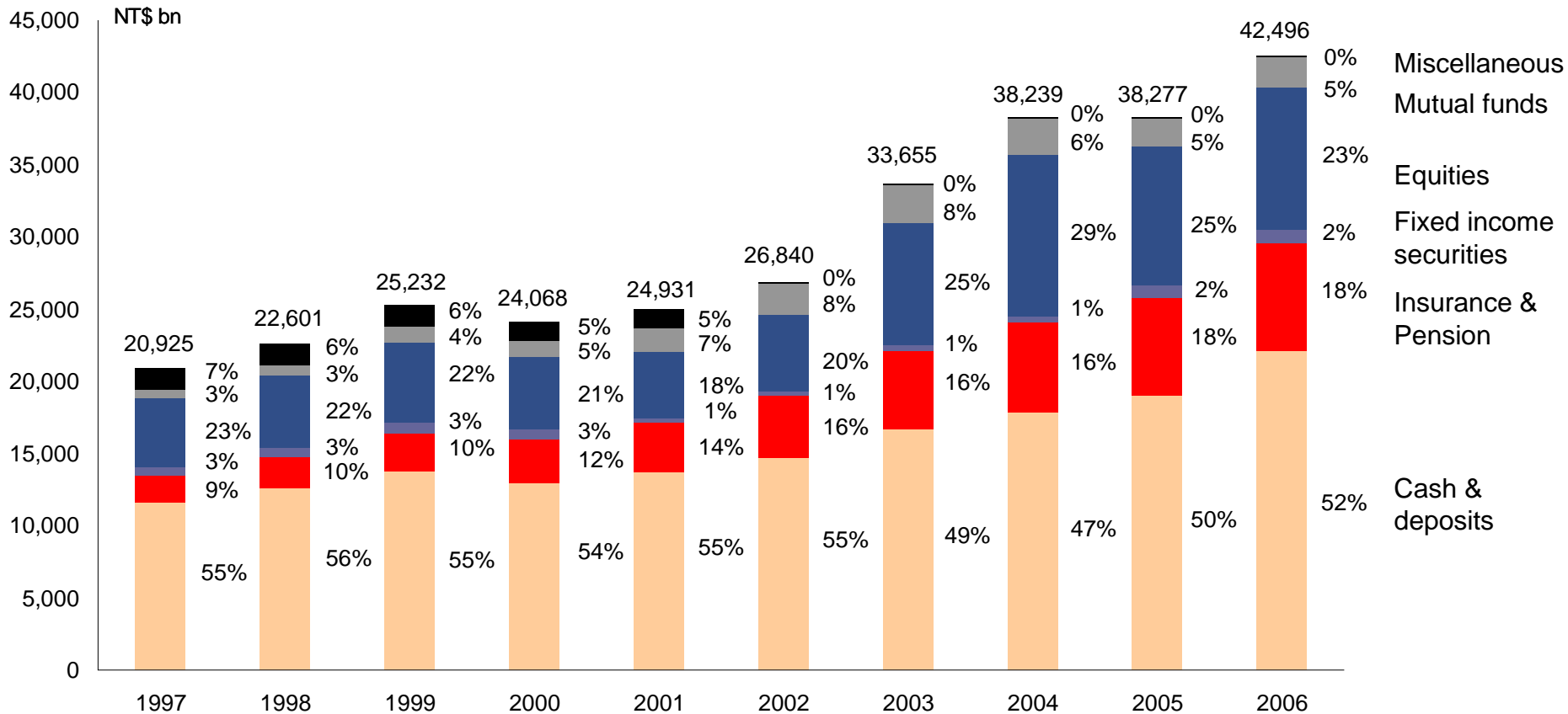
(1) National Statistics, Taiwan; BEA (USA), International Financial Statistics (IMF), Monthly Statistics of Japan, 2007

(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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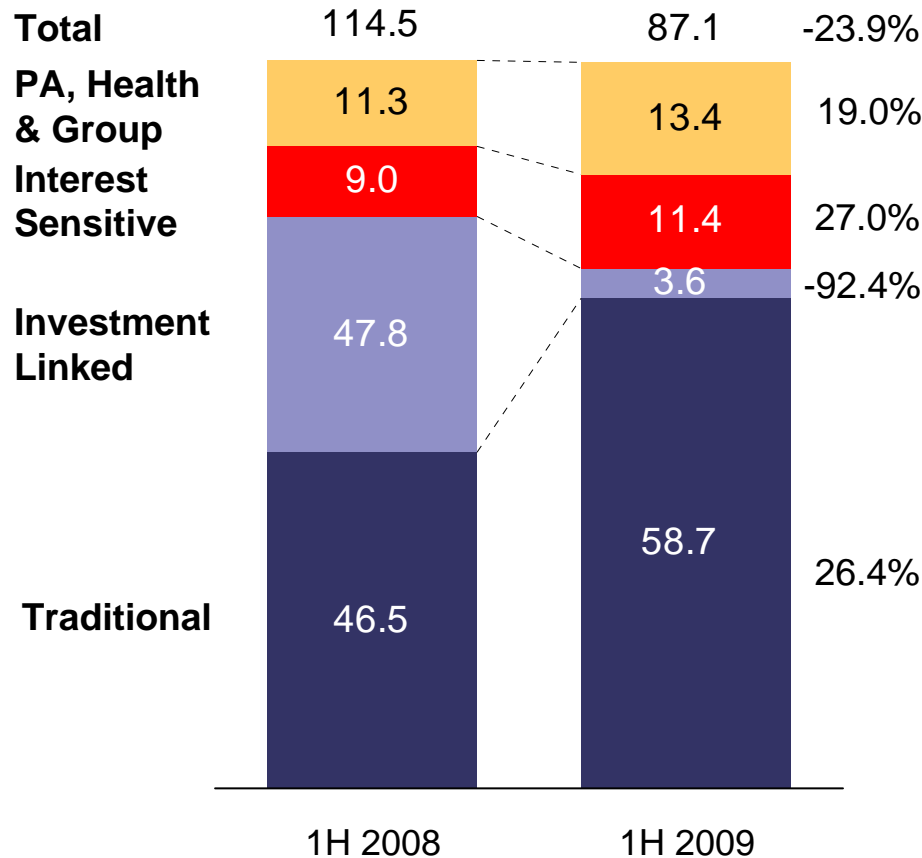
- Market opportunities
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Total Premium – 1H 2009

NT\$bn

Market Share = 9.4%

Growth



Comments

- Sales of investment-linked products slowed in 1H but expected to recover in 2H as market stabilizes
- Driven by strong sales in high value health products, total premium from PA, Health & Group grew by 19.0%
- Traditional and related policies (mostly recurring premium) accounted for 67.4% of total premiums, up 26.4% YoY

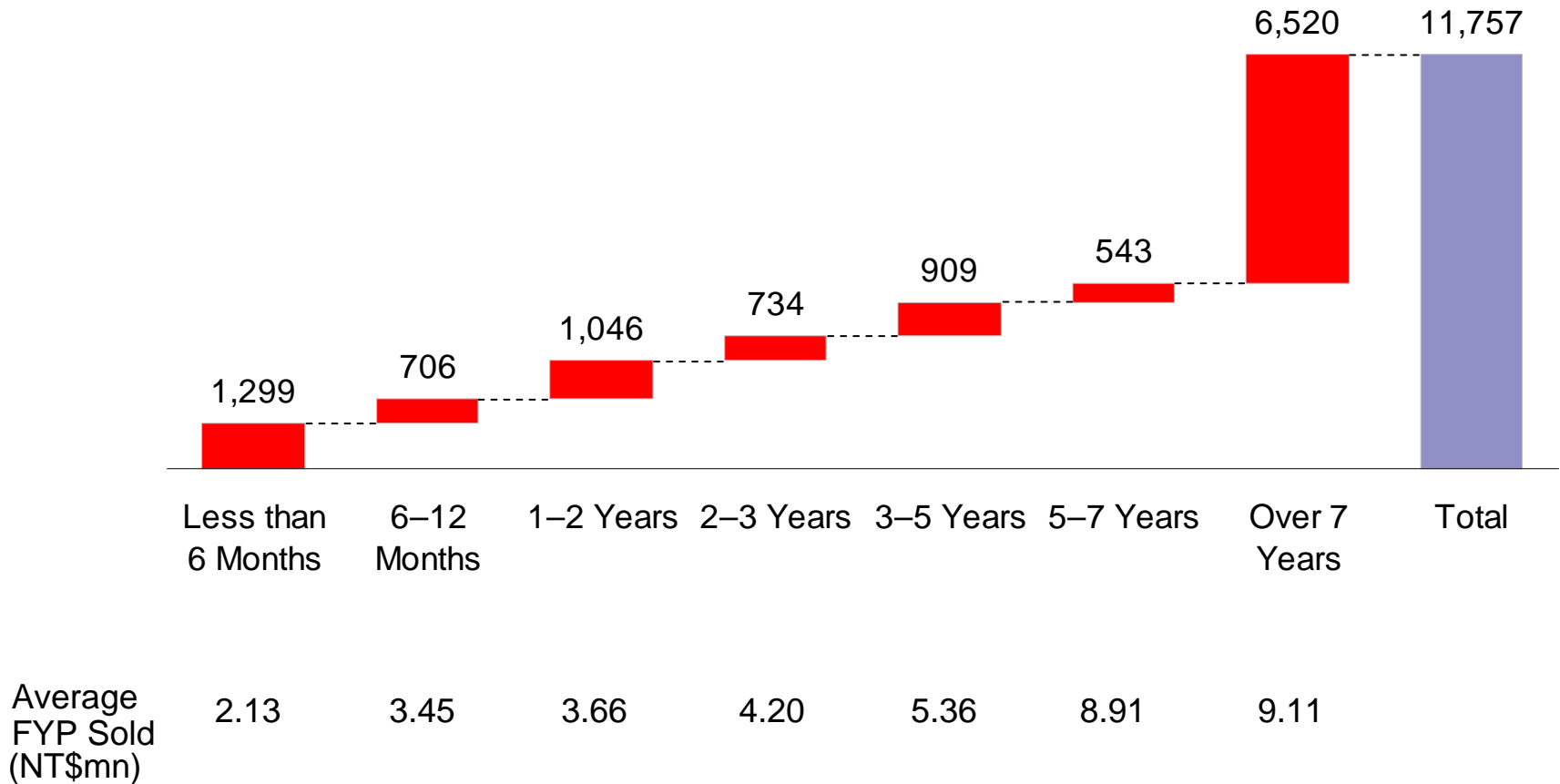
SP / RP Breakdown – 1H 2009

NT\$bn

1H 2009 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	12.09	4.53		16.62
Investment-linked				
VUL			-0.37	-0.37
Structured note	0.28			0.28
Interest Sensitive				
Annuity	11.14		0.01	11.15
Life			0.21	0.21
PA, health and others		3.41		3.41
Total	23.51	7.94	-0.15	31.30

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	1H 2009	Total
ABS CDOs	1.88	3.20	0.74	1.75	7.56
CBOs	1.03	1.37	-	-	2.40
CMBS CDOs	-	0.13	-	0.97	1.10
Corporate CDOs	-	-	1.40	0.09	1.49
Total	2.91	4.70	2.14	2.81	12.56

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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:

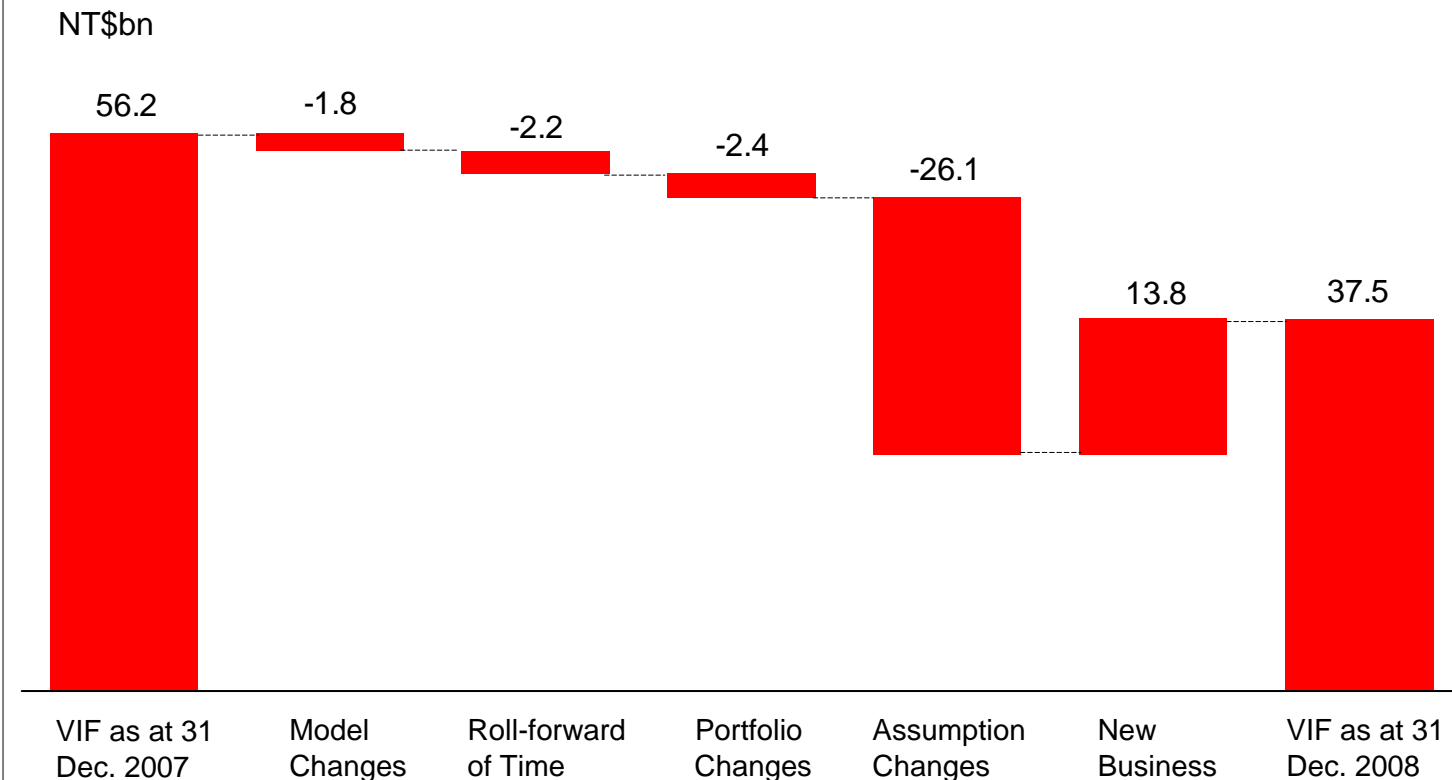
(1) Based on SKFH's outstanding shares of 6.2bn as of the end of Q1 09, per share AV (5 year NB) = NT\$19 and per share AV (20 year NB) = NT\$26

SKL - Estimate of Embedded/ Appraisal Value

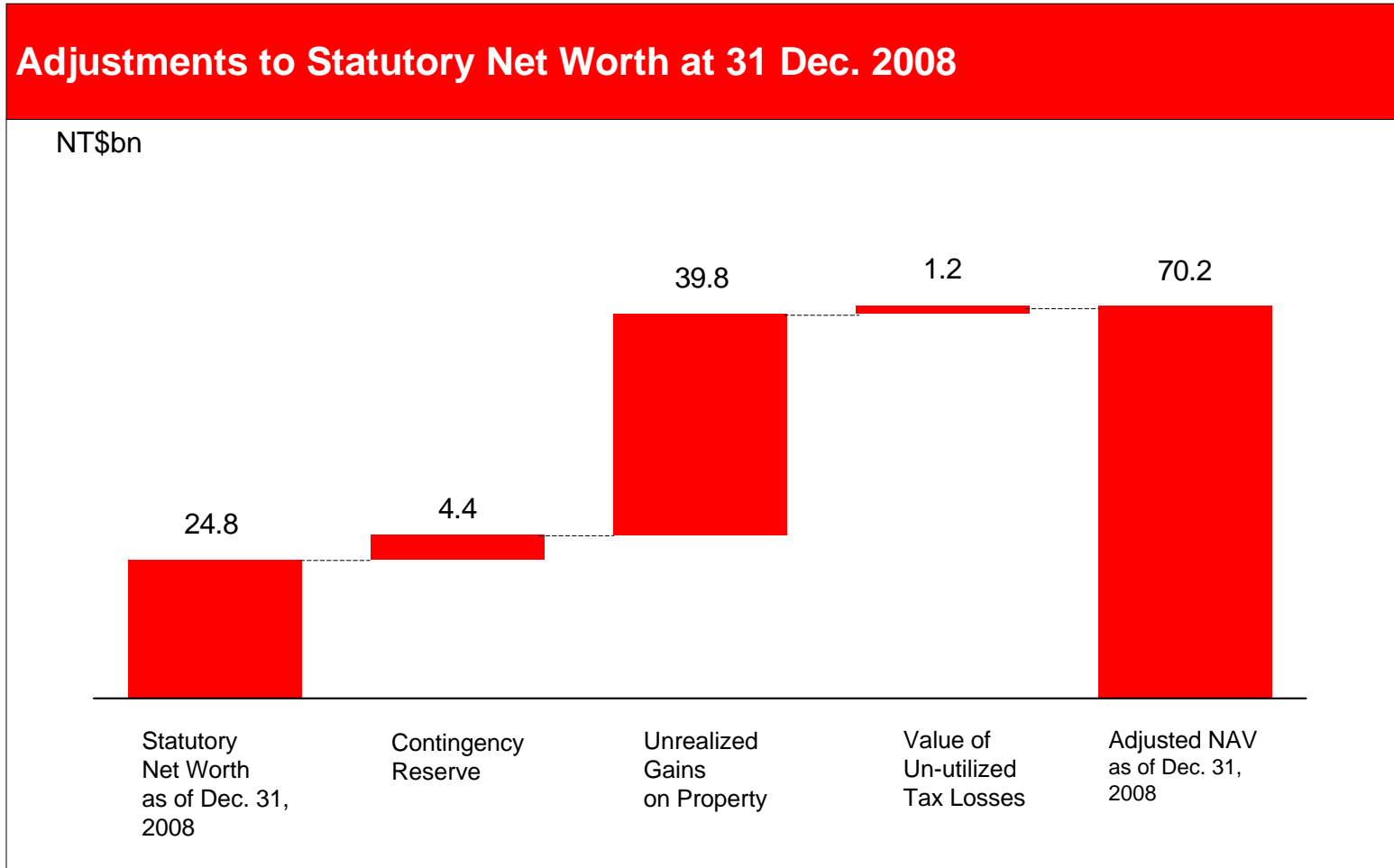
Unit: NT\$bn Valuation Date: 31 Dec, 08 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except		Inv Return 4.65% p.a. RDR 9.5% p.a.	All else equal except	
	Inv Return 4.4%	Inv Return 4.9%		RDR 8.5%	RDR 10.5%
Adjusted Net Worth	70.2	70.2	70.2	70.2	70.2
VIF	5.4	67.8	37.5	40.6	35.1
Cost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

SKL – Analysis of Change in VIF

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

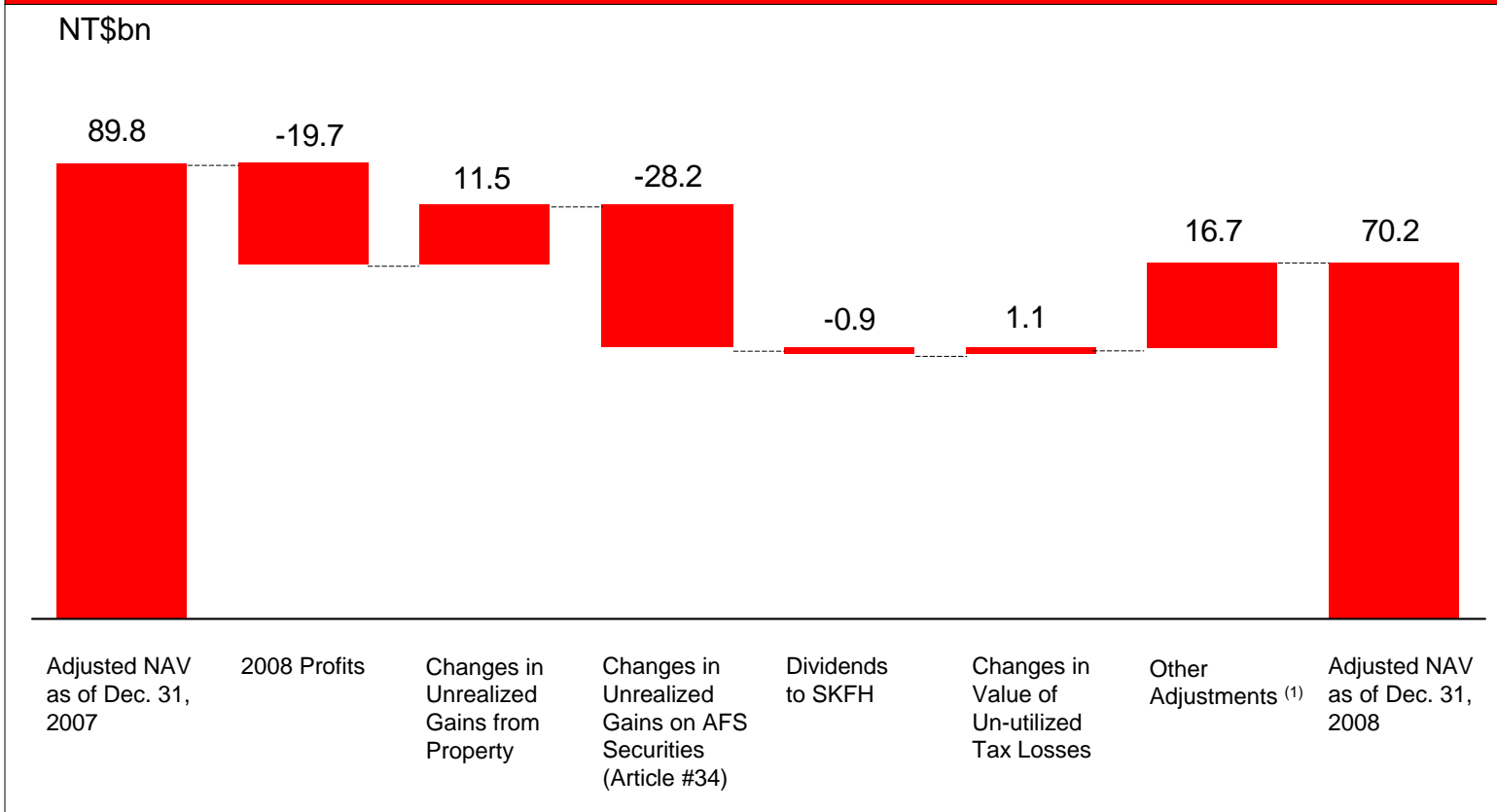


SKL – Adjusted NAV



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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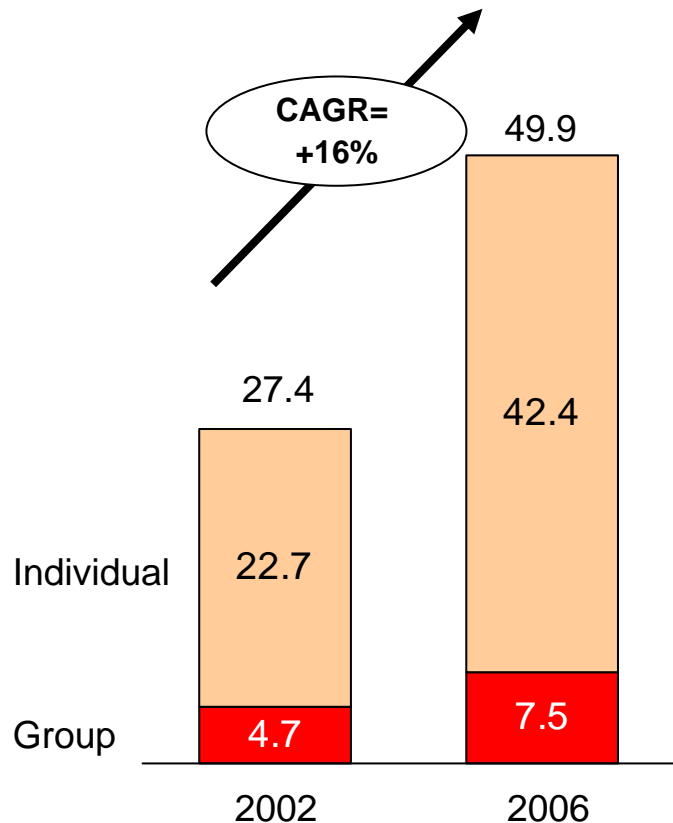
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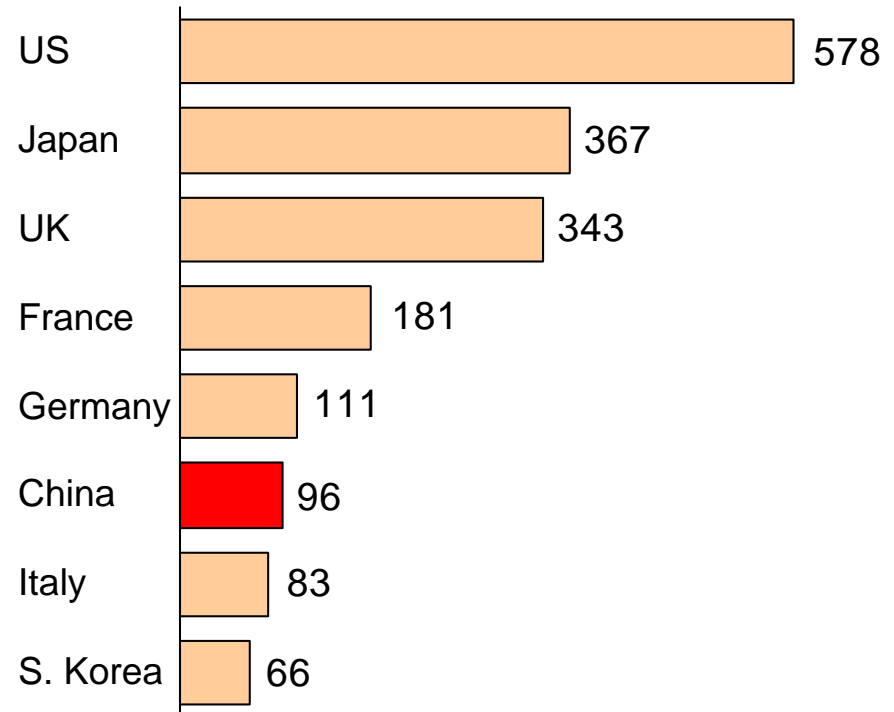
China insurance market is growing rapidly and ranked number 6 in the world

US\$bn

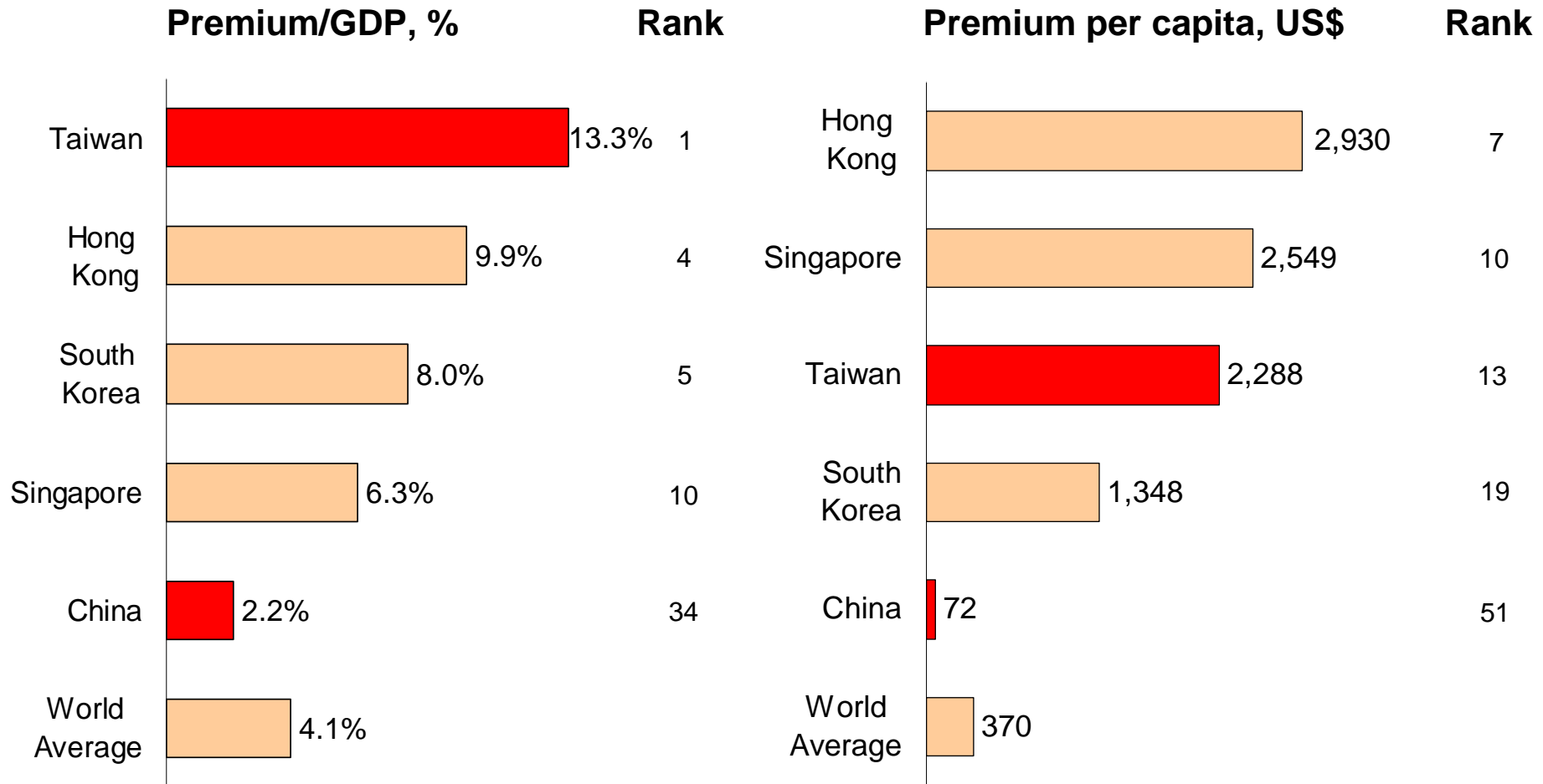
Total life premium



Total life premium 2008



Low Penetration and Density

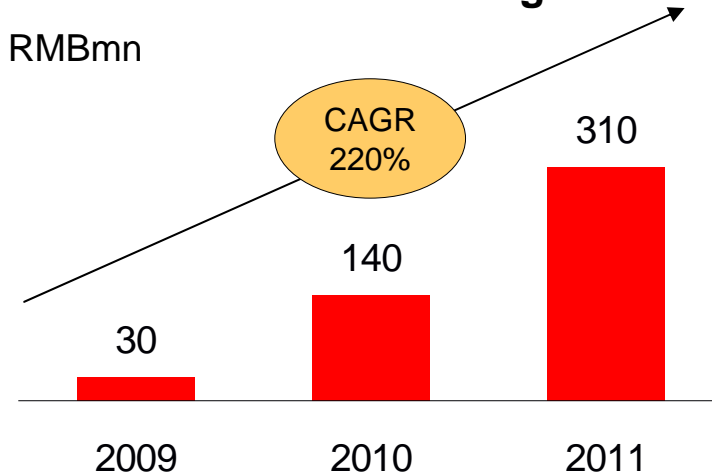


Shin Kong - HNA Life Started Operation



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% ⁽¹⁾	46% ⁽¹⁾	20%	40% ⁽¹⁾
Underlying Asset(s)	1 Office Building	1 Office Building	3 Office Buildings ⁽³⁾ , 1 Department Store, 1 Service Apartment Complex	3 Office Buildings
Type	Debt Financing at 2.85% ⁽²⁾	Debt Financing at 2.69% ⁽²⁾	Equity Financing	Debt Financing at 2.25% ⁽²⁾
Term	5yr	7yr	N/A	5yr
Capital Gain	\$0.79 bn	\$0.73 bn	\$3.6+0.7 bn ⁽³⁾⁽⁴⁾	0.57bn ⁽⁵⁾

- 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"> 1. Total capital raised was NT\$8bn (through private placements) 2. NT\$6.3bn in SKFH common shares; NT\$1.7bn in SKL preferred shares 3. Dai-ichi Life owns 14.9% of SKFH common shares outstanding after the transaction 	
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"> 1. 7 years tenure callable after 5 2. 7.71% coupon cumulative
Approvals	<ol style="list-style-type: none"> 1. Board of Directors 2. Special General Shareholders Meeting (October 31, 2008) 3. Other relevant authorities 	<ol style="list-style-type: none"> 1. Board/ Shareholders meetings at SKL level 2. Other relevant authorities

Overview of Capital Enhancement Plan - 2009

	<u>Amount</u>	<u>Comments</u>
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> NT\$25~30bn capital injection to SKL </div>	Sale of Mitsukoshi A11	NT\$7.3bn <ul style="list-style-type: none"> ▪ Capital gain of NT\$7.3bn from sale of Mitsukoshi A11 booked in Q2
	Merger of SKSC and MasterLink	~ NT\$5bn <ul style="list-style-type: none"> ▪ Merge SKSC with MasterLink and upstream excess capital to FHC ▪ Proposal approved by both SKFH and MasterLink Boards ▪ Transaction to be completed in 1H 2010
	Capital Raising	NT\$13~18bn <ul style="list-style-type: none"> ▪ NT\$13.13bn GDRs listed on 7/27 at NT\$11.71 per common share ▪ Proposal for NT\$5bn rights issue approved by the Board

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 Jun. 30, 2009	
Assets to be acquired by MasterLink	Brokerage/ stock affairs business including equipments	0.32	4.95	
	Operational real estate	0.11		
	No-active market stock investments	0.19 ⁽¹⁾		
Other assets to be sold		4.40 ⁽¹⁾		
Total capital released from SKSC		5.02 ⁽¹⁾		
Use of fund		Capital injection to SKL		
SKFH's holding in MasterLink		25%		

Note:

(1) Estimation only as of the end of June 2009. Price to be confirmed.

Impact on Financial Ratios

%	Before (2008/12/31)	After		
		A11 sale	SKSC merger with Masterlink	Capital raising
Life RBC	227	258	278	332~353
FHC CAR	103	112	115	132~149
DLR	125	122	122	116~117
Life Leverage Ratio	53x	41x	36x	24~27x
Dilution	-	-	-	<22%

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

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