

Confidential



**Shin Kong Financial Holding**

## Company Overview

March 2011

# 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

# Who We Are

- Major financial holding company in Taiwan
  - Subsidiaries including life insurance, bank, securities, asset management, and insurance brokerage
  - 3rd largest life insurer by first year premiums with 7.2% market share
  - 11th largest private bank by total assets with 105 branches
- One of the few FHCs in Taiwan with significant presence in both insurance and banking

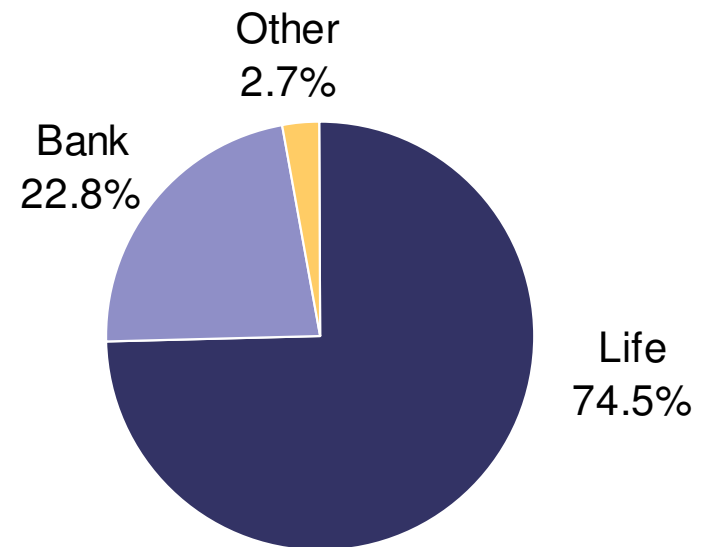
## Financial Overview

NT\$bn	2008	2009	2010
Total Assets	1,740.2	1,902.1	2,064.5
Shareholders' Equity	56.2	92.7	102.1
Market Value	55.7	104.6	1,18.1
Net Income <sup>(1)</sup>	-21.0	1.1	2.5
ROA	-1.27%	0.14%	0.22%
ROE	-28.44%	2.97%	3.74%
Foreign Ownership	22.6%	29.93%	22.72%

Note:

(1) Excludes minority interest income

## 2010 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)	1,537.52	470.05	0.64	0.15
% of Group Assets	74.5%	22.8%	<0.1%	<0.1%
Earnings (NT\$m)	393	2,005	34	66
Branches/Offices	308	105	3	1
Market Share	7.2%	1.4%	1.5%	-

# 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



**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



**Lee,  
David**

President, Shin Kong Insurance Brokers

Experiences:

- SVP, Shin Kong Insurance Brokers
- SVP, 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



**Su,  
Eric**

President, Shin Kong Investment Trust

Experiences:

- Executive Consultant, Taipei Foundation of Finance
- CEO of Wealth Management (Banking & Securities), JS Financial Holding Co., Ltd.
- Chairman, JS Securities Investment Trust Co., Ltd.
- President, JP Morgan Fleming Asset Management (Taiwan) Ltd.

## Strong Track Record of Attracting and Integrating Outside Talent



**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



**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,  
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



**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

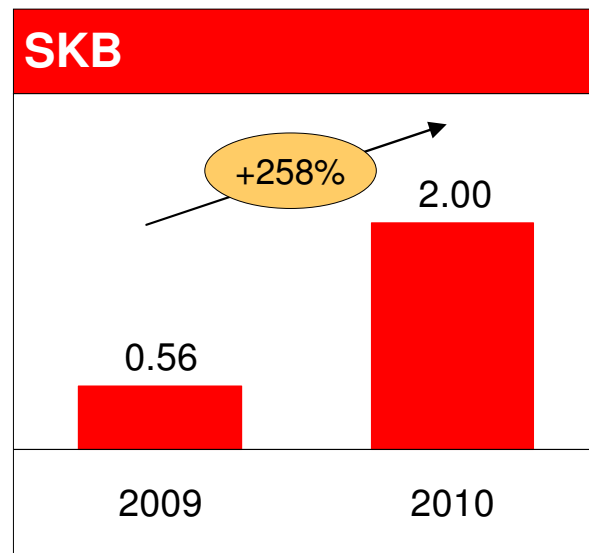
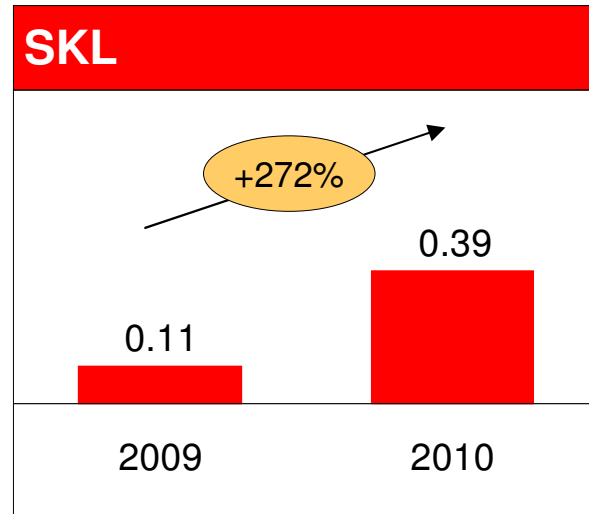
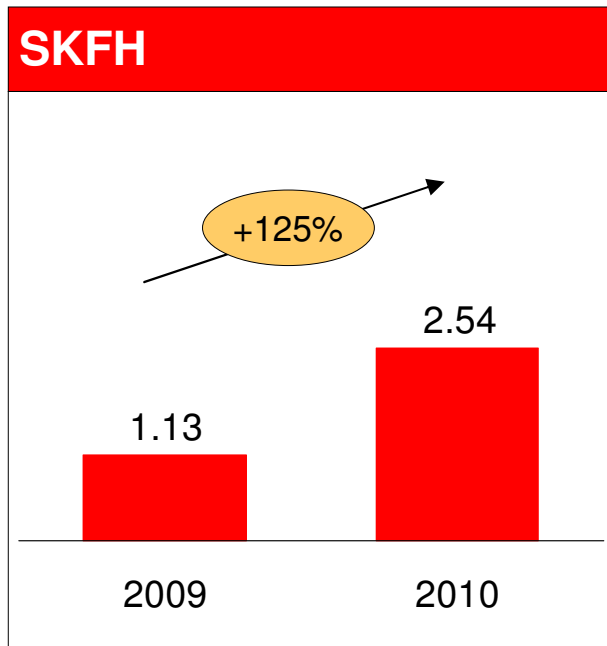


# SKFH – 2010 Overview

- Driven by recovery in the capital markets and global economy, SKFH recorded after-tax profit of NT\$0.92bn in Q4 2010 despite higher than expected FX hedging costs of NT\$5.54bn recognized in Q4. Cumulative after-tax profit continued to improve to NT\$2.54bn for 2010, up 125.1% YoY. EPS was NT\$0.32.
- Revenues steadily grew
  - SKL: Premium income grew 6.1% YoY. Interest income increased 9.9% YoY.
  - SKB: Net interest income and net fee income increased 29.8% and 20.6% YoY respectively.
- Control of expenses remained tight
  - SKL: Operating expenses were 18.0% lower YoY.
  - SKB: Operating expenses remained at a similar level to 2009. Cost/Income ratio further improved to 56.6% from 66.9% in 2009.
- Much stronger capital structure than last year
  - 600 million common shares issued publicly in November. NT\$5.0bn of the proceeds injected into SKL in December.
  - Consolidated shareholders' equity of SKFH was NT\$102.06bn, 10.1% higher YoY. Excluding MasterLink's minority interest, shareholders' equity and BVPS would have been NT\$87.26bn and NT\$10.3 respectively.
  - Shareholders' equity of SKL was NT\$66.77bn, 17.1% higher YoY.
- To increase profits recognized from MasterLink and deepen cooperation with the securities subsidiary, SKFH's Board had resolved to purchase common shares of MasterLink Securities not exceeding 8% of the total issued common shares in the centralized securities trading market. Current shareholding ratio announced on MOPS (Market Observation Post System) is 26.5%.

# Net Income – 2010

NT\$bn



## Comments

- SKFH's 2010 after-tax profit improved to NT\$2.54bn vs a profit of NT\$1.13bn in 2009, up 125.1% YoY
- SKL's cumulative after-tax profit was NT\$0.39bn for 2010
- SKB's 2010 profit was 257.9% higher YoY due to widened interest spread, higher fee income and improvement in asset quality

# Net Income – 2010

## Net income contribution

NT\$bn

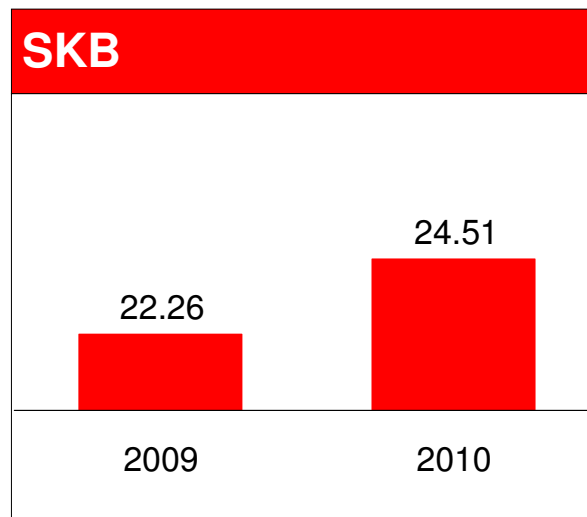
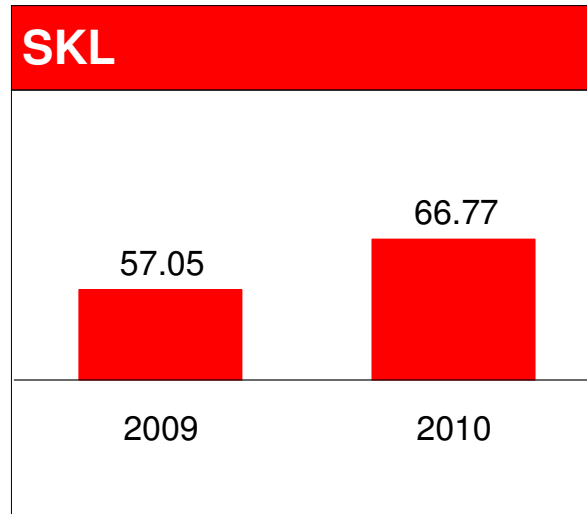
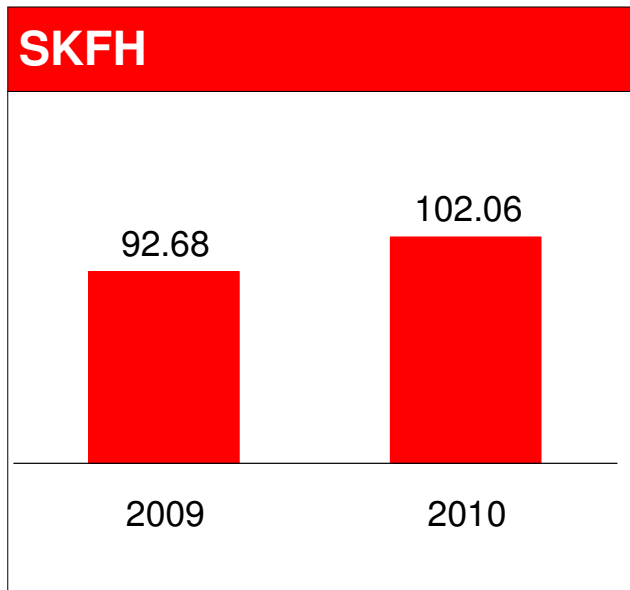
Subsidiaries	Q3 2010	Q4 2010	2009	2010
Shin Kong Life	4.01	0.29	0.11	0.39
Shin Kong Bank	0.50	0.59	0.56	2.01
Shin Kong Securities	0.00	0.00	0.18	0.07
Shin Kong Investment Trust	0.01	0.01	0.02	0.03
Shin Kong Insurance Brokers	0.02	0.02	0.04	0.07
Others <sup>(1)</sup>	0.08	0.01	0.22	-0.03
<b>Net income</b>	<b>4.62</b>	<b>0.92</b>	<b>1.13</b>	<b>2.54</b>

Note:

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

# Shareholders' Equity – 2010

NT\$bn



## Comments

- Shareholders' equity increased 10.1% YoY to NT\$102.06bn
- Excluding MasterLink's minority interest, SKFH's shareholders' equity would have been NT\$87.26bn; BVPS was NT\$10.3
- Shareholders' equity of SKL and SKB increased 17.1% and 10.1% YoY respectively

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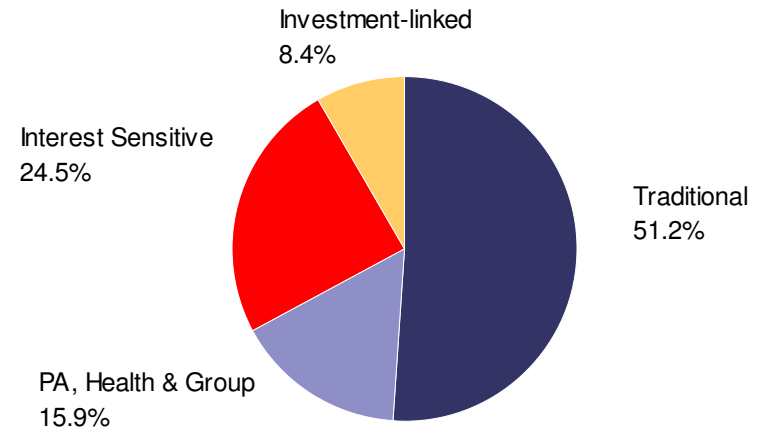
# Shin Kong Life

- 3<sup>rd</sup> largest life insurer by first year premiums in Taiwan with 7.2% market share and 3 million customers
- Strong distribution network over 10,000 agents, 308 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	2008	2009	2010
Total Premium	201.9	176.9	190.9
Net Income	-19.74	0.11	0.39
Total Assets	1,301.3	1,445.3	1,537.5
Shareholders' Equity	24.8	57.0	66.8
ROE <sup>(1)</sup>	-48.59%	0.26%	0.64%
ROA	-1.56%	0.01%	0.03%

## 2010 Total Premium Written



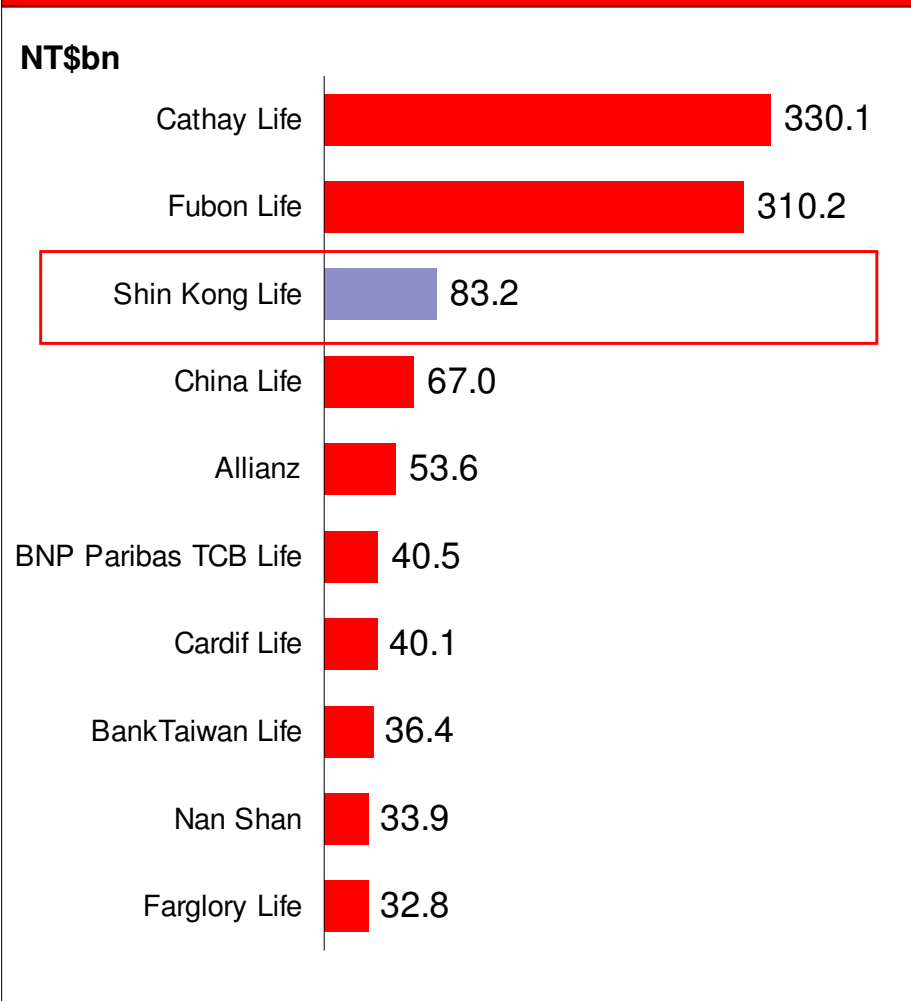
**Total Premium Written: NT\$190.9bn**

Note:

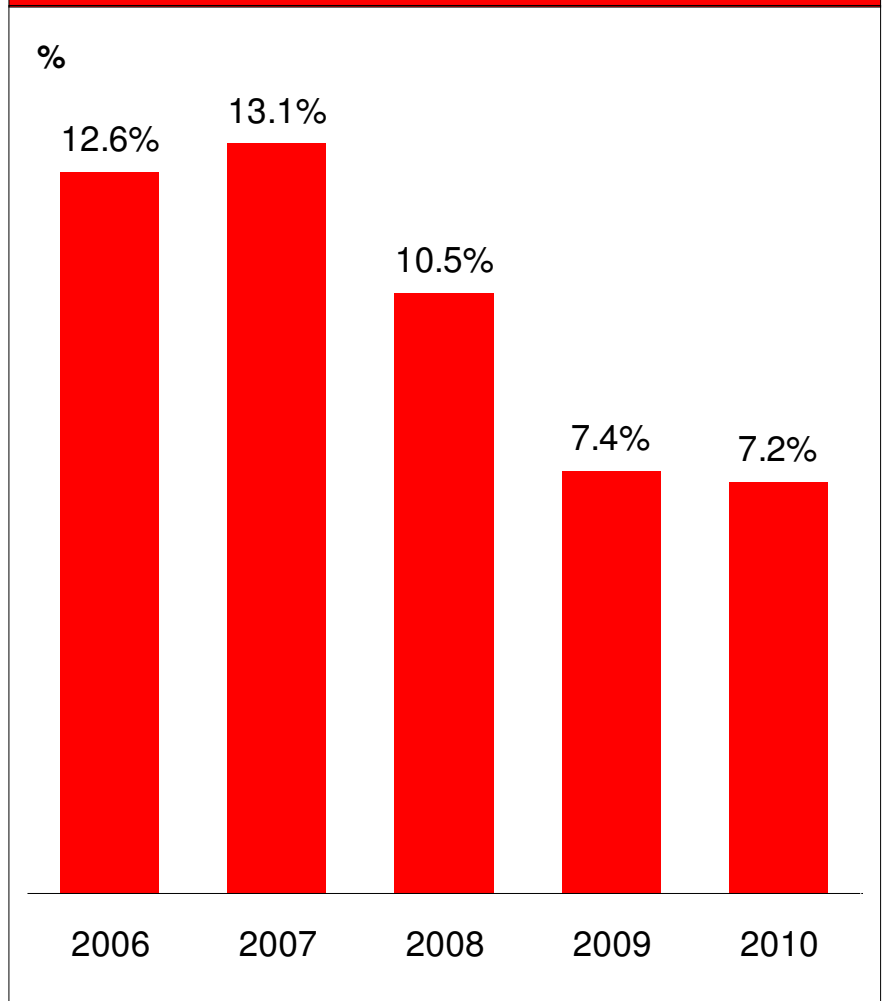
(1) Excludes preferred shares

# Shin Kong Market Share

**FYP of Top 10 Players – 2010**



**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



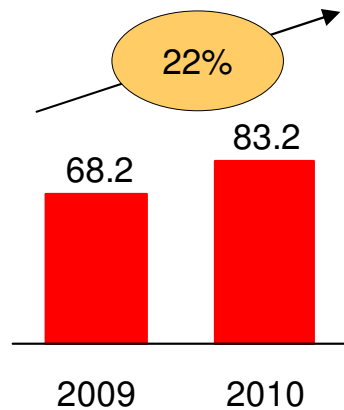
## SKL – 2010 Overview

- SKL recorded after-tax profit of NT\$0.29bn in Q4 2010 with higher than expected FX hedging cost of NT\$5.54bn recognized in Q4. Cumulative after-tax profit was NT\$0.39bn. ROE was 0.64%.
- FYP was NT\$83.17bn, up 22.0% YoY. Market share was 7.2%.
- Protection products were the focus of traditional sales. Lower share of single premium savings products in 2010. Due to stabilization in global markets, sales of investment-linked products increased to NT\$5.60bn in Q4. FYP increased 98% YoY. Sales of interest-sensitive products slowed due to regulation changes.
- Margin is the main consideration in new product development. SKL launched a protection product co-developed with Dai-ichi Life to drive mortality/expense gains.
- 13-month persistency improved to 93.0%. 25-month persistency was 73.0%.
- Investment return in 2010 was 4.3%.
- Shareholders' equity was NT\$66.77bn, up 17.1% YoY.

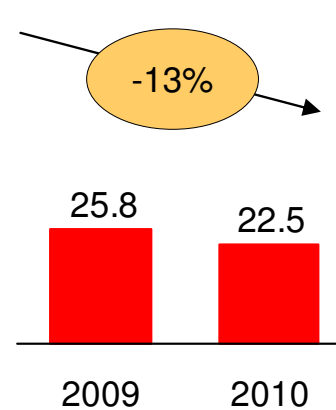
# First Year Premium – 2010

NT\$bn

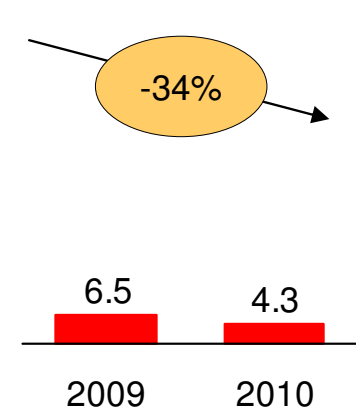
**Market share 7.2%**



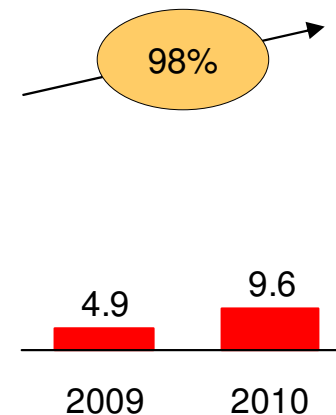
**Traditional**



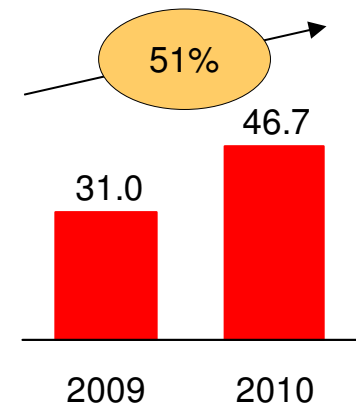
**PA, Health and Group**



**Investment-linked**



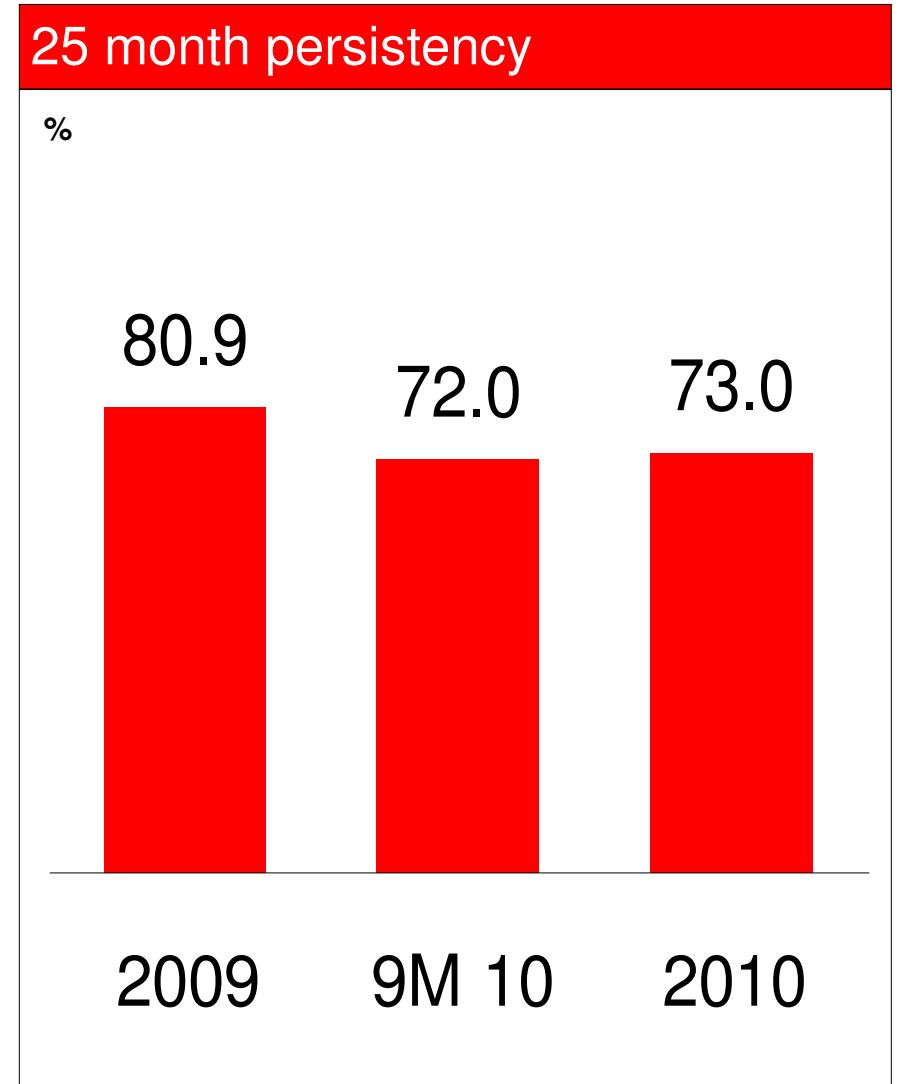
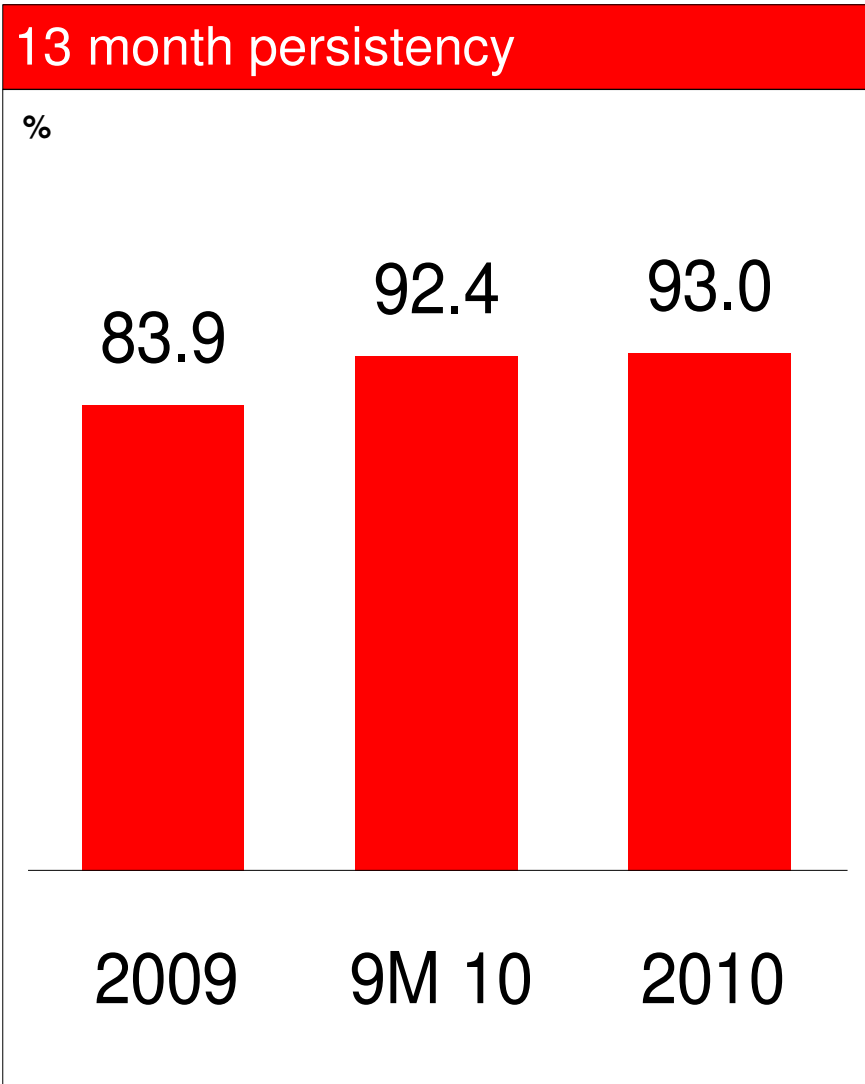
**Interest-sensitive**



## Comments

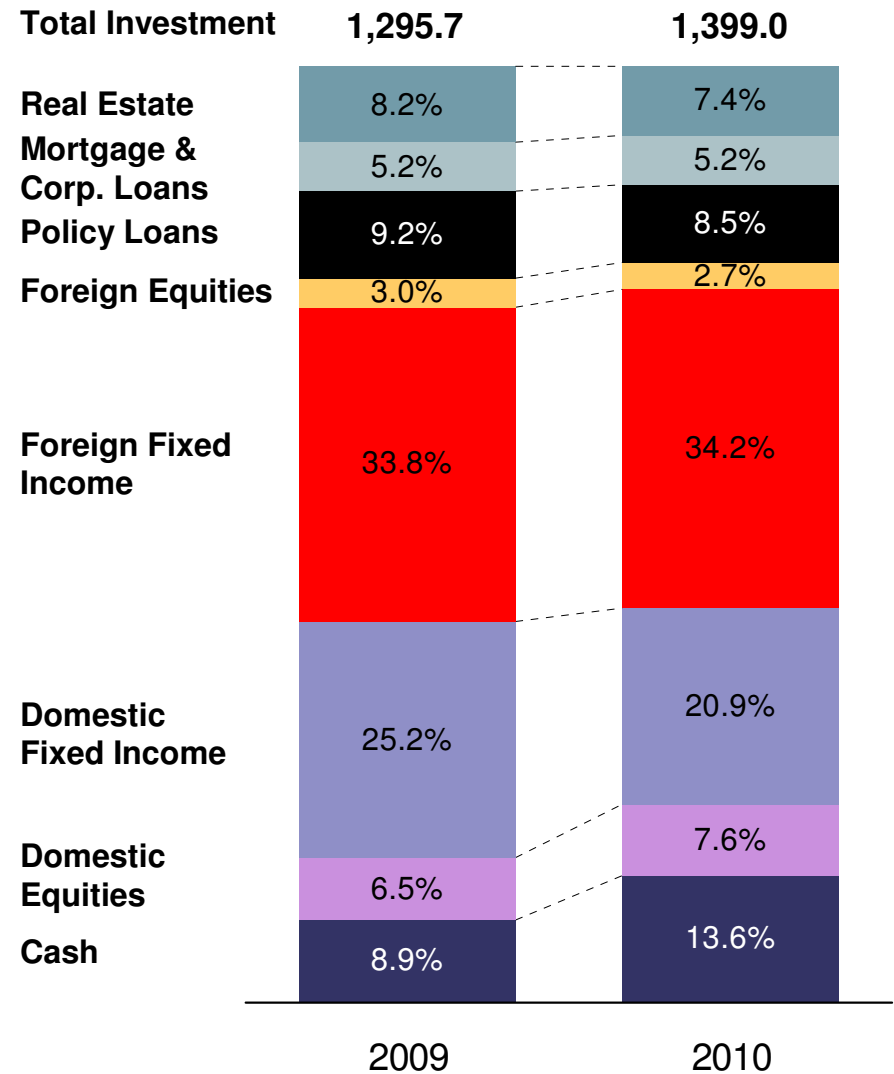
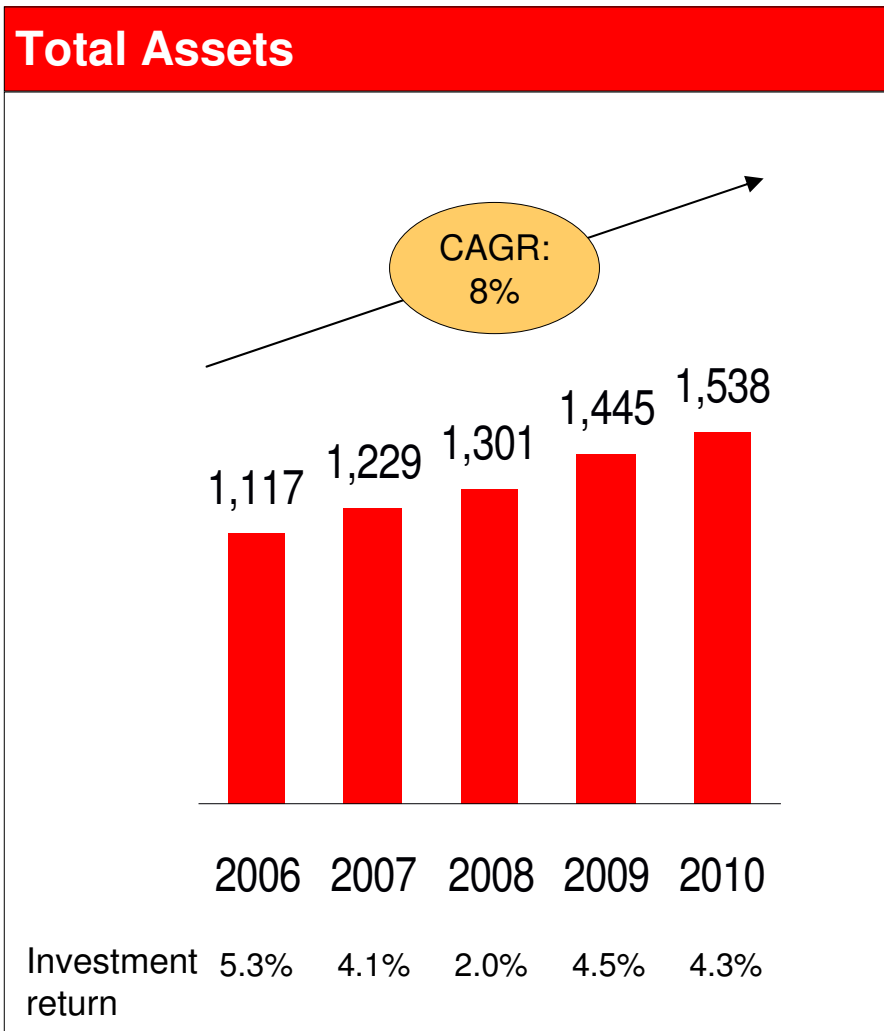
- FYP increased 22% YoY
- Protection products were the focus of traditional sales. Lower share of single premium savings products
- Sales of investment-linked products was strong in Q4. FYP increased 98% YoY. Sales of interest-sensitive products slowed due to regulation changes
- Launched protection product co-developed with Dai-ichi Life to drive mortality/expense gains

# Persistence Ratio



# Investment Portfolio

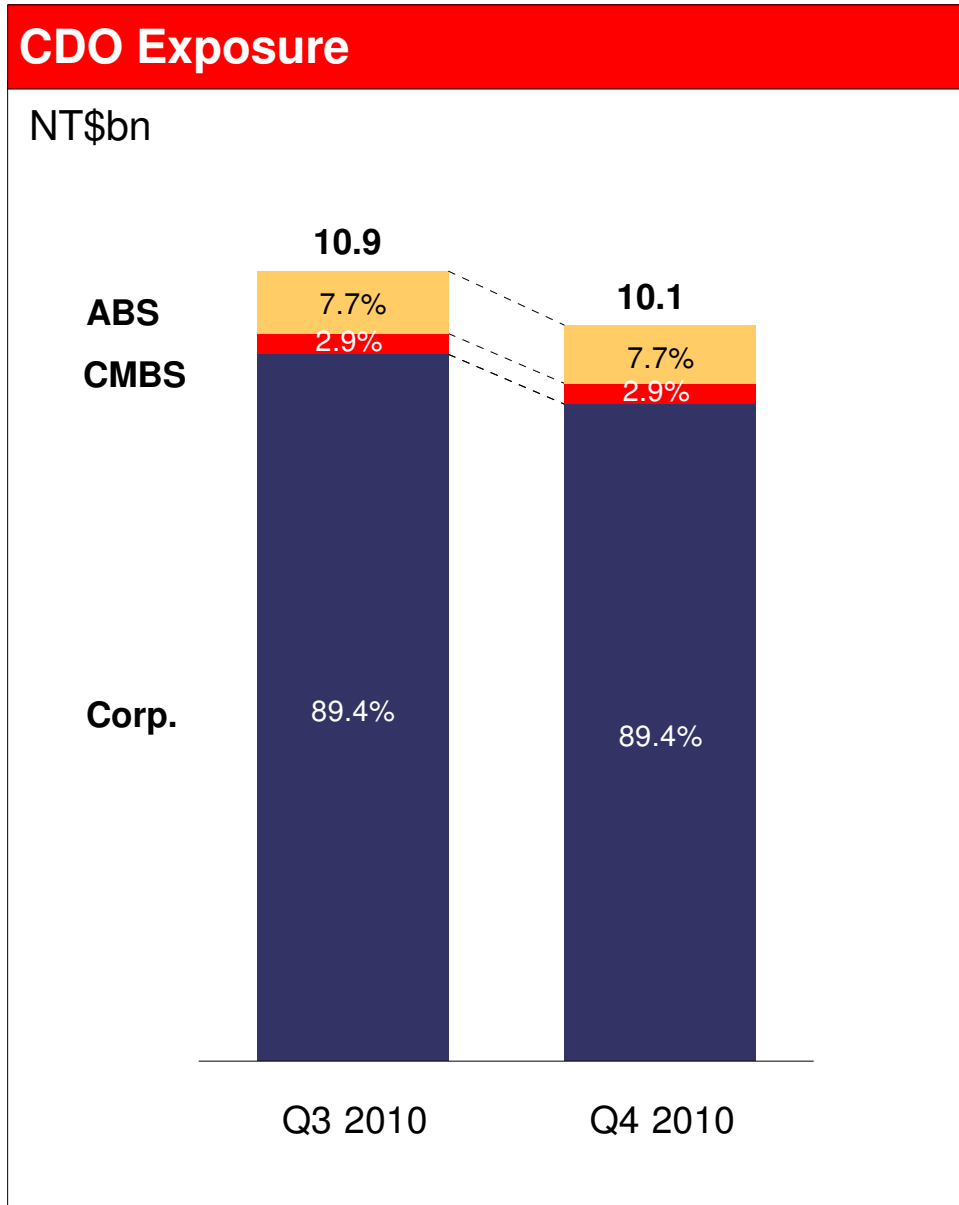
NT\$bn



Note:

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

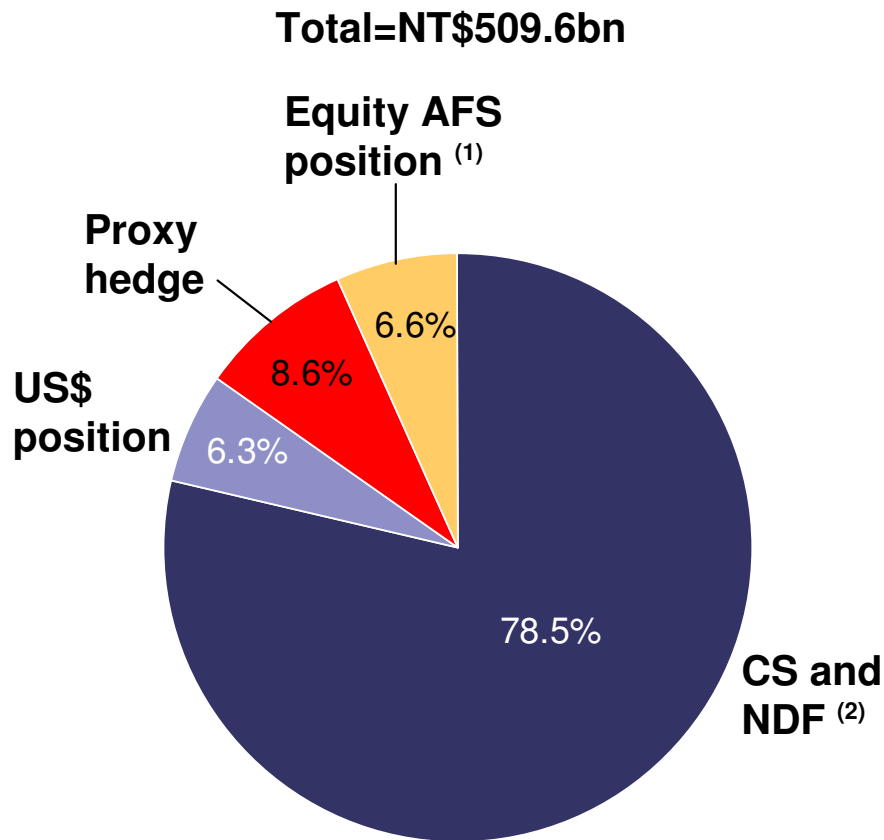
# CDO Exposure



- Comments**
- Overall exposure was NT\$10.11bn
  - 7.7% 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 2010, no loss was recognized
  - Loss of NT\$419.21mn among corporate CDOs was recorded in 2010. 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 70~80%
- Proxy hedging reduced to 8.6%
- Available for sale position in foreign equities accounted for 6.6% of the portfolio and was not marked to market in income statement

Note:

- (1) Available for sale position  
 (2) Currency swaps and non-delivery forwards

# Investment Strategy

## Strong ALM Discipline

- Develop Strategic Asset Allocation based on liability profile and capital budget
- Build core portfolio of recurring income
- Achieve diversification and yield pick-up through overseas investments; 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 70~80% in the medium/long term
- Target hedging cost at 200 bps or below in the medium/long term

## Enhance Investment Risk Management

- Manage/control investment risk by prudent SAA and TAA ranges
- Utilize the Algo system for real-time investment risk management

## SKL – 2011 Outlook

- Focus on high VNB margin, long-term profit generating, and protection-oriented traditional and health products. Continue to 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 mortality/expense gains.
- Target 4.5%~5% long-term investment return. Maintain overseas investment between 35% and 40% and share of traditional hedges at 70~80% in the medium/long term.
- Enhance investment risk management by utilizing the Algo system for real-time monitoring.
- 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 Hainan Island and setting up branches in other provinces/cities in 2011.
- Target ~10% growth in value of new business (VNB) in the medium/long term.



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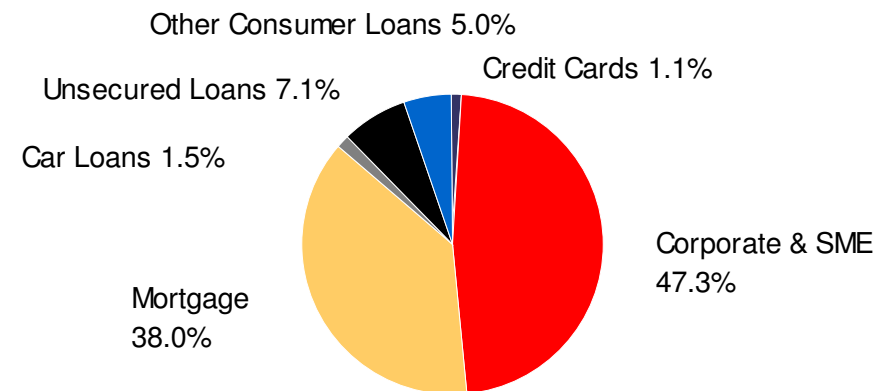
# Shin Kong Bank

- 11th largest private bank by total assets in Taiwan
- Over 2 million customers and 750 thousand credit cards outstanding
- 105 branches with over 51 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	2008	2009	2010
Total Loans	283.99	287.03	329.76
Total Deposits	356.19	375.07	413.11
Net Income	0.23	0.56	2.00
Total Assets	404.03	422.86	470.19
Shareholders' Equity	20.61	22.26	24.52

## 2010 Loan Breakdown



**Total Loan: NT\$329.76bn<sup>(1)</sup>**

Note:

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

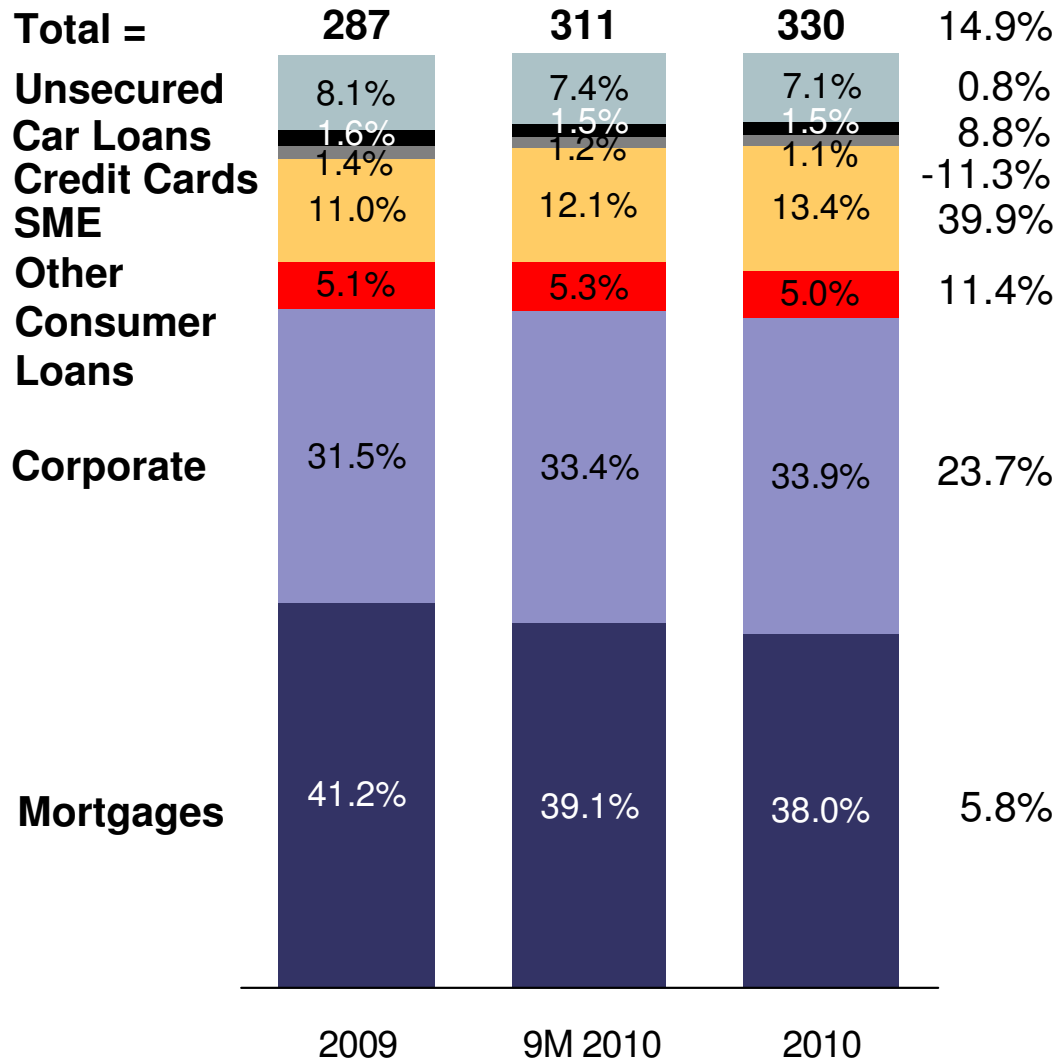
## SKB – 2010 Overview

- After-tax profit for 2010 was NT\$2,005 million (up 257.9% year-on-year); pre-provision profit increased 59.3% year-on-year to NT\$3,865 million while provision expense reduced 1.8% year-on-year to NT\$1,727 million.
- Loan balance increased to NT\$329.8 billion (up 14.9% year-on-year); deposit balance increased to NT\$413.1 billion (up 10.1% year-on-year). L/D ratio was 79.5% (incl. credit cards balance).
- NIM for 2010 was 1.58% (Q4:1.54%), significantly higher than 1.28% for 2009
- Wealth management business has recovered since Q2 2009 due to recovery in global markets. Fee income from wealth management for 2010 was NT\$873 million (up 29.8% year-on-year). SKB achieved bancassurance cross-sales of NT\$19.1 billion in 2010, accounting for 41.2% of SKL bancassurance premium.
- Credit card NPL ratio decreased to 0.36% and coverage ratio increased to 707.01%.
- Asset quality improved with overall NPL and coverage at 0.59% (Q3:0.74%) and 150.68% (Q3:130.34%) respectively. NPL ratio for mortgages remained low at 0.39% (Q3:0.41%).

# Loan Mix

NT\$bn

## YoY Growth

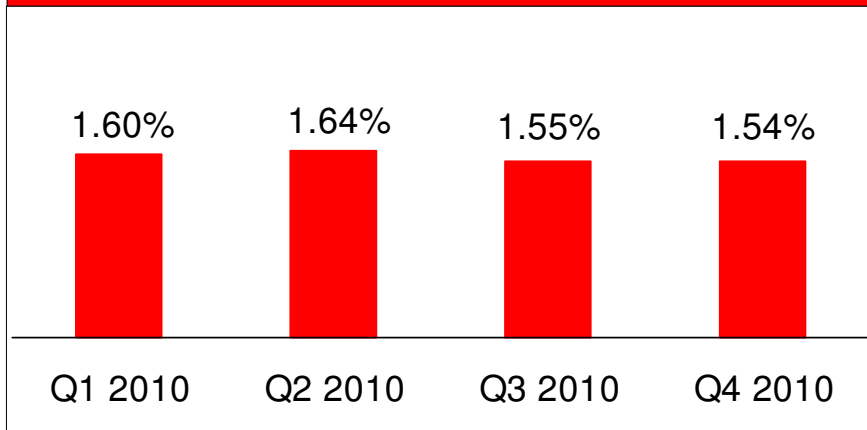


## Comments

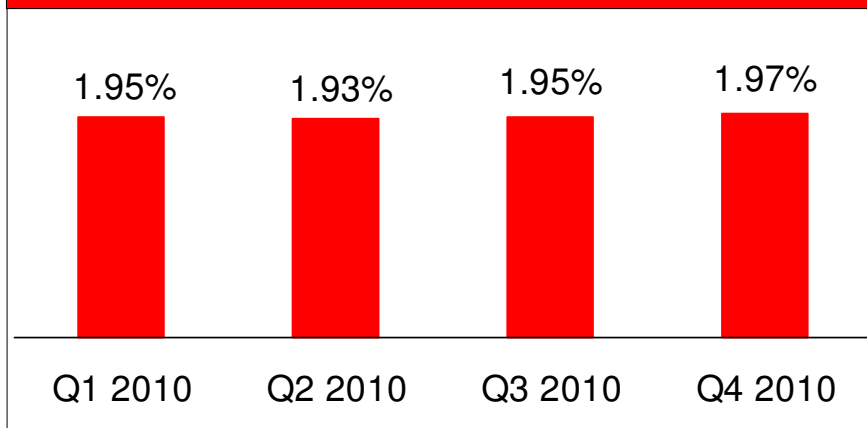
- Loan balance increased to NT\$329.8 billion (up 14.9% year-on-year)
- Mortgages achieved stable growth under stringent credit policies; NPL ratio for mortgages was low at 0.39%
- L/D ratio was 79.5% (incl. credit cards balance)

# Interest Income

## Net Interest Margin



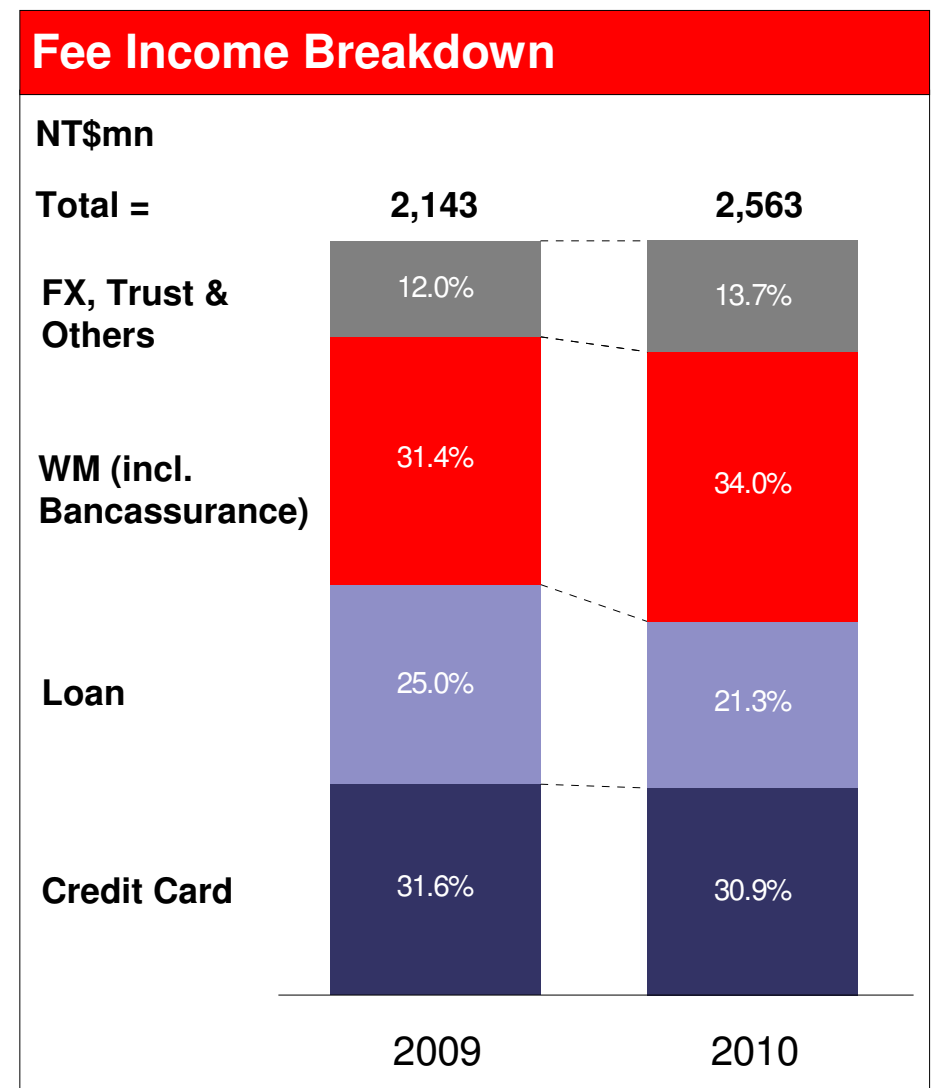
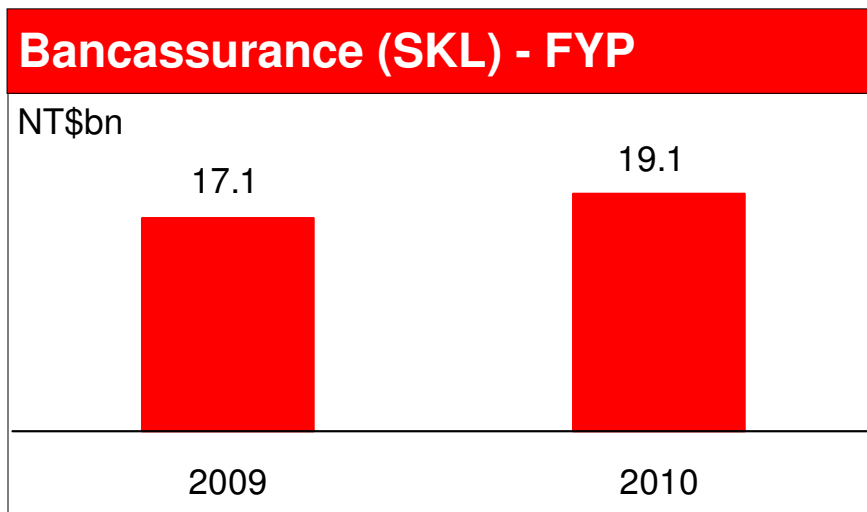
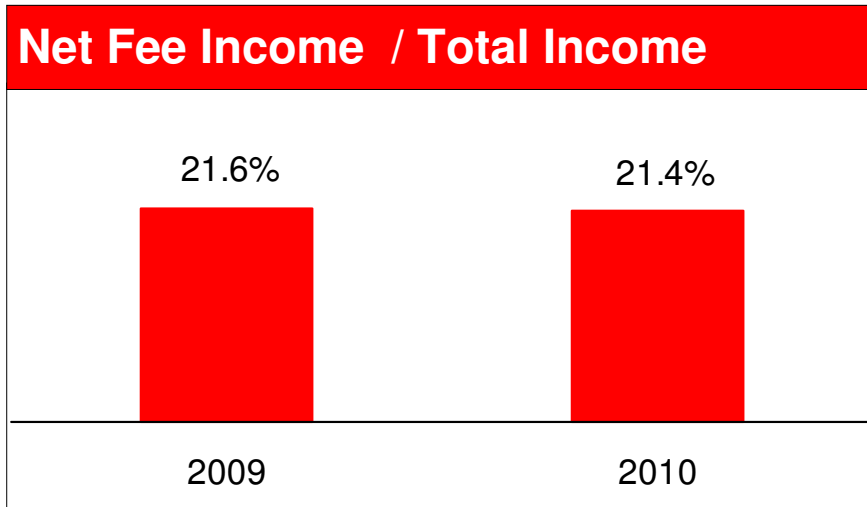
## Net Interest Spread



## Comments

- NIM was 1.54% in Q4 2010; net interest spread continued to improve to 1.97%
- In order to expand scale, SKB increased deposits in 2H which resulted in a temporary decline in NIM
- 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

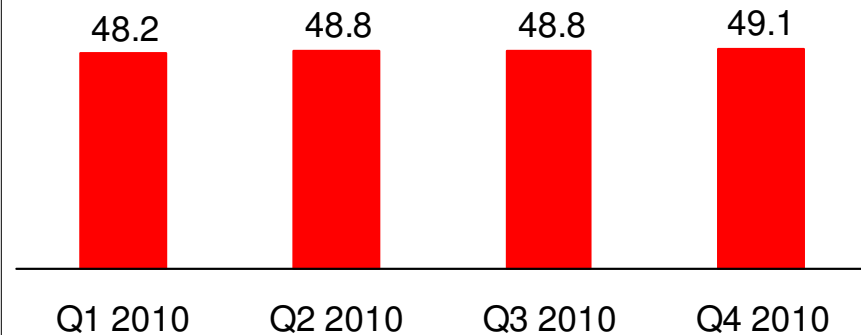


Note: Due to rounding, fee income breakdown may not add up to 100%

# Wealth Management

## AUM

NT\$bn

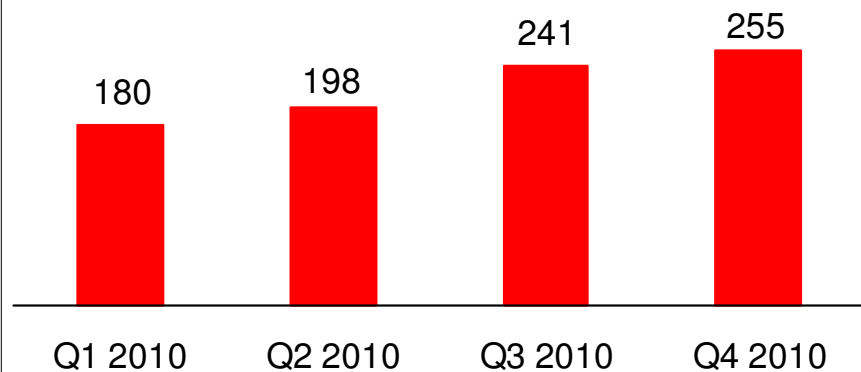


## Wealth Management Center



## WM Fee Income

NT\$m

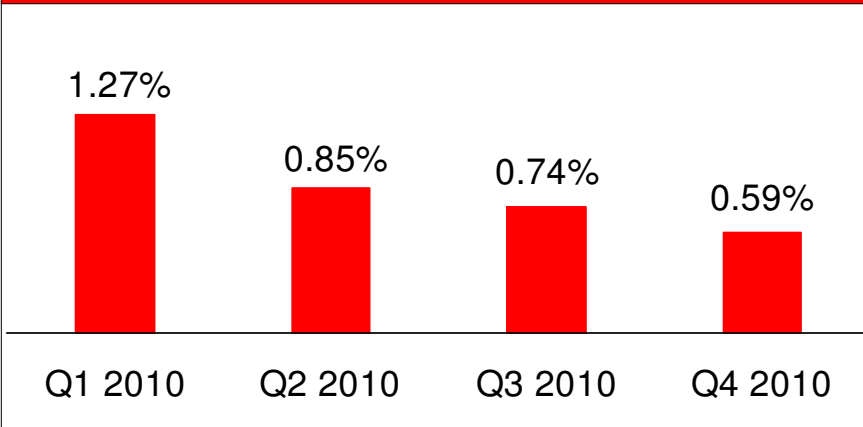


- Fee income from wealth management has increased since Q2 2009 due to recovery in global markets
- Fee income from wealth management for 2010 was NT\$873 million (up 29.8% year-on-year) and accounted for 34.0% (31.4% for 2009) of total fee income
- Sales focuses were on mutual funds, insurance, and foreign securities for 2010. As global markets stabilize, sales of mutual funds and preferred shares are expected to grow in 2011

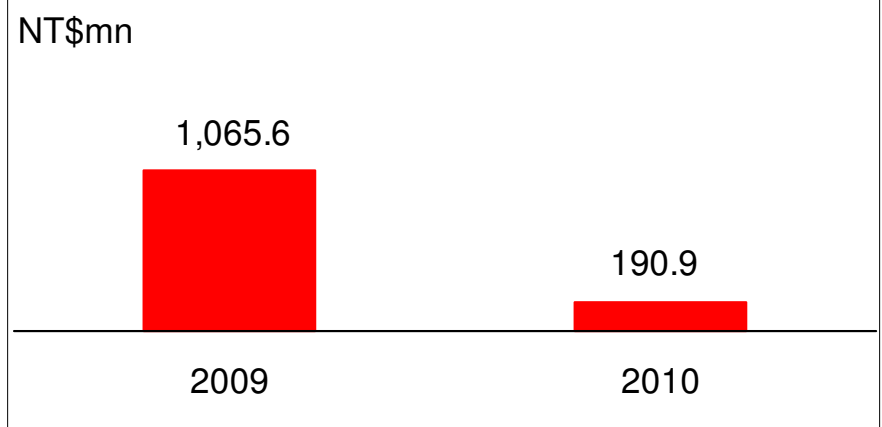
Note: Fee income figure for each quarter is adjusted due to rounding

# Asset Quality

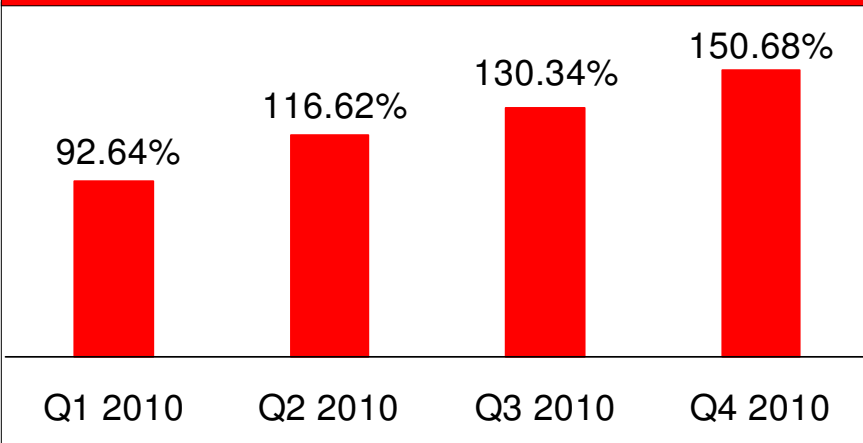
## NPL Ratio



## New NPL Generation



## Coverage Ratio

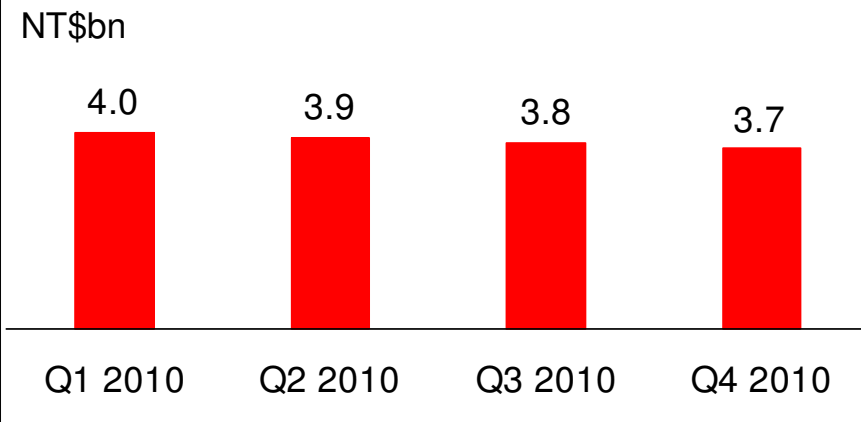


- Asset quality continued to improve with overall NPL at 0.59%
- Coverage was 150.68% - further improved compared to 130.34% in Q3 2010
- New NPL generated in 2010 were NT\$190.9 million, down 82.1% compared to 2009

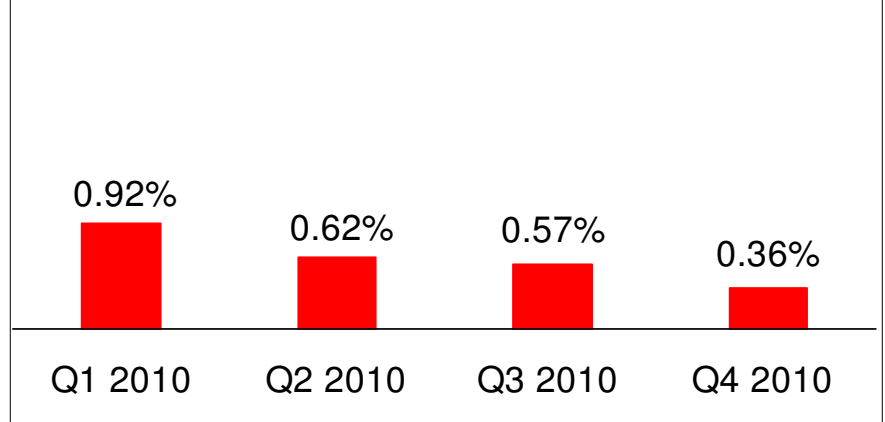


# Credit Cards Metrics

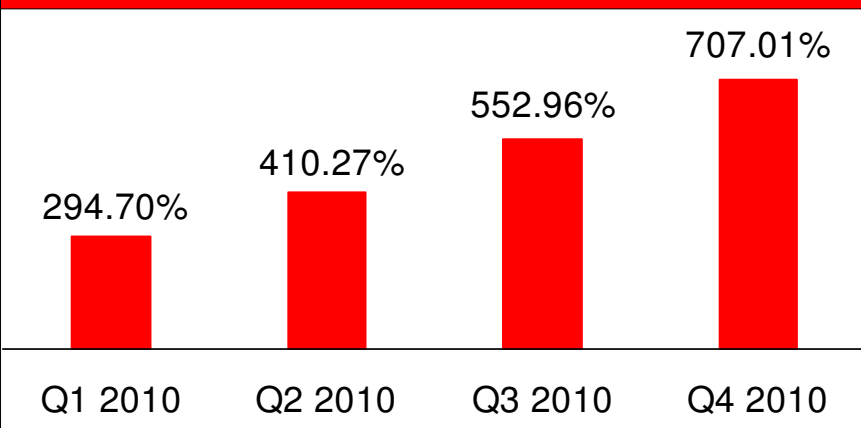
## Revolving Balance



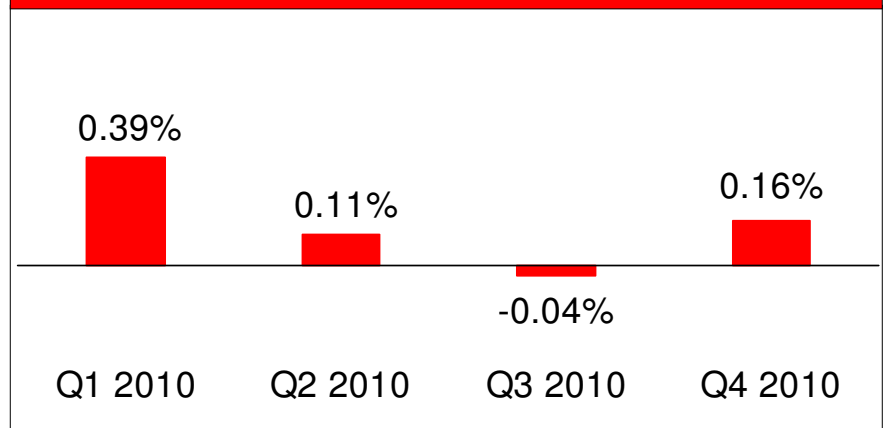
## 90-day NPL



## Coverage Ratio (1)



## Charge-off Ratio (2)



Note:

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

# SKB – 2011 Outlook

- Hong Kong Branch is expected to open for business in Q2 to enhance services to Taiwanese enterprises operating in China and prepare for entry into China's financial market.
- Increase total assets of SKB to US\$20 billion within two years to strengthen economy of scale and promote overseas operation.
- Continue to increase deposits to expand assets scale, enlarge ratio of demand deposits for optimization of deposits structure and lowering costs of funding.
- Establish dedicated teams focused on Global e-Banking (GEB), factoring, syndicated loan, TMU and cash management, expecting SKB to be the major bank for corporate customers in cash management and increase fee income and demand deposits.
- Focus on high yield products to meet customer needs, develop OBU fund platform and exploit wealth management business from corporate customers.
- Increase number of active cards and enlarge market share in credit card business
- Strictly control asset quality and recover non-performing loans to lower NPL and increase coverage ratio.
- Increase number of full-function branches to expand productivity and enhance profitability of the distribution channel.

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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

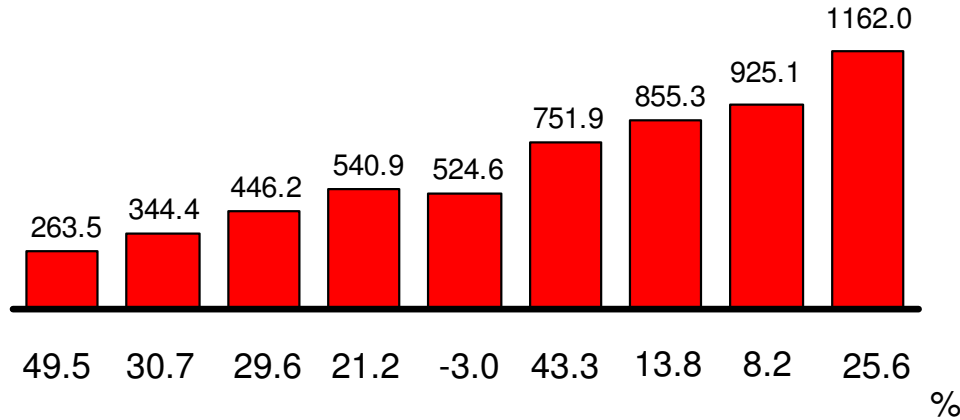


## Insurance opportunity:

# High growth driven by new products and channels

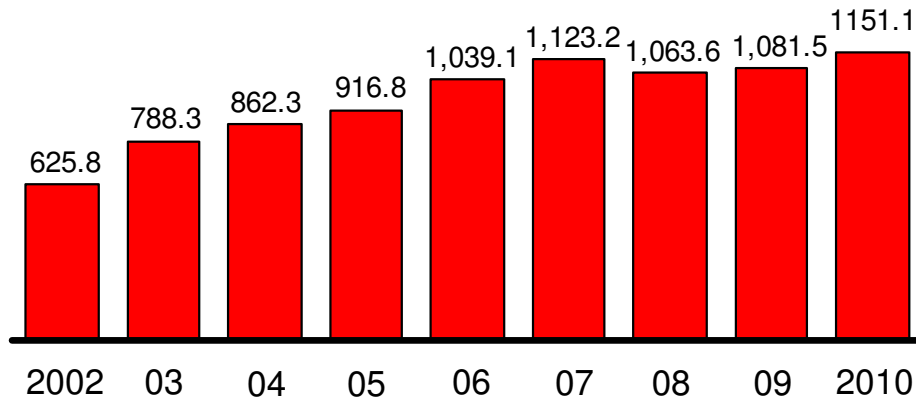
### Life FYP

NT\$bn



### Life renewal premium

NT\$bn



### Growth

Percent

13.2 26.0 9.4 6.3 13.3 8.1 -5.3 1.7 6.4

Source: Insurance Institute

### New business breakdown

Percentage

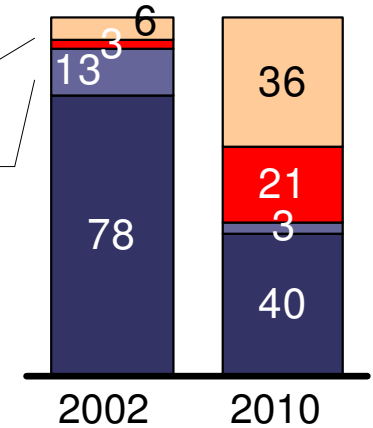
Variable interest rate linked

Investment linked

Accident and health

Traditional life

Traditional life



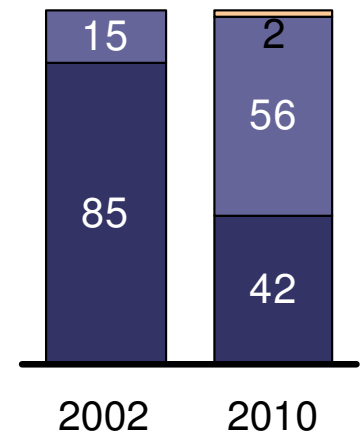
### New business channel mix

Percentage

Others

Bancassurance

Traditional agents



*Insurance opportunity:*

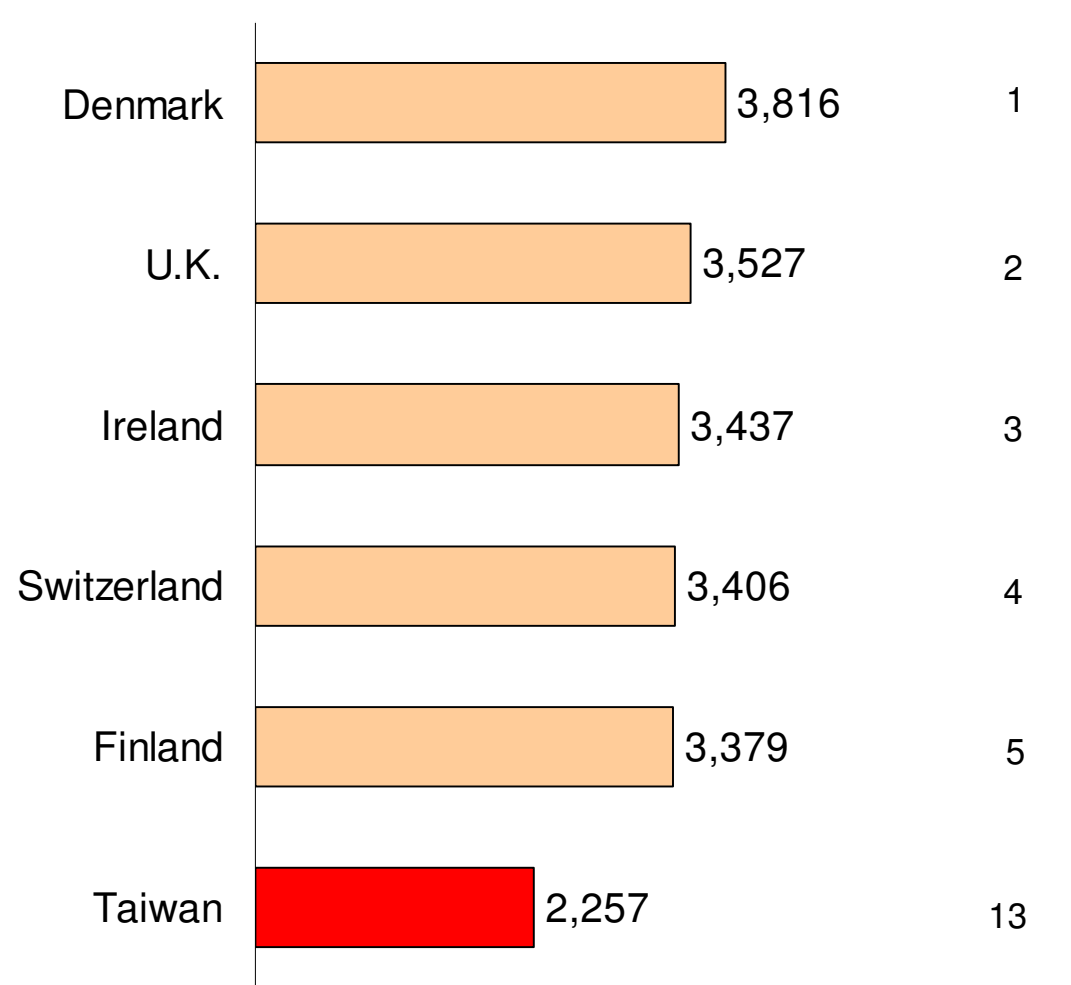
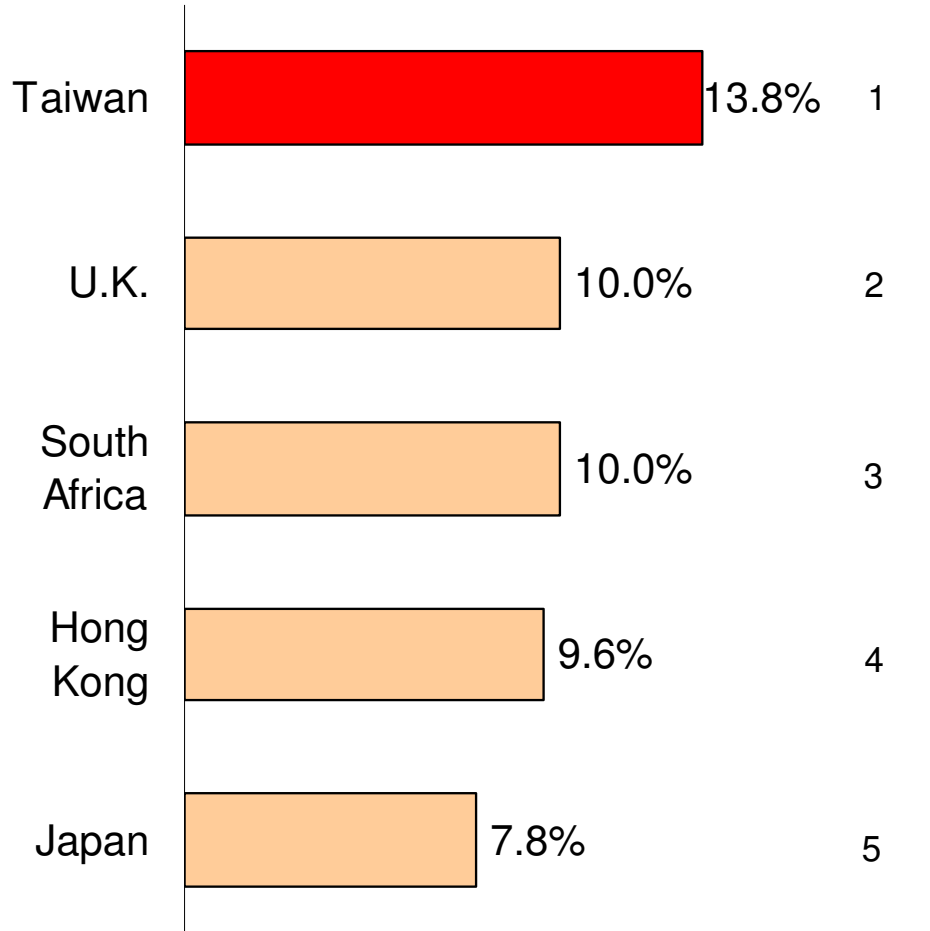
# High penetration but low density

Life premiums/GDP, %

Rank

Life insurance expense  
per capita, US\$

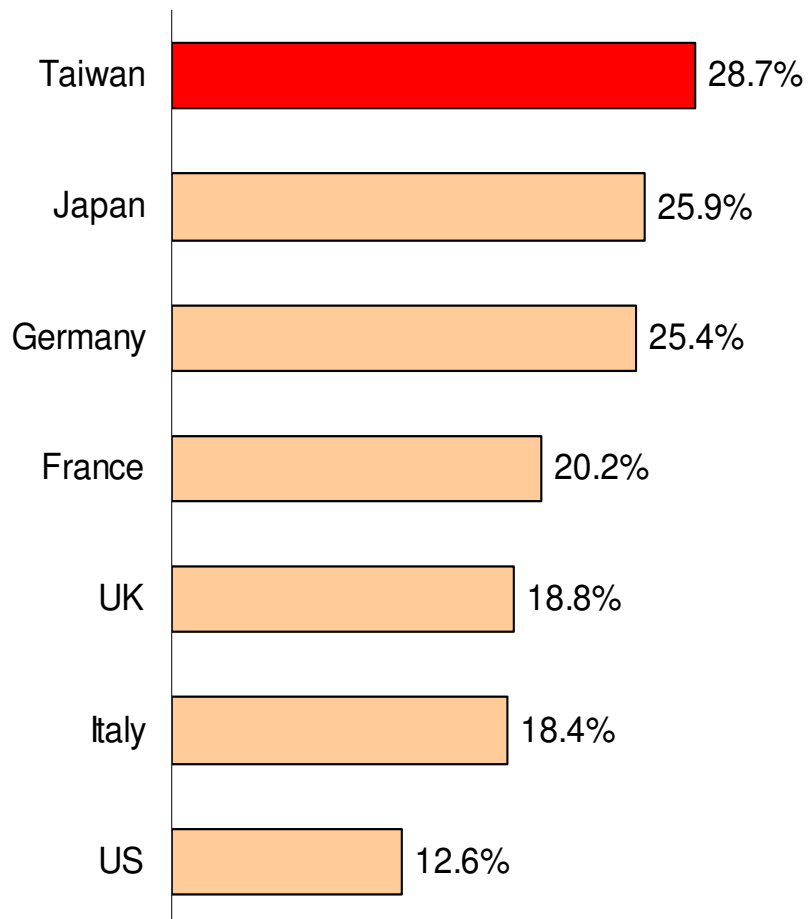
Rank



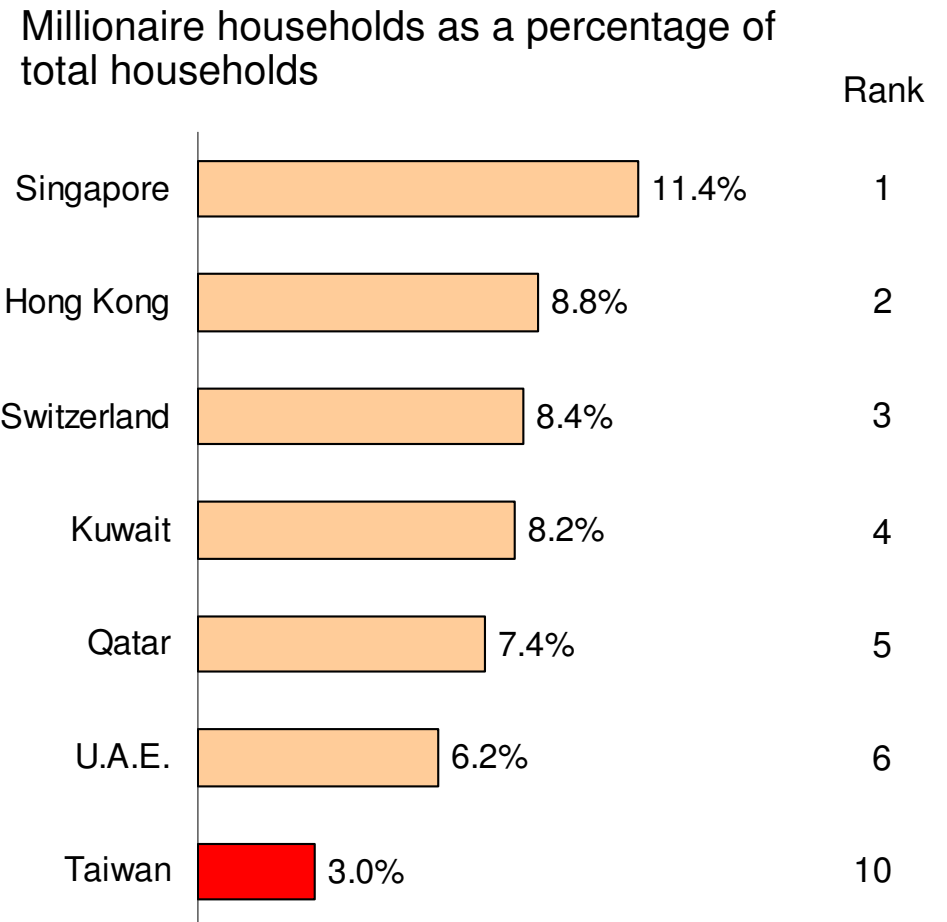
*Wealth management opportunity:*

# High savings rate and wealth concentration

## Savings rate (1)



## Concentration of wealth (2)



Source:

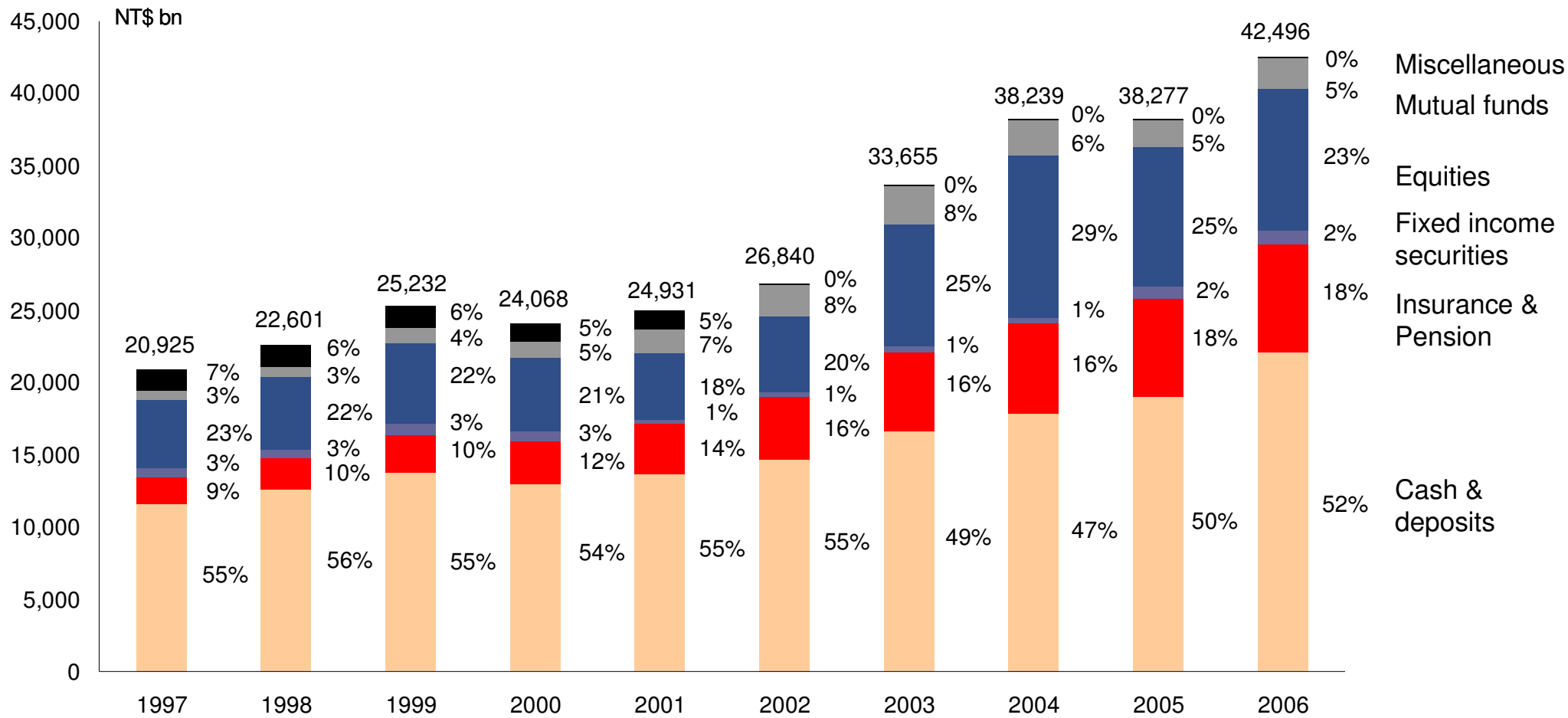
(1) National Statistics, Taiwan; BEA (USA), International Financial Statistics (IMF), Monthly Statistics of Japan, 2008

(2) BCG global wealth market-sizing database, 2010

*Wealth management opportunity:*

# Asset migration away from deposits

Taiwanese household assets (NT\$bn, Percent)



Source: CBC, Citigroup Investment Research

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# SP / RP Breakdown

NT\$bn

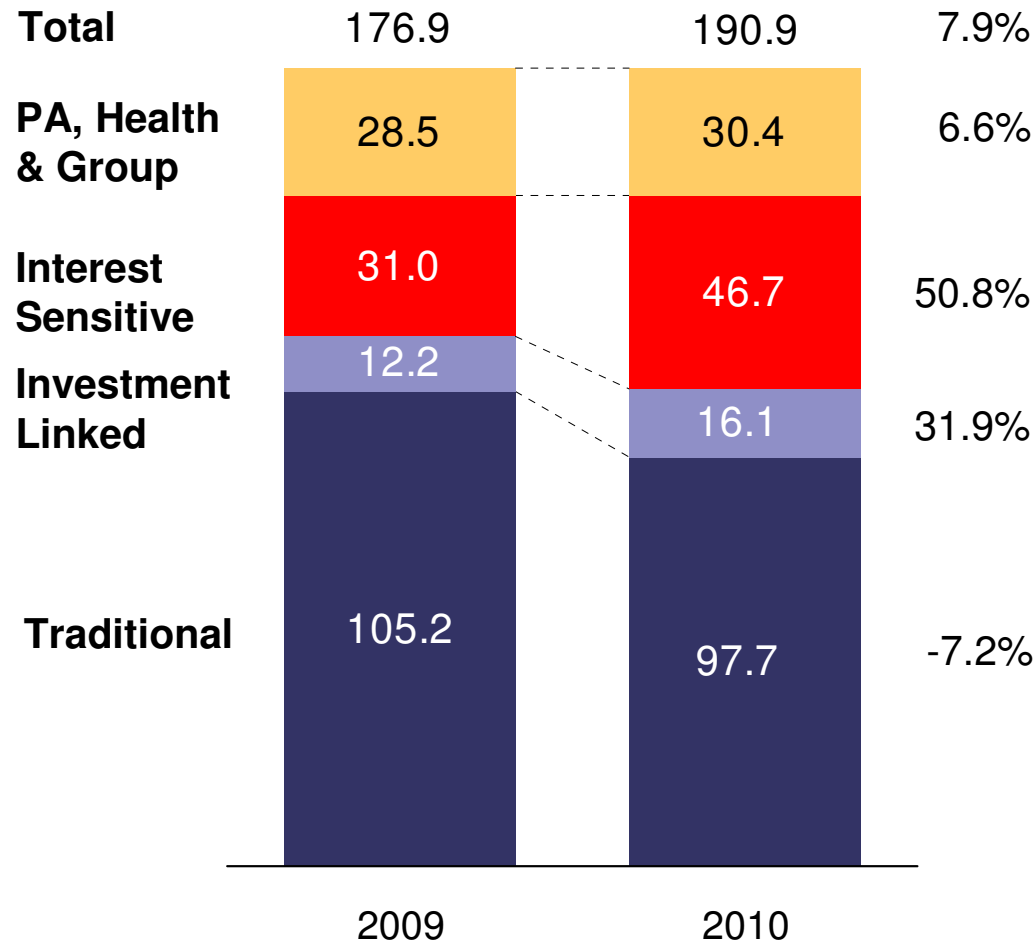
2010 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	13.39	9.14		22.53
Investment-linked				
VUL			3.03	3.03
Structured note	6.61			6.61
Interest Sensitive				
Annuity	45.92		0.06	45.98
Life			0.74	0.74
PA, health and others		4.28		4.28
<b>Total</b>	<b>65.92</b>	<b>13.42</b>	<b>3.83</b>	<b>83.17</b>
<b>Share</b>	<b>79.3%</b>	<b>16.1%</b>	<b>4.6%</b>	<b>100.0%</b>

# Total Premium – 2010

NT\$bn

Market Share = 8.3%

Growth

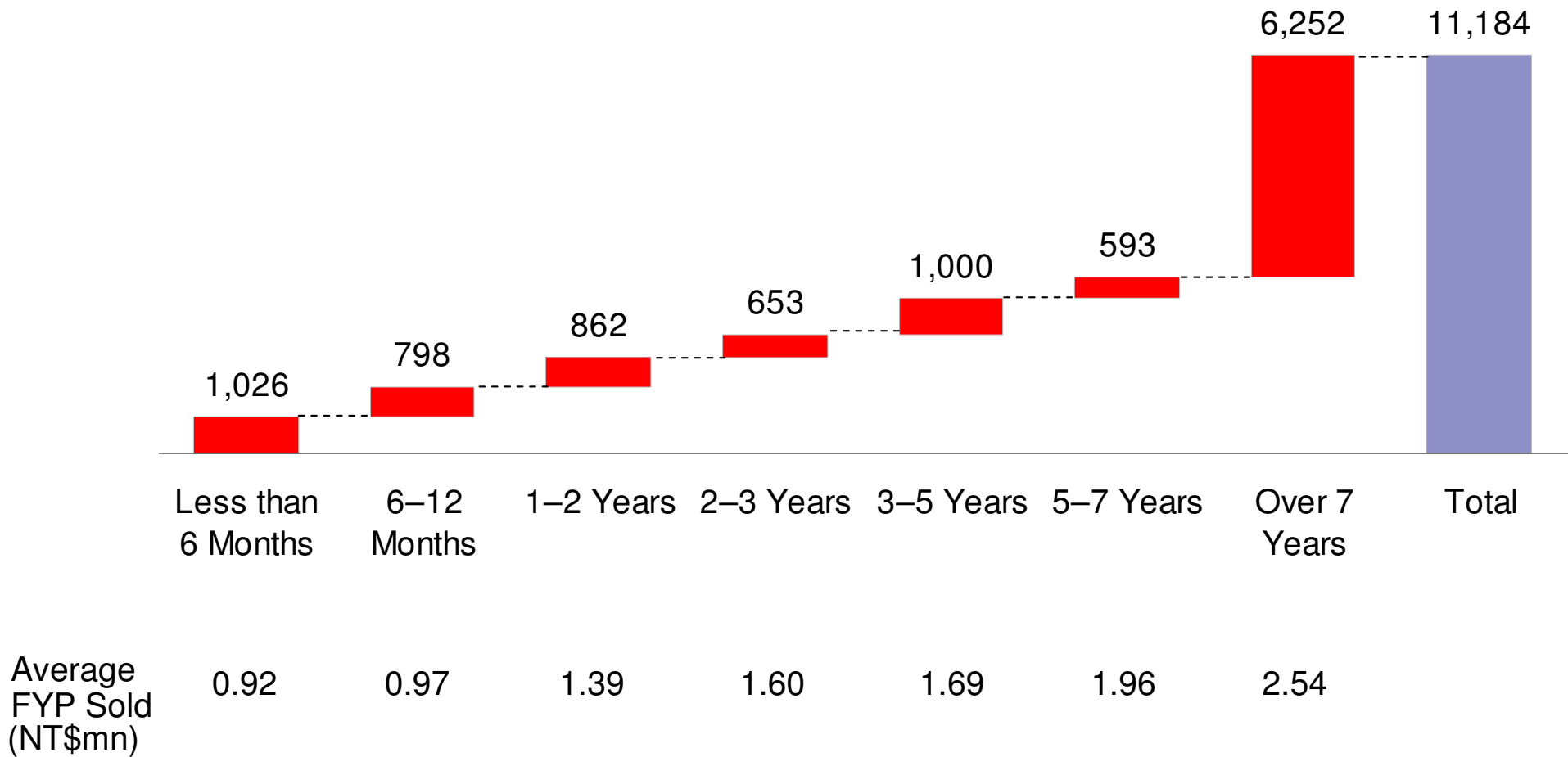


## Comments

- Total premium went up 7.9% 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	2H 2010	Total
<b>ABS CDOs</b>	1.88	3.20	0.74	1.75	0.09	0.64	-	8.30
<b>CBOs</b>	1.03	1.37	-	-	0.70	-	-	3.10
<b>CMBS CDOs</b>	-	0.13	-	0.97	-	-	-	1.10
<b>Corporate CDOs</b>	-	-	1.40	0.09	-	0.29	0.13	1.91
<b>Total</b>	2.91	4.70	2.14	2.81	0.79	0.93	0.13	14.41

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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:

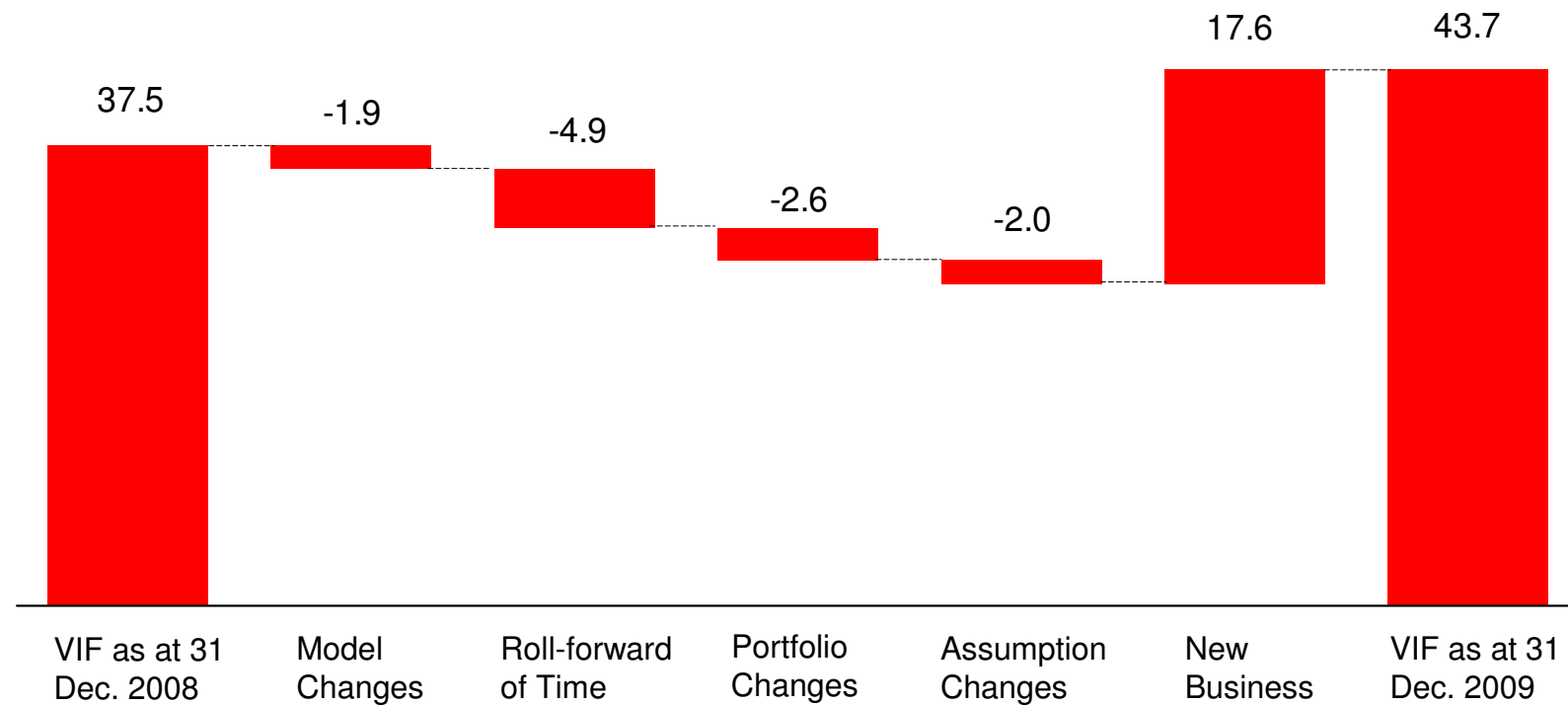
(1) Figures may not add up exactly due to rounding.



# SKL – Analysis of Change in VIF

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

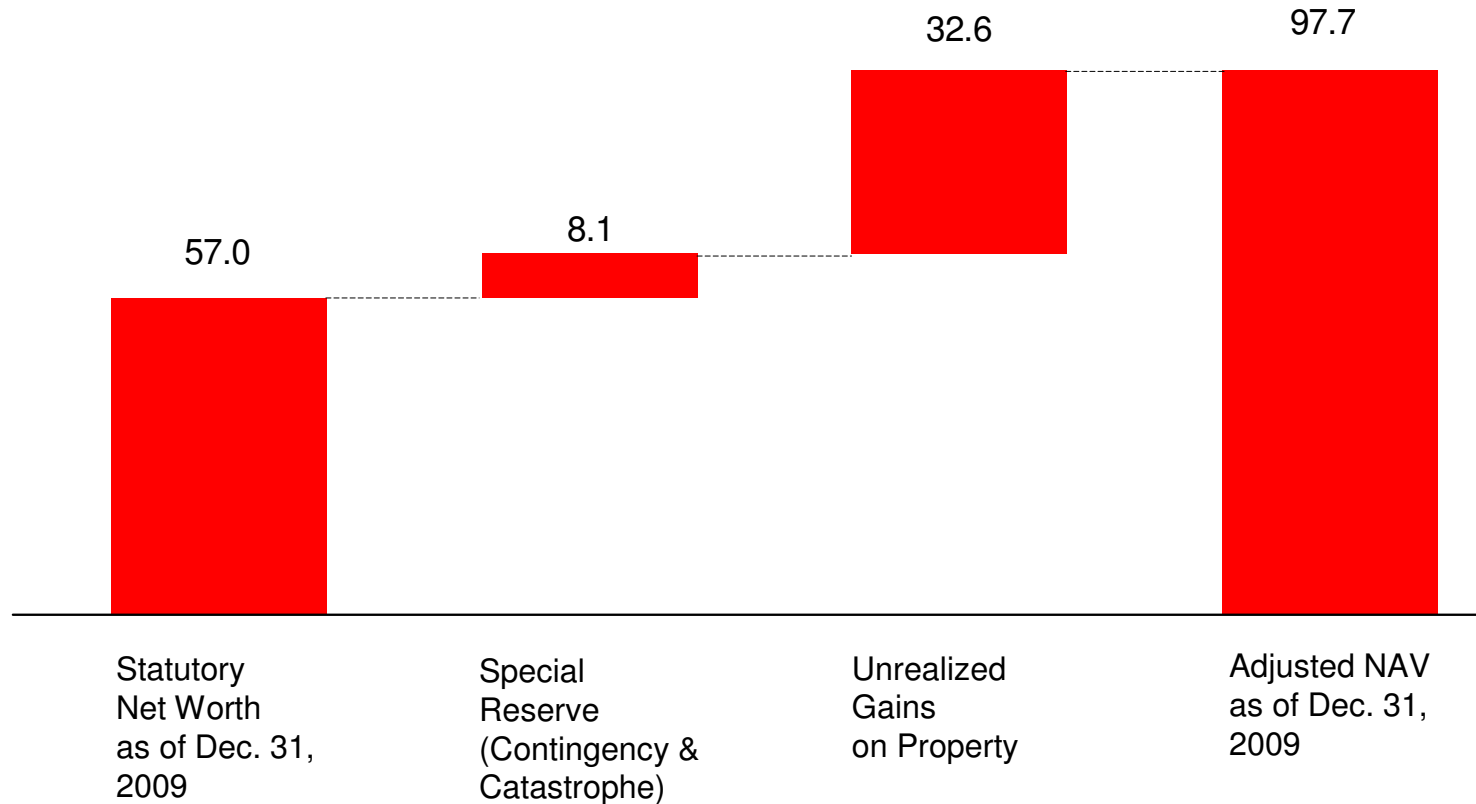
NT\$bn



# SKL – Adjusted NAV

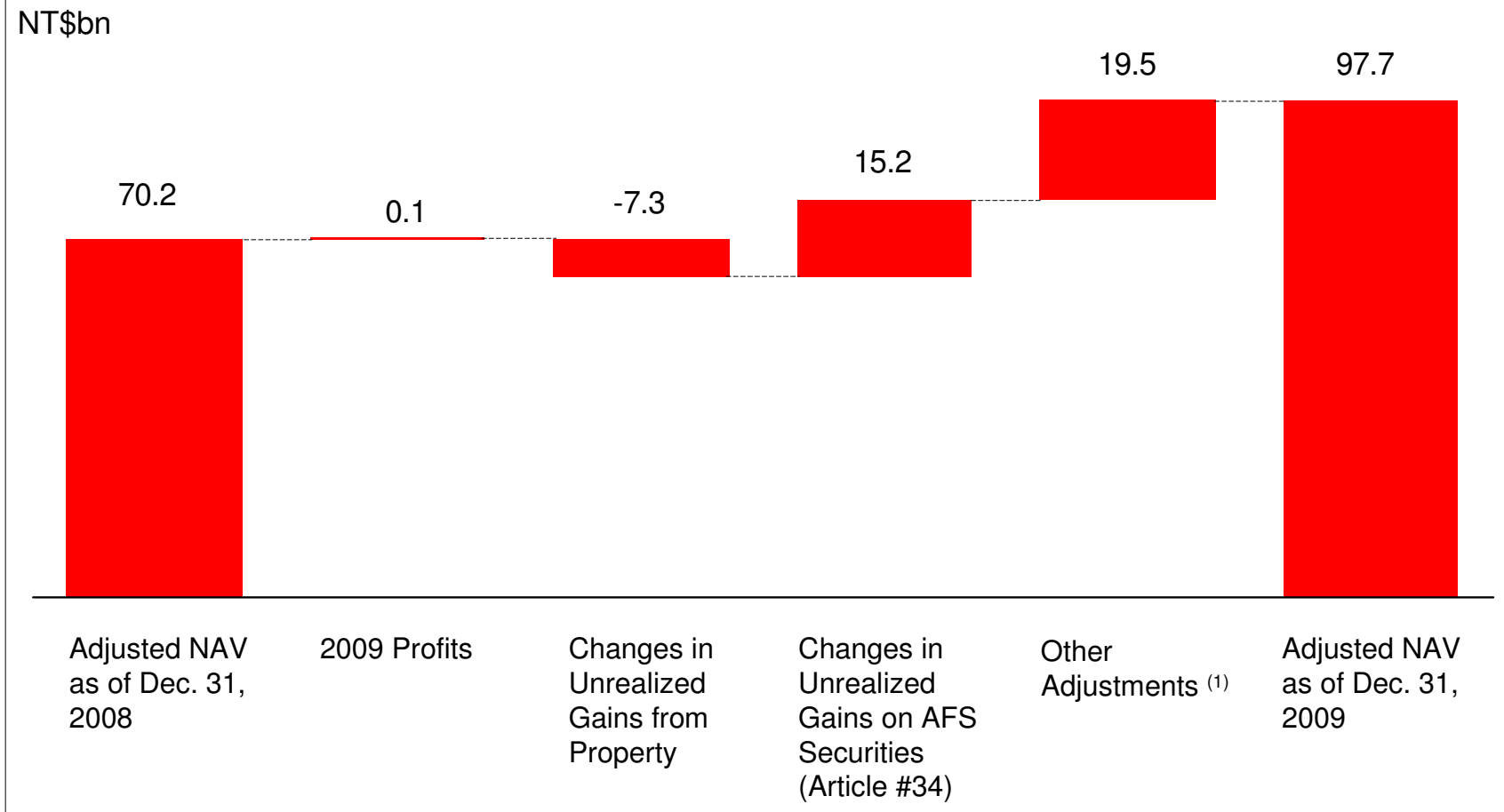
## Adjustments to Statutory Net Worth at 31 Dec. 2009

NT\$bn



# SKL - Analysis of Change in NAV

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



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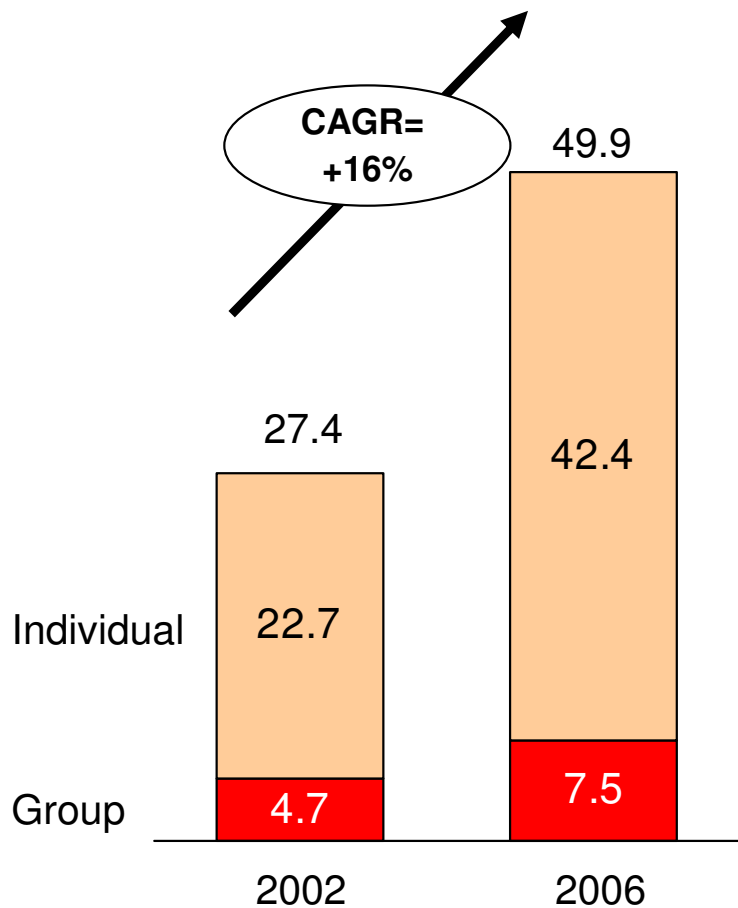
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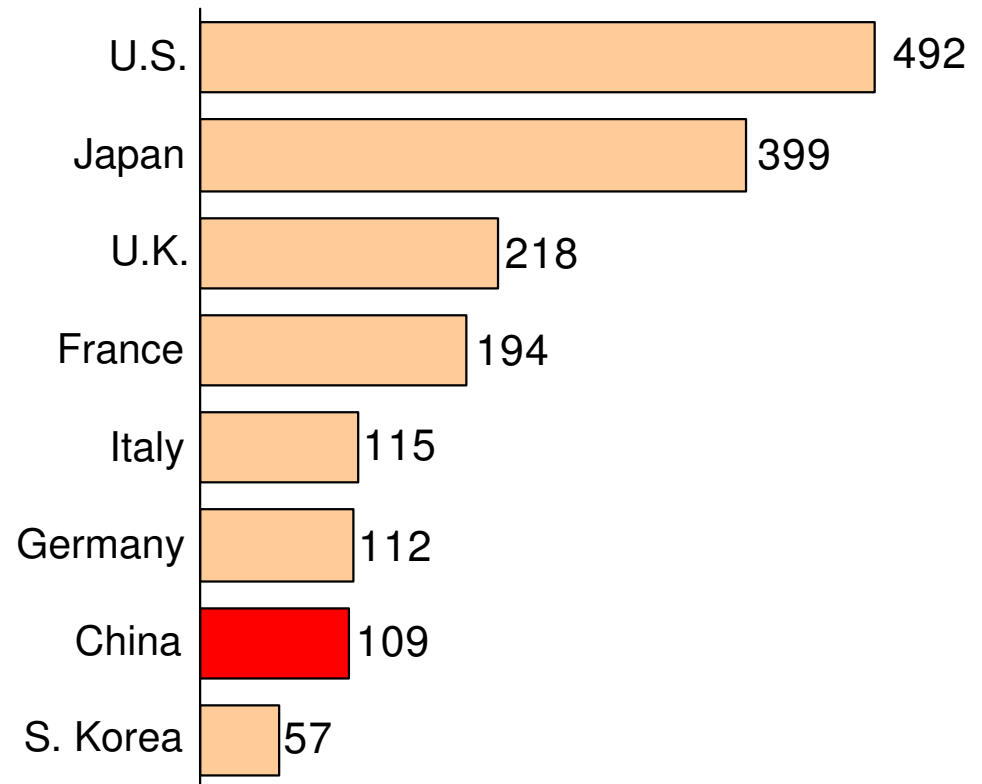
# China insurance market is growing rapidly and ranked number 7 in the world

US\$bn

**Total life premium**

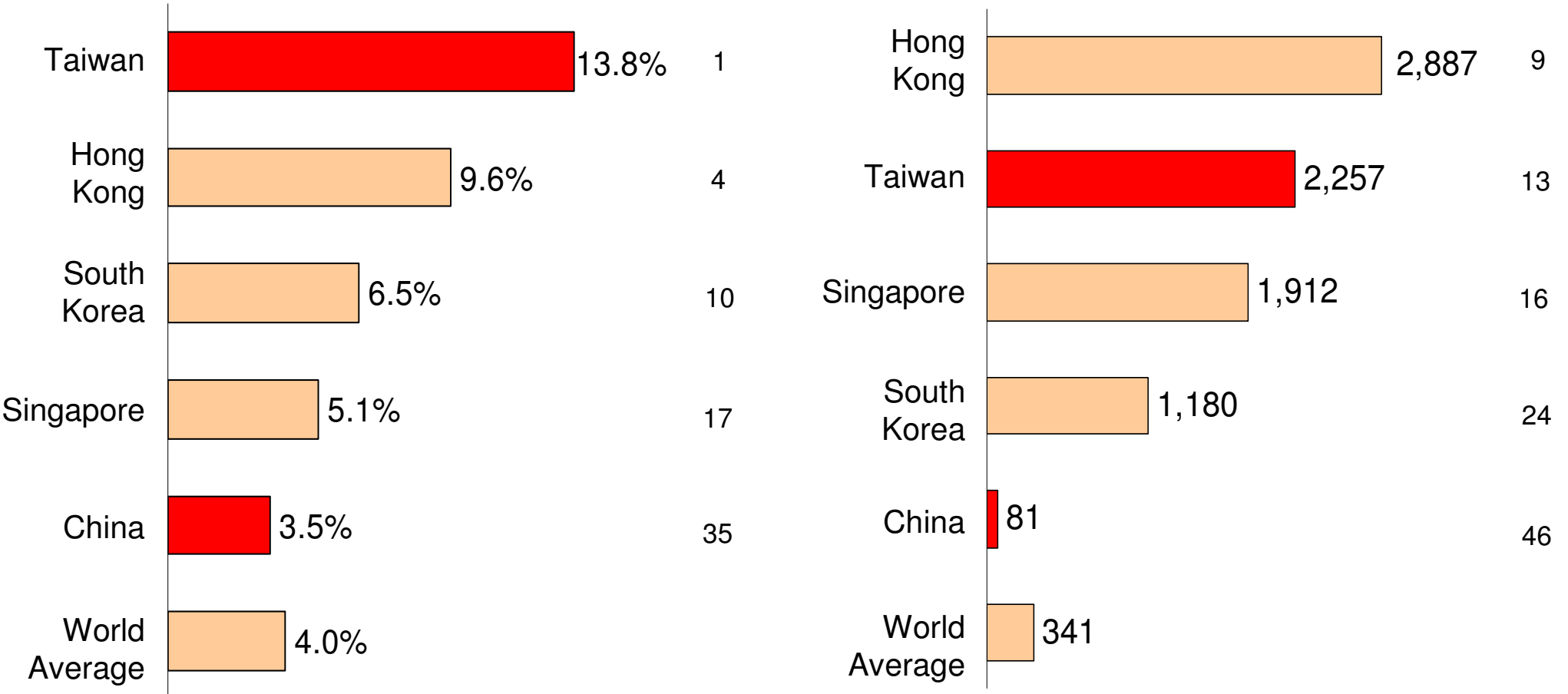


**Total life premium 2009**



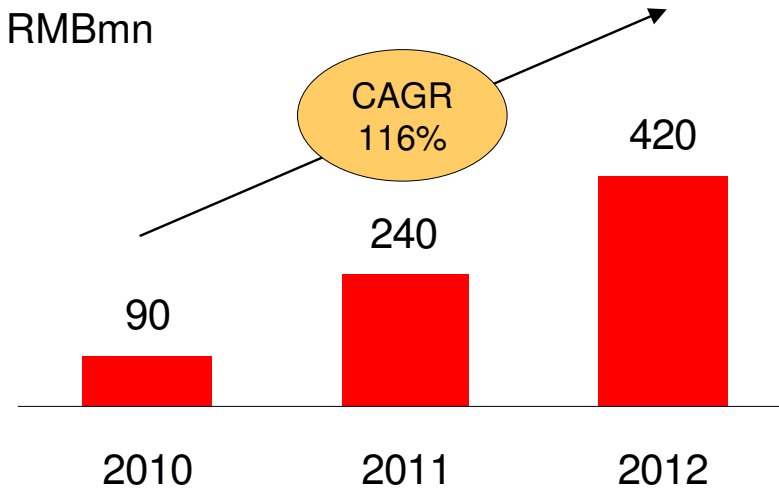
Source: China Insurance Year Book, Swiss Re, Sigma No.2/2010

# 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 Dec. 2010, SKHNA Life obtained approval from the China Insurance Regulatory Commission to launch Hainan branch operations
- 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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