

Confidential



**Shin Kong Financial Holding**

## Company Overview

September 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 numbers audited by the 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
- Capital Enhancement
- 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 105 branches
- One of the few FHCs in Taiwan with significant presence in both insurance and banking

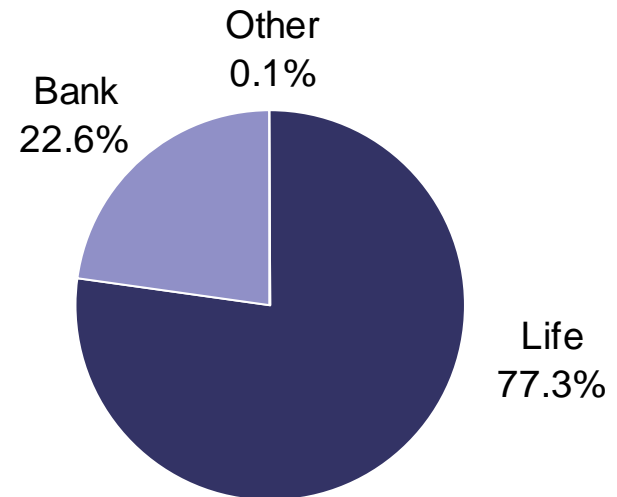
## Financial Overview

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:

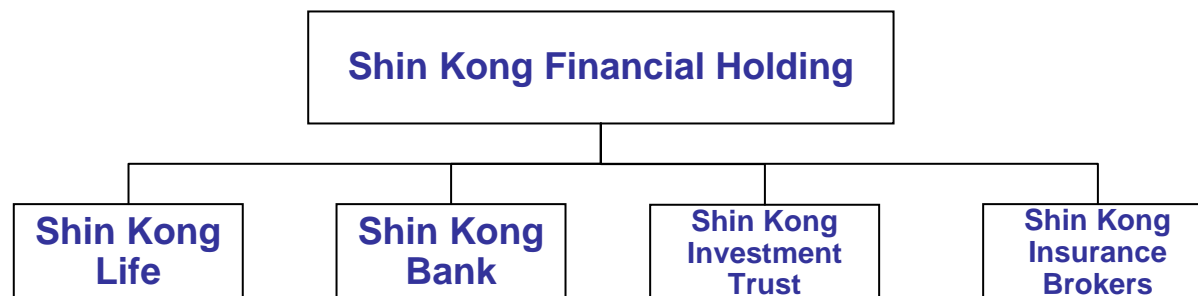
(1) Excludes minority interest income

## 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	343	105	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



**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



**Tsai,  
Jason**

President, Shin Kong Life

Experiences:

- EVP, Shin Kong Life
- SVP, Shin Kong Life

Membership & others:

- Executive Director, Life Insurance Management Institute of the Republic of China



**Huang,  
Richard**

President, Shin Kong Investment Trust

Experiences:

- SVP, Shin Kong Investment Trust



**Lee,  
David**

President, Shin Kong Insurance Brokers

Experiences:

- SVP, Shin Kong Insurance Brokers
- SVP, 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**

SVP, 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 over 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 2010 Overview

- Economic recovery has shown signs of slowing and equity/foreign exchange markets remain volatile. Central banks worldwide are closely monitoring the situation and a double-dip recession is not expected.
- SKFH recorded after-tax loss of NT\$0.07bn in Q2 2010, down 97.5% QoQ. Excluding DTA adjustment (NT\$0.60bn), after-tax profit would have been NT\$0.53bn. Cumulative after-tax loss was NT\$3.00bn for 1H 2010.
- Revenues steadily grew
  - SKL: Premium income grew 28.3% QoQ, 5.3% YoY. Interest income increased 16.2% YoY.
  - SKB: Net interest income and net fee income increased 41.9% and 36.0% YoY respectively.
- Control of expenses remained tight
  - SKL: Operating expenses were 17.2% lower YoY.
  - SKB: Operating expenses remained at the same level compared to 1H 2009.
- Much stronger capital structure than last year and concrete plans in place to strengthen capital even further
  - Capital adequacy ratios for SKFH and subsidiaries have been above regulation requirement.
  - Consolidated shareholders' equity of SKFH was NT\$80.22bn, 29.5% higher YoY.
  - Shareholders' equity of SKL was NT\$48.58bn, 72.5% higher YoY.
  - Board resolution was passed on August 13 to issue 600,000,000 common shares. Proceeds will be used to enhance capital structure of SKL. Transaction will be completed by the end of the year.

# Net Income – 1H 2010

## Net income contribution

NT\$bn

Subsidiaries	Q1 2010	Q2 2010	1H 2009	1H 2010
Shin Kong Life	-3.36	-0.55	-1.32	-3.91
Shin Kong Bank	0.35	0.57	0.23	0.92
Shin Kong Securities	0.06	0.01	0.27	0.07
Shin Kong Investment Trust	0.01	0.01	0.00	0.02
Shin Kong Insurance Brokers	0.02	0.02	0.03	0.04
Others <sup>(1)</sup>	-0.01	-0.13	0.17	-0.14
<b>Net income</b>	<b>-2.93</b>	<b>-0.07</b>	<b>-0.62</b>	<b>-3.00</b>

Note:

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

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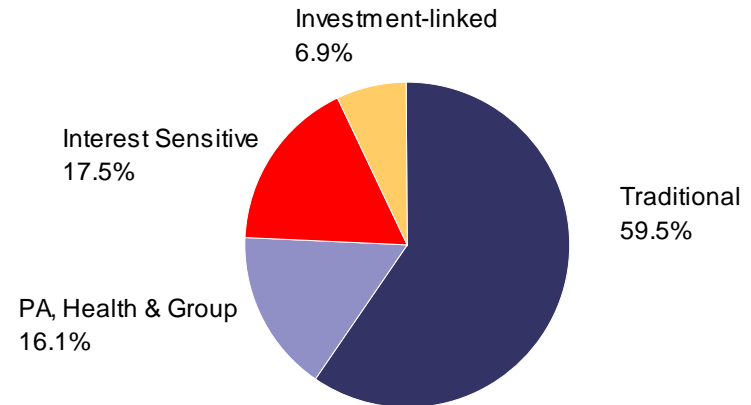
# Shin Kong Life

- 3<sup>rd</sup> largest life insurer in Taiwan with 7.4% market share and 3 million customers
- Strong distribution network with 12,000 agents, 343 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



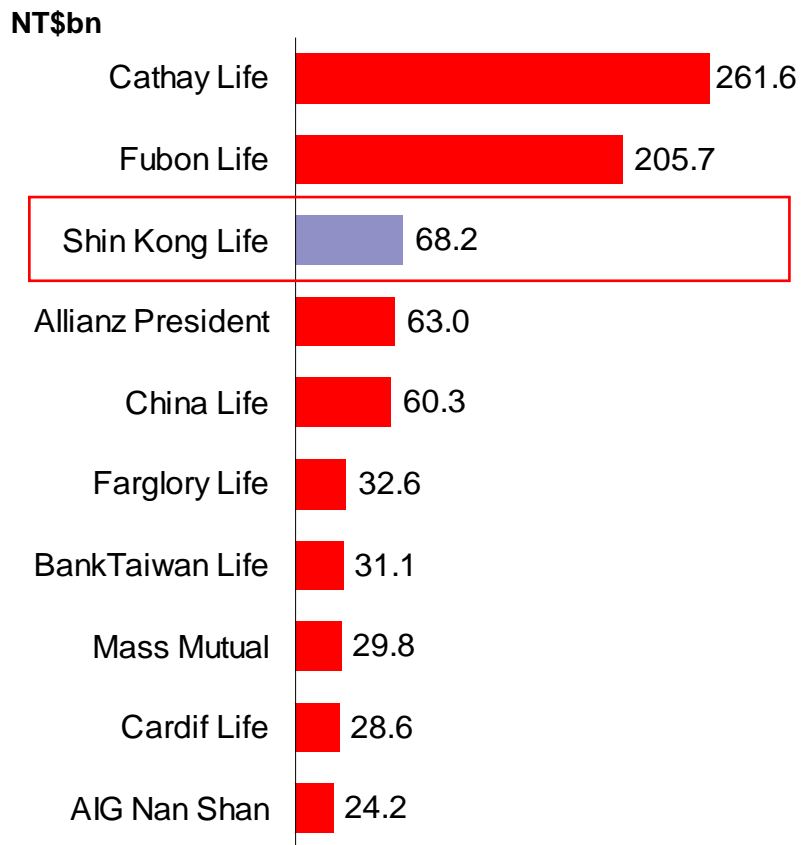
**Total Premium Written: NT\$176.9bn**

Note:

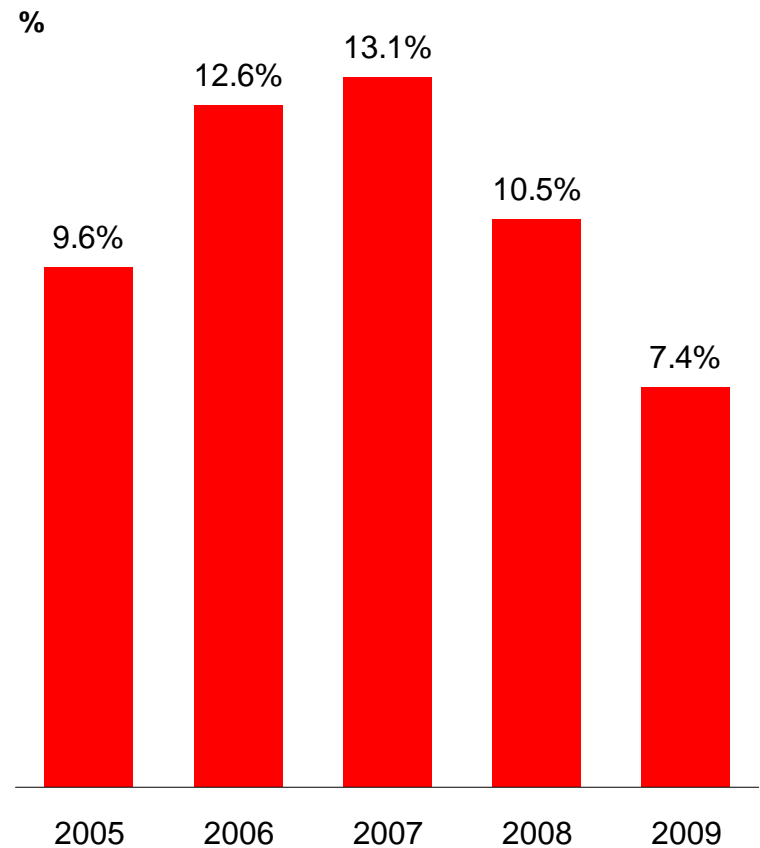
(1) Excludes preferred shares

# 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, 2010)  
by Securities & Futures Institute



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



**Taiwan Capital Markets Deal of the Year** (2009) by IFR Asia



**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



**Best IR Website in Taiwan** (2010) and **Top 5 Websites in Greater China** (2009) by IR Global Rankings

## SKL – 1H 2010 Overview

- SKL recorded lower after-tax loss of NT\$0.55bn in Q2 2010 driven by higher premium income and lower foreign exchange hedging cost. Excluding DTA adjustment (NT\$0.60bn), after-tax profit would have been NT\$0.05bn. Cumulative after-tax loss was NT\$3.91bn in 1H. ROE was -7.40%.
- 1H FYP was NT\$37.93bn, up 21.2% YoY. Q2 FYP was NT\$22.46bn, 45.2% higher QoQ. Market share was 6.7%.
- Sales were mainly contributed by traditional and interest-sensitive products, accounting for 25.3% and 63.5% of FYP respectively. Protection products were the focus of traditional sales vs higher share of single premium savings products in 2009. Due to stabilization in global markets, sales of investment-linked products increased to NT\$1.84bn in Q2 2010.
- Margin is the main consideration in new product development. SKL recently launched regular premium investment-linked product and protection product co-developed with Dai-ichi Life to drive mortality/expense gains.
- 13-month persistency improved to 91.3%. 25-month persistency was 76.3%.
- 1H annualized investment return was 3.2%.
- Shareholders' equity was NT\$48.58bn, up 72.5% YoY.

# Financial Highlights – 1H 2010

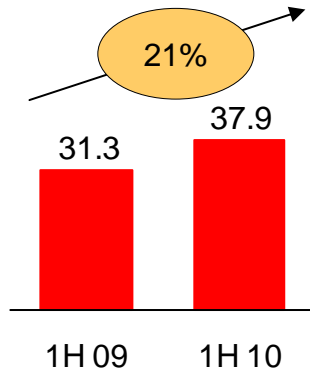
	1H 2009	1H 2010	YoY Growth
NT\$mn, %			
First year premium	31,296	37,932	21.21%
Total premium	87,129	93,254	7.03%
Investment income	24,427	24,659	1.0%
Net income	-1,321	-3,906	-
Total assets	1,352,583	1,487,279	10.0%
Total shareholders' equity	28,169	48,581	72.5%
ROE (unannualized)	-4.99%	-7.40%	-
ROA (unannualized)	-0.10%	-0.27%	-



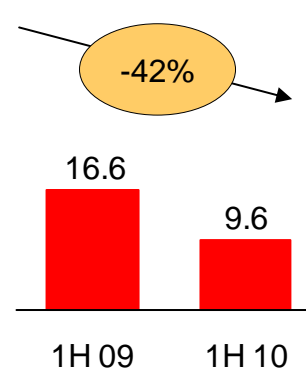
# First Year Premium – 1H 2010

NT\$bn

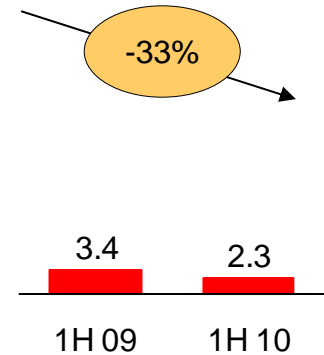
## Market share 6.7%



## Traditional



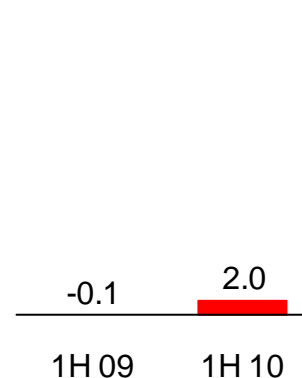
## PA, Health and Group



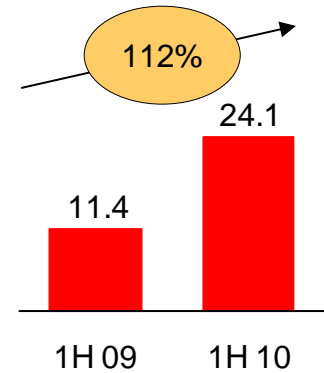
### Comments

- FYP increased 21% YoY and 45% QoQ
- Traditional and interest-sensitive products contributed most significant shares (25.3% and 63.5% respectively) of FYP
- Protection products were the focus of traditional sales vs higher share of single premium savings products in 2009
- Recently launched regular premium investment-linked product and protection product co-developed with Dai-ichi Life to drive mortality/expense gains

## Investment-linked



## Interest-sensitive



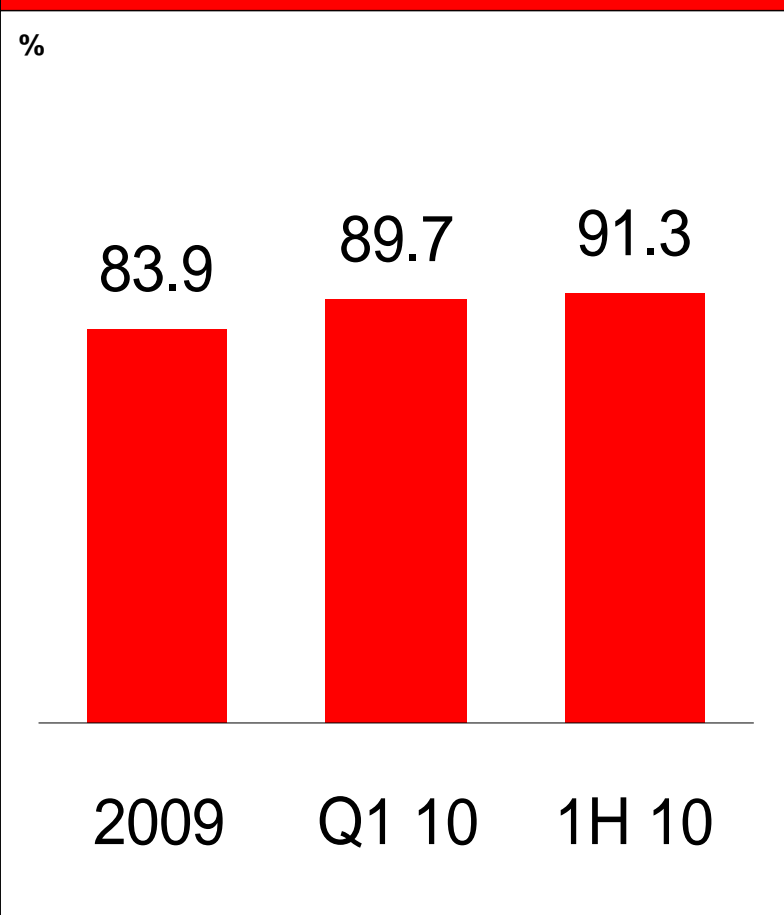
# SP / RP Breakdown – 1H 2010

NT\$bn

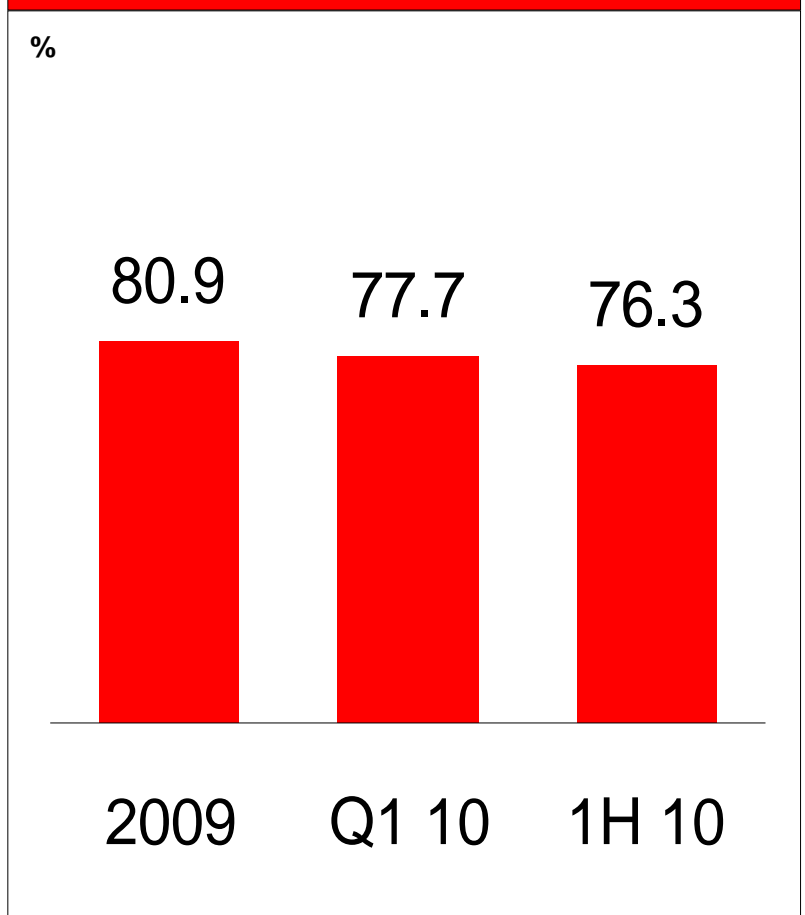
1H 2010 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	6.47	3.13		9.60
Investment-linked				
VUL			1.99	1.99
Structured note				0.00
Interest Sensitive				
Annuity	24.00		0.02	24.02
Life			0.05	0.05
PA, health and others		2.27		2.27
<b>Total</b>	<b>30.47</b>	<b>5.40</b>	<b>2.06</b>	<b>37.93</b>
<b>Share</b>	<b>80.3%</b>	<b>14.2%</b>	<b>5.5%</b>	<b>100.0%</b>

# Persistency Ratio

13 month persistency



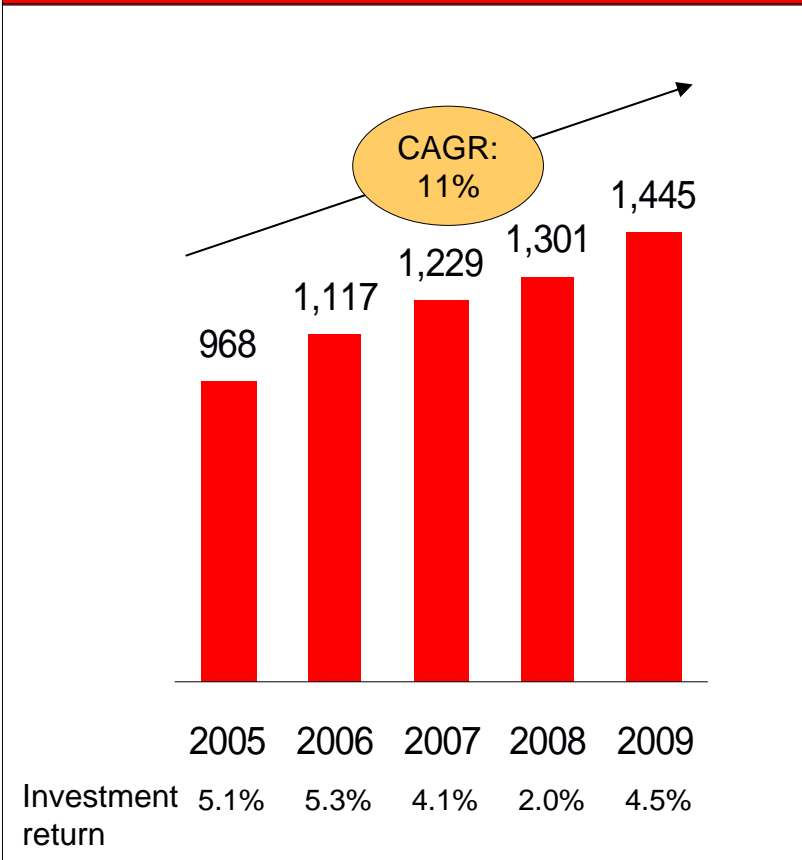
25 month persistency



# Investment Portfolio

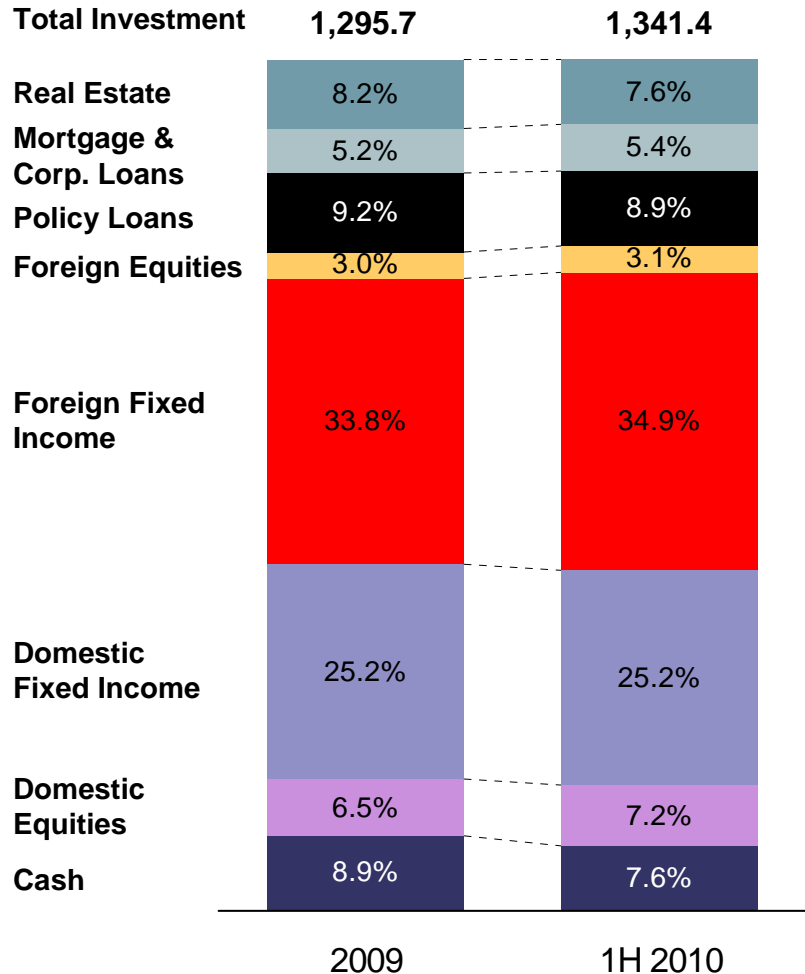
NT\$bn

## Total Assets



Note:

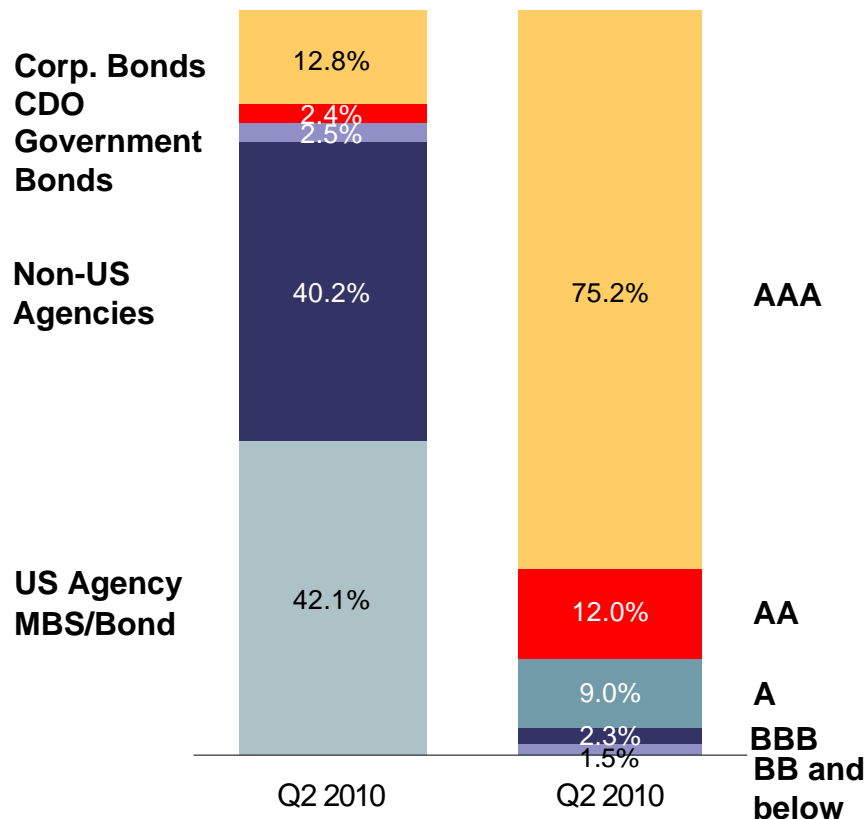
- (1) Due to rounding, asset allocation figures may not add up to 100%
- (2) Includes capital gains and FX hedging cost



# Overseas Fixed Income Portfolio

## Overseas Fixed Income Portfolio

Total=NT\$468.7bn



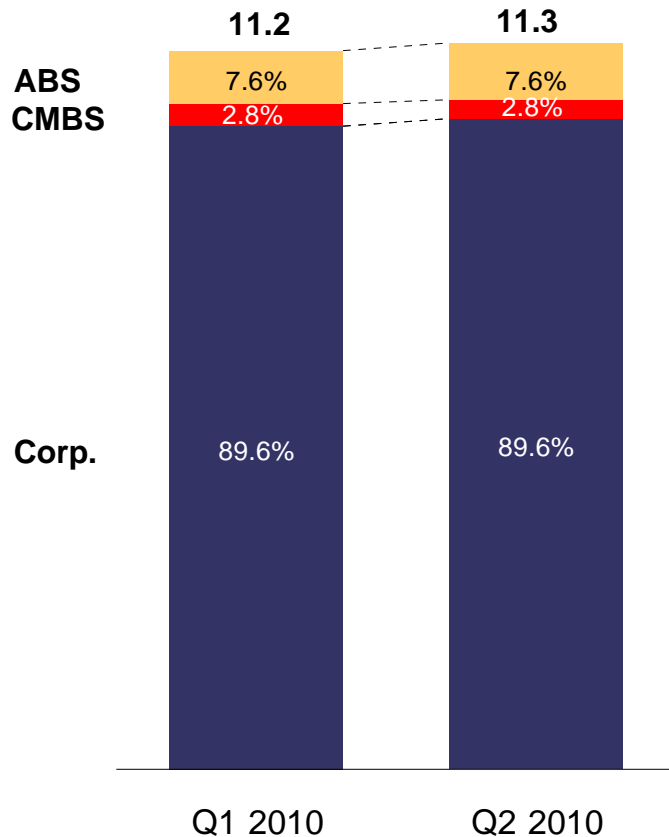
## Comments

- Portfolio mainly comprises low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 75.2% of the portfolio. 96.2% 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

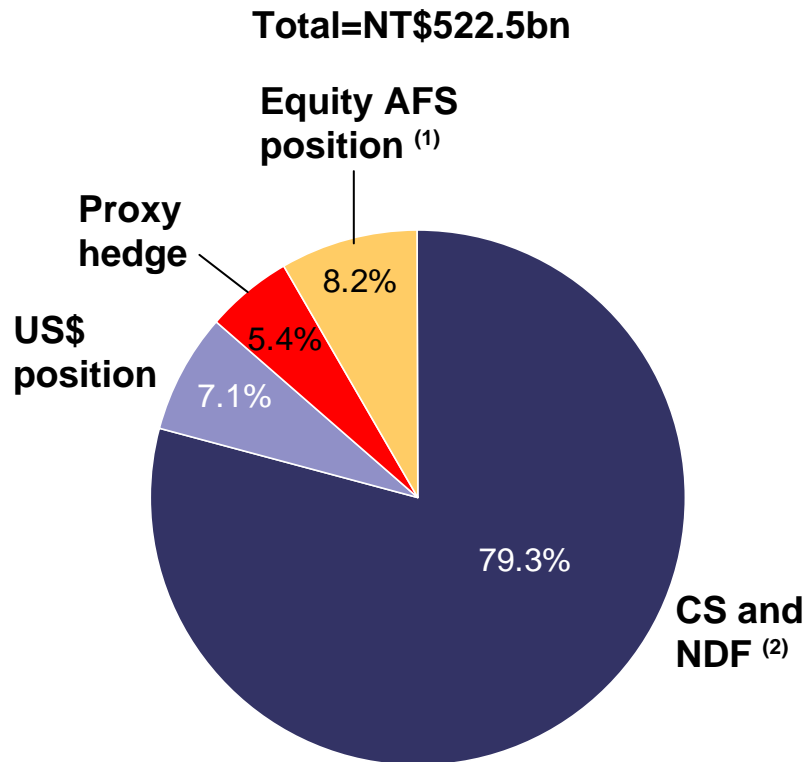


## Comments

- Overall exposure remained at the same level as Q1 2010
- 7.6% 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 Q2 2010, no loss was recognized
- Cumulative loss of NT\$1.78bn 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 reduced to 5.4%
- Available for sale position in foreign equities accounted for 8.2% 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; share of overseas investment maintained between 35~40%

## Well-diversified Portfolio

- Diversification by asset class (equity, credit, currency, commodity, real estate)
- Diversification by strategy for uncorrelated sources of alpha (high dividend yield, 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) was completed in Q2 2010



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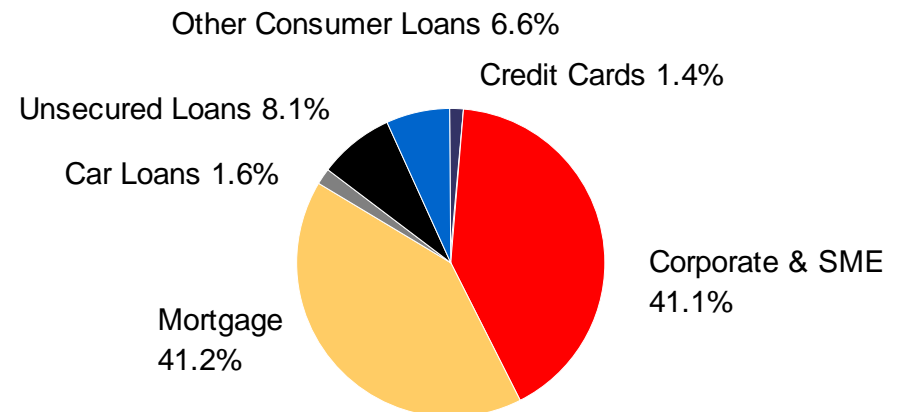
# Shin Kong Bank

- 10th largest private bank in Taiwan
- Over 2 million customers and 1 million credit cards outstanding
- 105 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

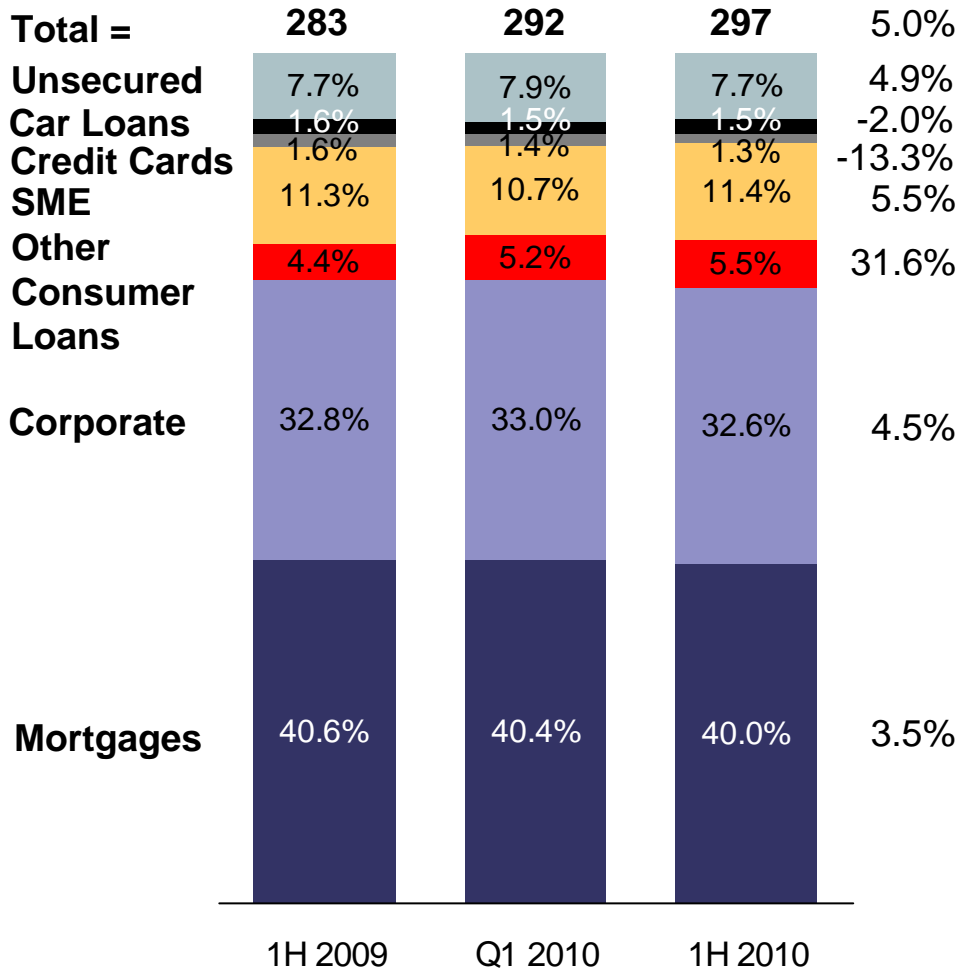
## SKB – 1H 2010 Overview

- After-tax profit for 1H 2010 was NT\$916 million (up 297.3% year-on-year); pre-provision profit increased 69.4% year-on-year to NT\$1,918 million while operating expense remained at the same level compared to 1H 2009.
- Loan balance increased 5.0% year-on-year. L/D ratio was 81.4% (incl. credit cards balance). To strike a better balance between risk and return, risk management has been strengthened.
- NIM improved from 1.60% in Q1 2010 to 1.64% in Q2 2010.
- Fee income from wealth management has recovered since Q2 2009 due to recovery in global markets. Fee income from wealth management for 1H 2010 was NT\$377 million (up 31.7% year-on-year). SKB achieved bancassurance cross-sales of NT\$10.7 billion in 1H 2010, accounting for 45.2% of SKL bancassurance premium.
- Credit card NPL ratio decreased to 0.62% and coverage ratio increased to 410.27%.
- 11,773 cases (amounting to NT\$946 million) were filed since implementation of the Consumer Debt Clearance Regulations till the end of 1H 2010; overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 52.06%.
- Asset quality improved with overall NPL and coverage at 0.85% and 116.62% respectively. NPL ratio for mortgages remained low at 0.48%.

# Loan Mix

NT\$bn

## YoY Growth

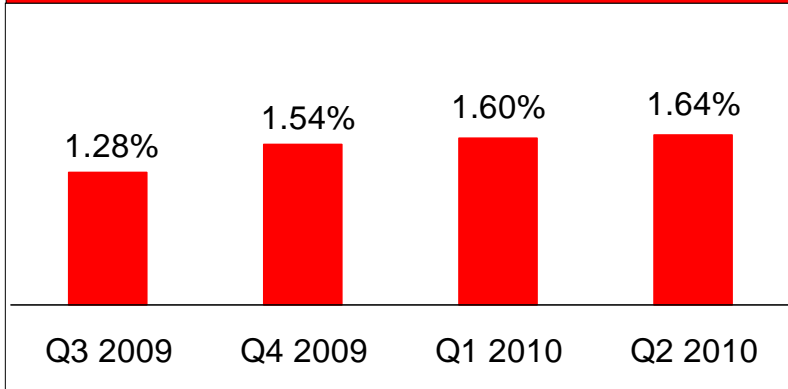


## Comments

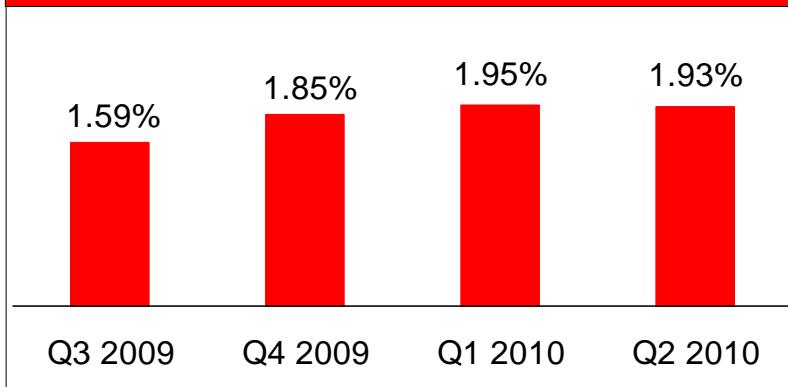
- Loan balance increased 5.0% year-on-year
- Despite stringent credit policies, mortgages achieved stable growth; maximum LTV ratio was 80% for urban planning areas and 60% for non-urban planning areas
- L/D ratio was 81.4% (incl. credit cards balance)

# Interest Income

## Net Interest Margin



## Net Interest Spread

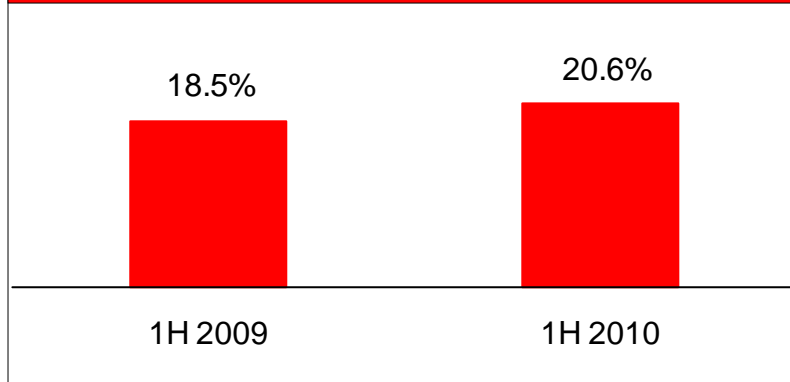


## Comments

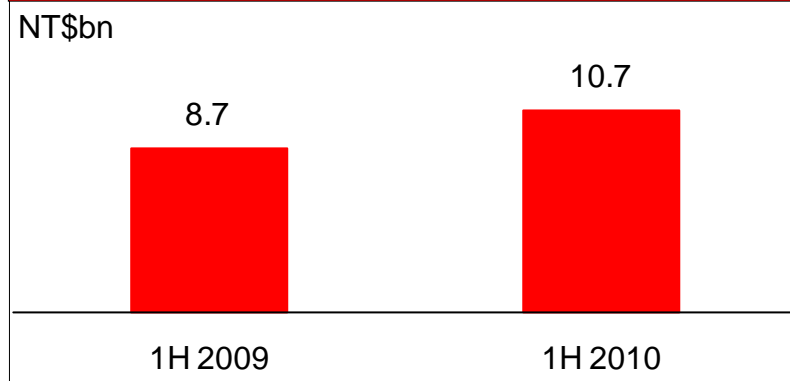
- As high rate deposits matured, NIM improved to 1.64% in Q2 2010
- NIM is expected to further increase as Central Bank raises rates
- SKB will continue to :
  - Develop cash management to increase demand deposits and lower cost of funds
  - Expand foreign exchange business and increase risk-free fee income from corporate customers, and
  - Develop SME and consumer loans with appropriate risk control to enhance interest income

# Fee Income

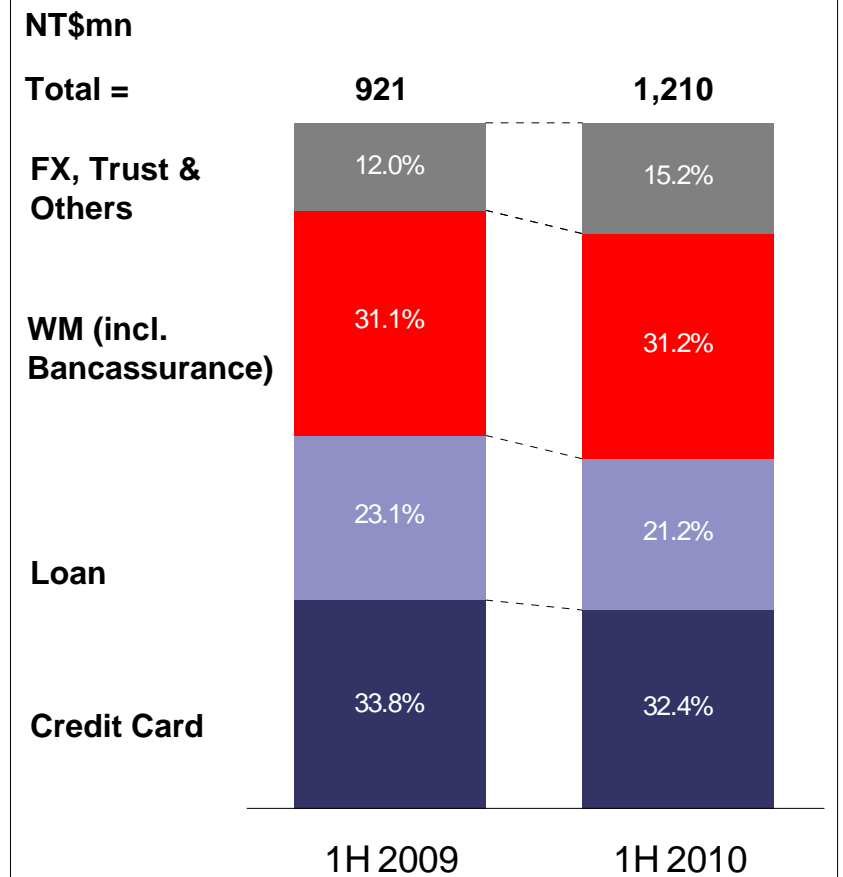
## Net Fee Income / Total Income



## Bancassurance (SKL) - FYP



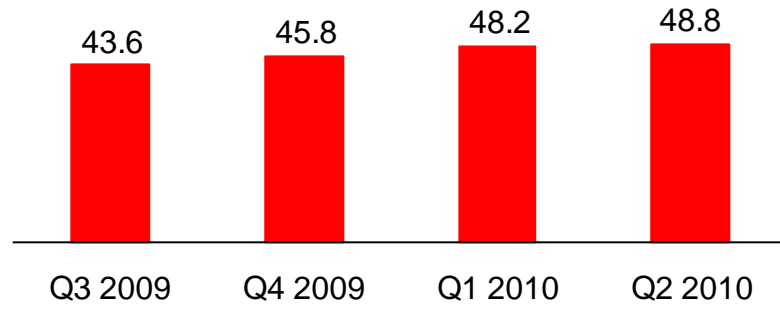
## Fee Income Breakdown



# Wealth Management

## AUM

NT\$bn

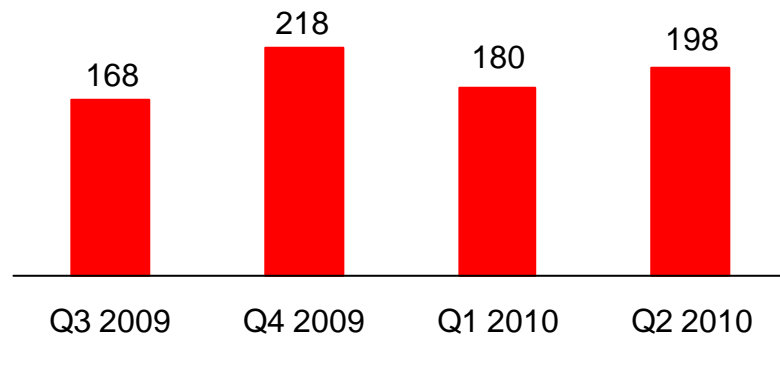


## Wealth Management Center



## WM Fee Income

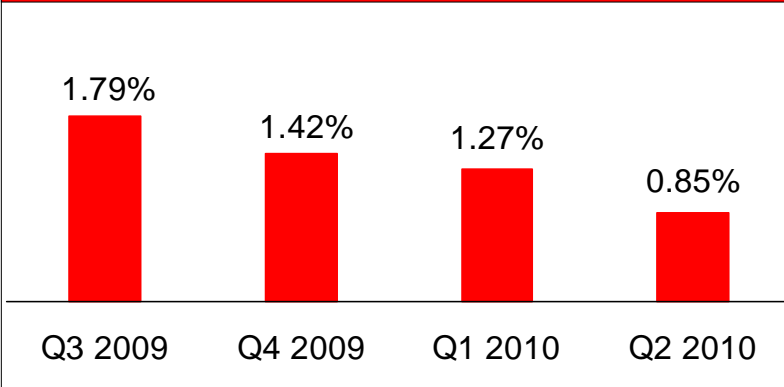
NT\$m



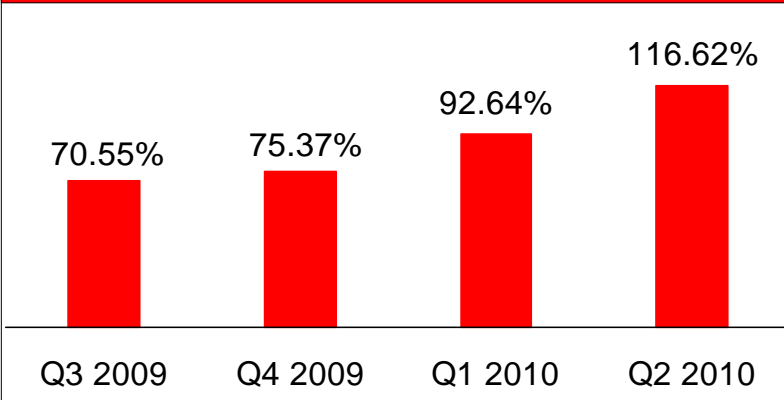
- Fee income from wealth management has increased since Q2 2009 due to recovery in global markets
- Fee income from wealth management for 1H 2010 was NT\$377 million (up 31.7% year-on-year) and accounted for 31.2% of total fee income
- Sales focuses were on mutual funds, insurance, and foreign securities in 1H 2010. As global markets stabilize, sales of mutual funds are expected to grow in 2H 2010

# Asset Quality

## NPL Ratio



## Coverage Ratio



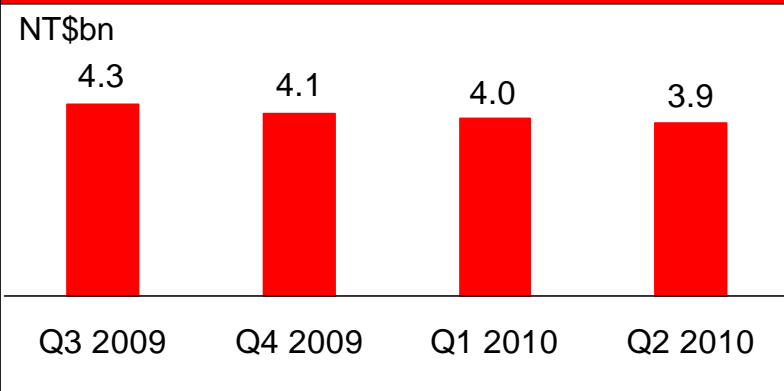
## Comments

- Asset quality continued to improve with overall NPL at 0.85%
- NPL ratio for mortgages was low at 0.48%
- Coverage was 116.62% - significantly improved compared to Q1 this year
- 11,773 cases (amounting to NT\$946 million) were filed since implementation of the Consumer Debt Clearance Regulations till the end of 1H 2010. Overall situation expected to be manageable. Monthly repayment rate of restructured loans remained stable; cumulative repayment rate was 52.06%

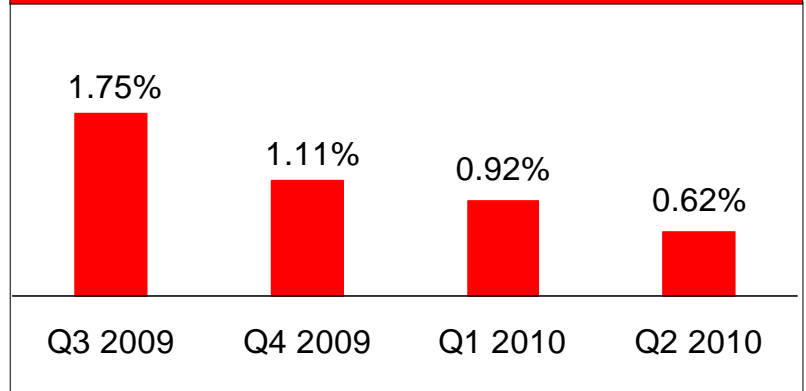


# Credit Cards Metrics

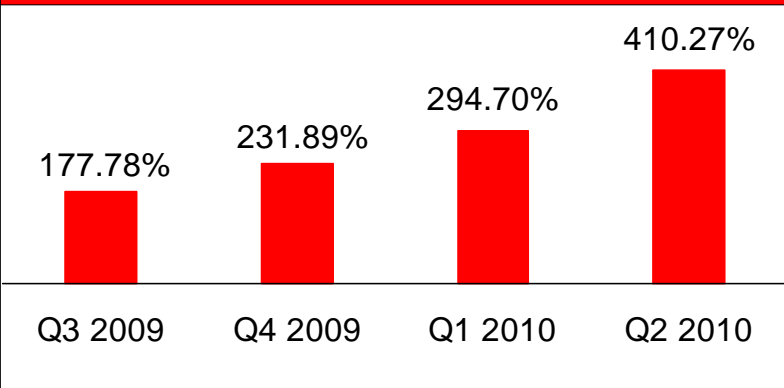
## Revolving Balance



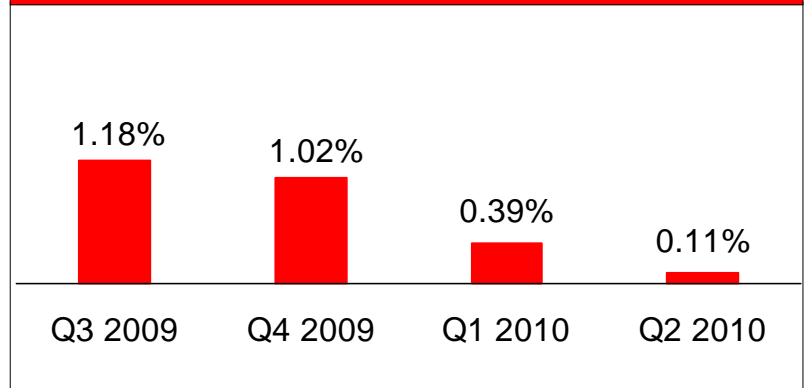
## 90-day NPL



## Coverage Ratio (1)



## Charge-off Ratio (2)



Note:

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

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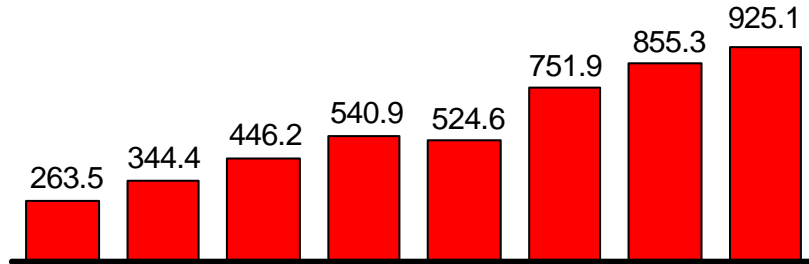
- **Market opportunities**
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## Insurance opportunity:

# High growth driven by new products and channels

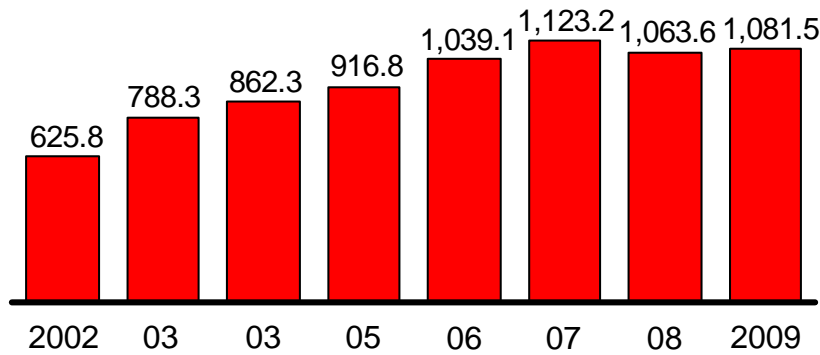
**Life FYP**  
NT\$bn



**Growth**  
Percent

Year	Growth Percent
2002	49.5
2003	30.7
2004	29.6
2005	21.2
2006	-3.0
2007	43.3
2008	13.8
2009	8.2

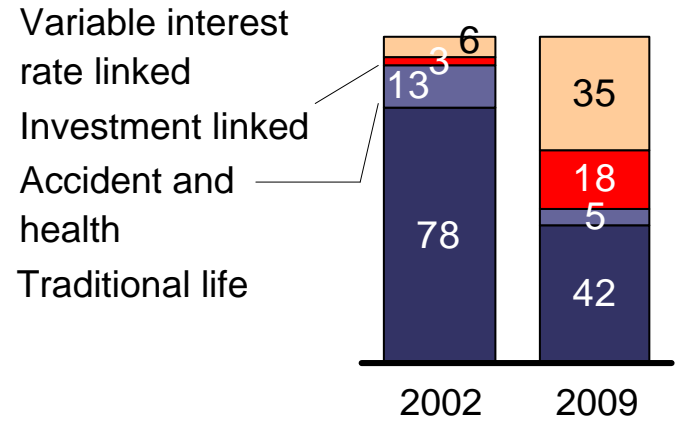
**Life renewal premium**  
NT\$bn



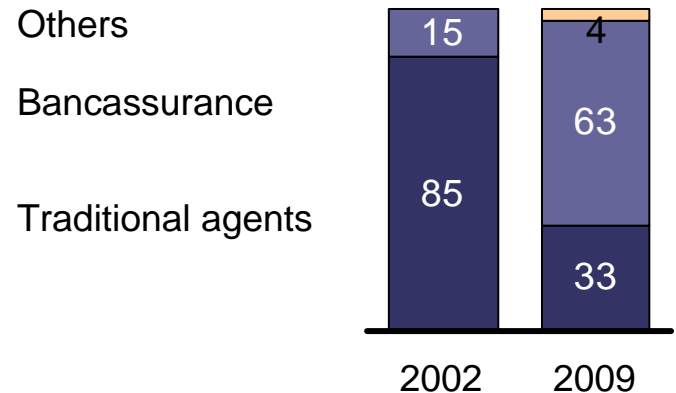
**Growth**  
Percent

Year	Growth Percent
2002	13.2
2003	26.0
2004	9.4
2005	6.3
2006	13.3
2007	8.1
2008	-5.3
2009	1.7

**New business breakdown**  
Percentage



**New business channel mix**  
Percentage



*Insurance opportunity:*

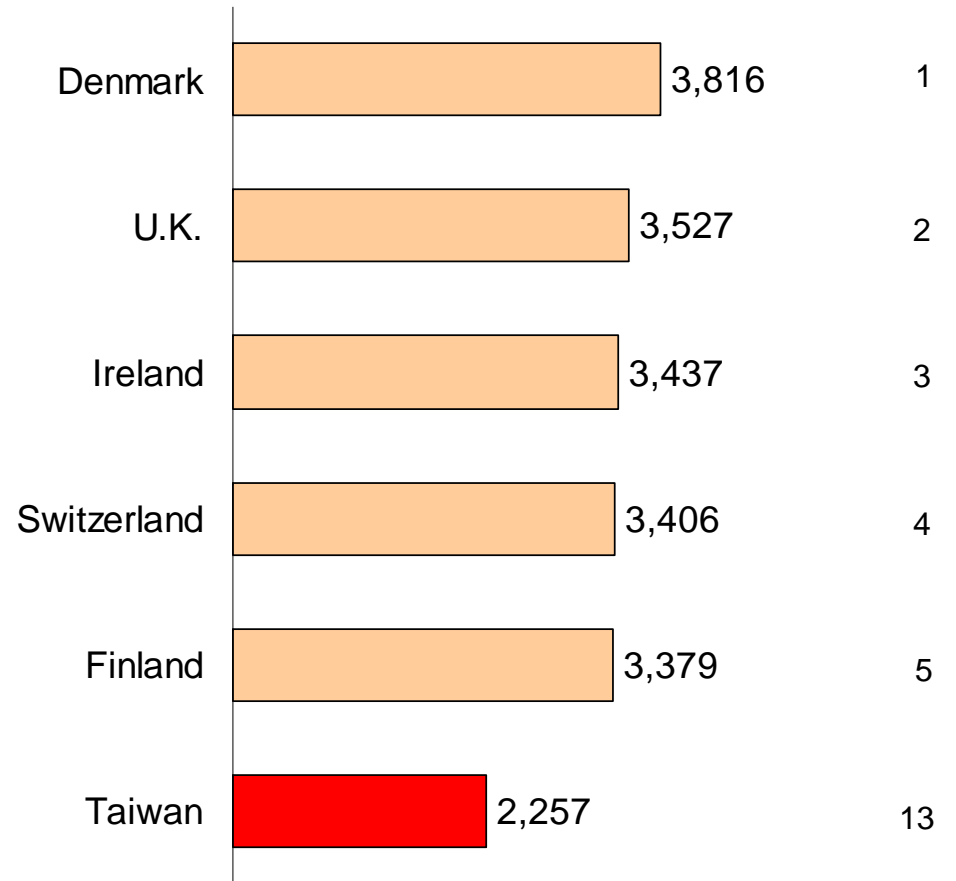
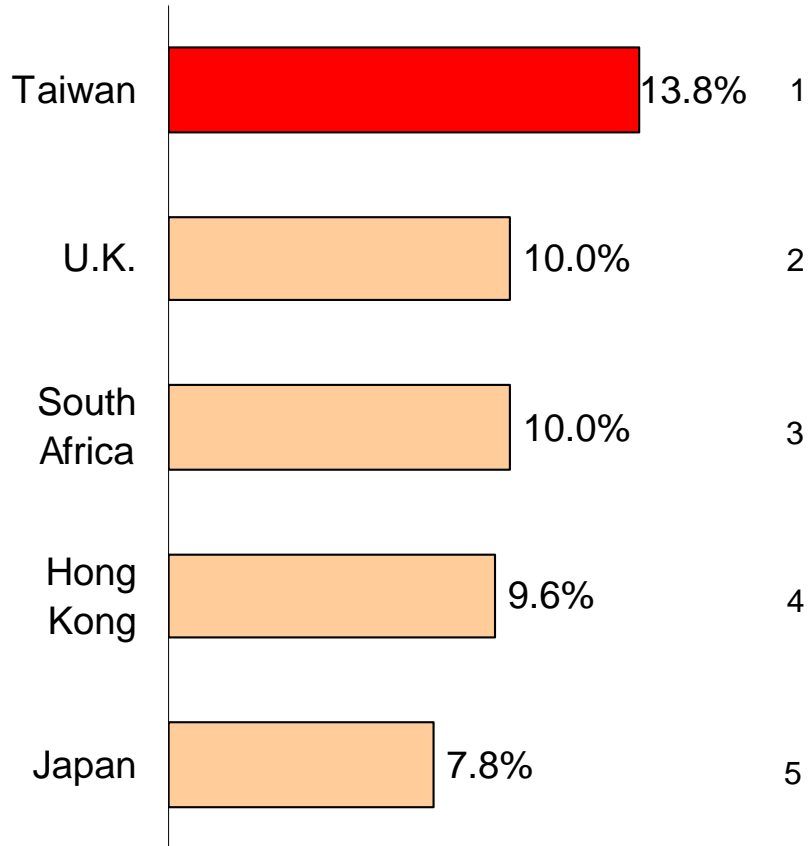
# High penetration but low density

Life premiums/GDP, %

Rank

Life insurance expense  
per capita, US\$

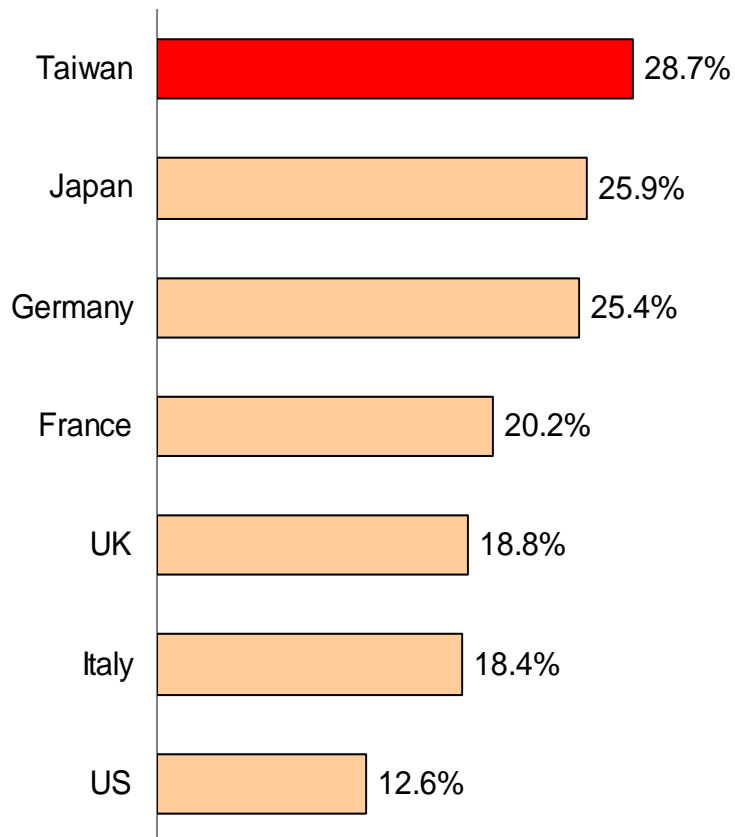
Rank



*Wealth management opportunity:*

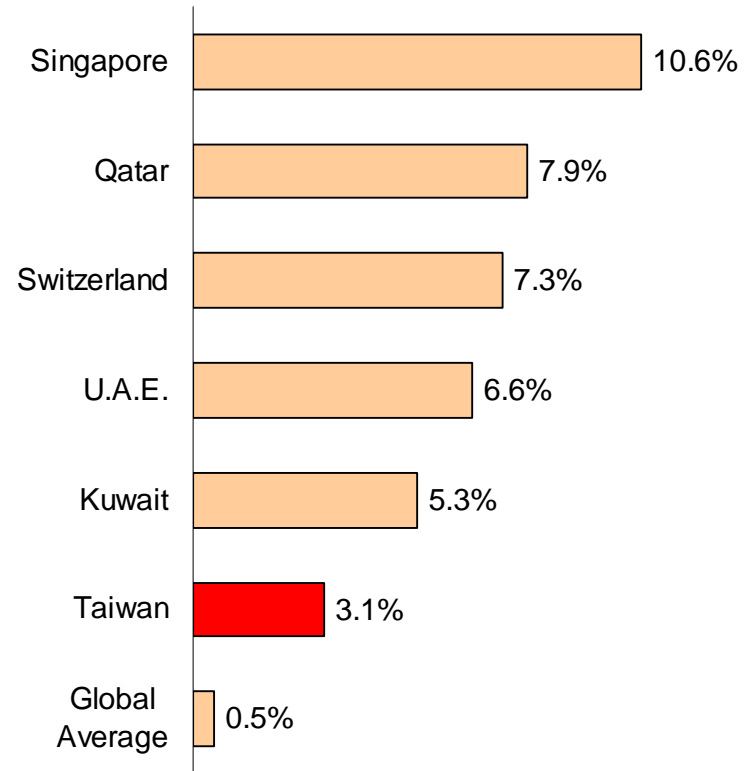
# High savings rate and wealth concentration

## Savings rate (1)



## Concentration of wealth (2)

Millionaire households as a percentage of total households



Source:

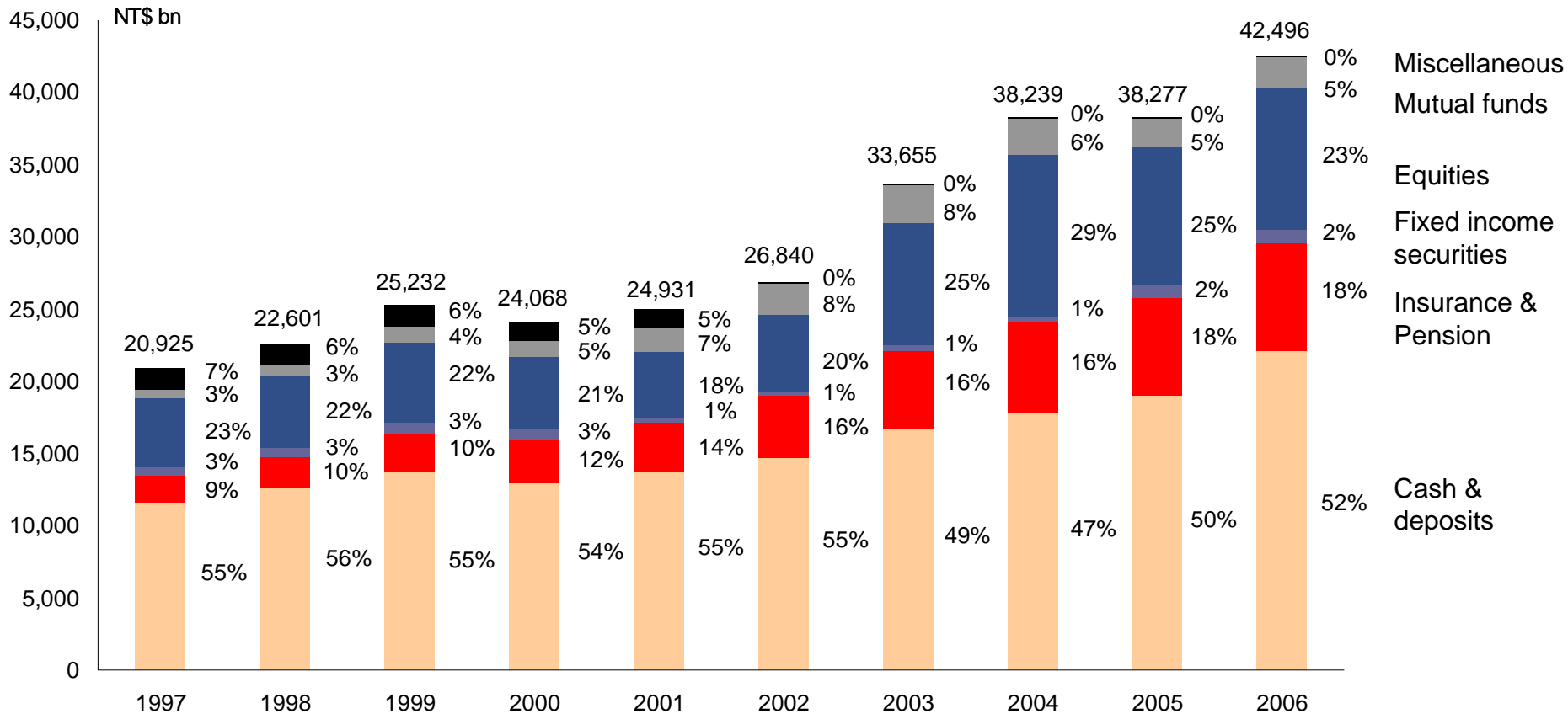
(1) National Statistics, Taiwan; BEA (USA), International Financial Statistics (IMF), Monthly Statistics of Japan, 2008

(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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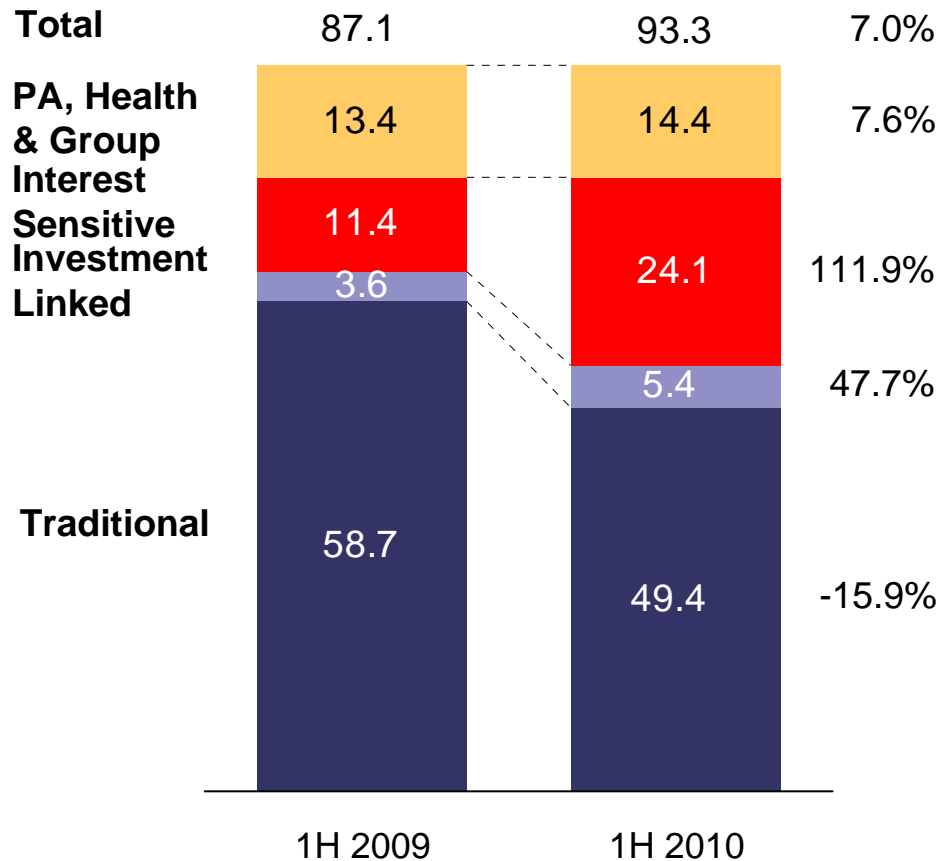
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# Total Premium – 1H 2010

NT\$bn

Market Share = 8.2%

Growth



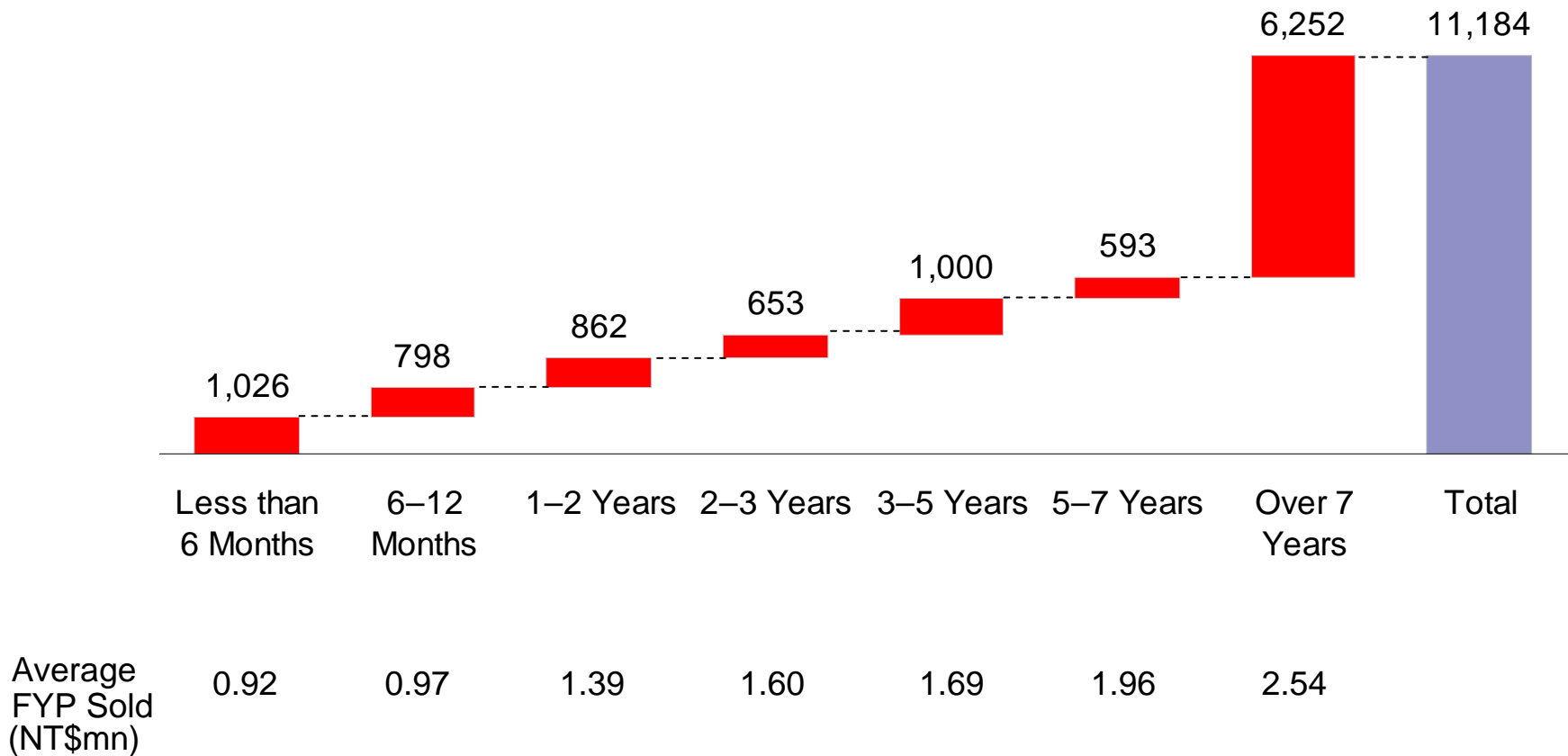
## Comments

- Total premium went up 7.0% YoY
- Share of traditional premium declined due to higher share of single premium products in 2009
- Total premium for all other product classes grew



# Agent Number and Productivity by Tenure

2009



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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	2H 2009	1H 2010	Total
<b>ABS CDOs</b>	1.88	3.20	0.74	1.75	0.09	0.64	8.29
<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	-	0.29	1.78
<b>Total</b>	2.91	4.70	2.14	2.81	0.80	0.93	14.28

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# SKL - EV & AV Results

Unit : NT\$bn

	2008.12	2009.12	YoY growth
Adjusted NAV	70.2	97.7	39.2%
VIF	37.5	43.7	16.5%
COC	27.0	31.3	16.0%
EV	80.7	110.1	36.4%
EV / per share (SKL / SKFH)	19.3 / 12.9	22.1 / 14.0	-
V1NB	10.7	13.1	22.2%
AV – 5 years NB	117.9	158.4	34.4%
5-year AV / per share (SKL / SKFH)	28.2 / 18.9	31.8 / 20.1	-
AV – 20 years NB	161.0	220.7	37.1%
20-year AV / per share (SKL / SKFH)	38.5 / 25.8	44.3 / 28.0	-

Note:

(1) Based on SKFH's outstanding shares of 7.87bn as of the end of 2009

# SKL - Estimate of Embedded/ Appraisal Value

Unit: NT\$bn Valn Date: 31 Dec, 09 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except		Inv Return 3.64% ~ 5.37% (Interest Sensitive Business 3.00% ~ 5.09%) RDR 9.5%	All else equal except	
	Inv Return -0.25%	Inv Return +0.25%		RDR - 1.0%	RDR + 1.0%
Net Worth	97.7	97.7	97.7	97.7	97.7
VIF	10.2	77.0	43.7	54.4	35.3
Cost of Capital (COC)	33.6	29.2	31.3	28.5	33.6
<b>EV after COC</b>	<b>74.3</b>	<b>145.5</b>	<b>110.1</b>	<b>123.6</b>	<b>99.5</b>
<b>V1NB after COC</b>	<b>12.0</b>	<b>14.2</b>	<b>13.1</b>	<b>14.9</b>	<b>11.6</b>
<b>AV (5 years NB)</b>	<b>118.6</b>	<b>197.8</b>	<b>158.4</b>	<b>180.2</b>	<b>140.9</b>
<b>AV (20 years NB)</b>	<b>175.7</b>	<b>265.3</b>	<b>220.7</b>	<b>259.6</b>	<b>190.1</b>

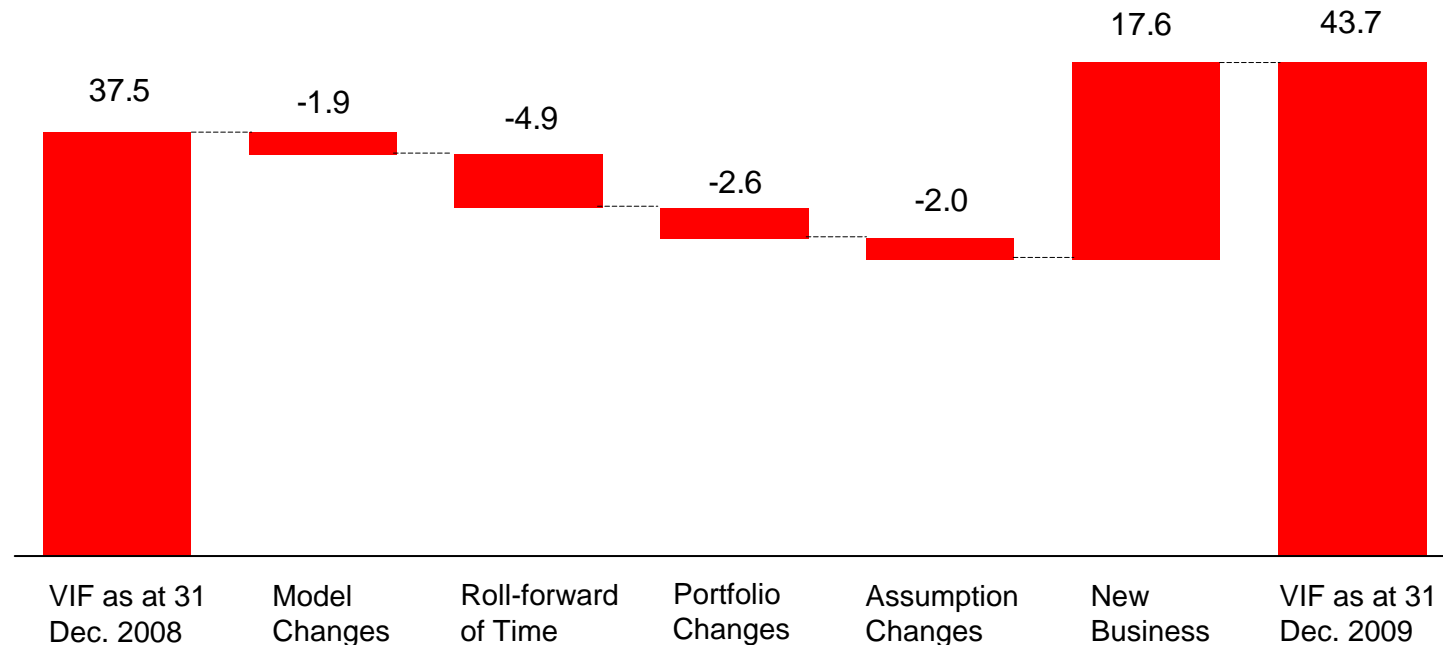
Note:

(1) Figures may not add up exactly due to rounding.

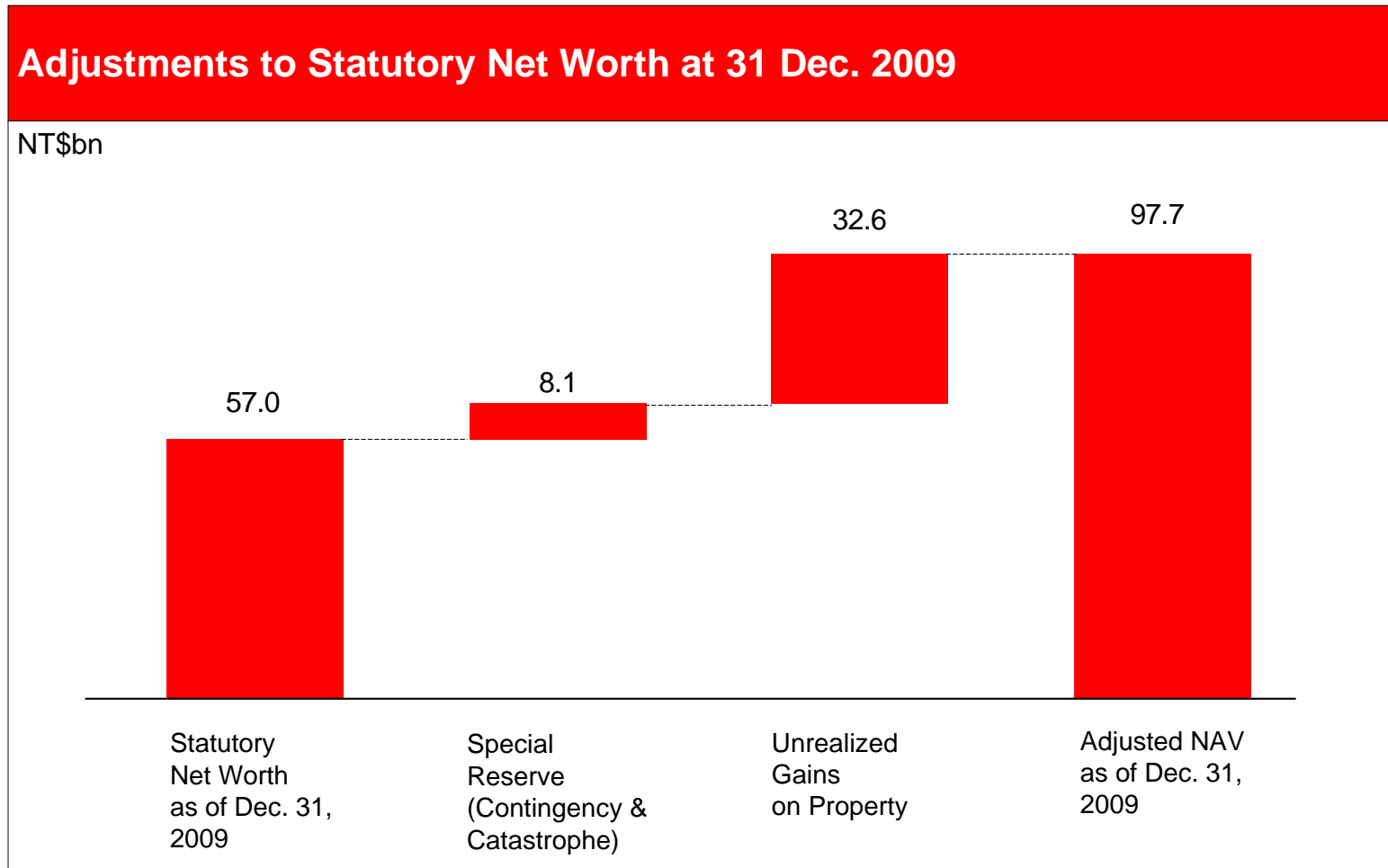
# SKL – Analysis of Change in VIF

## Changes between 31 Dec. 2008 and 31 Dec. 2009 broken down by components

NT\$bn

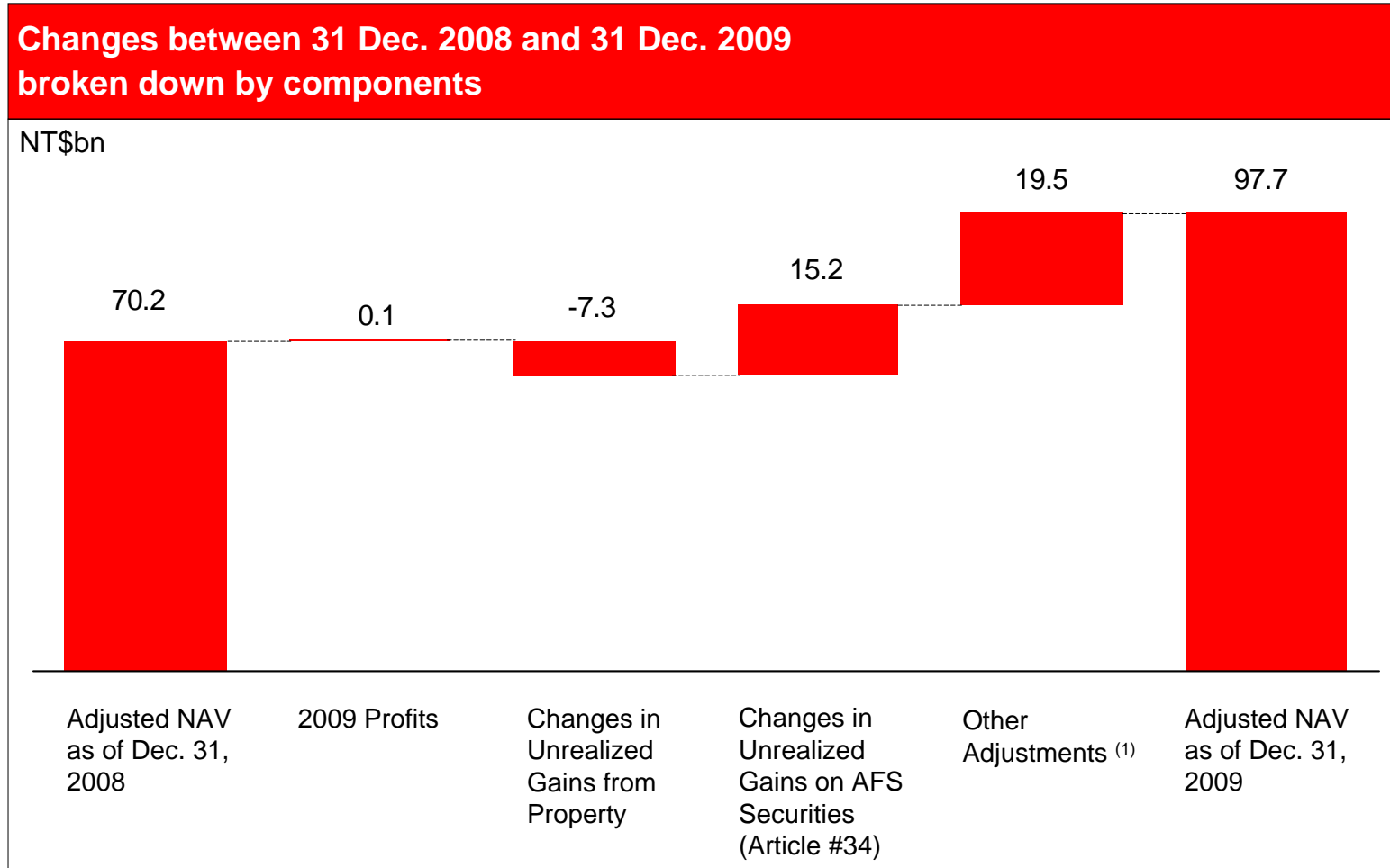


# SKL – Adjusted NAV





# SKL - Analysis of Change in NAV



Note:

(1) Included capital injection, changes in special reserve (contingency & catastrophe), and other items.

(2) Figures may not add up exactly due to rounding.

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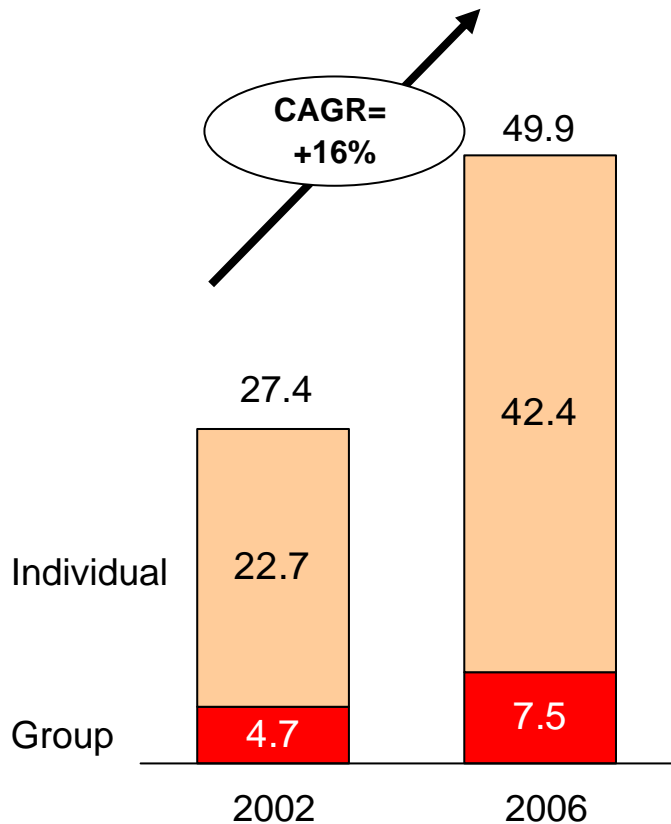
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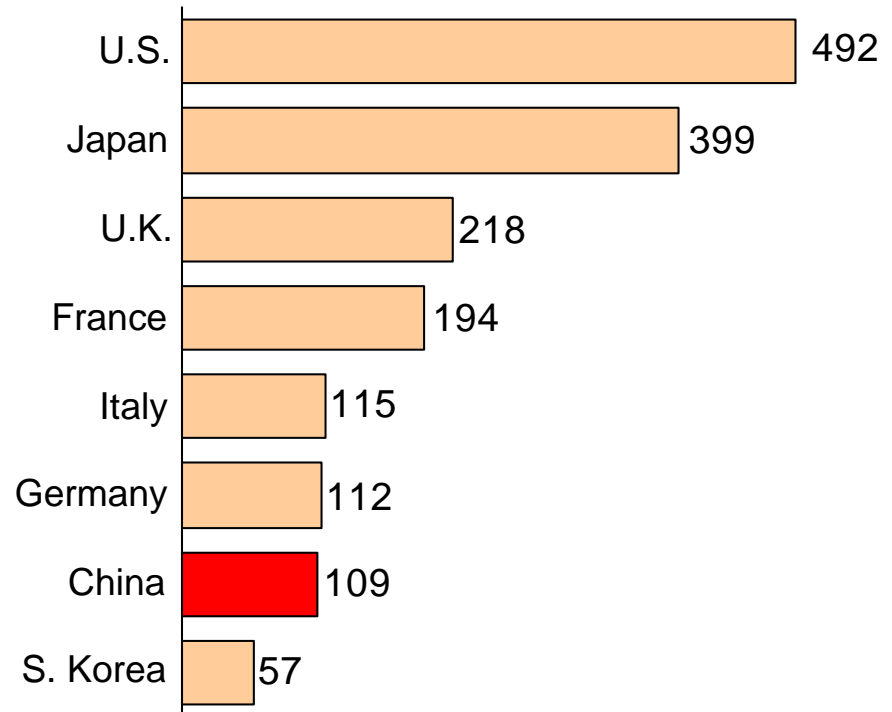
# China insurance market is growing rapidly and ranked number 7 in the world

US\$bn

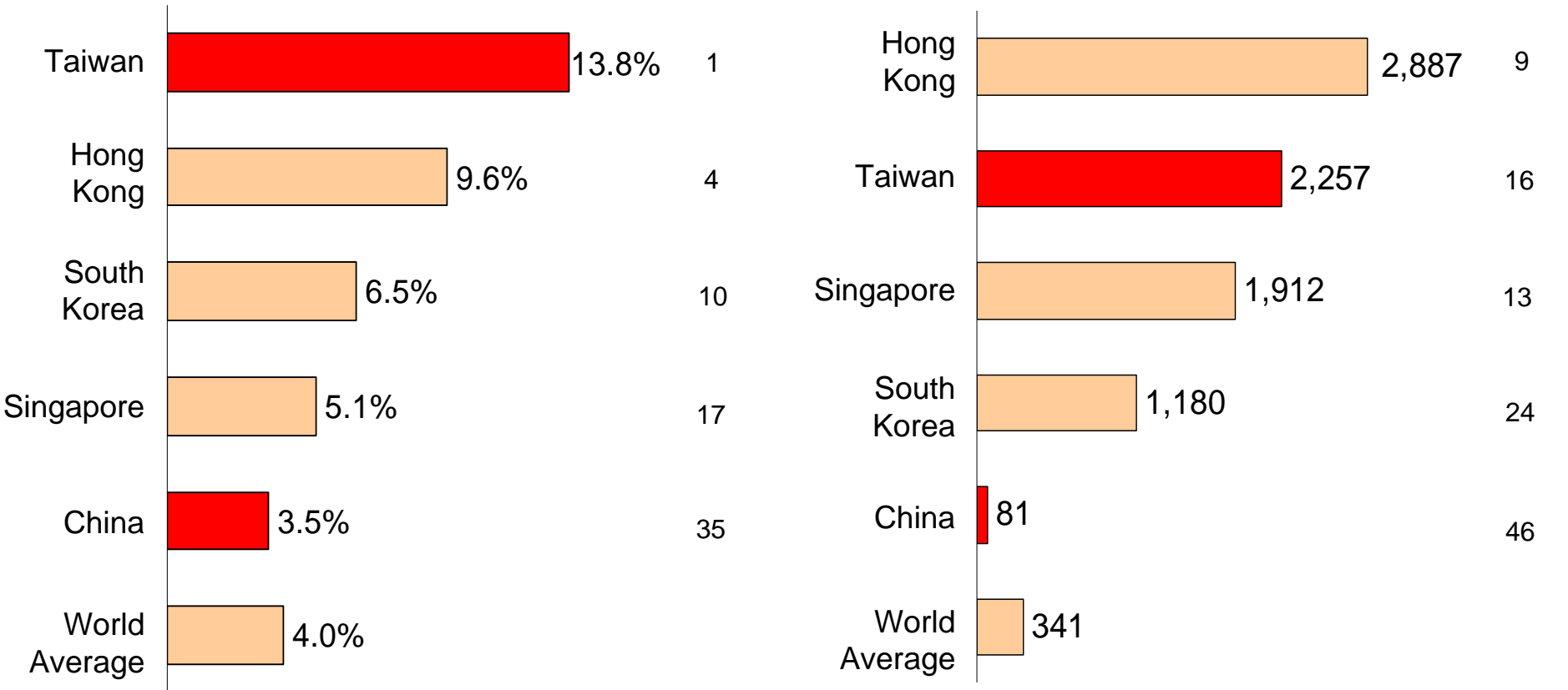
Total life premium



Total life premium 2009

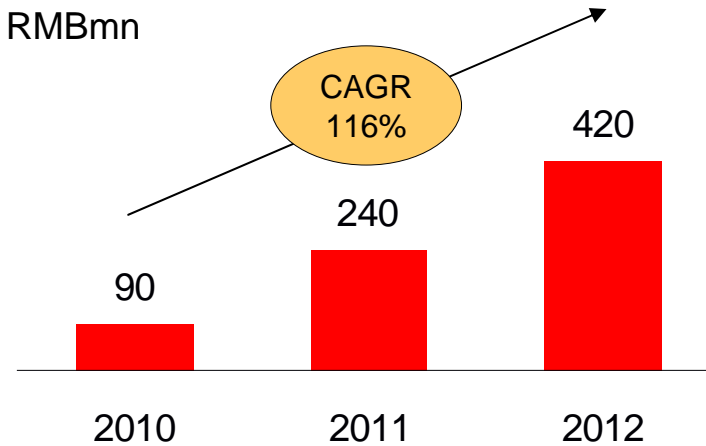


# Low Penetration and Density

**Premium/GDP, %**
**Rank**
**Premium per capita, US\$**
**Rank**


# 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:
  - Around 80 agents as of Dec. 2009
  - Signed bancassurance agreements with Shanghai Pudong Development Bank, ICBC, and others to kick-start the bancassurance channel
- 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
  - In May 2010, SKHNA Life obtained approval from the China Insurance Regulatory Commission to establish a Hainan branch in Haikou
- 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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# Summary of Capital Raising

<p>The offering</p>	<ul style="list-style-type: none"> <li>▪ Number of shares offered: 600,000,000 shares</li> <li>▪ Total monetary amount: to be determined based on issue price</li> <li>▪ Shares allotment:             <ul style="list-style-type: none"> <li>- 75% (or 450,000,000 shares) offered to existing shareholders</li> <li>- 10% (or 60,000,000 shares) offered to the general public</li> <li>- 15% (or 90,000,000 shares) offered to employees</li> </ul> </li> <li>▪ Use of proceeds: to increase qualified capital, enhance financial structure, and improve capital adequacy ratios</li> </ul>
<p>Potential Impact</p>	<p>Capital Adequacy Ratio (CAR): increase approximately 6%</p> <p>Risk-Based Capital (RBC) Ratio: increase approximately 19%</p> <p>Debt to Equity (D/E): decrease approximately 3%</p>



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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

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