

Confidential



**Shin Kong Financial Holding**

## Company Overview

March 2010

# 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 audited 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
- Other Information

# Who We Are

- Major financial holding company in Taiwan
  - Subsidiaries including life insurance, bank, securities, asset management, and insurance brokerage
  - 3rd largest life insurer with 7.4% market share
  - 10th largest private bank with 107 branches
- One of the few FHCs in Taiwan with significant presence in both insurance and banking

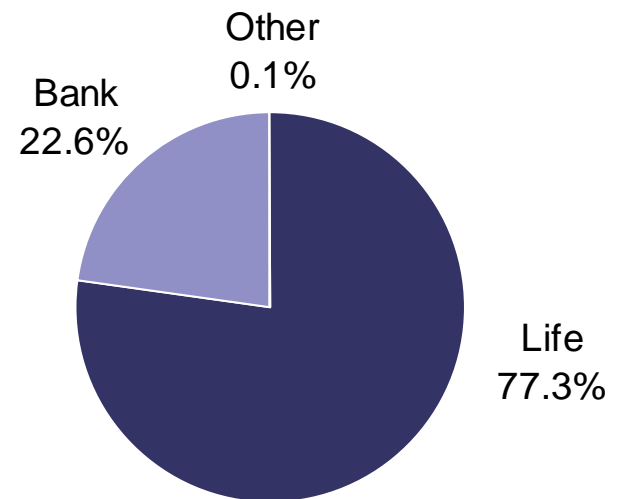
## Financial Overview

NT\$bn	2007	2008	2009
Total Assets	1,688.1	1,740.2	1,902.1
Shareholders' Equity	100.1	56.2	92.7
Market Value	112.6	55.7	104.6
Net Income <sup>(1)</sup>	5.0	-21.0	1.1
ROA	0.34%	-1.27%	0.14%
ROE	5.33%	-28.44%	2.97%
Foreign Ownership	20.4%	22.6%	29.93%

Note:

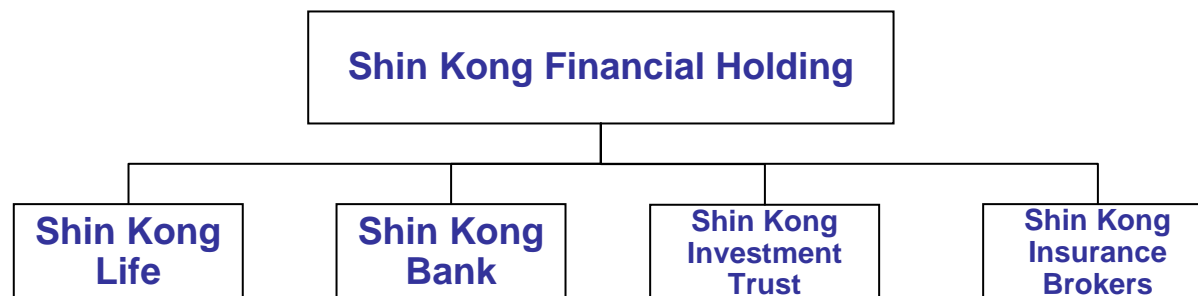
(1) Excludes minority interest income

## 2009 Asset Mix



# Corporate Structure

## Unique Integrated Financial Services Platform



	Shin Kong Life	Shin Kong Bank	Shin Kong Investment Trust	Shin Kong Insurance Brokers
Date of Incorporation	7/1963	1/1997	9/1992	1/2003
Assets (NT\$bn)	1,445.26	422.86	0.71	0.11
% of Group Assets	77.3%	22.6%	<0.1%	<0.1%
Earnings (NT\$m)	106	560	22	40
Branches/Offices	366	107	3	1
Market Share	7.4%	1.4%	1.7%	-

# 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



**Chen,  
Cheng Luan**

President, Shin Kong Insurance Brokers

Experiences:

- AVP, Shin Kong Life



**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

## 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



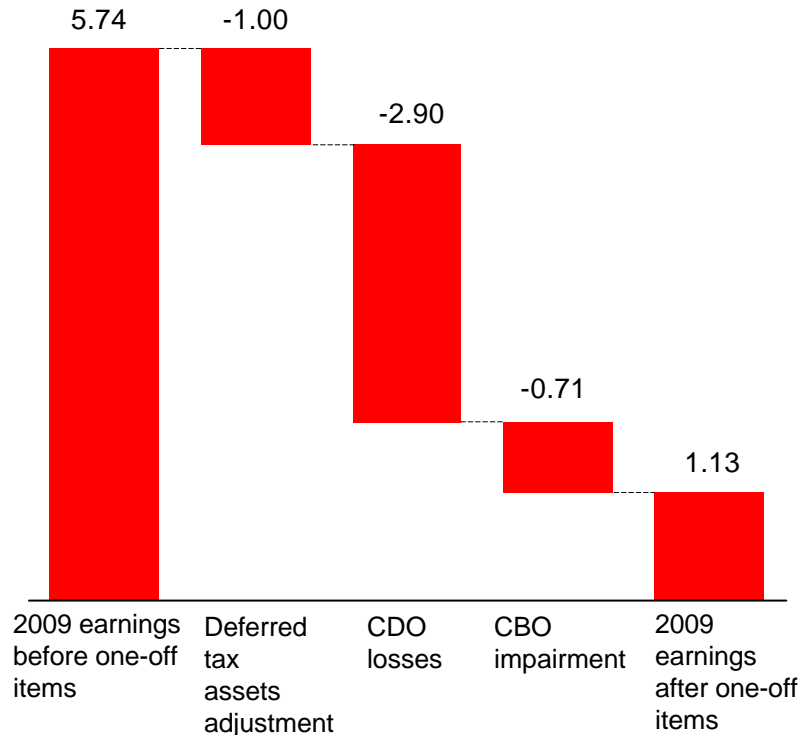
## SKFH – 2009 Overview

- With a strong profit of NT\$1.41bn in Q4, SKFH returned to profitability and recorded a profit of NT\$1.13bn for 2009. EPS was NT\$0.17.
- Excluding one-off items such as CDO/CBO losses (NT\$3.61bn) and DTA adjustment (NT\$1.00bn), profit would have been NT\$5.74bn.
- Investment income continued to improve; 2009 annualized investment return was 4.47%, higher than 4.12% in 9M 2009.
- Tight control of expenses
  - SKL: Operating expenses were 26.6% lower than 2008
  - SKB: Operating expenses decreased 6.8% year-on-year
- Capital enhancement plans successfully executed; shareholders' equity grew strongly
  - NT\$5.3bn rights issue successfully completed in Q4 2009. NT\$18bn raised from GDR and rights issue was injected into SKL
  - All capital adequacy ratios of SKFH and subsidiaries were above regulatory requirements
  - As of the end of 2009, consolidated shareholders' equity of SKFH was NT\$92.68bn, 64.9% higher compared to the end of 2008
  - Shareholders' equity of SKL was NT\$57.05bn, 130.2% higher than 2008

# Net Income – 2009

## Group net income

NT\$bn



## Net income contribution

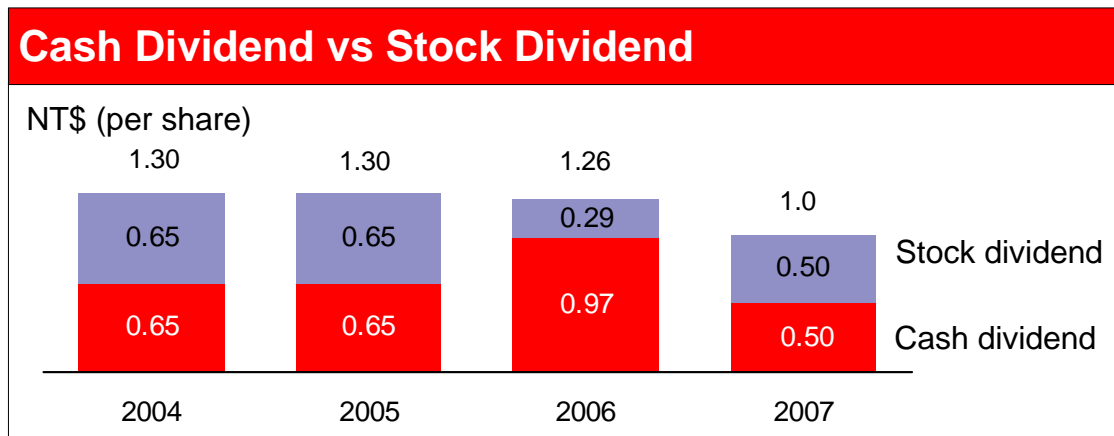
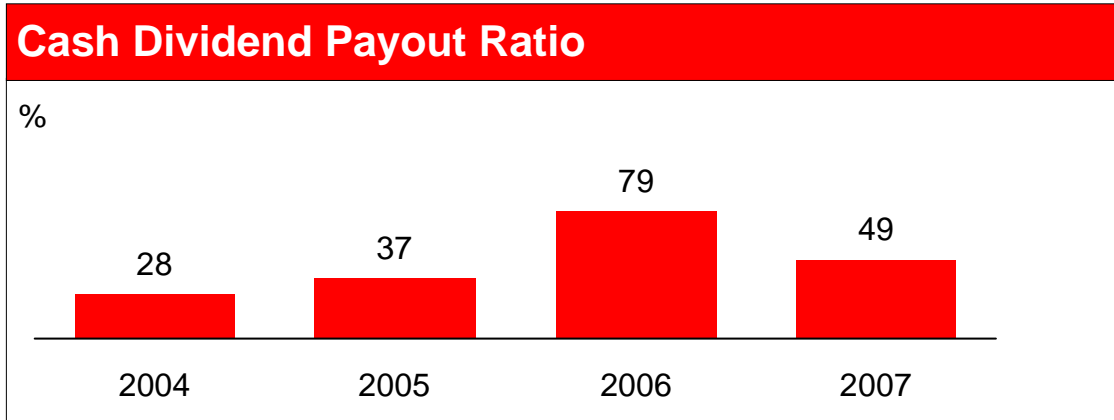
NT\$bn

Subsidiaries	2009	2008
Shin Kong Life	0.11	-19.84
Shin Kong Bank	0.56	0.22
Shin Kong Securities	0.18	-0.38
Shin Kong Investment Trust	0.02	0
Shin Kong Insurance Brokers	0.04	0.05
Others <sup>(1)</sup>	0.22	-1.07
<b>Net income</b>	<b>1.13</b>	<b>-21.02</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 is declared for the year
- Long-term goal is to increase cash payout ratio and percentage of cash dividend

# 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
- Other Information

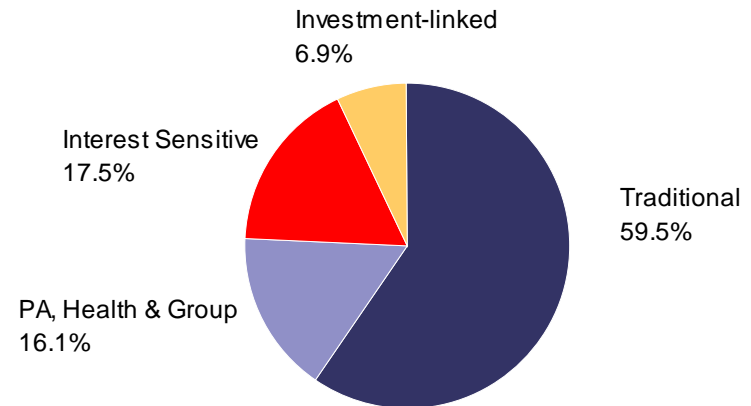
# Shin Kong Life

- 3<sup>rd</sup> largest life insurer in Taiwan with 7.4% 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	2007	2008	2009
Total Premium	215.9	201.9	176.9
Net Income	2.4	-19.74	0.11
Total Assets	1,229.2	1,301.3	1,445.3
Shareholders' Equity	60.0	24.8	57.0
ROE <sup>(1)</sup>	3.68%	-48.59%	0.26%
ROA	0.21%	-1.56%	0.01%

## 2009 Total Premium Written



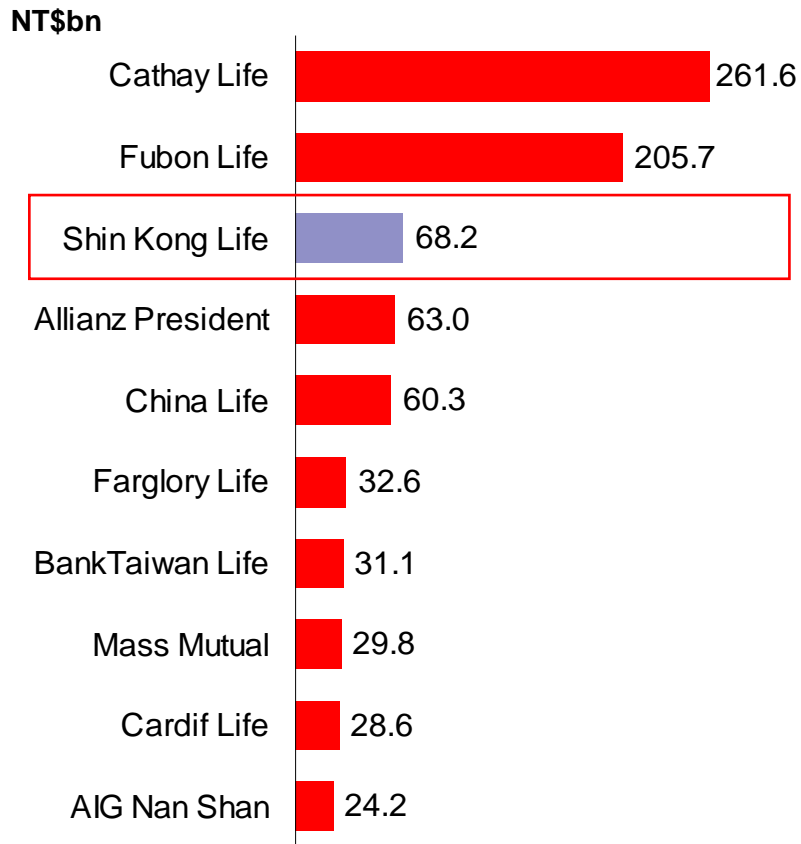
**Total Premium Written: NT\$176.9bn**

Note:

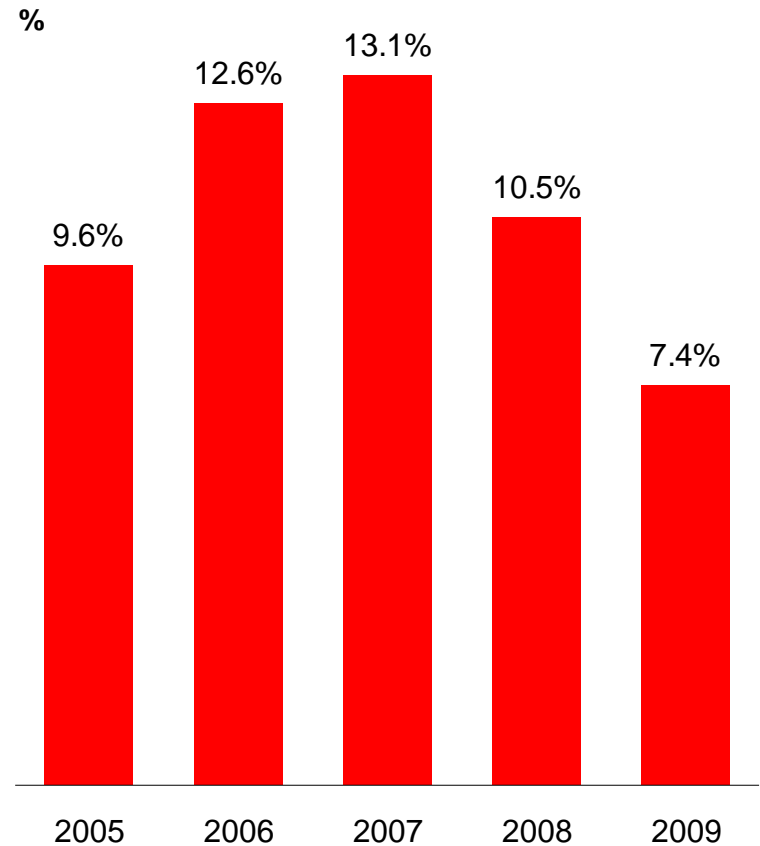
(1) Excludes preferred shares

# Shin Kong Market Share

**FYP of Top 10 Players – 2009**



**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 – 2009 Overview

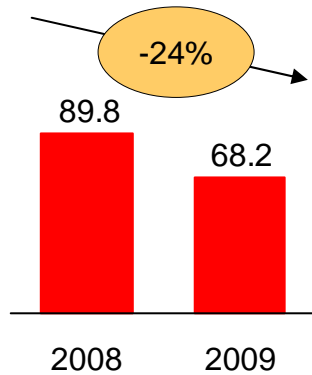
- Driven by improved investment income and lower expenses, SKL returned to profitability and recorded a profit of NT\$0.11bn. ROE was 0.26%. Excluding one-off items, after-tax profit would have been NT\$4.72bn.
- FYP was NT\$68.19bn, down 24.1% YoY. To maintain reasonable profit margin, growth rate was lower than market growth of 8.2%. Market share was 7.4%.
- Traditional and interest-sensitive products contributed 37.9% and 45.4% of FYP respectively. FYP from traditional products was NT\$25.82bn, up 121.7% YoY. Driven by strong sales of high-value health products, health premium grew by 56.4%; market share was 16.0%. Sales of investment linked products showed signs of recovery and contributed NT\$4.97bn in 2H FYP as global markets stabilize.
- 13-month persistency slightly improved to 83.9%. 25-month persistency was 80.9%.
- 2009 annualized investment return significantly improved to 4.47% from 1.96% in 2008.
- Shareholders' equity improved from NT\$36.83bn to NT\$57.05bn in Q4 2009, up 54.9% QoQ.



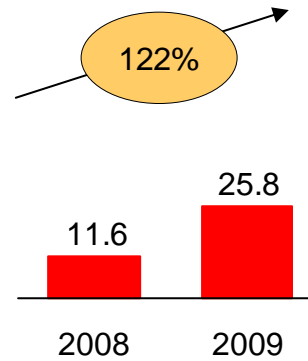
# First Year Premium – 2009

NT\$bn

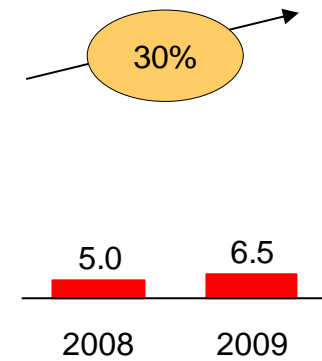
## Market share 7.4%



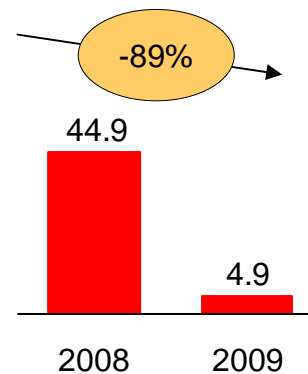
## Traditional



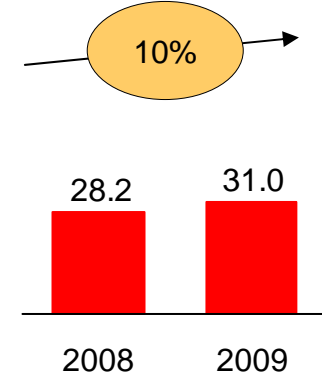
## PA, Health and Group



## Investment-linked



## Interest-sensitive



### Comments

- To maintain reasonable profit margin, FYP was controlled at level lower than last year
- Traditional and interest-sensitive products contributed significant shares (37.9% and 45.4% respectively) of FYP
- Driven by global market recovery, sales of investment linked products recovered and contributed NT\$4.97bn in 2H FYP
- Sales of high value health products remained strong. FYP growth was 56.4% YoY; market share was 16.0%

# Persistency Ratio

13 month persistency

%

88.5

83.6

83.9

2008

9M 09

2009

25 month persistency

%

77.7

81.6

80.9

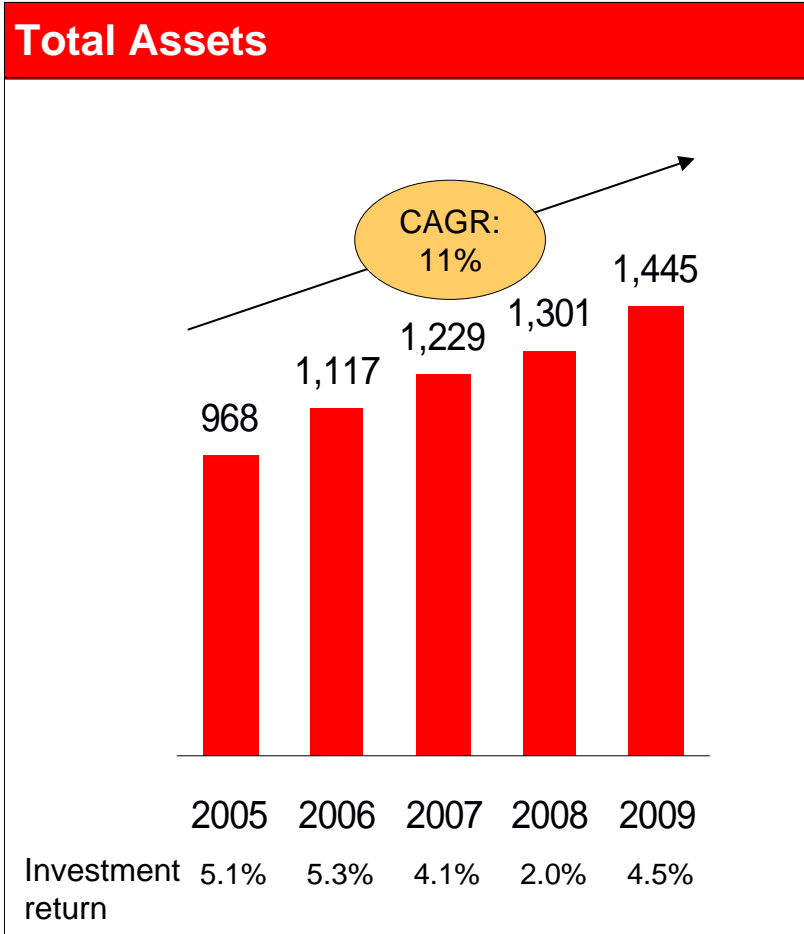
2008

9M 09

2009

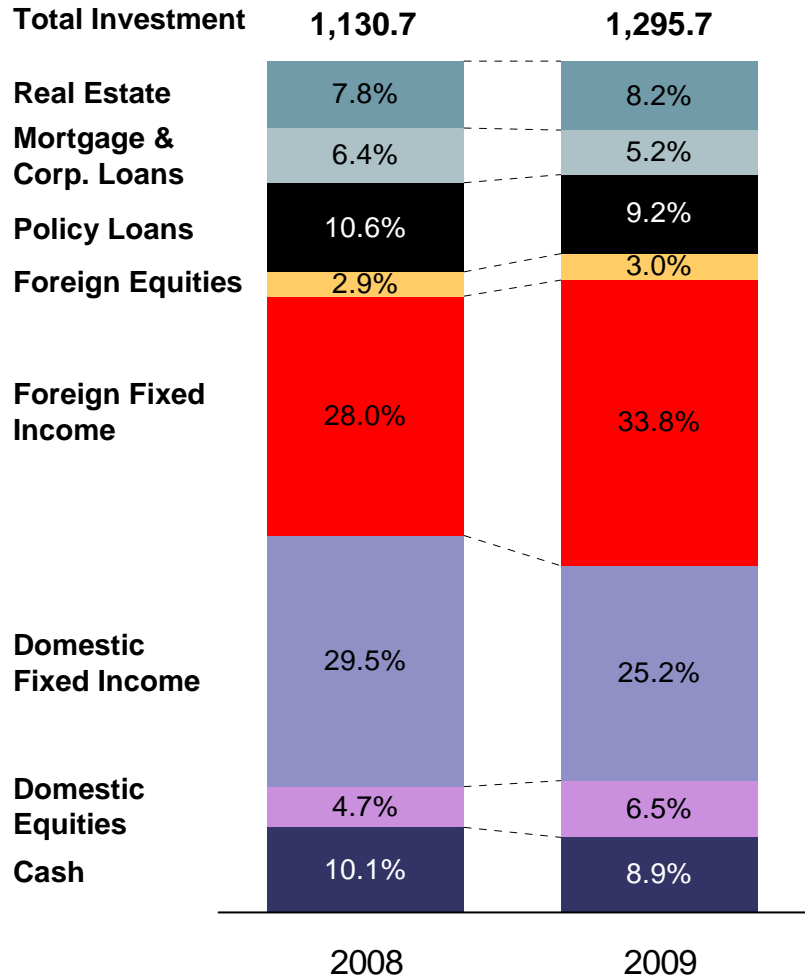
# Investment Portfolio

NT\$bn



Note:

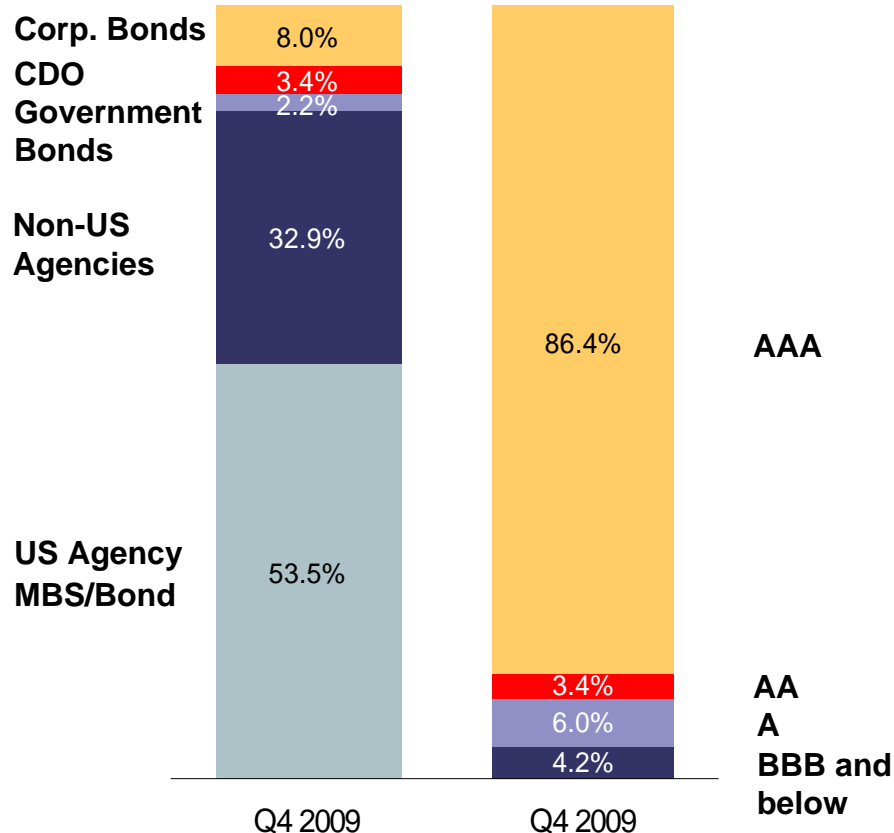
- (1) Due to rounding, asset allocation figures may not add up to 100%
- (2) Includes capital gains and FX hedging cost



# Overseas Fixed Income – Limited Credit Risk

## Overseas Fixed Income Portfolio

Total=NT\$437.7bn



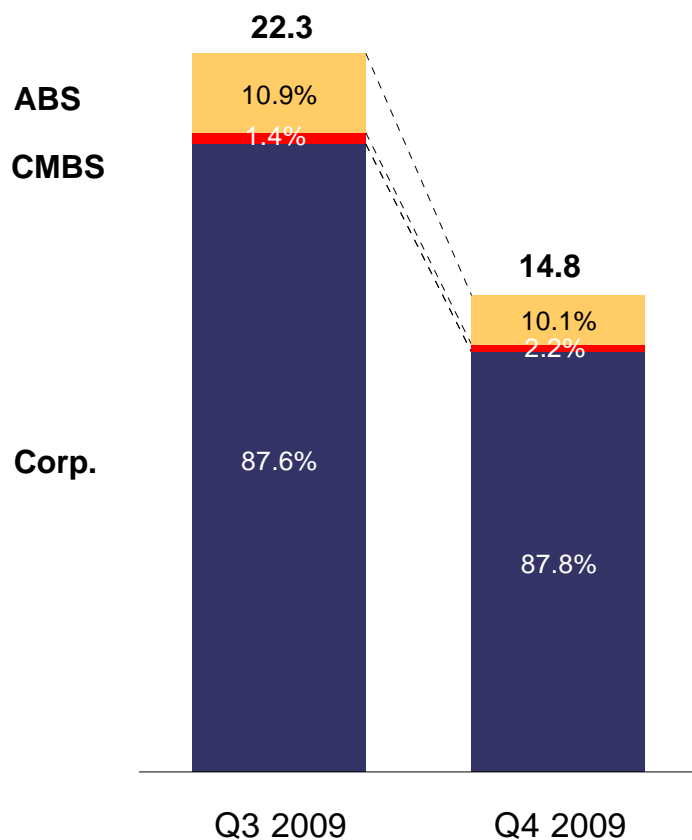
## Comments

- Portfolio mainly comprises low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 86.4% of the portfolio. 95.8% 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., Johnson & Johnson, Philip Morris, Wal-Mart)

# CDO Exposure

## CDO Exposure

NT\$bn

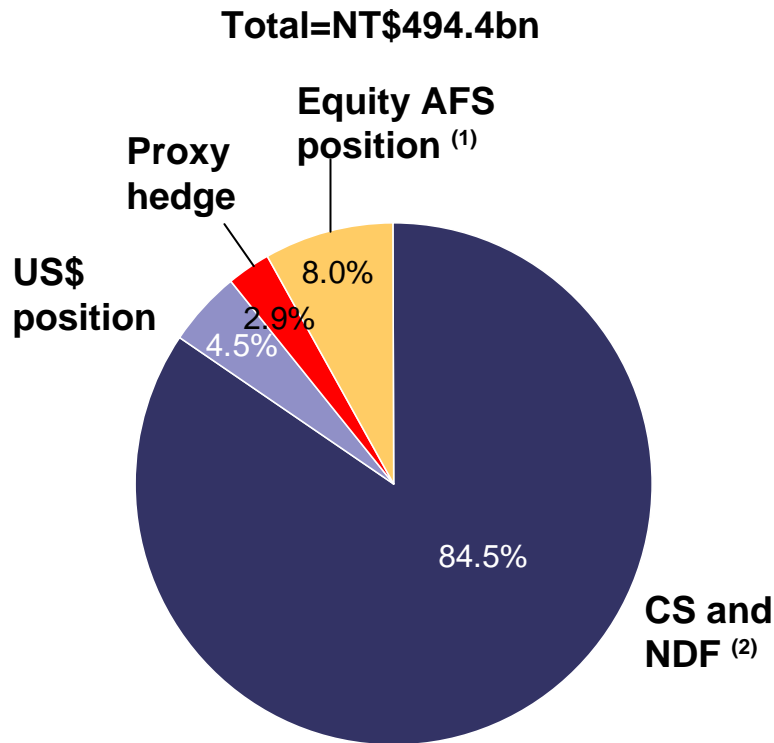


## Comments

- Overall exposure decreased from NT\$22.26bn to NT\$14.81bn as CDOs matured in Q4 2009
- 10.1% 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). In Q4 2009, an NT\$90mn loss was recognized
- 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

# Hedging Strategy

## Mix of Hedging Strategies Used



## Comments

- Share of traditional hedges controlled within the target range of 70~90%
- Proxy hedging decreased to 2.9%
- Driven by effective hedging strategy, annualized hedging cost was lower than 1% in 2009
- Available for sale position in foreign equities accounted for 8.0% 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
- The Algo system (a cross-subsidiary market risk management platform) will be completed in Q2 2010

## SKL – 2010 Outlook

- Focus on high value protection and health products to maintain overall profit margin. Cooperate with strategic partner, Dai-ichi Life, to design and promote a series of products with protection features.
- As global markets recover, demand for investment linked products expected to increase leading to higher expense gains.
- Target 4.5%~5% long-term investment return. Maintain overseas investment between 35% and 40% and share of traditional hedges at 70~90%. Continue to closely monitor developments in global markets.
- Continue to enhance risk management. Plan to complete the Algo risk management system in Q2 2010.
- Develop both agency and bancassurance channels. Continue to use SKB as the main bancassurance channel and migrate towards higher margin products.
- Steadily expand SKHNA Life business by establishing other operating sites in Beijing and setting up branches in other provinces/cities in 2010.
- Target ~10% growth in value of new business (VNB) in the medium/long term.



# 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
- Other Information

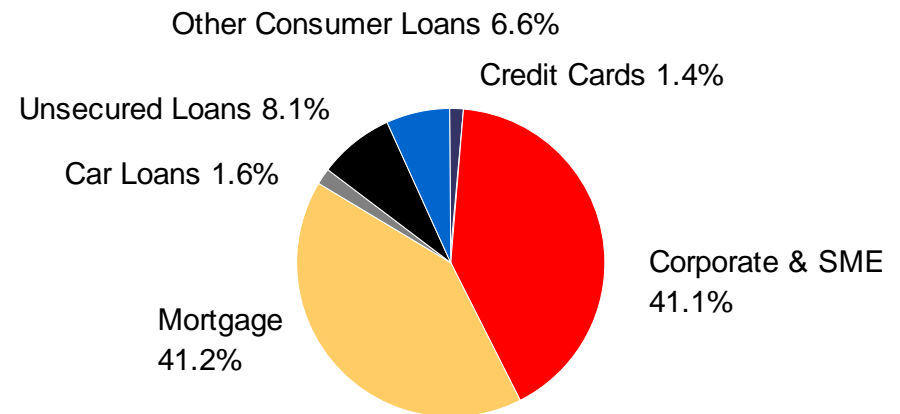
# Shin Kong Bank

- 10th largest private bank in Taiwan
- Over 2 million customers and 1 million credit cards outstanding
- 107 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	2007	2008	2009
Total Loans	280.34	283.99	287.03
Total Deposits	326.01	356.19	375.07
Net Income	1.42	0.23	0.56
Total Assets	385.66	404.03	422.86
Shareholders' Equity	21.23	20.61	22.26

## 2009 Loan Breakdown



**Total Loan: NT\$287bn<sup>(1)</sup>**

Note:

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

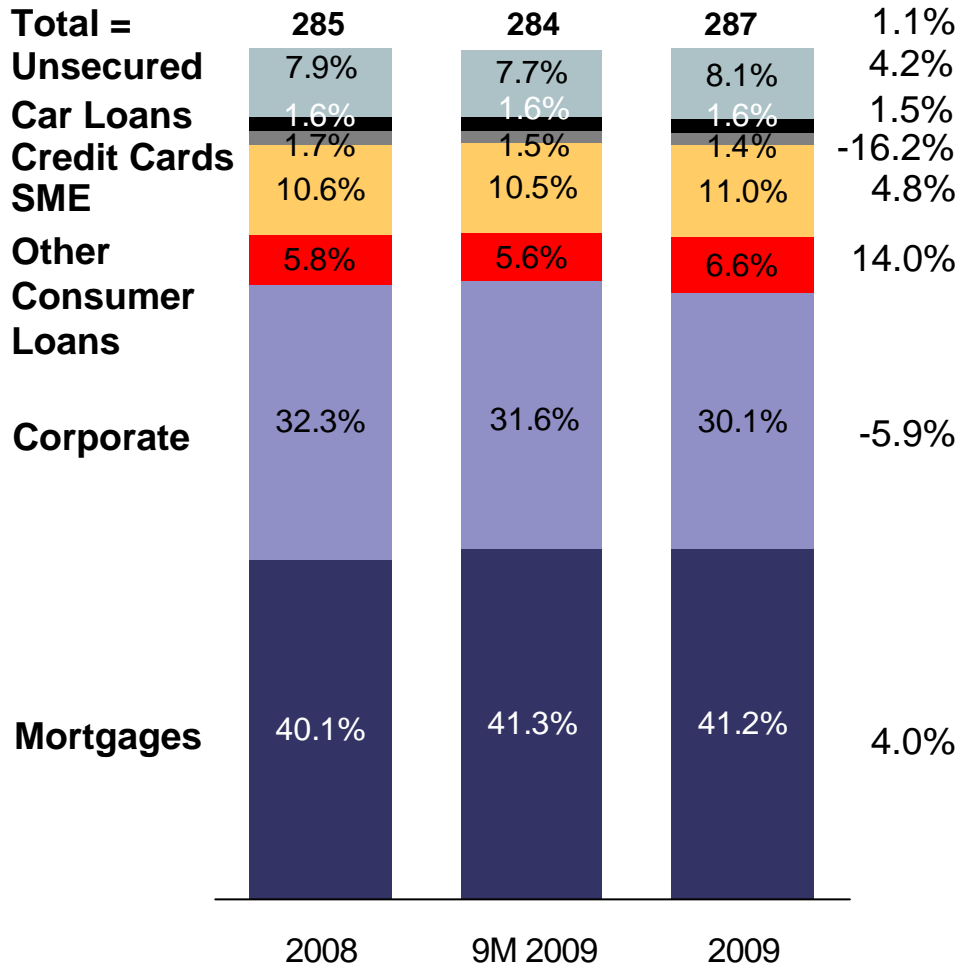
# SKB – 2009 Overview

- After-tax profit for 2009 was NT\$560 million (up 146.4% from 2008); pre-provision profit increased 9.3% to NT\$2.43bn while provision expense went down 11.9% to NT\$1.76bn.
- Loan balance increased 1.1% year-on-year. L/D ratio was 76.7% (incl. credit cards balance). To strike a better balance between risk and return, risk management has been strengthened.
- NIM improved to 1.54% in Q4 2009.
- Fee income from wealth management has recovered since Q2 2009 due to recovery in global markets. Fee income from wealth management for 2009 was NT\$670 million (up 23.6% from 2008). SKB achieved bancassurance cross-sales of NT\$17.07 billion in 2009, accounting for 40.4% of SKL bancassurance premium.
- Credit card NPL ratio decreased to 1.11% and coverage ratio increased to 231.89%.
- 10,403 cases (amounting to NT\$880 million) were filed from implementation of the Consumer Debt Clearance Regulations till the end of 2009; overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 52.70%.
- Asset quality improved with overall NPL and coverage at 1.42% and 75.37% respectively. NPL ratio for mortgages remained low at 0.65%.

# Loan Mix

NT\$bn

## YoY Growth

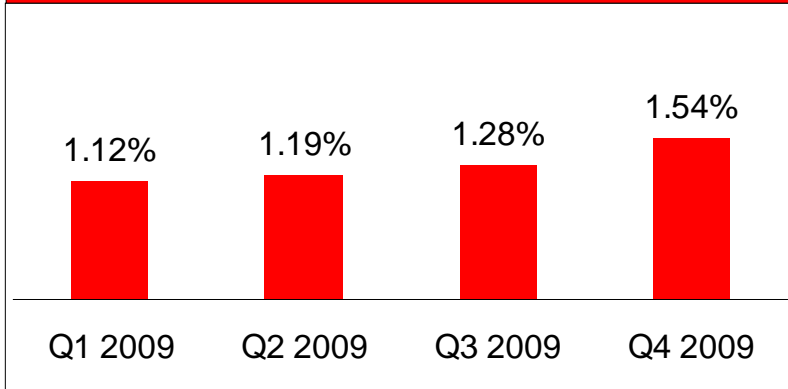


## Comments

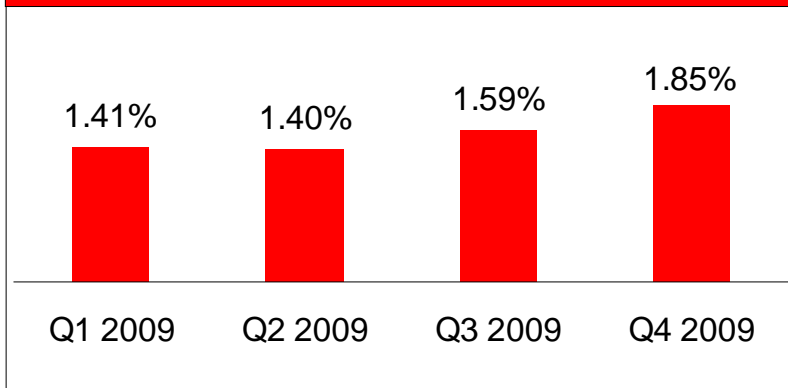
- Loan balance increased 1.1% year-on-year
- Despite stringent credit policies, mortgages achieved stable growth; maximum LTV ratio was 80% for urban planning areas and 60% for non-urban planning areas
- L/D ratio was 76.7% (incl. credit cards balance)

# Interest Yield

## Net Interest Margin



## Net Interest Spread

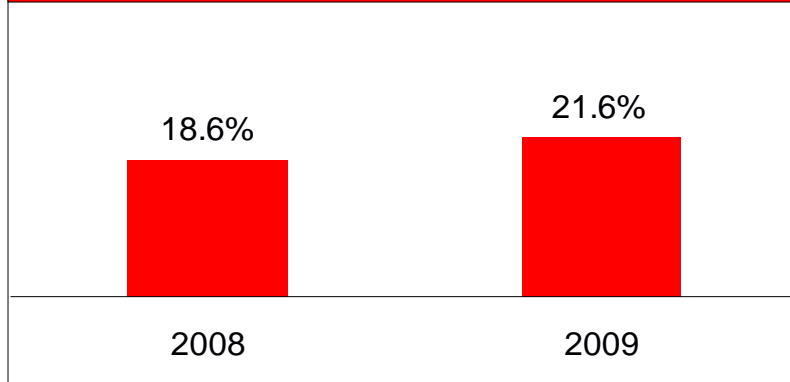


## Comments

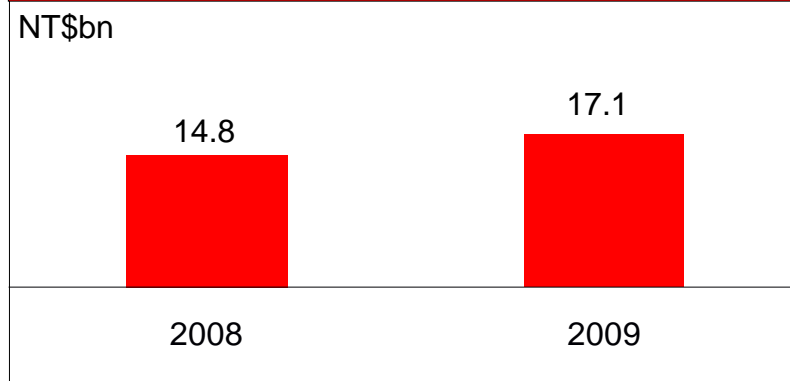
- As high rate deposits matured, NIM improved to 1.54% in Q4 2009
- Impact of Central Bank rate cuts will be fully reflected in Q1 2010. NIM is expected to further increase when Central Bank raises rates
- SKB will continue to :
  - Develop cash management to increase demand deposits and lower cost of funds
  - Expand foreign exchange business and increase fee 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

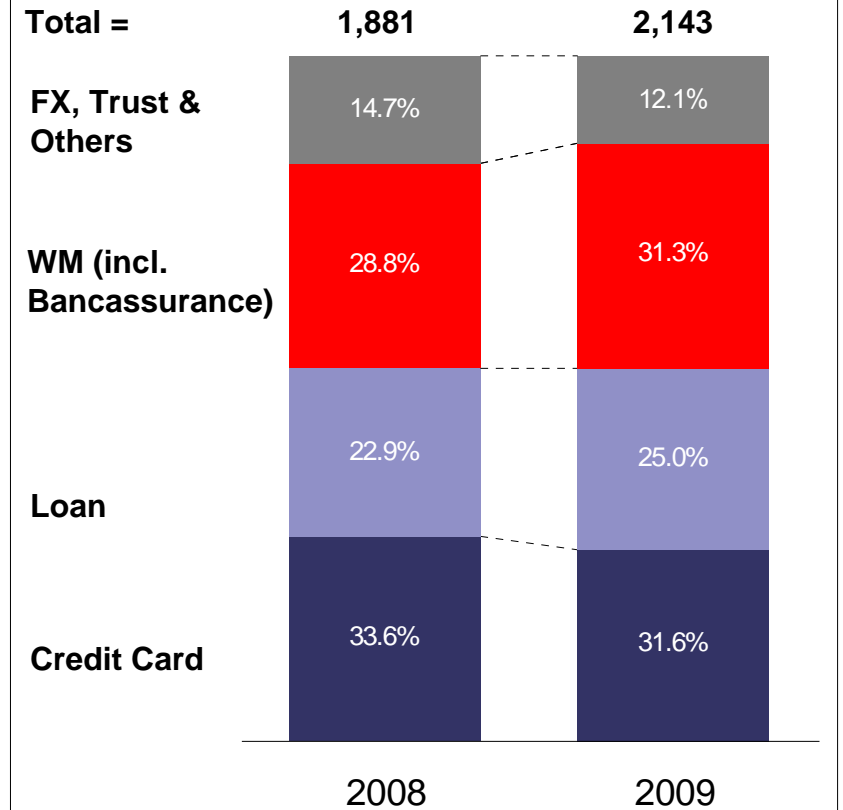


## Bancassurance (SKL) - FYP



## Fee Income Breakdown

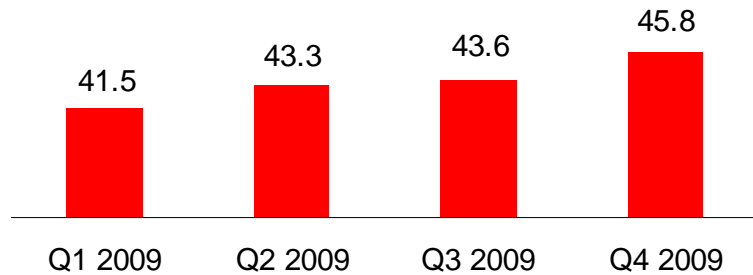
NT\$m



# Wealth Management

## AUM

NT\$bn

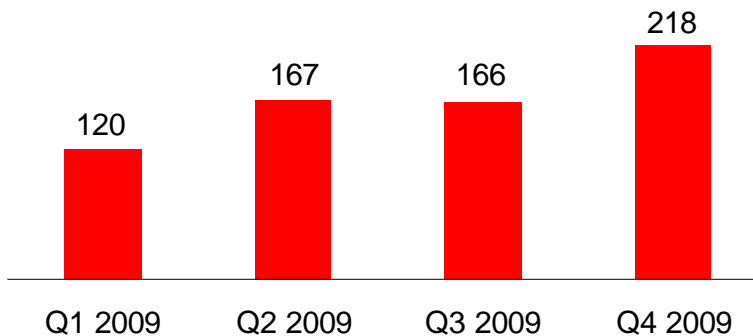


## Wealth Management Center



## WM Fee Income

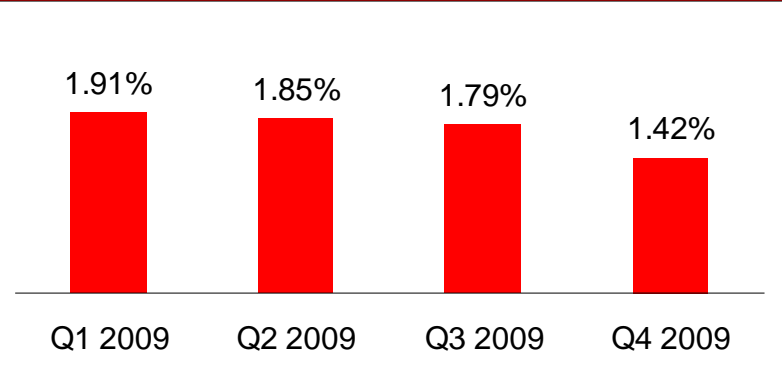
NT\$m



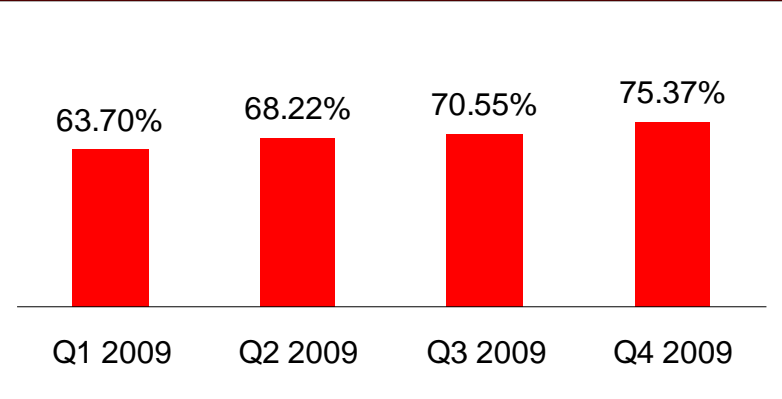
- Fee income from wealth management has increased since Q2 2009 due to recovery in global markets.
- Fee income from wealth management for 2009 was NT\$670 million (up 23.6% from 2008) and accounted for 31.3% of total fee income
- Sales focuses were on mutual funds and insurance products (e.g., Traditional, Health and PA) in 2009. As global markets stabilize, sales of mutual funds are expected to grow in 2010

# Asset Quality

## NPL Ratio



## Coverage Ratio



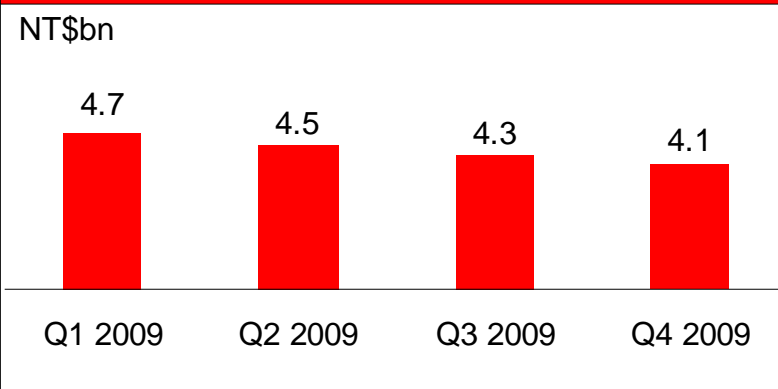
## Comments

- Asset quality continued to improve with overall NPL at 1.42%
- NPL ratio for mortgages was low at 0.65%
- Coverage was 75.37% - above the Company's medium term target
- 10,403 cases (amounting to NT\$880 million) were filed from implementation of the Consumer Debt Clearance Regulations till the end of 2009. Overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 52.70%
- As of the end of 2009, loan balances on DRAM and TFT-LCD industries were NT\$4.53bn and NT\$0.84bn respectively, accounting for 1.6% and 0.3% of total loans. Exposures were limited

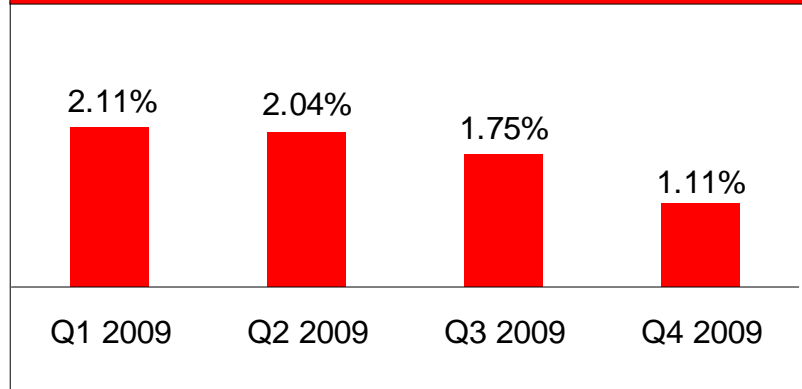


# Credit Cards Metrics

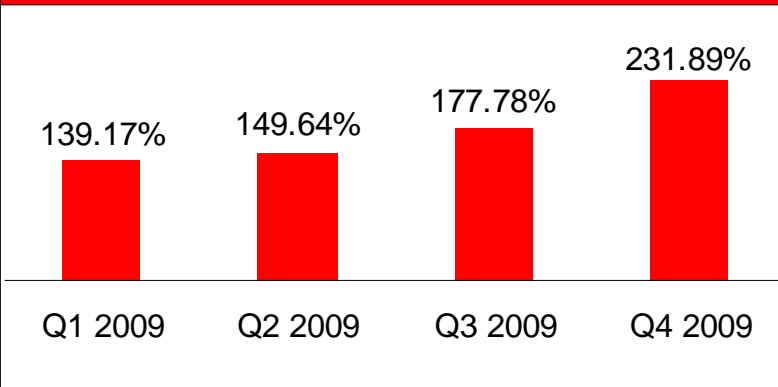
## Revolving Balance



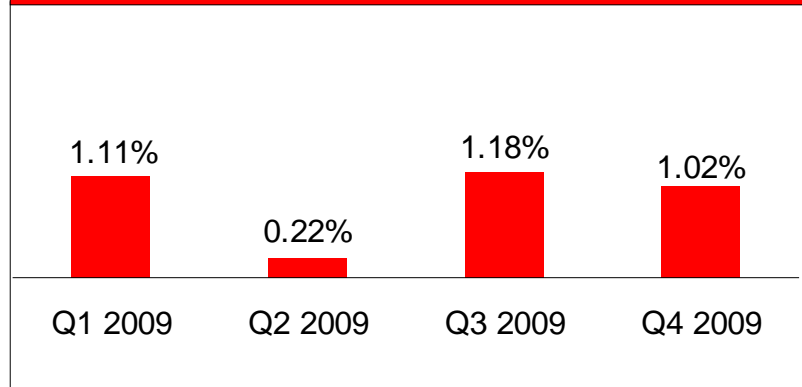
## 90-day NPL



## Coverage Ratio (1)



## Charge-off Ratio (2)



Note:

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

## SKB – 2010 Outlook

- Focus on growing corporate loans to achieve 50:50 mix between corporate and consumer lending
- Continue to develop cash management and payroll accounts to increase demand deposits
- NIM expected to fully reprice in Q1 2010 and further increase if Central Bank raises rates
- Develop foreign exchange business to increase fee income from corporate customers
- Focus on mutual funds, ETFs, foreign bonds and insurance to meet customer needs and enhance profits from wealth management
- Strictly control asset quality and recover non-performing loans to lower NPL and increase coverage ratio
- Consolidate mini-branches into general branches and increase proportion of full service branches to enhance channel productivity.
- Establish Hong Kong branch to serve Taiwanese businesses operating in Asia-Pacific

# Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

**IV. Appendix**

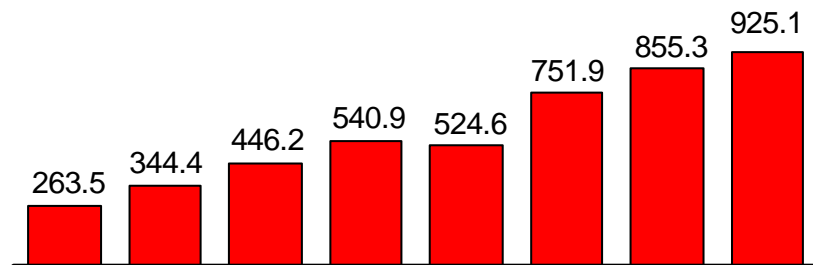
- **Market opportunities**
- SKL Premium
- One-off losses of CDO & CBO investment
- EV & AV Result
- SKL China Development Strategy
- Other Information

## Insurance opportunity:

# High growth driven by new products and channels

### Life FYP

NT\$bn

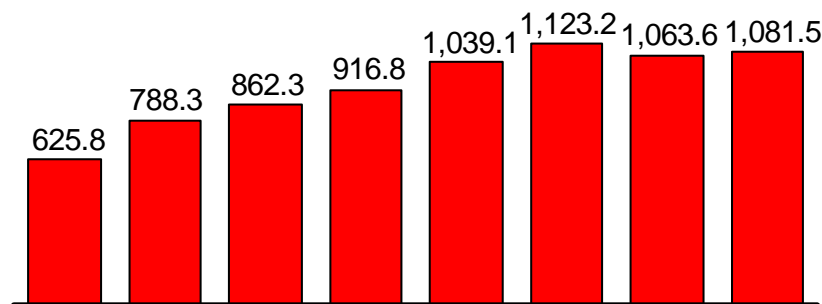


**Growth**  
Percent

49.5 30.7 29.6 21.2 -3.0 43.3 13.8 8.2

### Life renewal premium

NT\$bn



**Growth**  
Percent

13.2 26.0 9.4 6.3 13.3 8.1 -5.3 1.7

Source: Insurance Institute

### New business breakdown

Percentage

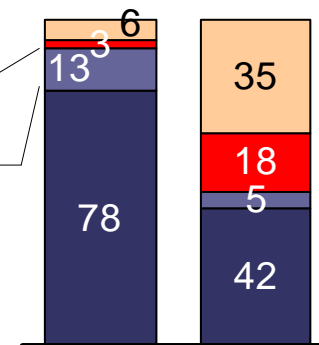
Variable interest rate linked

Investment linked

Accident and health

Traditional life

Traditional life



2002 2009

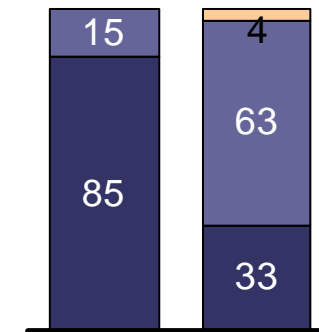
### New business channel mix

Percentage

Others

Bancassurance

Traditional agents

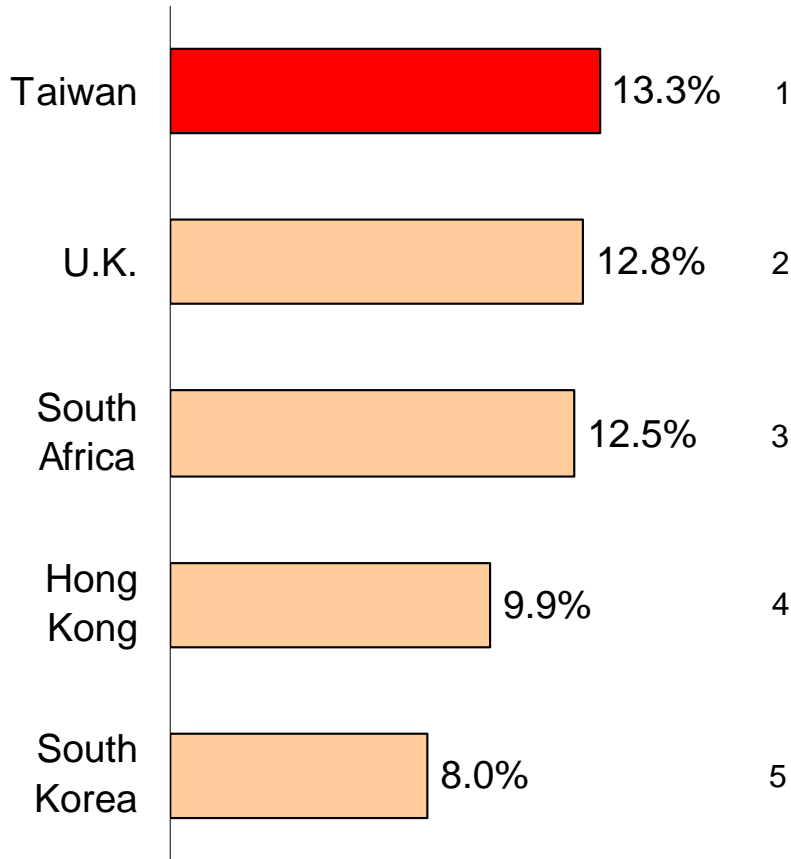


2002 2009

*Insurance opportunity:*

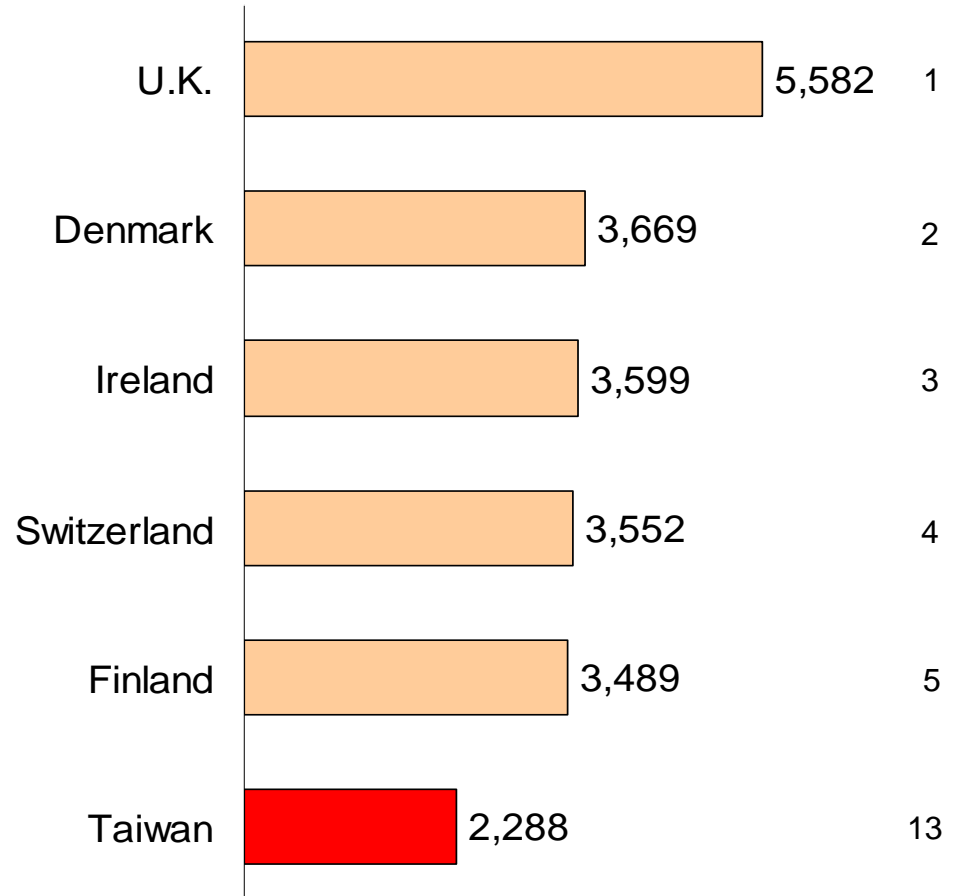
# High penetration but low density

Life business premiums/GDP, % Rank



Life insurance expense per capita, US\$

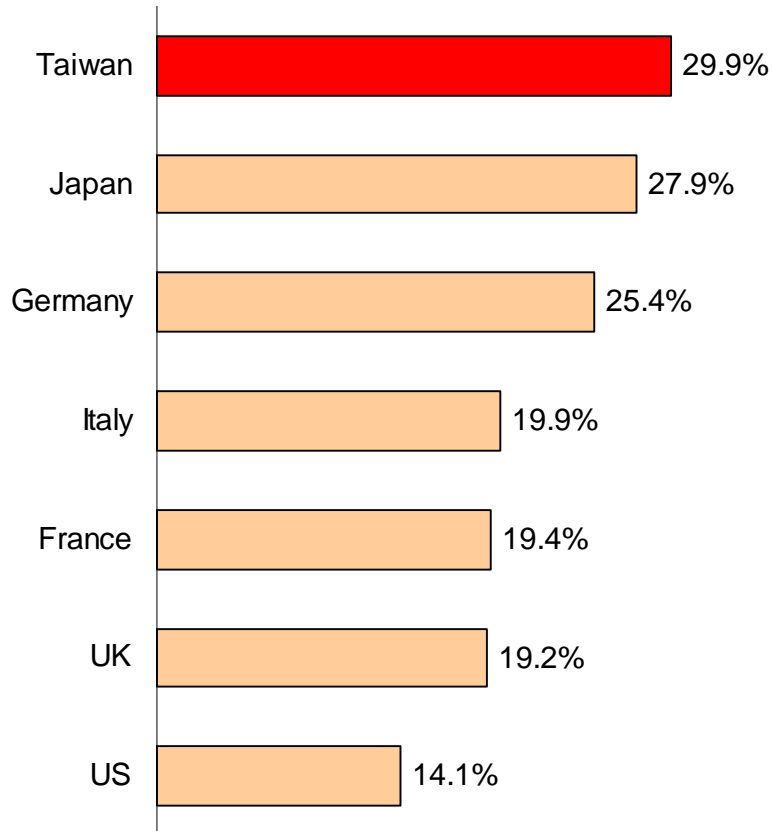
Rank



*Wealth management opportunity:*

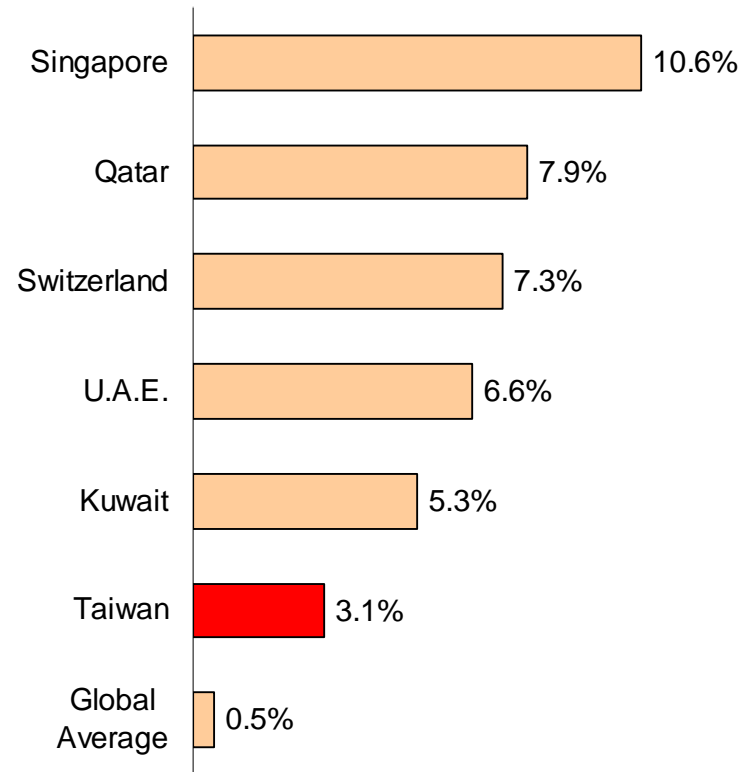
# High savings rate and wealth concentration

## Savings rate (1)



## Concentration of wealth (2)

Millionaire households as a percentage of total households



Source:

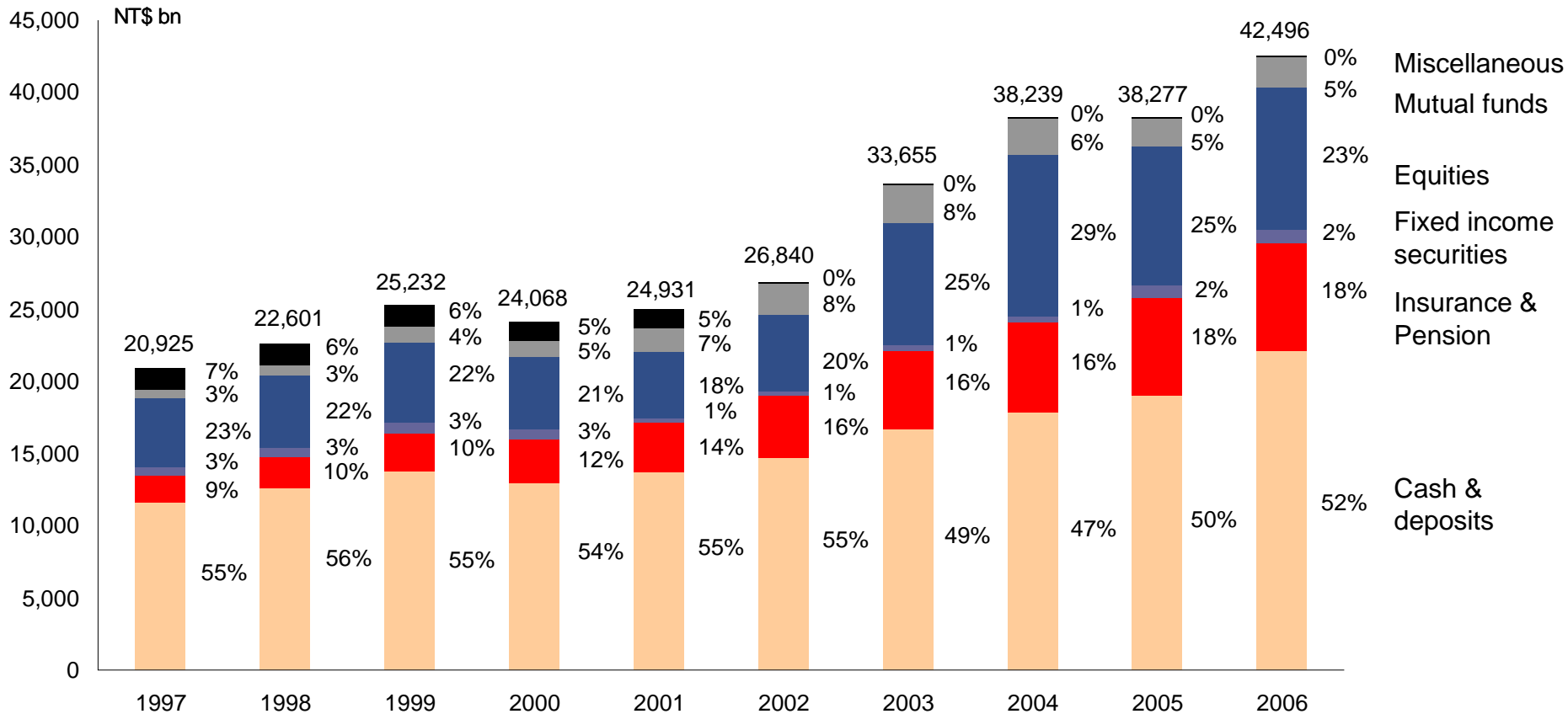
(1) National Statistics, Taiwan; BEA (USA), International Financial Statistics (IMF), Monthly Statistics of Japan, 2007

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

*Wealth management opportunity:*

# Asset migration away from deposits

Taiwanese household assets (NT\$bn, Percent)



# 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
- Other Information

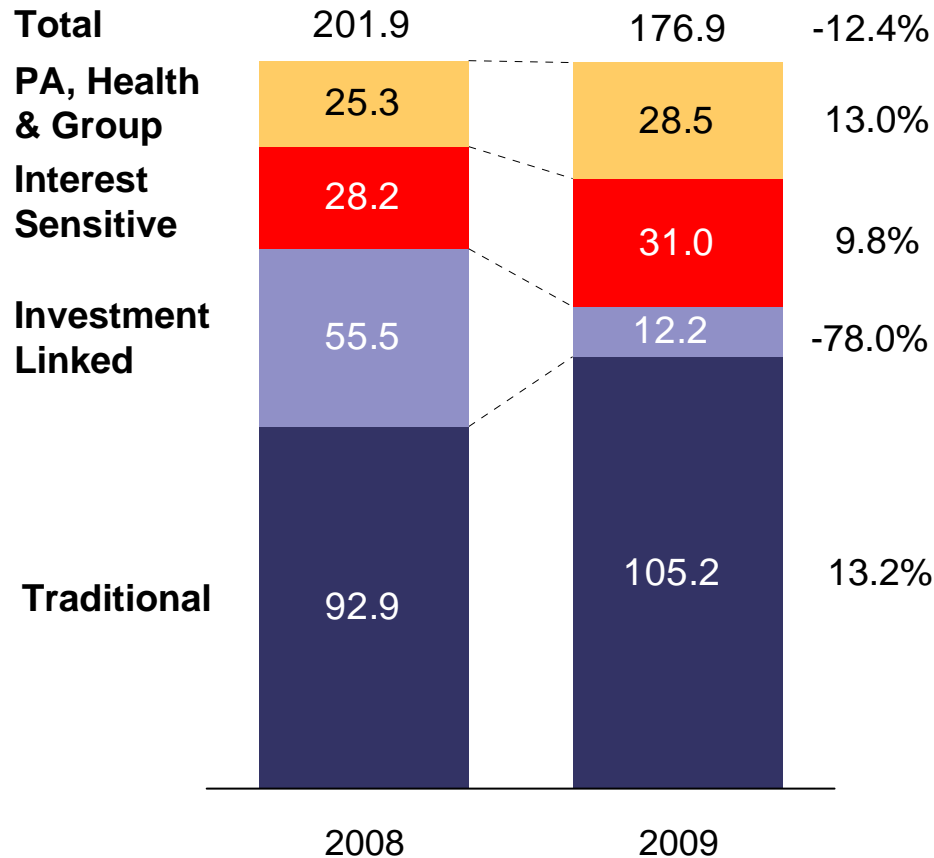


# Total Premium

NT\$bn

Market Share = 8.8%

Growth



## Comments

- Sales of investment linked products showed signs of recovery and contributed NT\$4.97bn in 2H FYP. Total premium was lower than the high basis achieved in 2008
- Driven by strong sales in high value health products, total premium from PA, Health & Group grew by 13.0%
- Traditional and related policies (mostly recurring premium) accounted for 59.5% of total premiums, up 13.2% YoY

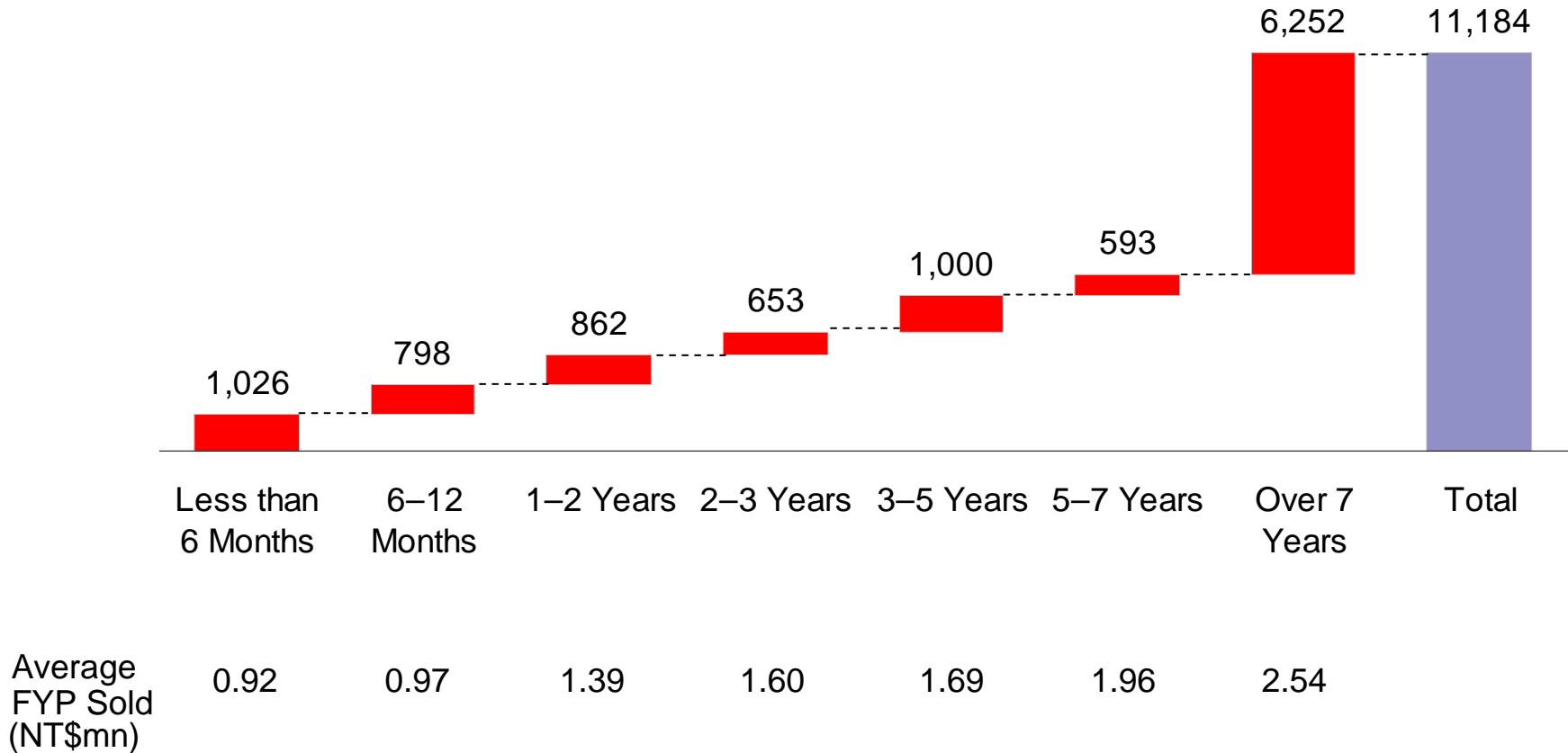
# SP / RP Breakdown – 2009

NT\$bn

2009 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	18.12	7.70		25.82
Investment-linked				
VUL			-0.05	-0.05
Structured note	4.93			4.93
Interest Sensitive				
Annuity	30.75		0.01	30.76
Life			0.22	0.22
PA, health and others		6.51		6.51
<b>Total</b>	<b>53.80</b>	<b>14.21</b>	<b>0.18</b>	<b>68.19</b>

# Agent Number and Productivity by Tenure

2009



# 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
- Other Information

# Summary of CDO/CBO Losses

Reflected in Income Statement

Impairment Loss Recognized (NT\$bn)	2007	1H 2008	2H 2008	1H 2009	3Q 2009	4Q 2009	Total
<b>ABS CDOs</b>	1.88	3.20	0.74	1.75	-	0.09	7.66
<b>CBOs</b>	1.03	1.37	-	-	0.71	-	3.10
<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	2.81	0.71	0.09	13.35

# 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
- Other Information

# 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

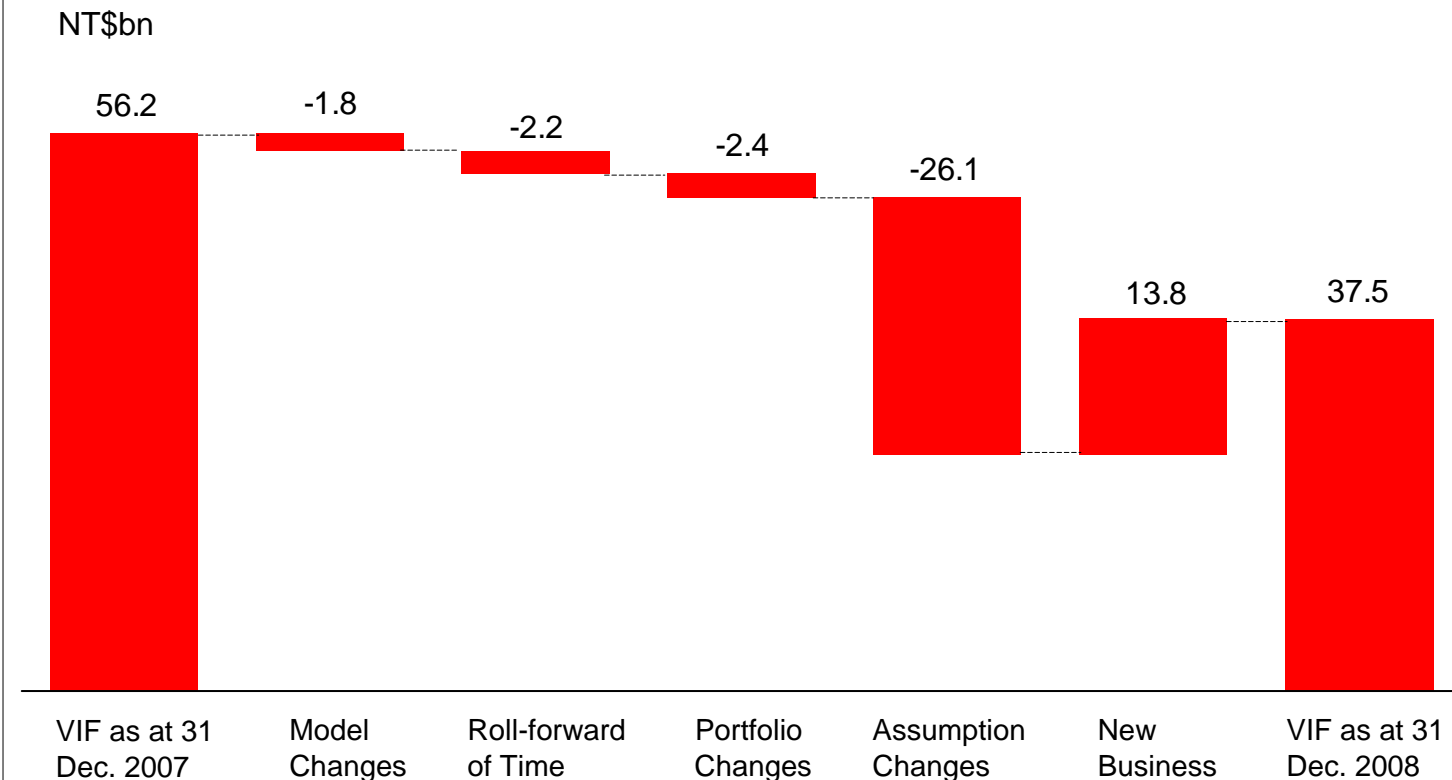
# SKL - Estimate of Embedded/ Appraisal Value

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>

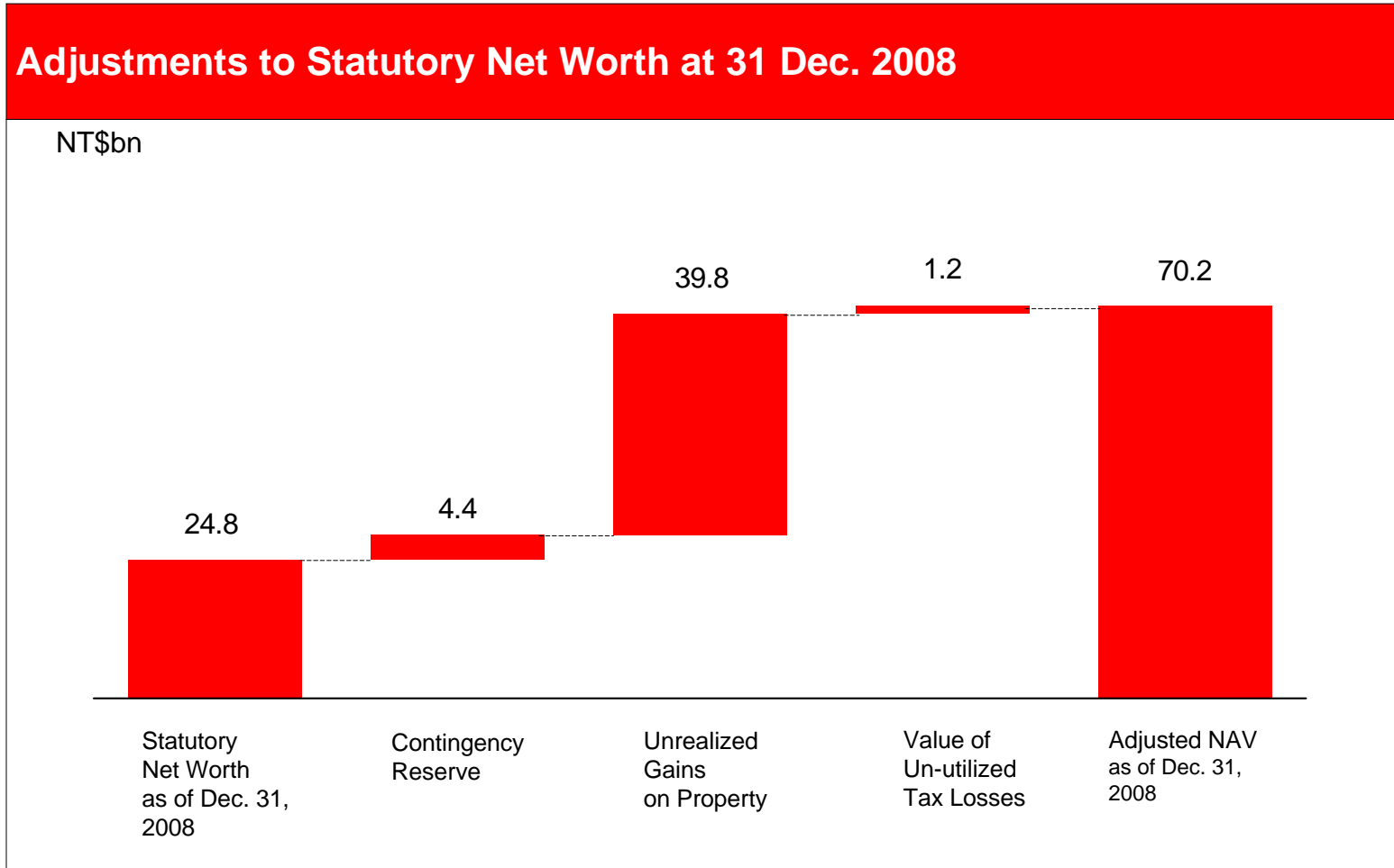


# SKL – Analysis of Change in VIF

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

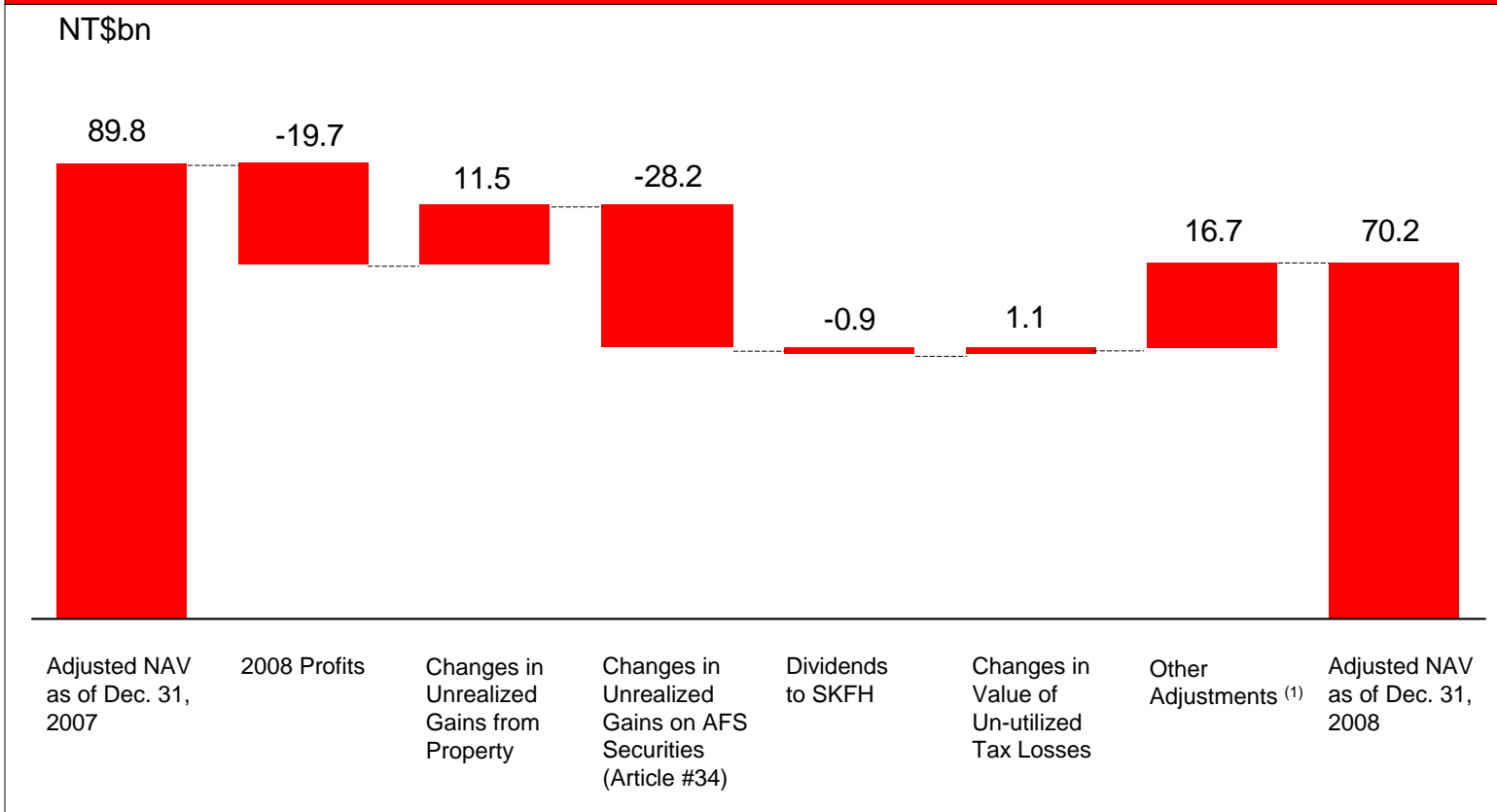


# SKL – Adjusted NAV



# 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.

# Agenda

I. SKFH

II. Life Insurance Business

III. Banking Business

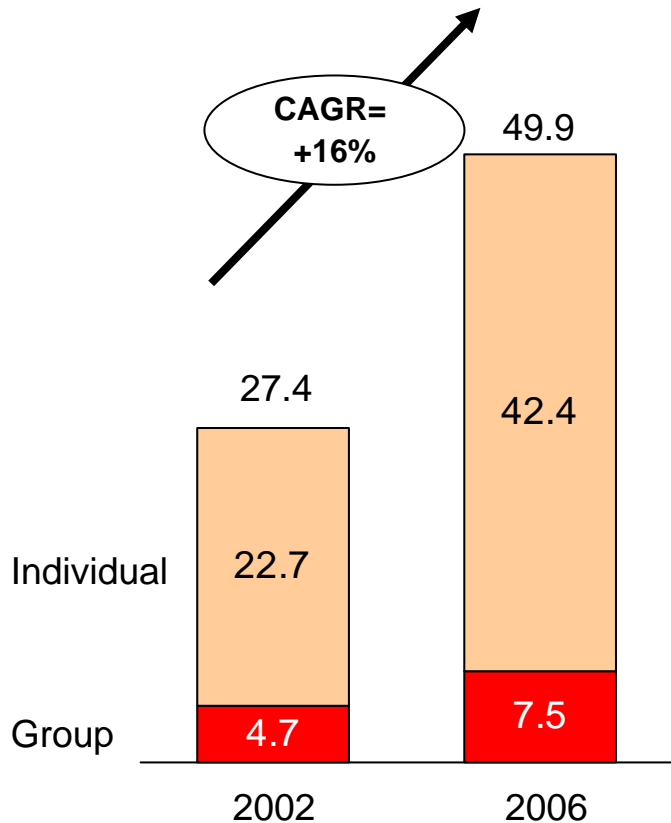
**IV. Appendix**

- Market opportunities
- SKL Premium
- One-off losses of CDO & CBO investment
- EV & AV Result
- **SKL China Development Strategy**
- Other Information

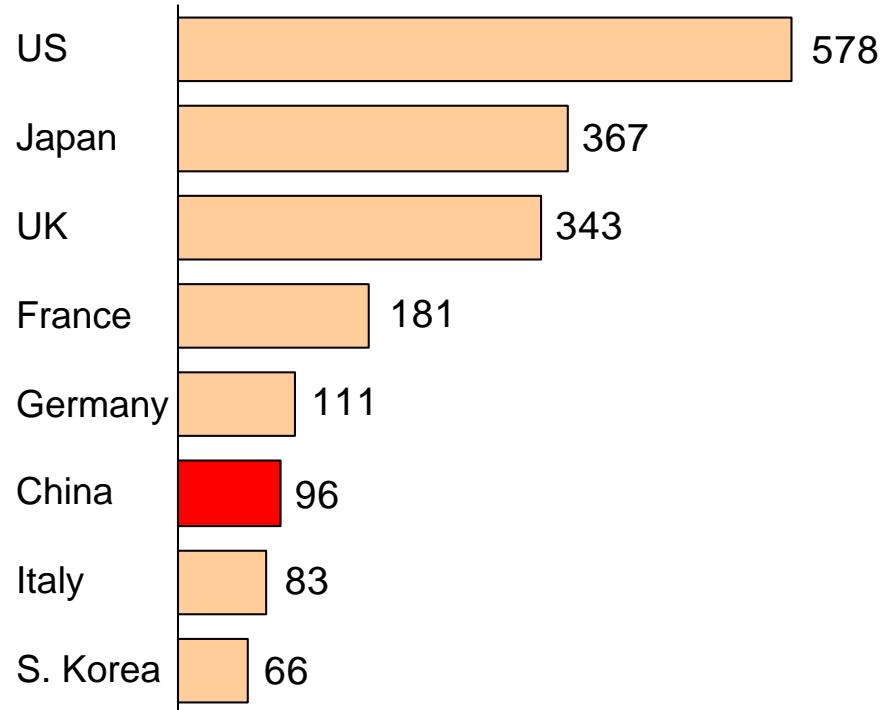
# China insurance market is growing rapidly and ranked number 6 in the world

US\$bn

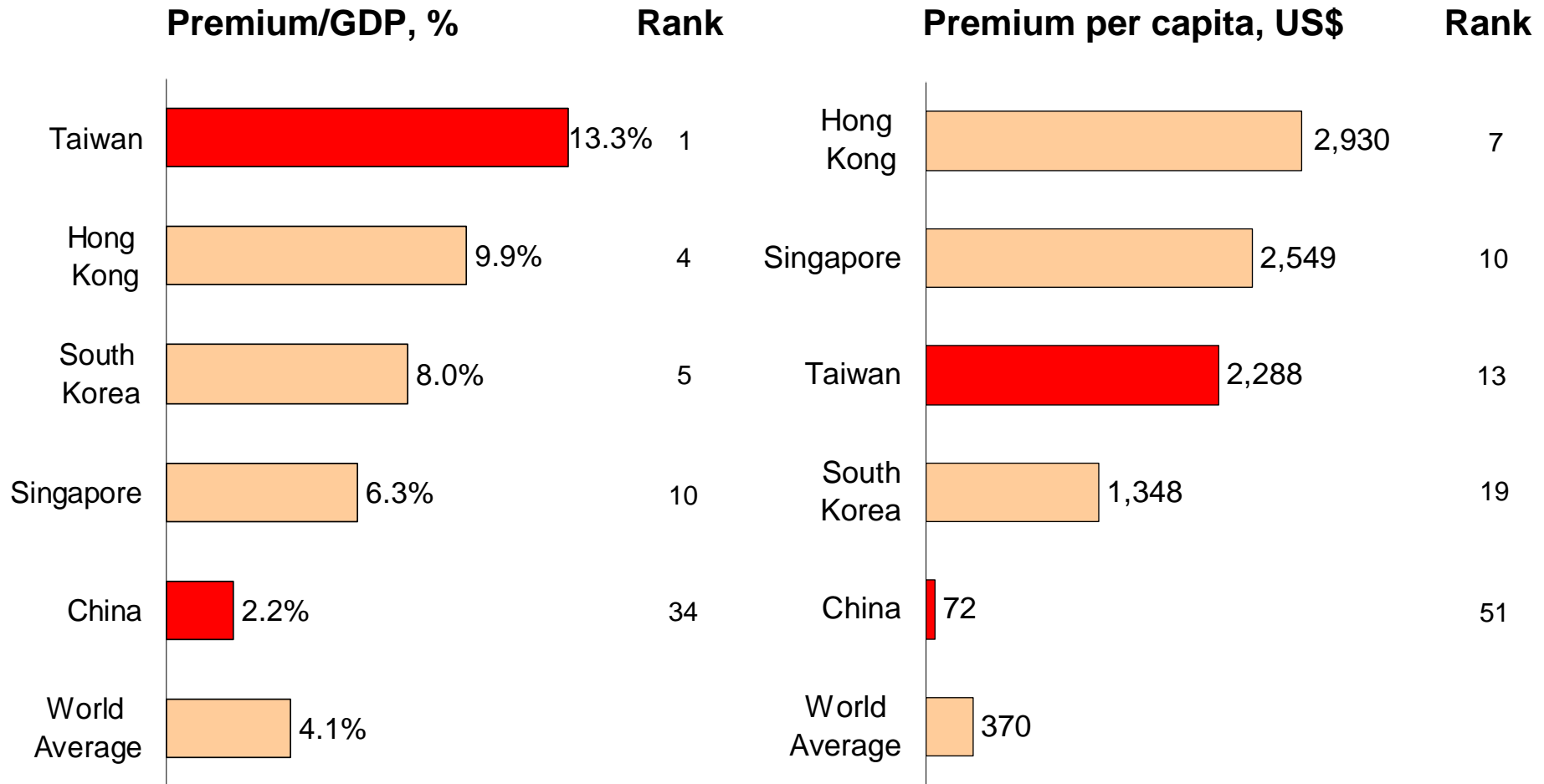
Total life premium



Total life premium 2008



# Low Penetration and Density

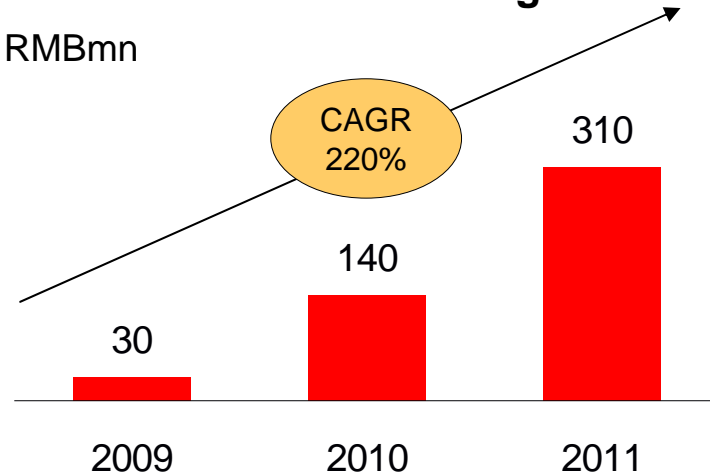


# Shin Kong - HNA Life Started Operation



## 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



# 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
- **Other Information**

# 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

# 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 <sup>(1)</sup>		
Other assets to be sold		4.40 <sup>(1)</sup>		
Total capital released from SKSC		5.02 <sup>(1)</sup>		
Use of fund		Capital injection to SKL		
SKFH's holding in MasterLink		25%		

Note:

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

**Website : [www.skfh.com.tw](http://www.skfh.com.tw)**

**E-mail : [ir@skfh.com.tw](mailto:ir@skfh.com.tw)**