

Confidential



**Shin Kong Financial Holding**

Company Overview

September 2008

# Disclaimer

This presentation and the presentation materials distributed herewith include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Shin Kong Financial Holding Company (“Shin Kong FHC”) expect or anticipate will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. Shin Kong FHC’s actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market shares, competition, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, cost estimates and other risks and factors beyond our control. In addition, Shin Kong FHC makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

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

# Agenda

## I. SKFH

## II. Life Insurance Business

## III. Banking Business

## IV. Appendix

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

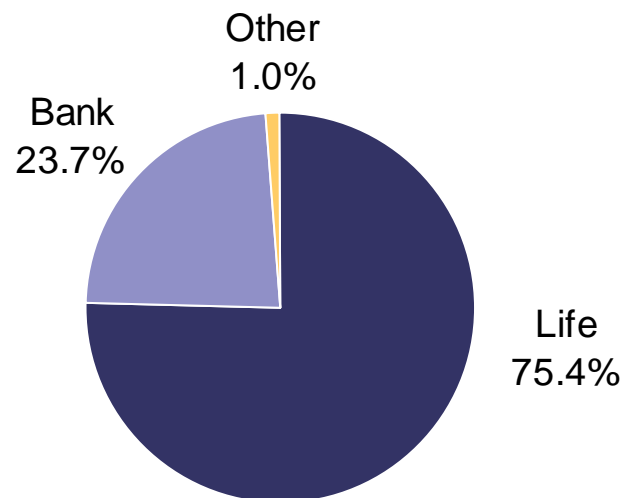
# Who We Are

- Major financial holding company in Taiwan
  - Five subsidiaries including life insurance, bank, securities, asset management, and insurance brokerage
  - 2nd largest life insurer with 13% market share
  - 10th largest private bank with 108 branches
- One of the few FHCs in Taiwan with significant presence in both insurance and banking

## Financial Overview

NT\$bn	2005	2006	2007
Total Assets	1,331.2	1,492.3	1,688.0
Shareholders' Equity	68.3	90.8	100.1
Market Value	104.1	164.6	112.6
Net Income <sup>(1)</sup>	7.1	5.9	5.0
ROA	0.59%	0.4%	0.3%
ROE	11.5%	7.6%	5.3%
Foreign Ownership	22.9%	31.8%	20.4%

## 2007 Asset Mix

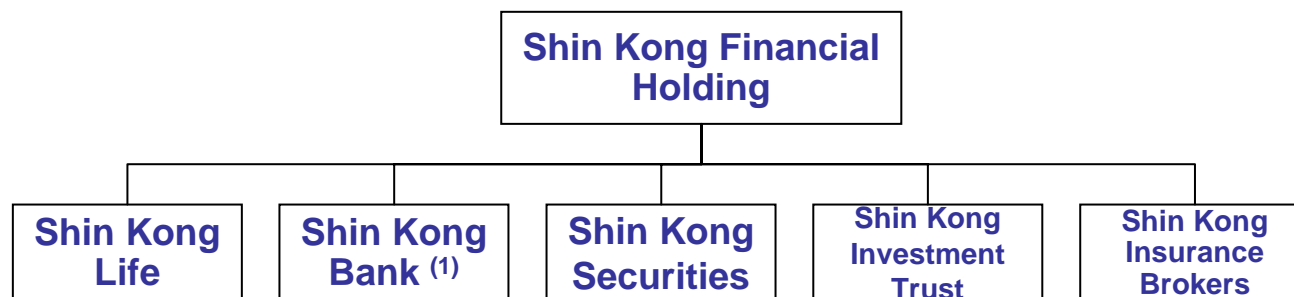


Note:

(1) Excludes minority interest income

# Corporate Structure

## Unique Integrated Financial Services Platform



	Shin Kong Life	Shin Kong Bank <sup>(1)</sup>	Shin Kong Securities	Shin Kong Investment Trust	Shin Kong Insurance Brokers
Date of Incorporation	7/1963	1/1997	12/2001	9/1992	1/2003
Assets (NT\$bn)	1,229.2	385.7	14.0	0.74	0.12
% of Group Assets	75.4%	23.7%	0.9%	< 0.1%	< 0.1%
Earnings (NT\$m)	2,417	1,423	201	112	46
Branches/Offices	366	108	7	3	1
Market Share	13.1%	1.4%	0.69%	2.3%	-

# Seasoned Management Team



**Hsu, Victor**  
President &  
CRO

- President & Spokesperson, Shin Kong Financial Holding

Experiences:

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

Membership & others:

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

- President, Shin Kong Life

Experiences:

- SEVP, Shin Kong Life



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

Membership & others:

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

- President, Shin Kong Securities

Experiences:

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



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



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

- President, Shin Kong Bank

Experiences:

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



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

- President, Shin Kong Investment Trust

Experiences:

- Vice President, Shin Kong Investment Trust

## Strong Track Record of Attracting and Integrating Outside Talent



**Lui, Ian**  
CIO  
Shin Kong Life

- Chief Investment Officer, Shin Kong Life

Experience:

- CIO and Managing Director, Allianz Asset Management Asia Pacific
- Managing Director, Indocam Singapore



**Ni, Christopher**  
Deputy CIO  
Shin Kong Life

- Deputy Chief Investment Officer, Shin Kong Life

Experience:

- Chief Investment Officer, ING/Aetna
- Vice President, FAT Capital Management Corp. / AIG Group

Membership & others:

- Investment Committee Member, Life Insurance Association



**Chen, Dennis**  
CIO

- 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



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

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

Experience:

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



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

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

Experience:

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



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

- VP, Wealth Management, Shin Kong Bank

Experiences:

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

# Sound Policies and Practices to Ensure Proper Corporate Governance

## Board Control

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

## Legal Compliance

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

## Internal Audit

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

## Disclosure

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



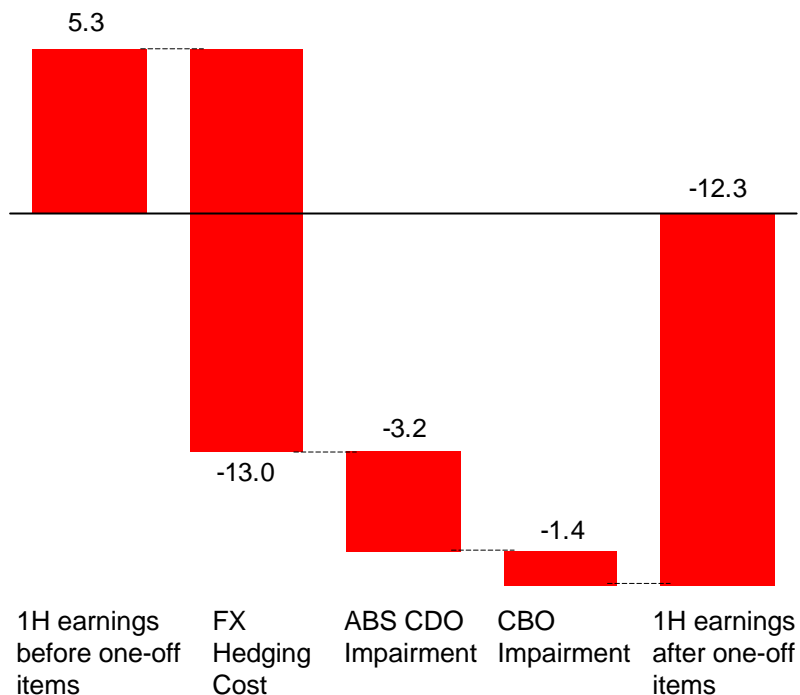
## SKFH – 1H 2008 Overview

- SKFH recorded after-tax loss of NT\$12.35bn in 1H 2008 due to NT\$13.01bn foreign exchange hedging cost, NT\$1.37bn impairment loss from CBOs and NT\$3.20bn loss from ABS CDOs. EPS was -NT\$2.27. This is unsatisfactory but expected to improve when global markets stabilize.
- Loss came mainly from SKL while performance of SKB has consistently improved
  - SKL: after-tax loss was NT\$12.87bn, with NT\$4.57bn impairment loss from CBO/ABS CDO investments and NT\$13.01bn from foreign exchange hedging cost
  - SKB: after-tax profit improved to NT\$0.68bn, driven by lower provision expense and higher pre-provision operating income
  - SKSC: after-tax loss was NT\$29mn
  - SKIT and SKIB: achieved after-tax profit NT\$46mn and NT\$30mn respectively
  - Results of Masterlink Securities were consolidated, since SKFH's investment in the company already exceeded 25%

# Net Income – 1H 2008

## Group net income

NT\$bn



## Net income contribution

NT\$bn

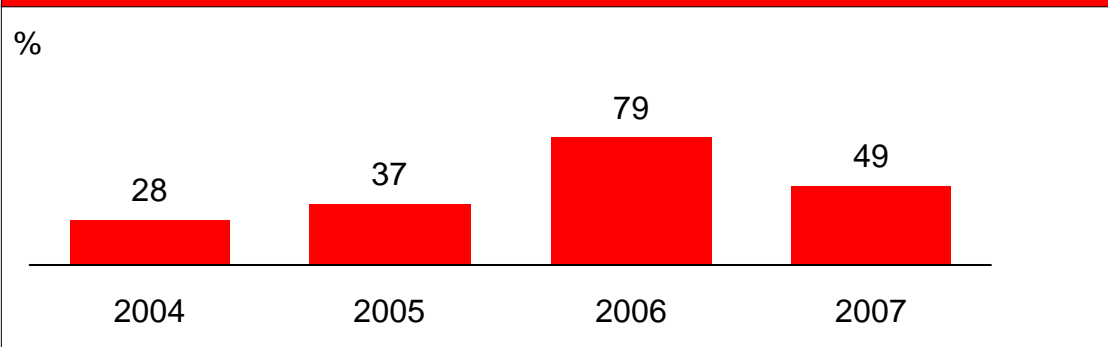
Subsidiaries	1H 2008	1H 2007
Shin Kong Life <sup>(1)</sup>	-12.93	7.73
Shin Kong Bank	0.68	0.20
Shin Kong Securities	-0.03	0.56
Shin Kong Investment Trust	0.05	0.04
Shin Kong Insurance Brokers	0.03	0.02
Others <sup>(1)</sup>	-0.15	0.69
<b>Net income</b>	<b>-12.35</b>	<b>9.24</b>

Note:

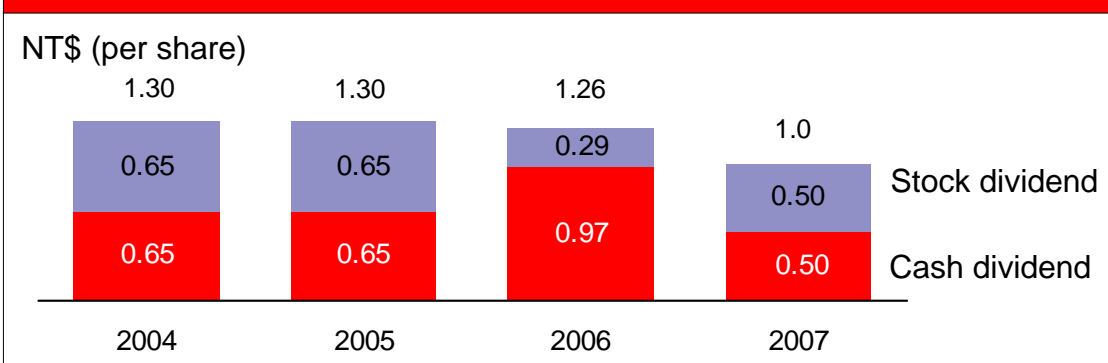
(1) Include other income of SKFH, income taxes, and loss from Masterlink Securities

# Dividend Distribution

## Cash Dividend Payout Ratio



## Cash Dividend vs Stock Dividend



## Comment

- Cash dividend payout ratio increased over the years
- Despite lower earnings and EPS in 2007, total dividend payout remained stable
- Long-term goal is to increase cash payout ratio and percentage of cash dividend

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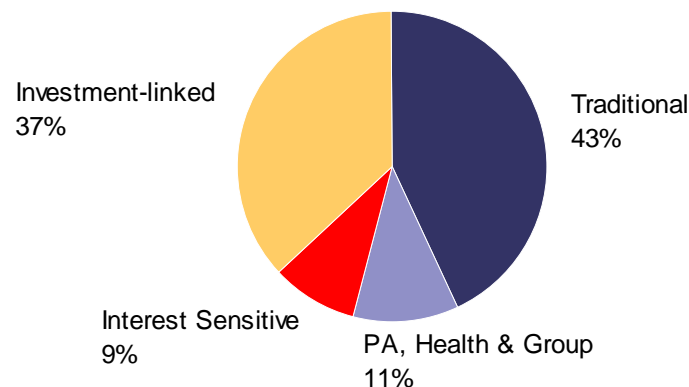
# Shin Kong Life

- 2<sup>nd</sup> largest life insurer in Taiwan with 13% market share and 3 million customers
- Strong distribution network with 12,000 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	2005	2006	2007
Total Premium	159.0	181.5	215.9
Net Income	7.4	11.8	2.4
Total Assets	967.6	1,117.4	1,229.2
Shareholders' Equity	54.4	69.9	60.0
ROE <sup>(1)</sup>	18.7%	21.9%	3.68%
ROA	0.82%	1.13%	0.21%

## 2007 Total Premium Written



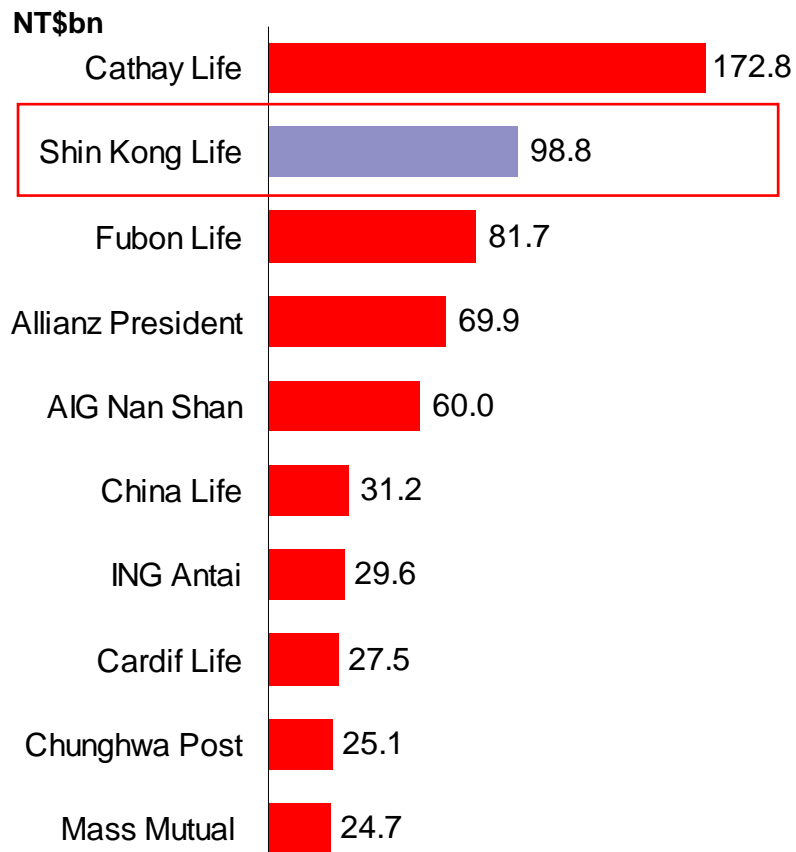
**Total Premium Written: NT\$215.9 bn**

Note:

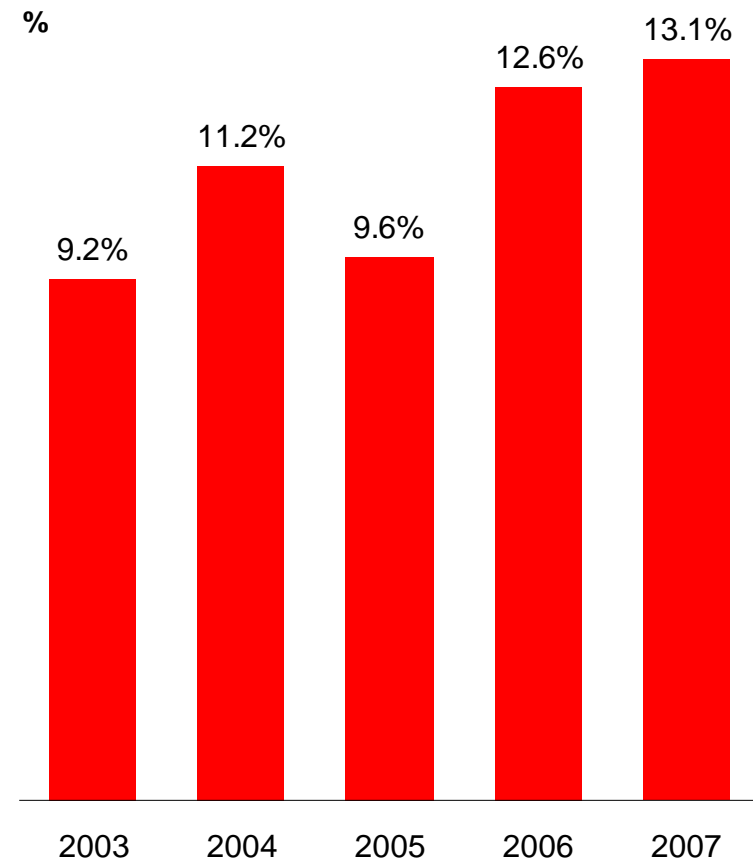
(1) Excludes preferred shares

# Shin Kong Market Share

**FYP of Top 10 Players – 2007**



**Shin Kong FYP Market Share Over Time**



# Awards and Recognition



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



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



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



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



**National Quality Award**  
(2004) by MOEA  
**ISO National Quality Verification**  
(2000, 1998)



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

## SKL – 1H 2008 Overview

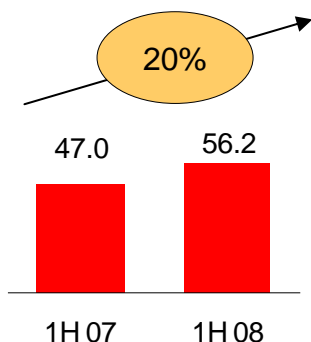
- SKL recorded after-tax loss of NT\$12.87bn in 1H with NT\$1.37bn impairment loss from CBO investment, NT\$3.20bn impairment loss from ABS CDO investment, and foreign exchange hedging cost of NT\$13.01bn. ROE was -25.1%.
- Strong demand for investment-linked products pushed FYP up by 20% to NT\$56.25bn, slightly lower than market growth of 32%. Market share was 12%.
- Investment-linked policies contributed 75% (VUL: 6%) of FYP. Share of traditional policies was 7%; interest-sensitive and other policies accounted for 16% and 2% respectively.
- 13-month persistency was 89%. 25-month persistency improved to 81%.
- With NT\$4.57bn impairment loss from CBO/CDO investments and foreign exchange hedging cost of NT\$13.01bn, annualized investment return was 1.08%.
- As the subprime crisis continues, the Company will maintain high standards of disclosure on its CDO/CBO investments to reduce uncertainty and alleviate market concerns.



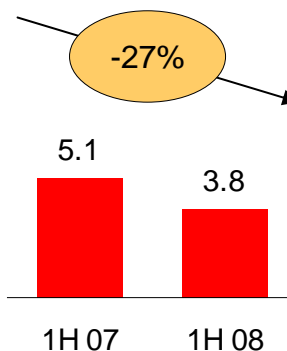
# First Year Premium – 1H 2008

NT\$bn

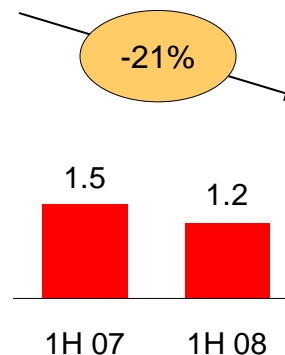
## Market share 11.7%



## Traditional



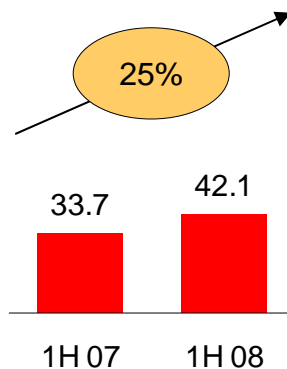
## PA, Health and Group



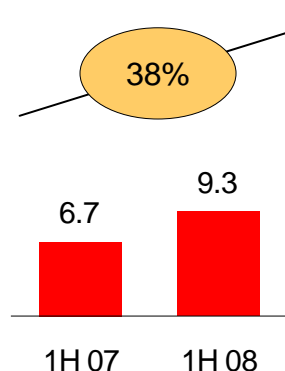
### Comments

- FYP grew by 20%, lower than market average of 32%
- Investment-linked products contributed significant share (75%) of FYP
- Affected by global market situation, sales from VUL declined; structured-note type products were the sales focus in 1H
- Jin-Duo-Li endowment and long-term care products remained the focus of traditional products. FYP from traditional products declined due to concentrated sales in Q2 2007 (accounted for 48% of annual FYP)

## Investment-linked

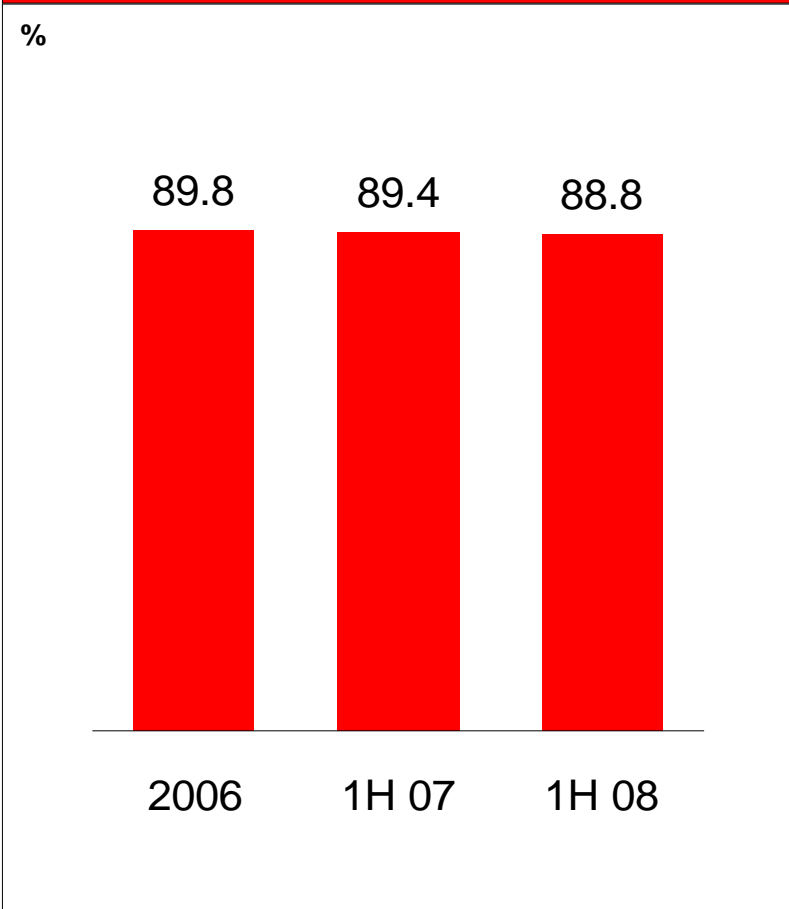


## Interest-sensitive

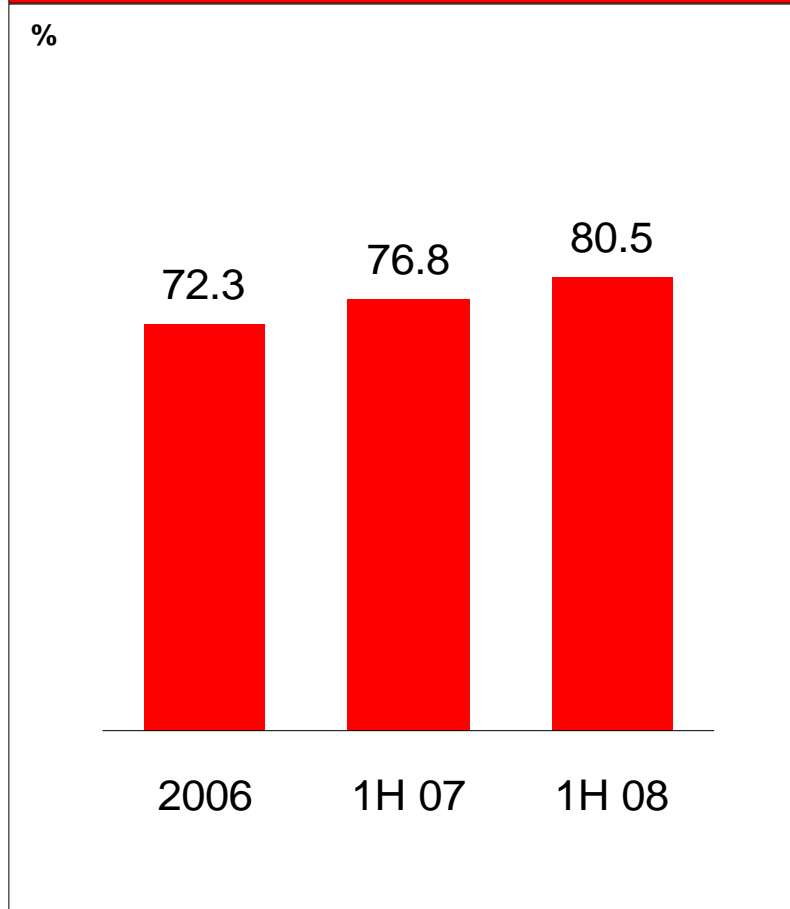


# Persistency Ratio

## 13 month persistency

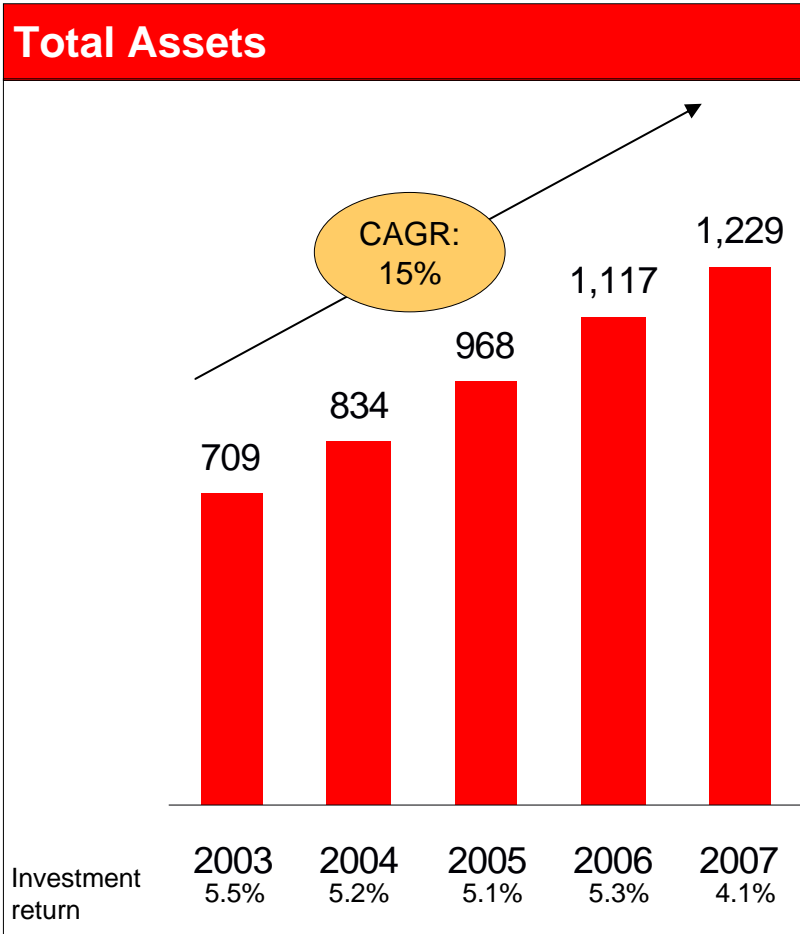


## 25 month persistency



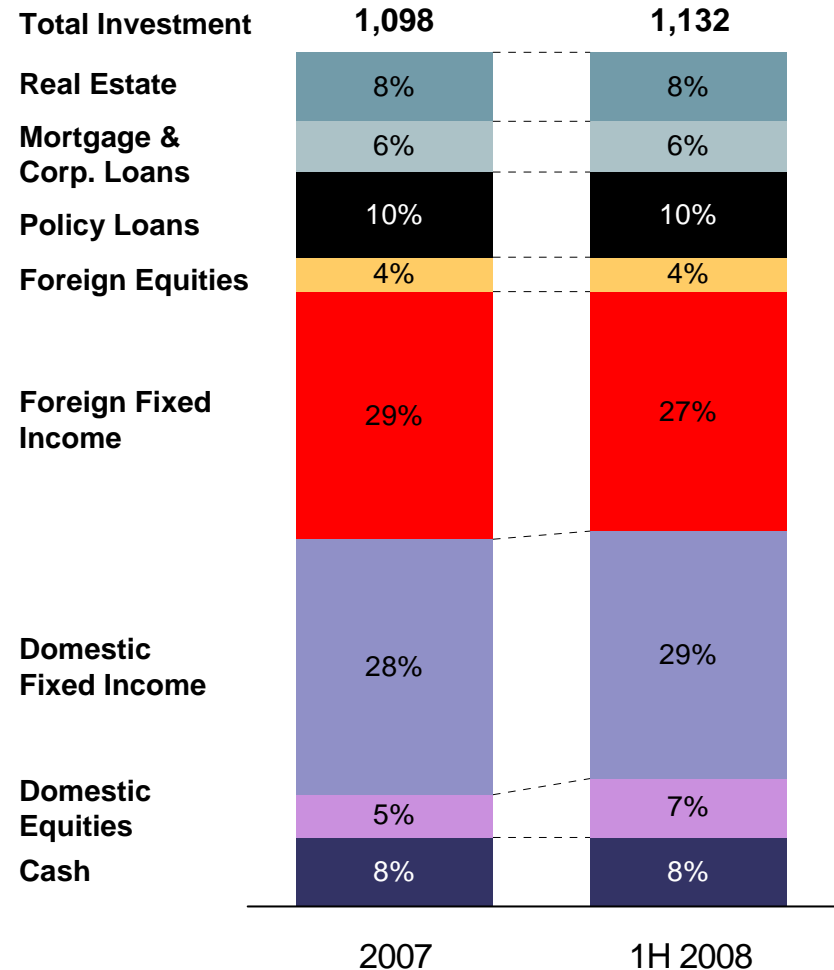
# Investment Portfolio

NT\$bn

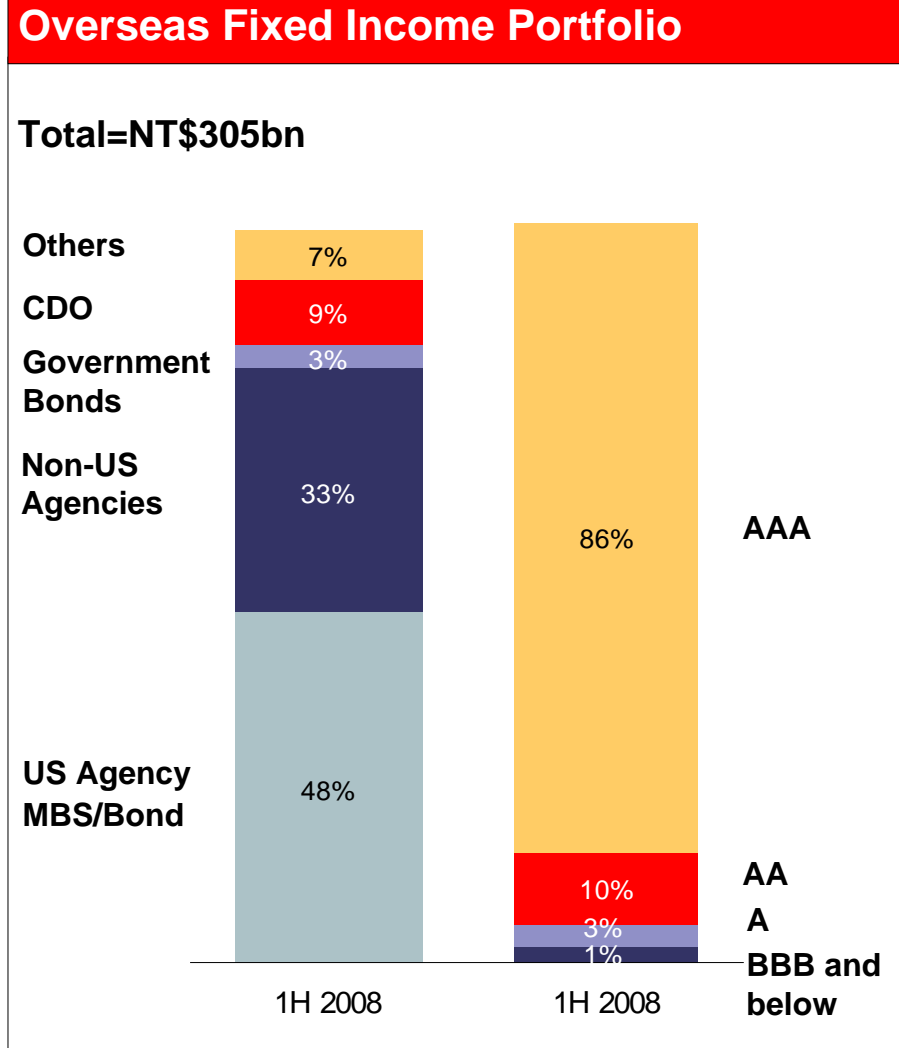


Note:

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



# Overseas Fixed Income – Prudent Credit Risk



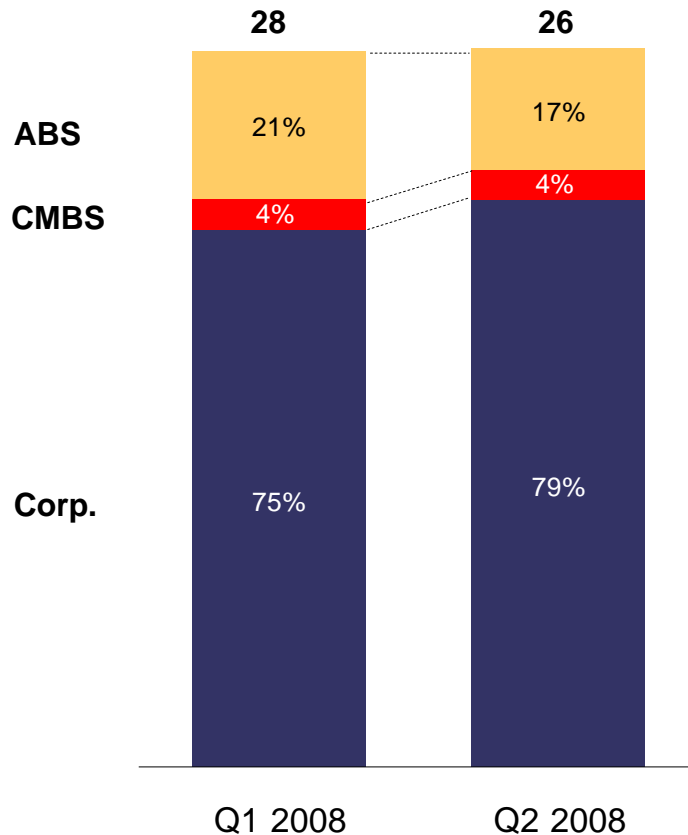
## Comments

- Mainly focused on low risk investments such as government bonds, US Agency MBS/Bonds, and Non-US Agency Bonds
- AAA rated investments accounted for 86% of the portfolio. 99% of the portfolio is rated A and above. Overall credit risk exposure is very limited
- Investments rated BBB and below accounted for only 1% of the portfolio, which mainly comprised ABS CDOs
- “Others” includes corporate bonds, financial debentures, hedge funds, and money market funds

# CDO Exposure

## CDO Exposure

NT\$bn

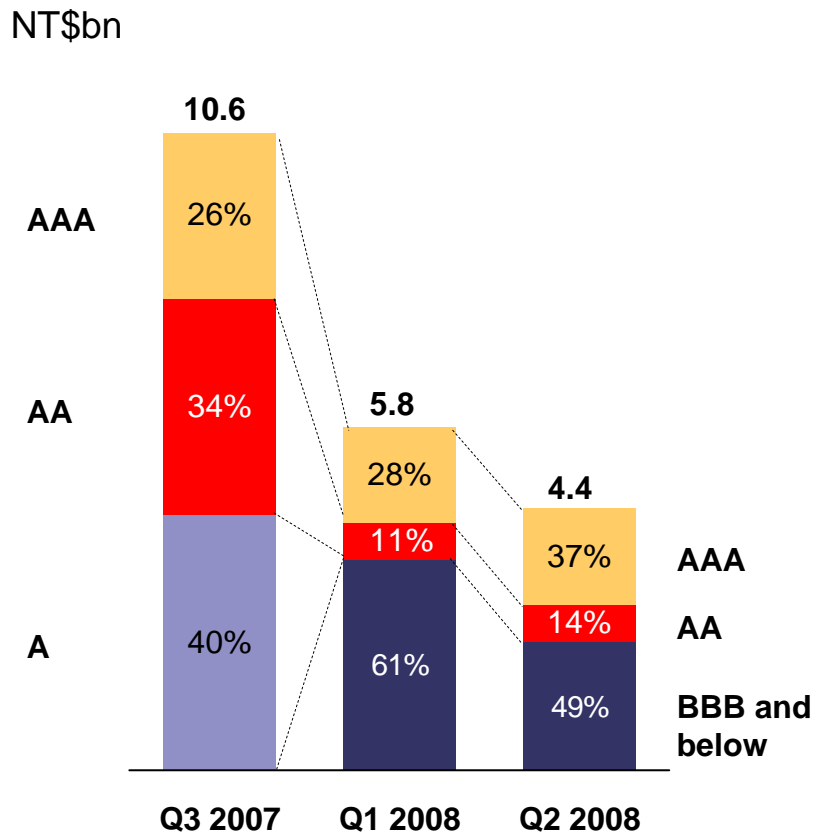


## Comments

- 17% of CDOs were referenced to Asset Backed Securities which consist of RMBS, CMBS, auto loans, etc.
- Accounting treatment is 'no active market'
- Policy is to conduct impairment test when there is significant deterioration in credit quality (downgrade by more than 5 notches or to non-investment grade)
- Total CDO exposure decreased from NT\$28bn to NT\$26bn due to impairment loss taken
- Ratings of Corporate CDOs remained largely stable. Only insignificant rating migration has been observed. Over 60% of Corporate CDOs are rated AA and above.

# ABS CDO Rating Distribution

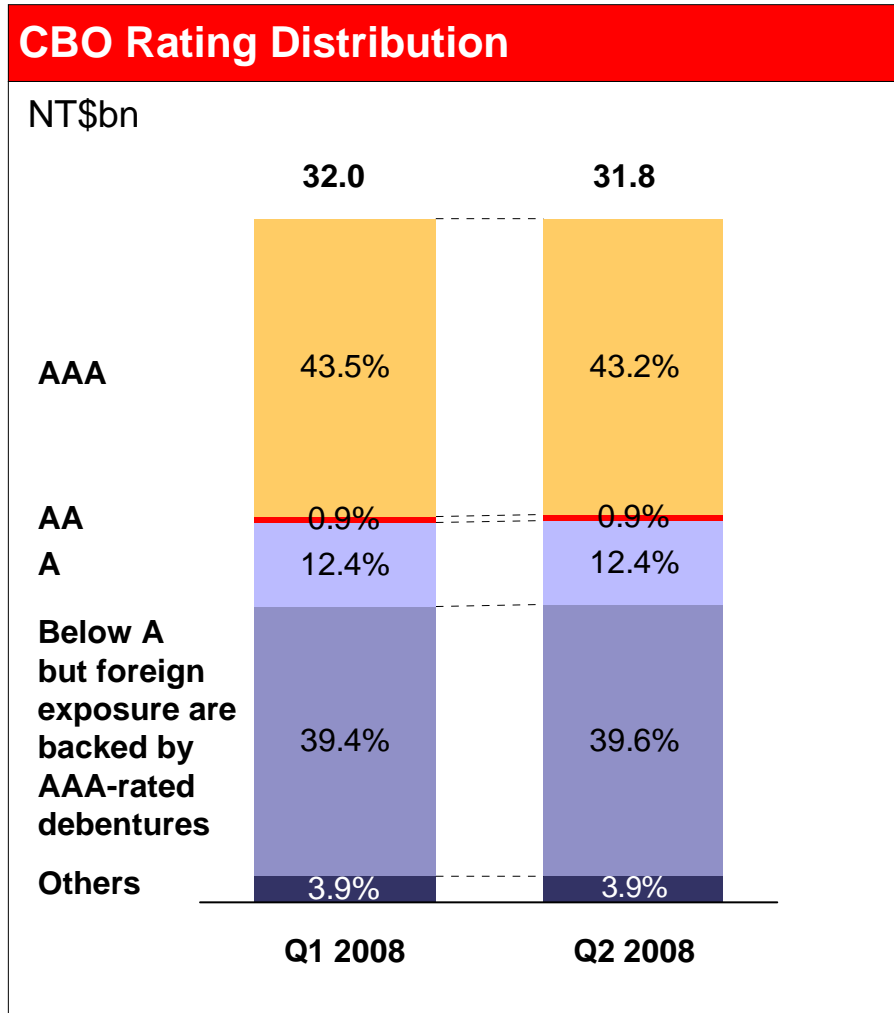
## ABS CDO Rating Distribution



## Comments

- 27% of ABS CDO assets are referenced to U.S. sub-prime
- Impairment test conducted against significantly downgraded or non-investment grade ABS CDOs. Impairment loss of NT\$1.3bn was recognized in Q2 2008; cumulative impairment loss was NT\$5.1bn
- 94% of originally A rated ABS CDO has been impaired as of the end of Q2 2008
- ABS CDOs originally rated AA or below may suffer further downgrades in the future, yet ratings of AAA rated ABS CDOs are expected to remain stable

# CBO Rating Distribution



## Comments

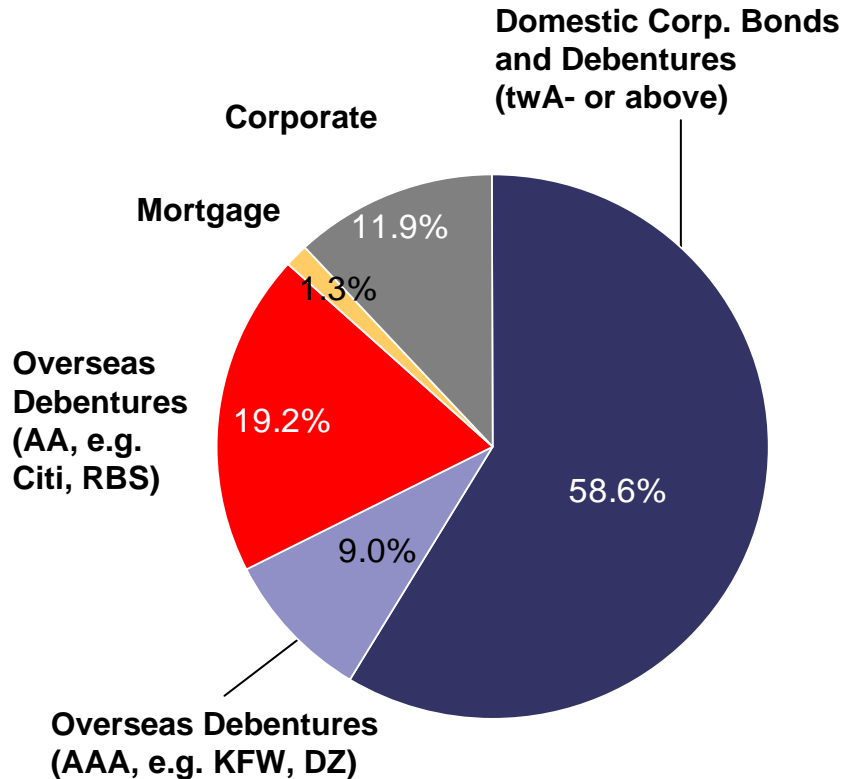
- 43.2% of CBOs are AAA rated
- Most foreign exposure of CBOs rated below A are backed by AAA rated assets, e.g., debentures issued by KFW and DZ
- 3.9% of CBOs classified as “others” is the riskiest

Note:

(1) KFW and DZ stand for Kreditanstalt fuer Wiederaufbau and Deutsche Zentral-Genossenschaftsbank respectively

# Asset Pool of CBO Investment

## Breakdown of Asset Pool



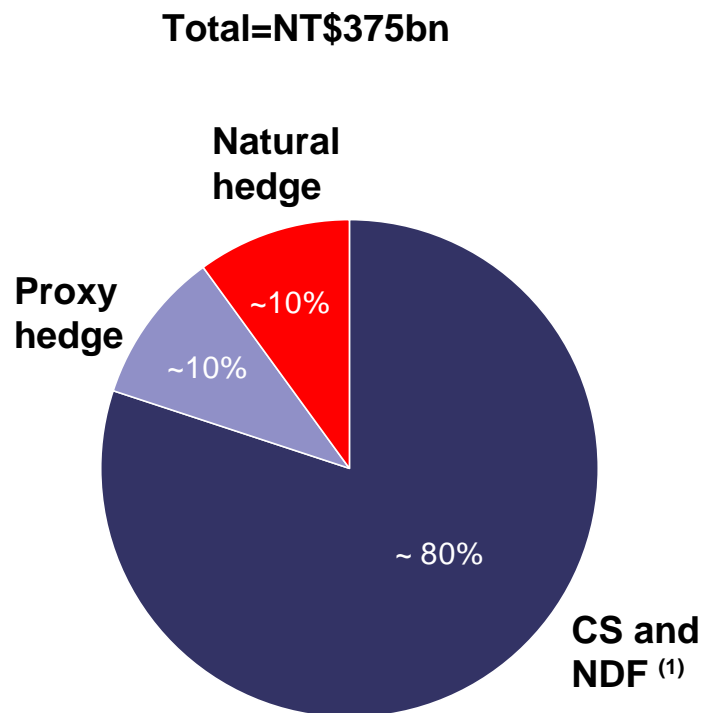
## Comments

- Domestic bonds consist of low-yielding, low risk discount bonds that originate from structured bonds held by domestic bond funds; these bonds have now been 'de-structured'
- Foreign bonds are diversified among corporate, mortgage, and debentures issued by first-tier financial institutions
- No U.S. sub-prime exposure in the CBO portfolio



# Hedging Strategy

## Mix of Hedging Strategies Used



## Comments

- ~80% of foreign investment hedged through traditional currency swaps and NDFs
- Proxy hedging (hedging between USD and a basket of currencies that demonstrate high correlation with NTD) is used on 10% of the portfolio
- Target hedging cost is 2%
- Hedging cost incurred in 2007 was well below target
- Established dedicated department to manage foreign currency exposure and make adjustments dynamically

Note:

(1) 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; plan to gradually increase overseas investment to 40% in the first stage

## 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

- Flexible use of traditional (currency swaps) and proxy hedging strategies; maintain 70/30 mix in medium to 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 decision making process and investment risk management
- Appointed Grace Chu on 8/1 as Chief Risk Officer of SKFH/SKL

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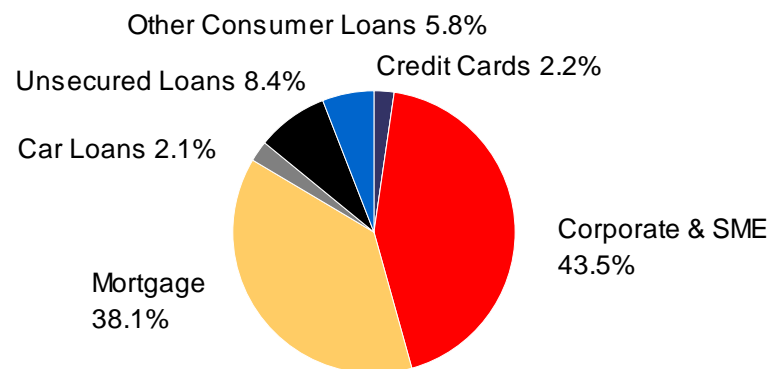
# Shin Kong Bank

- 10th largest private bank in Taiwan
- Over 2 million customers and 1.1 million credit cards outstanding
- 108 branches with over 50 located in the Greater Taipei area
- Offer a wide range of banking products including credit cards, mortgages, auto loans, deposits, other consumer finance and corporate products
- Established a representative office in Ho Chi Minh City, Vietnam in 2007.

## Financial Overview

NT\$bn	2005	2006	2007
Total Loans	216.86	241.76	280.34
Total Deposits	284.42	286.93	326.01
Net Income	(0.25)	(7.27)	1.42
Total Assets	338.54	351.53	385.66
Shareholders' Equity	19.82	19.91	21.22

## 2007 Loan Breakdown



**Total Loan: NT\$280bn<sup>(1)</sup>**

Note:

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

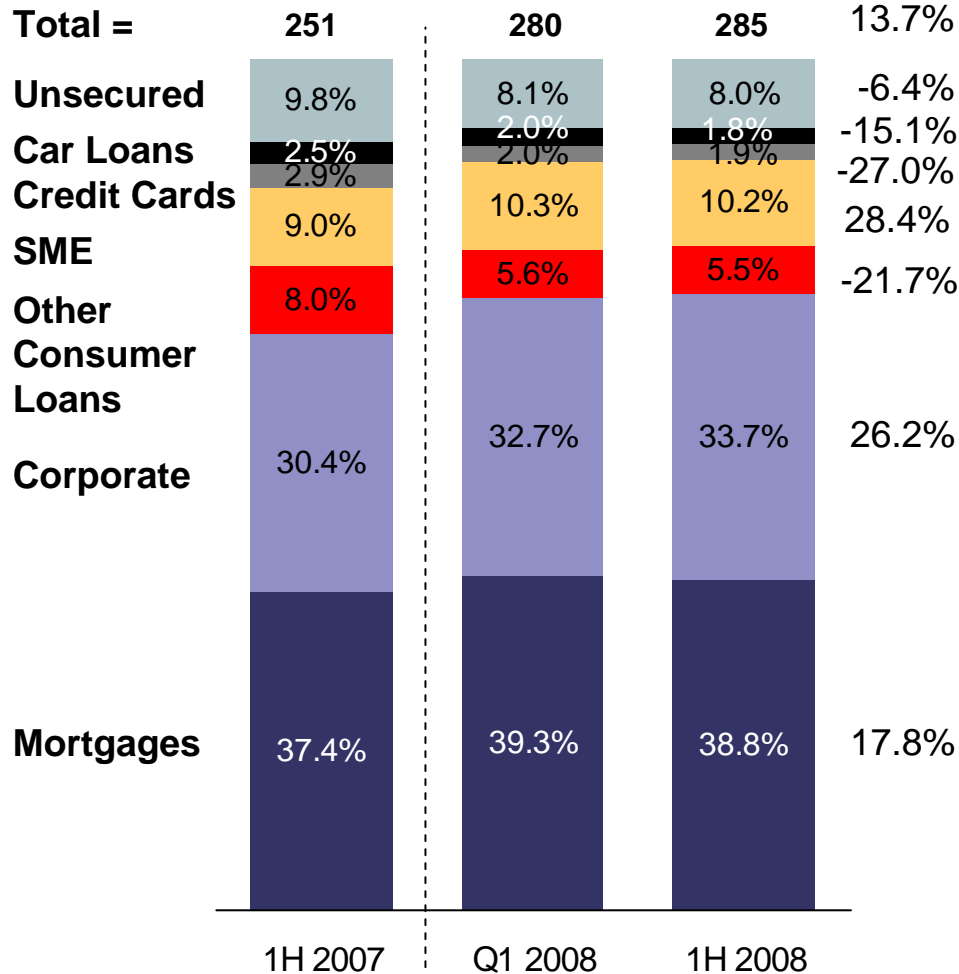
## SKB – 1H 2008 Overview

- After-tax profit improved to NT\$682 million (up 238% from 1H 2007) due to increase in pre-provision profit to NT\$1.62bn (up 10% from 1H 2007) and decrease in provision expense to NT\$810mn (down by 40% from 1H 2007).
- Loan balance grew 1.7% quarter-on-quarter and 13.7% year-on-year. Most growth came from medium and large corporate lending and mortgage loans. L/D ratio was 84% (incl. credit cards balance).
- Due to Central Bank rate hikes and focus on low-risk corporate lending and mortgages, net interest margin (NIM) shrank from 1.73% in Q1 2008 to 1.67% in Q2 2008.
- Wealth management fee income grew by 26% quarter-on-quarter and accounted for 31% of total fee income. Achieved bancassurance cross-sales of NT\$4.9bn in 1H 2008, accounting for 50% of SKL bancassurance premium.
- Credit card quality continued to improve; quarterly charge off ratio decreased from 2.8% in Q1 2008 to 0.3% in Q2 2008. Credit card NPL and coverage ratios were at 2.5% and 138% respectively.
- Since implementation of the Consumer Debt Clearance Regulations, there were 2,624 cases in pre-court restructuring and 384 cases in rehabilitation and liquidation (as of July 18, 2008); numbers were less than previously anticipated. Monthly repayment rate of restructured loans has not significantly improved. Cumulative repayment rate was 58.78%.
- Asset quality was maintained with overall NPL and coverage at 1.84% and 63.14% respectively. NPL ratio for mortgages remained low at 0.93%.

# Loan Mix

NT\$bn

## YoY Growth

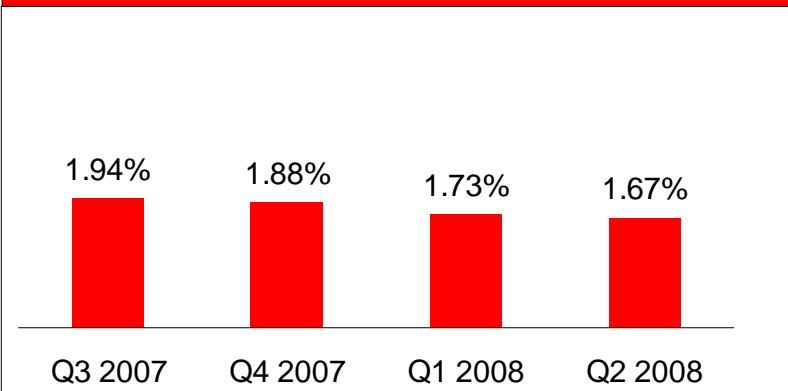


## Comments

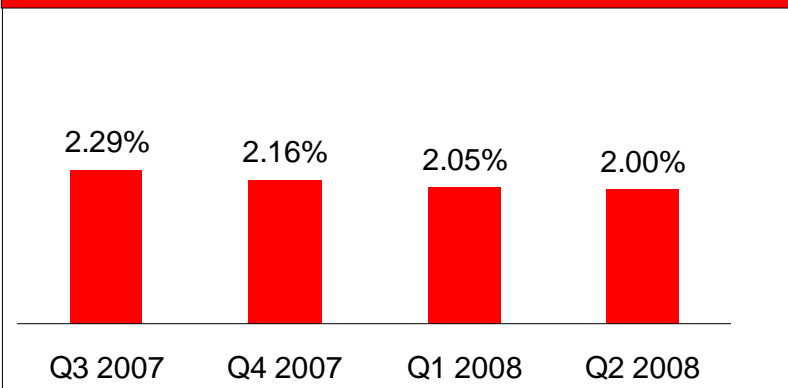
- Loan balance grew 1.7% quarter-on-quarter and 13.7% year-on-year. Most growth came from medium and large corporate lending and mortgage loans
- Mortgages continued to grow under stringent credit policies; LTV ratio controlled below 80% for urban planning areas and below 70% for other areas
- L/D ratio remained at 84% (incl. credit cards balance)

# Interest Yield

## Net Interest Margin



## Net Interest Spread

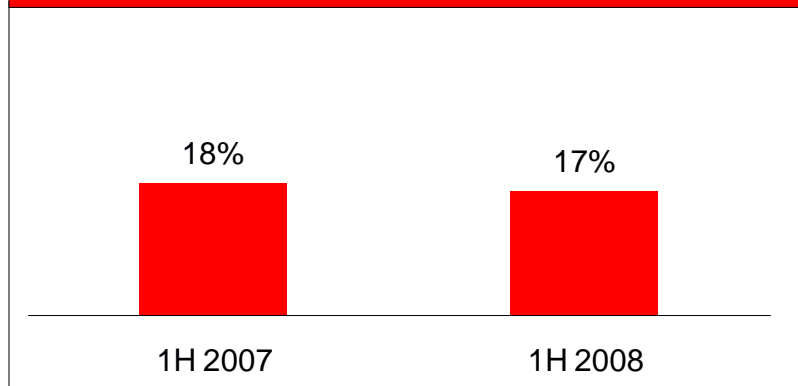


## Comments

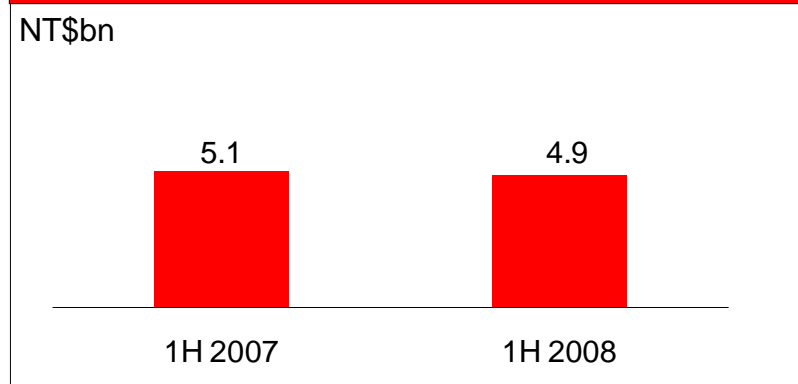
- NIM shrank from 1.73% in Q1 2008 to 1.67% in Q2 2008 due to Central Bank rate hikes and shift of loan mix towards low risk corporate and mortgage loans
- New mortgage rate continued to improve, up 47bps from 1H 2007
- Net interest spread remains under pressure but will stabilize as lending rates move up

# Fee Income

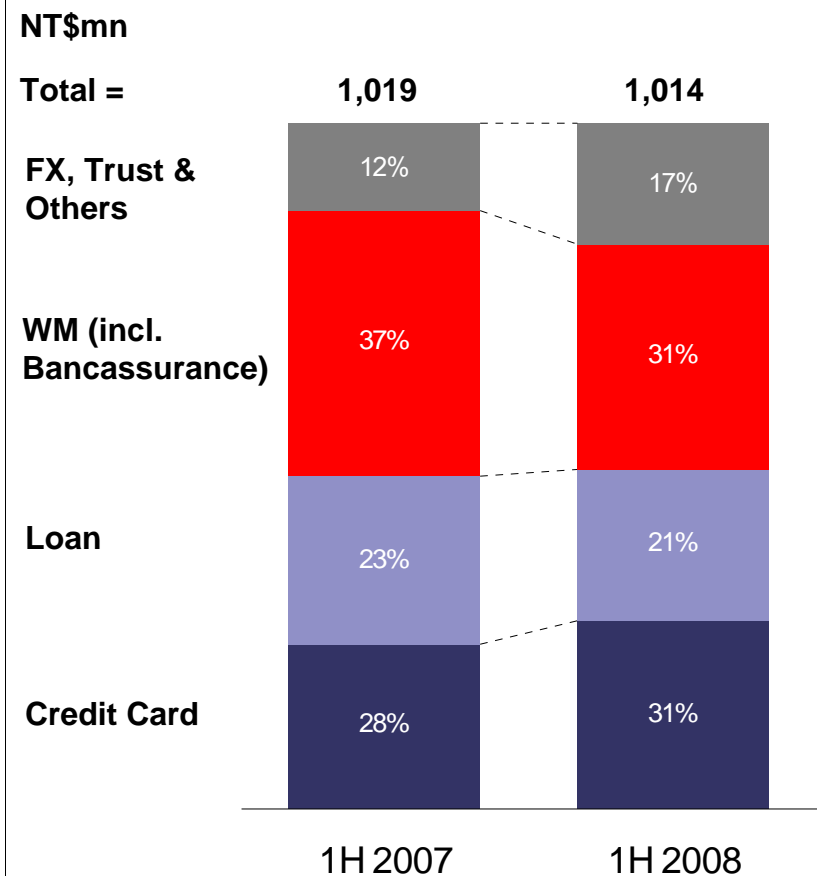
## Net Fee Income / Total Income



## Bancassurance (SKL) - FYP



## Fee Income Breakdown

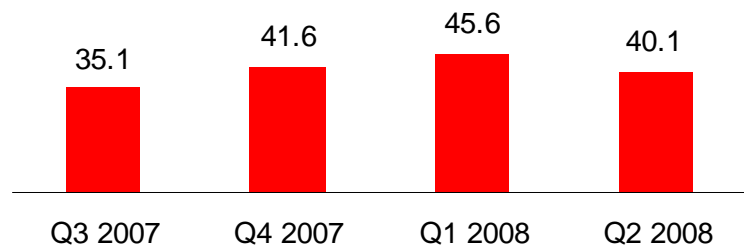




# Wealth Management

## AUM

NT\$bn

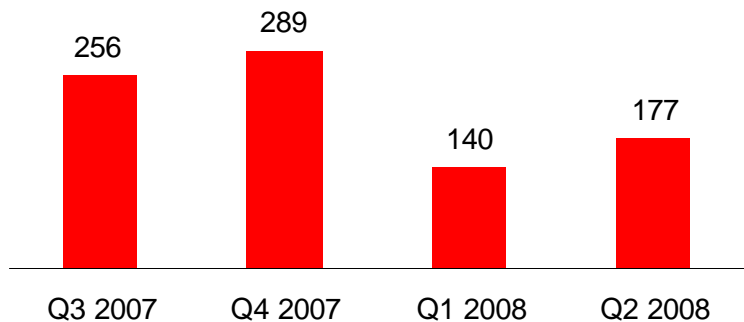


## Wealth Management Center



## WM Fee Income

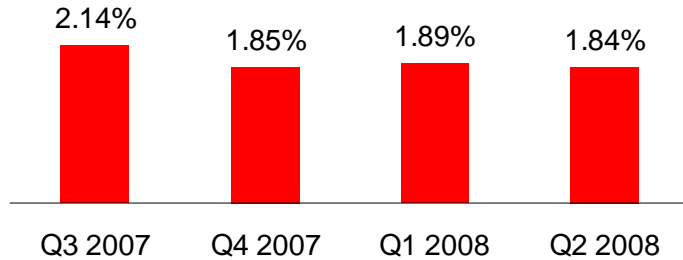
NT\$m



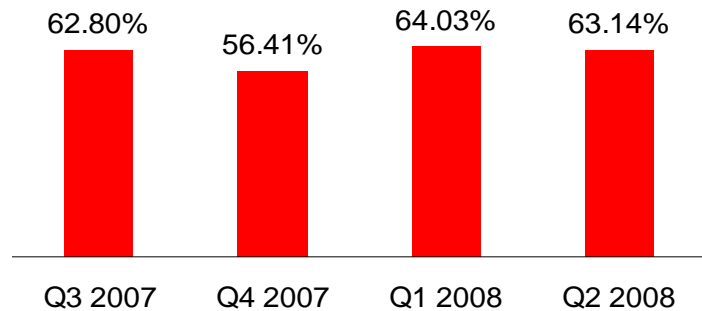
- AUM decreased by 12% quarter-on-quarter. Growth slowed due to pullback in global equities markets
- WM fee income grew by 26% quarter-on-quarter and accounted for 31% of total fee income
- Strengthening of AO training and products has led to a recovery in fee income in Q2 2008

# Asset Quality

## NPL Ratio



## Coverage Ratio



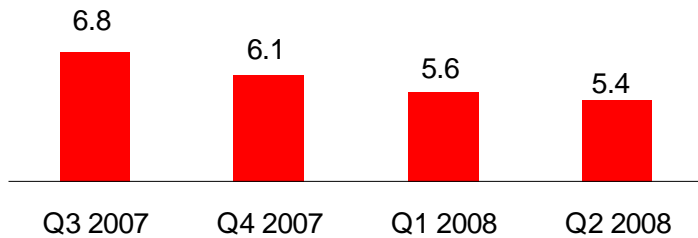
## Comments

- Overall loan quality remained good; NPL was 1.84%
- NPL for mortgages remained stable at 0.93%
- Coverage slightly decreased to 63.14% but remained above the Company's medium term target (50%)
- Since implementation of the Consumer Debt Clearance Regulations, there were 2,624 cases in pre-court restructuring and 384 cases in rehabilitation and liquidation (as of July 18, 2008); numbers were less than previously anticipated. Monthly repayment rate of restructured loans has not significantly improved. Cumulative repayment rate was 58.78%

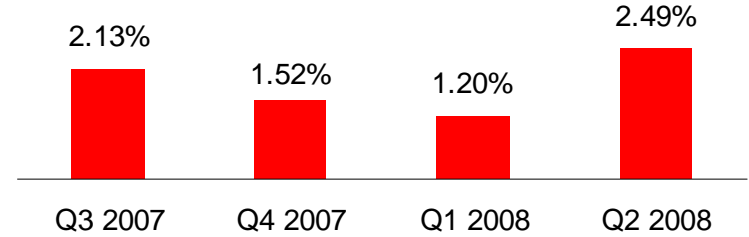
# Credit Cards Metrics

## Revolving Balance

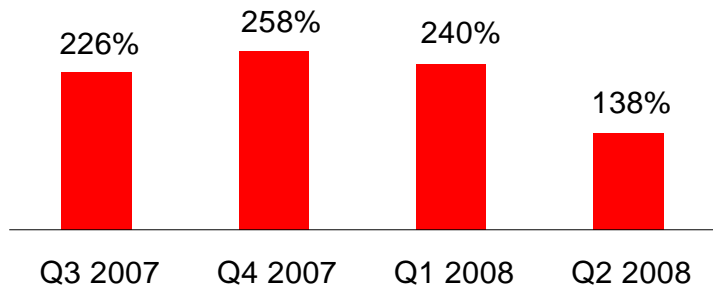
NT\$bn



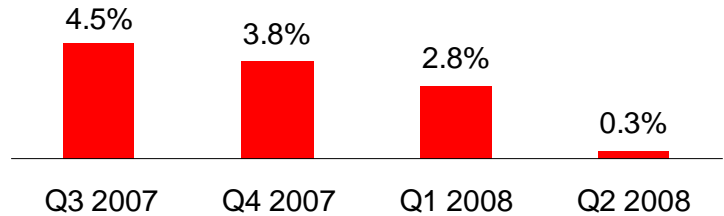
## 90-day NPL



## Coverage Ratio (1)



## Charge-off Ratio (2)



Note:

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

# Agenda

- I. SKFH
- II. Life Insurance Business
- III. Banking Business

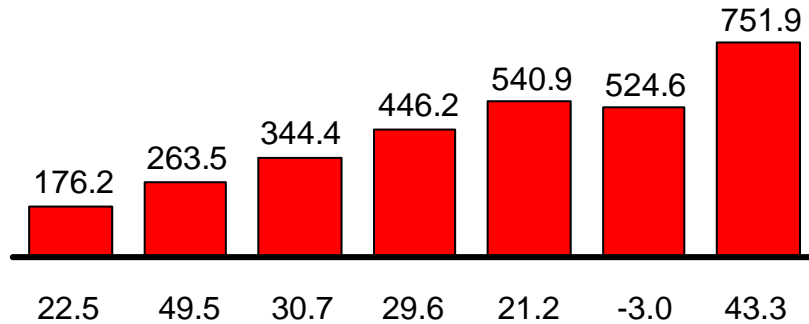
## IV. Appendix

- **Market opportunities**
- SKL Premium
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*Insurance opportunity:*

# High growth driven by new products and channels

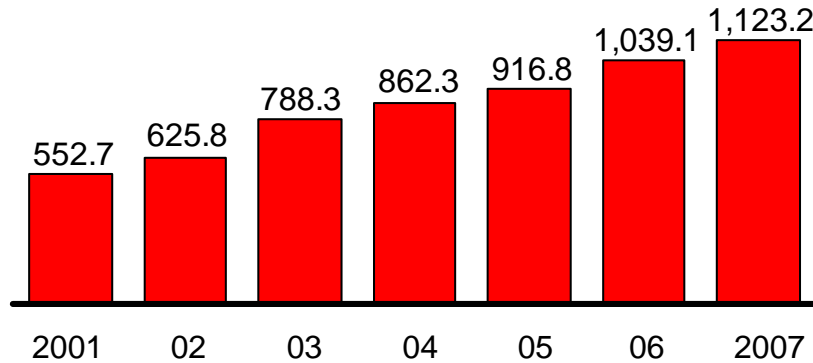
**Life FYP**  
NT\$bn



**Growth**  
Percent

Year	Growth Percent
2001	22.5
2002	49.5
2003	30.7
2004	29.6
2005	21.2
2006	-3.0
2007	43.3

**Life renewal premium**  
NT\$bn

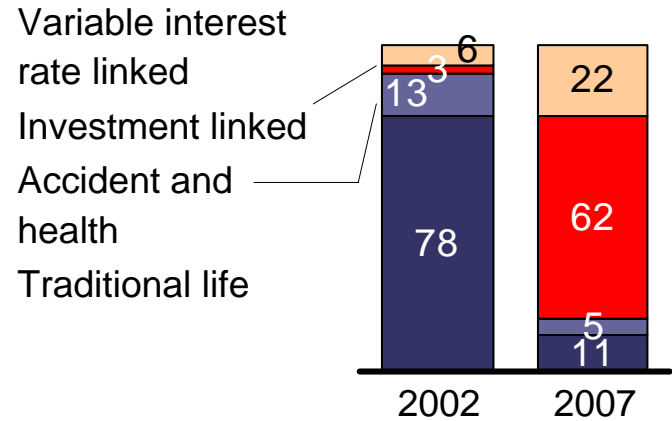


**Growth**  
Percent

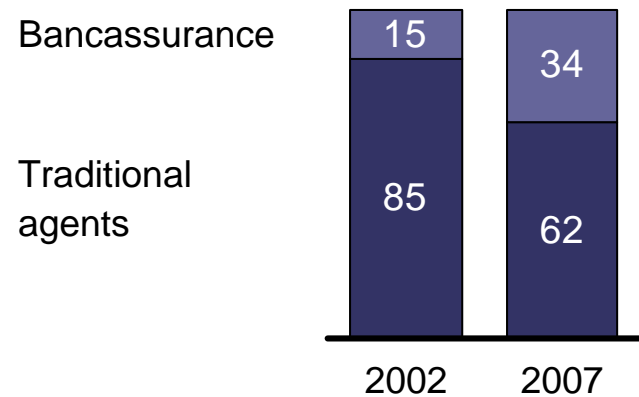
Year	Growth Percent
2001	14.5
2002	13.2
2003	26.0
2004	9.4
2005	6.3
2006	13.3
2007	8.1

Source: Insurance Institute

**New business breakdown**  
Percentage

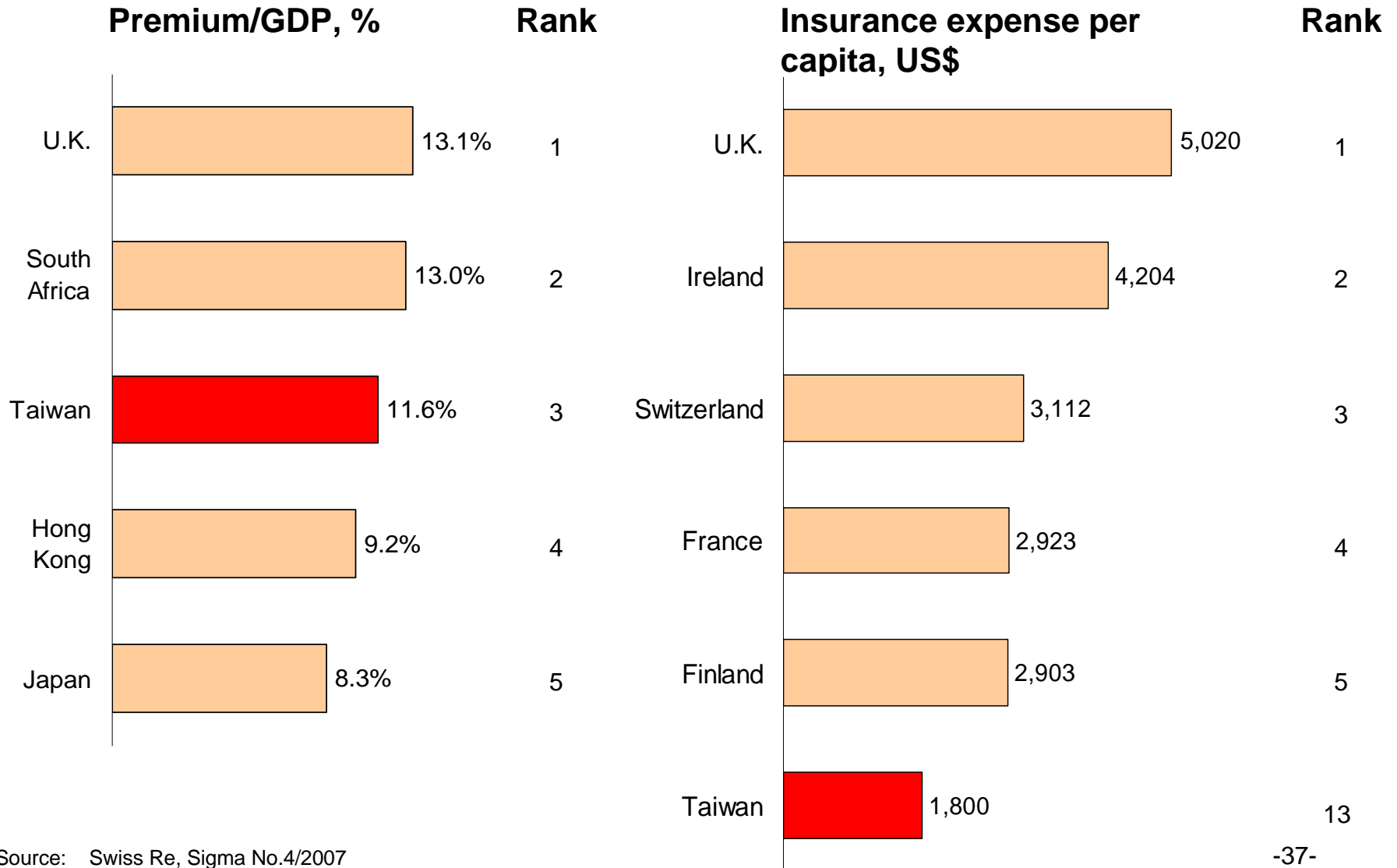


**New business channel mix**  
Percentage



*Insurance opportunity:*

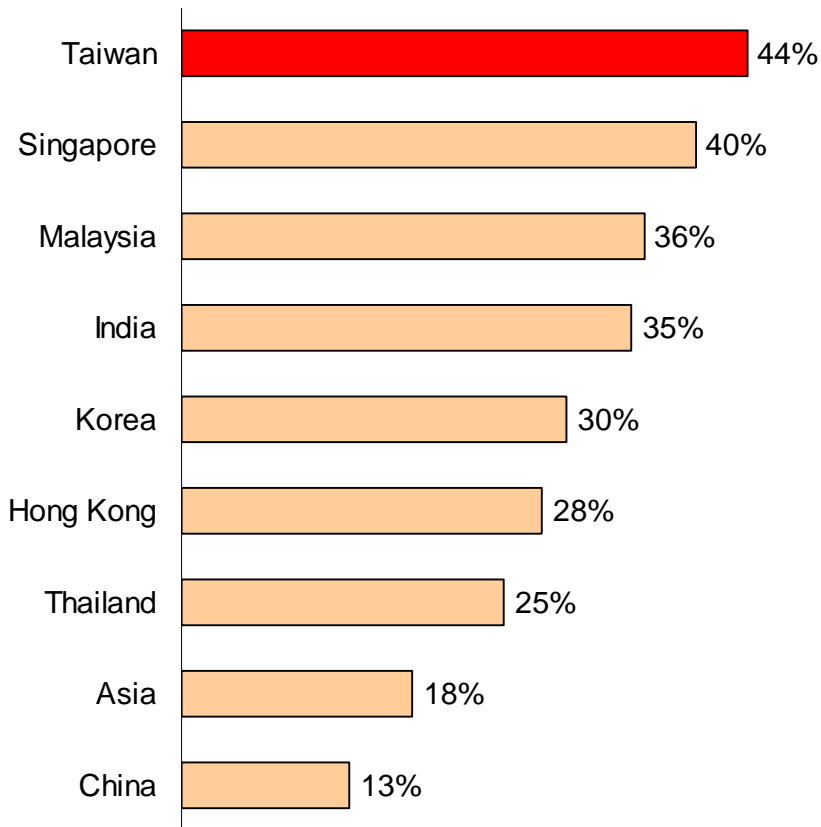
# High penetration but low density



*Wealth management opportunity:*

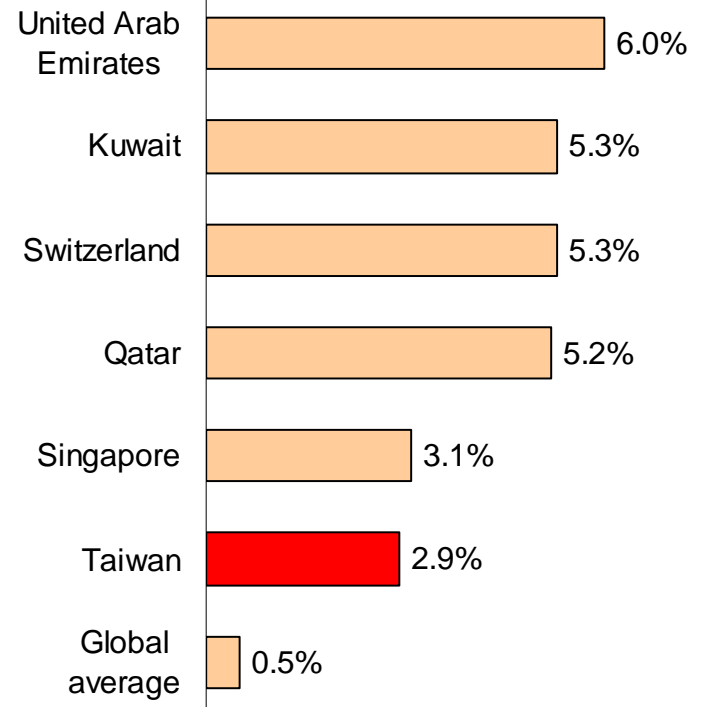
# High savings rate and wealth concentration

## Savings rate (1)



## Concentration of wealth (2)

Millionaire households as a percentage of total households



Source:

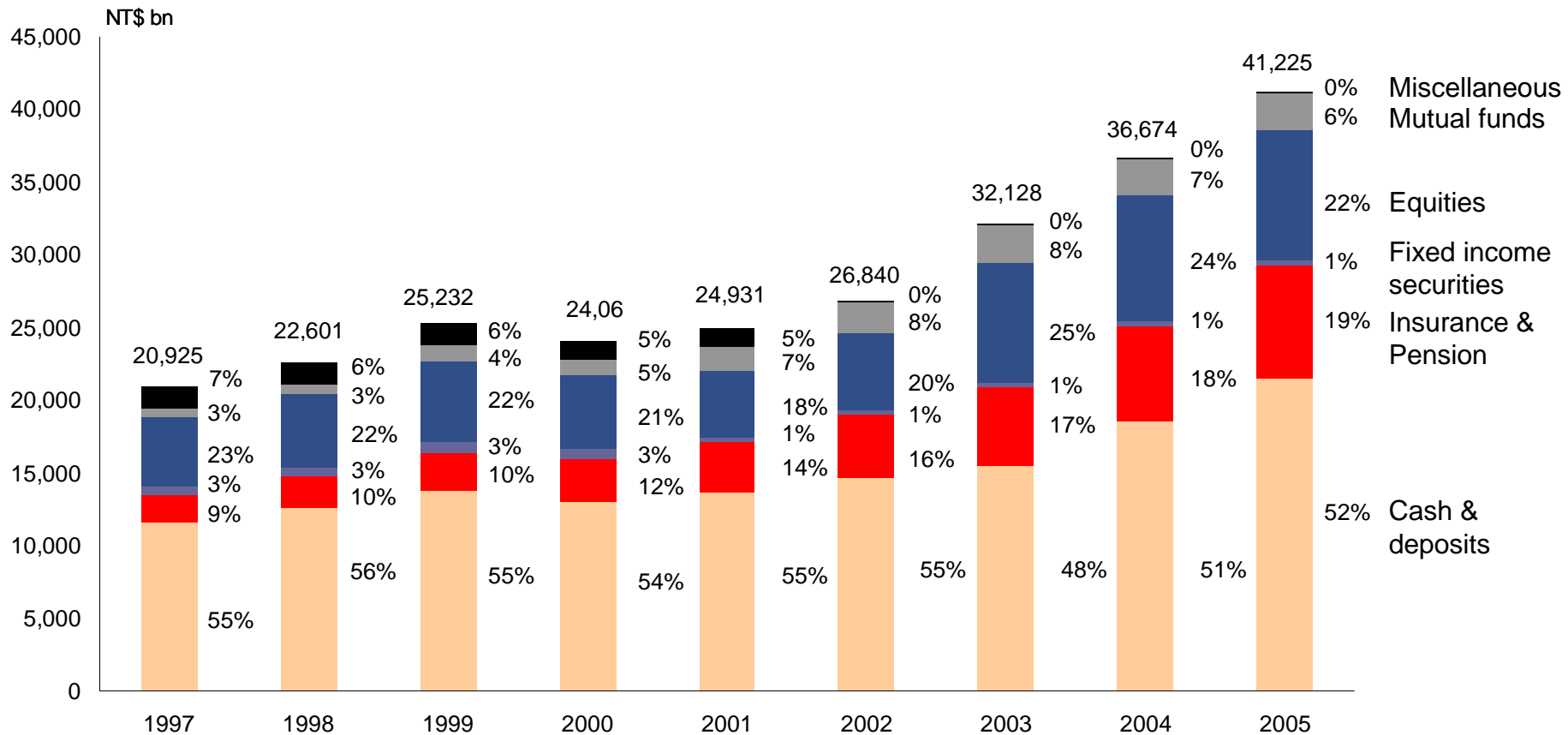
(1) BOMA, CBC, Asian Demographics, Central Banks and monetary authorities, Citigroup Investment Research

(2) BCG global wealth market-sizing database, 2006

*Wealth management opportunity:*

# Asset migration away from deposits

Taiwanese household assets (NT\$bn, Percent)





# Agenda

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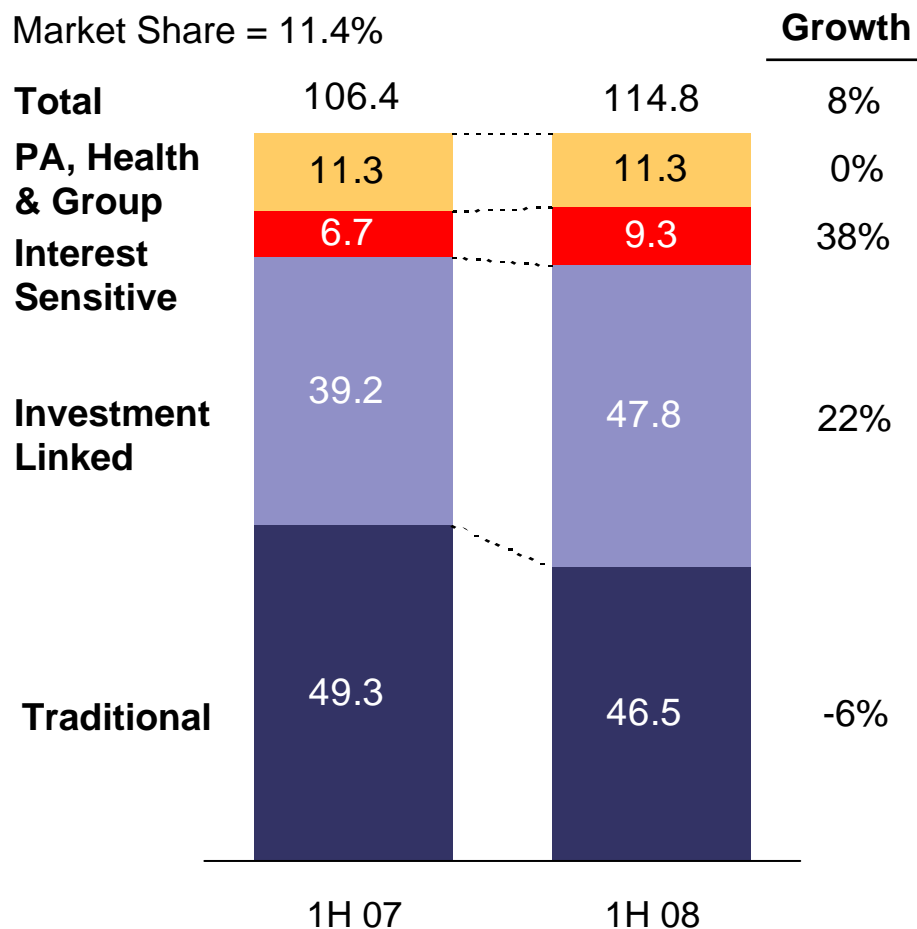
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# Total Premium – 1H 2008

NT\$bn

Market Share = 11.4%

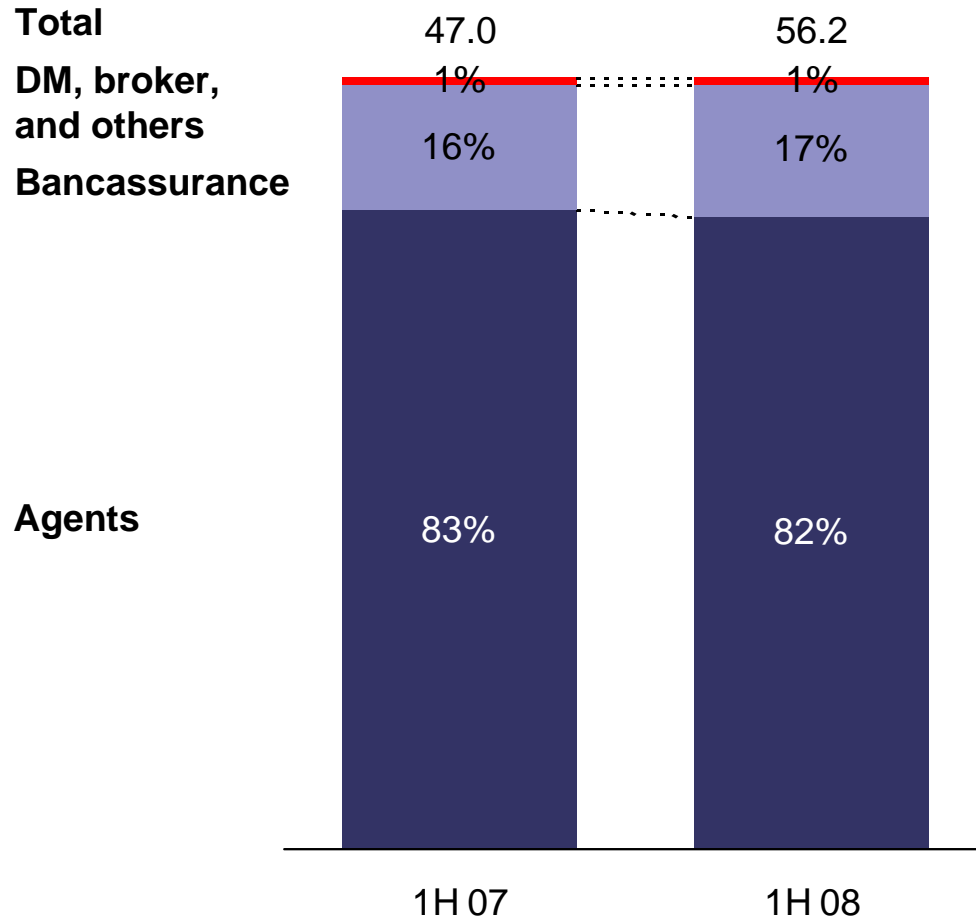


## Comments

- Strong growth in total premium, mainly driven by increase in FYP
- Share of variable rate products increased to 50%, driven by robust sales in investment-linked policies
- Traditional and related policies (mostly recurring premium) accounted for 41% of total premiums

# FYP by Channel

NT\$bn



## Comments

- Share of agency channel (preferred channel for sales of traditional and investment-linked products) remained high, driven by strong sales in investment-linked policies
- SKB accounted for 50% of bancassurance premium

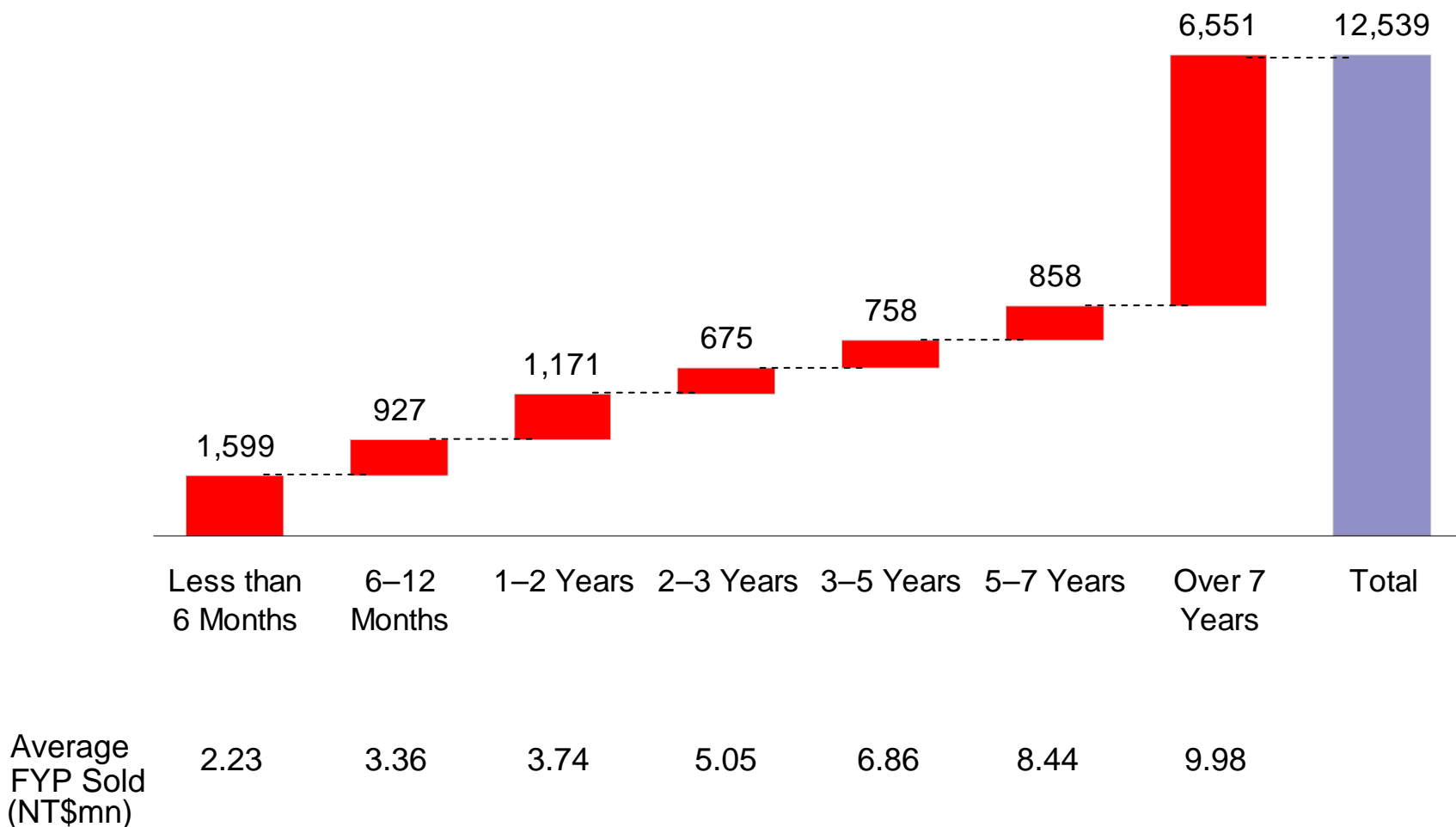
# SP / RP Breakdown – 1H 2008

NT\$bn

1H 2008 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	0.07	3.69		3.76
Investment-linked				
VUL			3.57	3.57
Structured note	38.49			38.49
Interest Sensitive				
Annuity	8.72		0.04	8.76
Life			0.49	0.49
PA, health and others		1.18		1.18
<b>Total</b>	<b>47.28</b>	<b>4.87</b>	<b>4.10</b>	<b>56.25</b>

# Agent Number and Productivity by Tenure

2007



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# Summary of CDO/CBO Losses

Reflected in Income Statement

Description	Impairment Loss Recognized in Q3 2007 (NT\$bn)	Impairment Loss Recognized in Q4 2007 (NT\$bn)	Impairment Loss Recognized in Q1 2008 (NT\$bn)	Impairment Loss Recognized in Q2 2008 (NT\$bn)	Total
ABS CDOs	-	1.88	1.91	1.29	5.07
E. Sun Bank CBO 2007-2, Tranches C & D	1.03	-	1.37	-	2.40
<b>Total</b>	1.03	1.88	3.28	1.29	7.47

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# SKL - EV & AV Results

Unit: NT\$bn

	2006.12	2007.12	YoY growth
Adjusted NAV	100.3	89.8	-10.5%
VIF	44.2	56.2	27.1%
COC	29.3	32.0	9.2%
EV	115.2	114.0	-1.0%
V1NB	8.9	12.8	43.8%
AV (5 years NB)	143.0	156.7	9.6%
AV (20 years NB)	170.4	205.0	20.3%

Note:

(1) Based on SKFH's outstanding shares of 5.4bn as of the end of Q1 08, per share AV (5 year NB) = NT\$29 and per share AV (20 year NB) = NT\$38

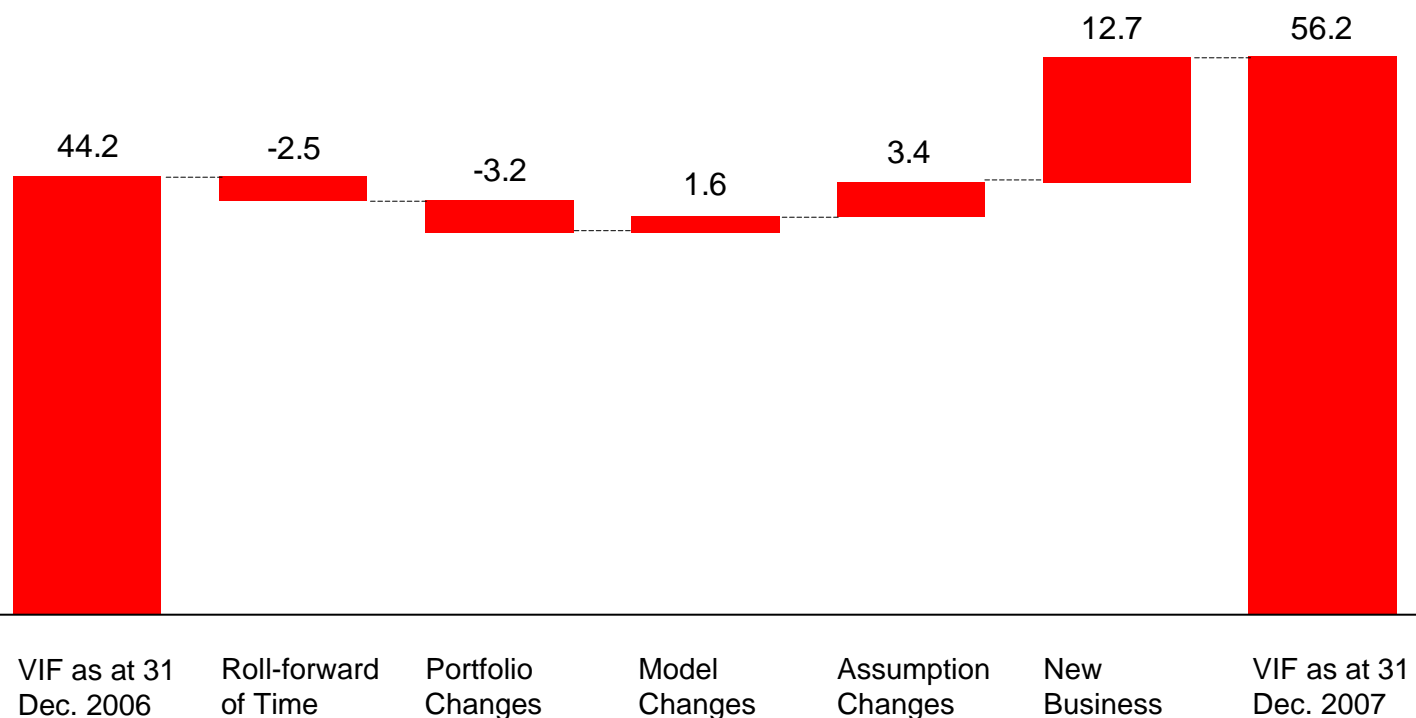
# SKL - Estimate of Embedded/ Appraisal Value

Unit: NT\$bn Valn Date: 31 Dec, 07 Solvency Basis: 200% RBC			Base Case Scenario		
	All else equal except		Inv Return 5.05% p.a. RDR 11.90% p.a.	All else equal except	
	Inv Return 4.8%	Inv Return 5.3%		RDR 10.90%	RDR 12.90%
Net Worth	89.8	89.8	<b>89.8</b>	89.8	89.8
VIF	32.5	76.7	<b>56.2</b>	60.7	52.5
Cost of Capital(COC)	32.7	31.3	<b>32.0</b>	30.7	33.1
<b>EV after COC</b>	<b>89.6</b>	<b>135.2</b>	<b>114.0</b>	<b>119.8</b>	<b>109.2</b>
<b>V1NB after COC</b>	<b>12.3</b>	<b>13.3</b>	<b>12.8</b>	<b>13.9</b>	<b>11.9</b>
<b>AV (5 years NB)</b>	<b>130.7</b>	<b>179.6</b>	<b>156.7</b>	<b>167.3</b>	<b>147.9</b>
<b>AV (20 years NB)</b>	<b>176.6</b>	<b>230.1</b>	<b>205.0</b>	<b>225.3</b>	<b>188.3</b>

# SKL – Analysis of Change in VIF

## Changes between 31 Dec. 2006 and 31 Dec. 2007 broken down by components

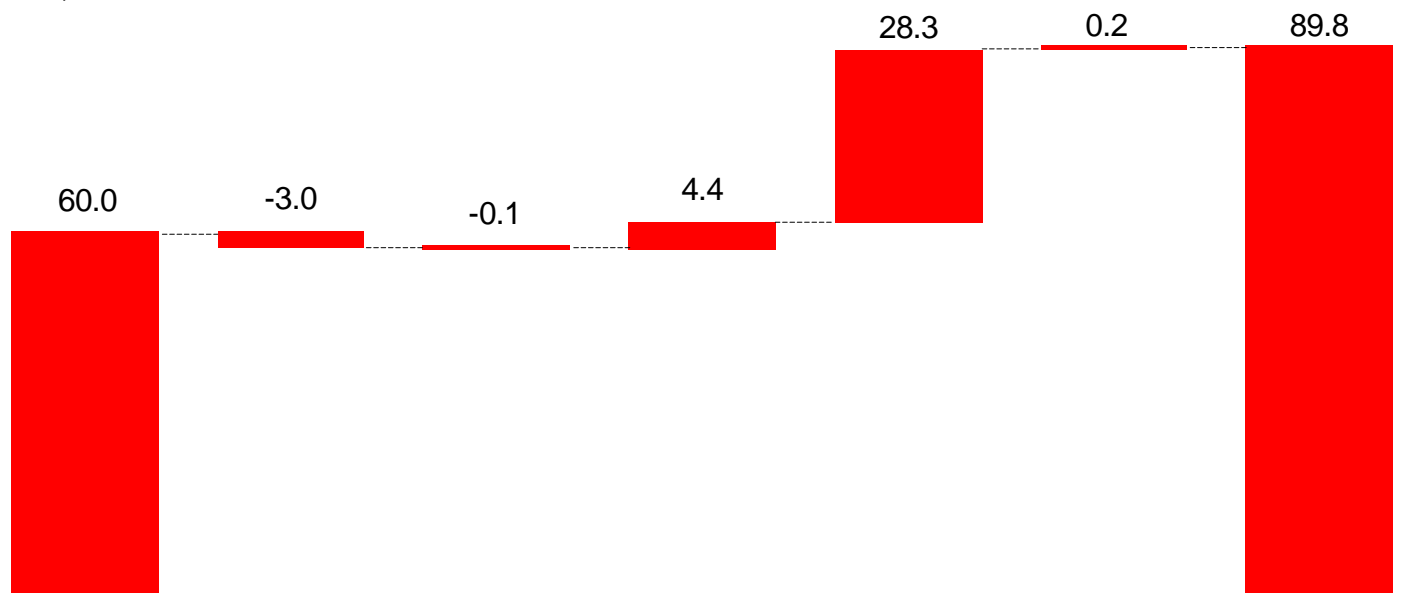
NT\$bn



# SKL – Adjusted NAV

## Adjustments to Statutory Net Worth at 31 Dec. 2007

NT\$bn



Statutory  
Net Worth  
as of Dec. 31,  
2007

Preferred  
Shares

Accrued  
Interest on  
Pref Shares

Contingency  
Reserve

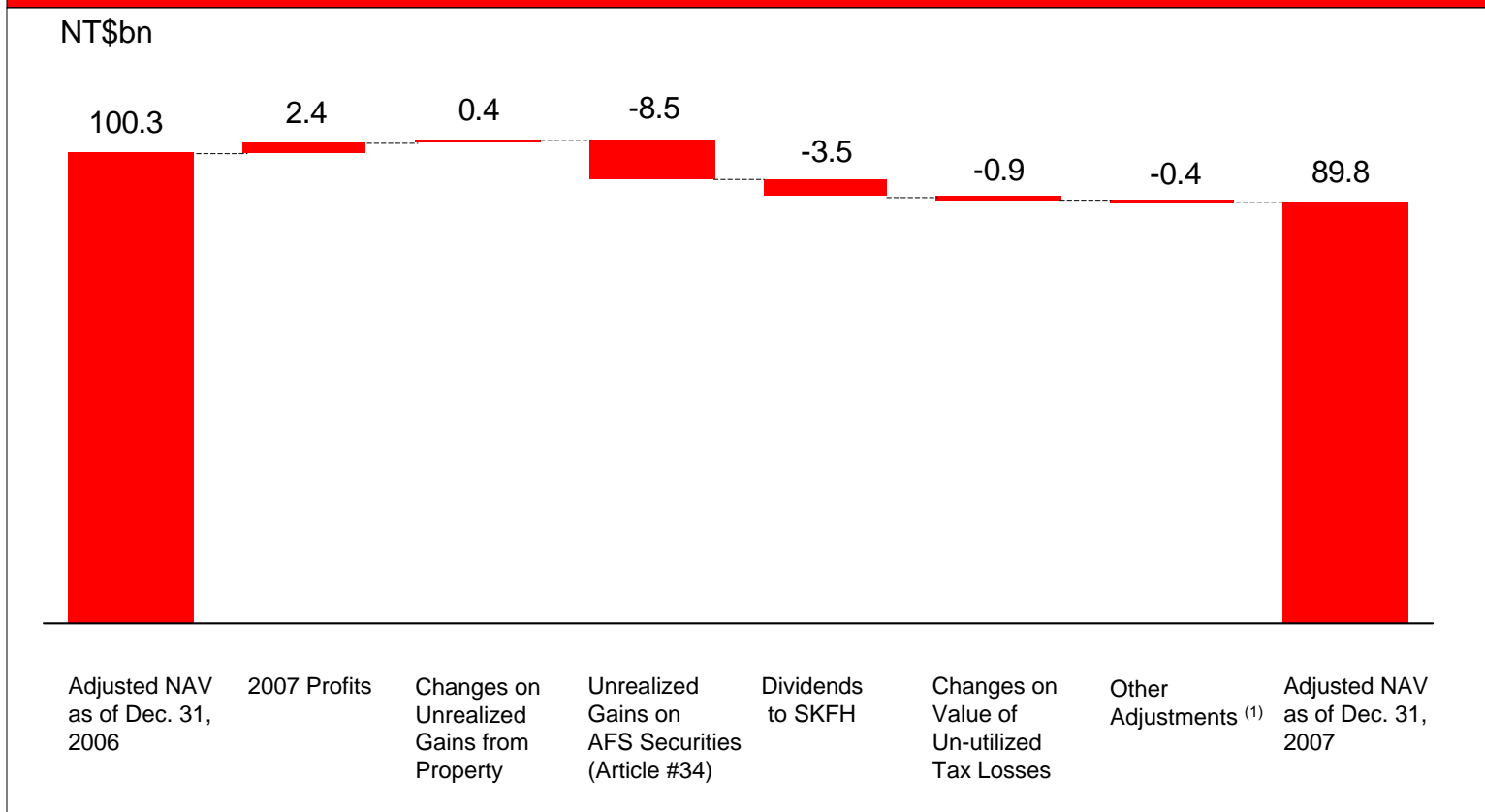
Unrealized  
Gains  
on Property

Value of  
Un-utilized  
Tax Losses

Adjusted NAV  
as of Dec. 31,  
2007

# SKL - Analysis of Change in NAV

## Changes between 31 Dec. 2006 and 31 Dec. 2007 broken down by components



Note:

(1)

Included changes in preferred dividends, contingency reserve, and other items.

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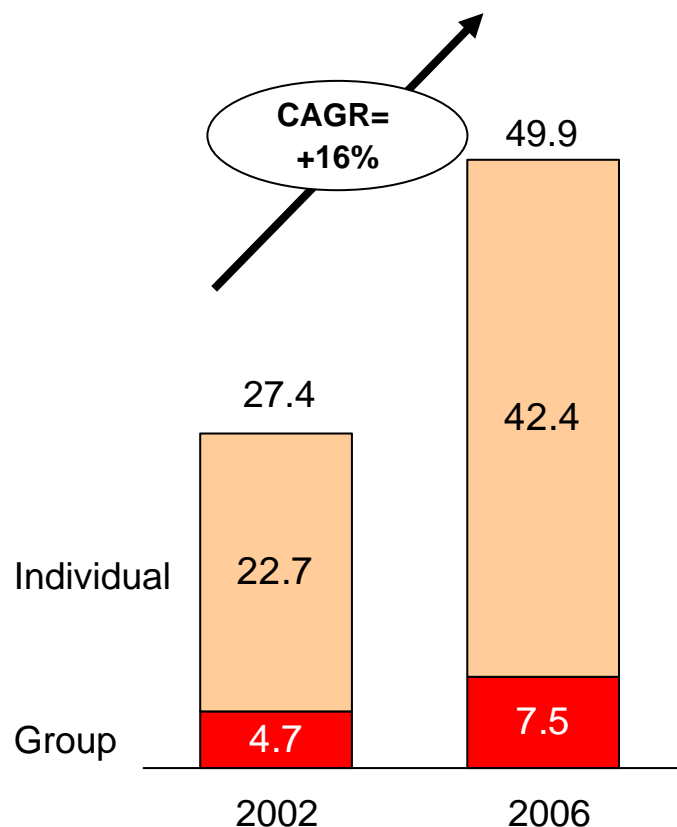
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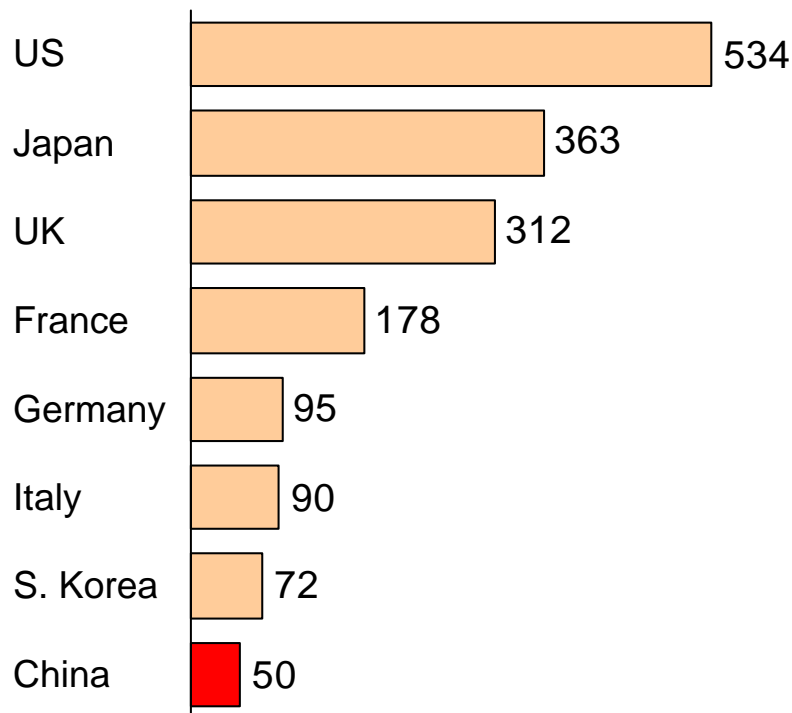
# China insurance market is growing rapidly and ranked number 8 in the world

US\$bn

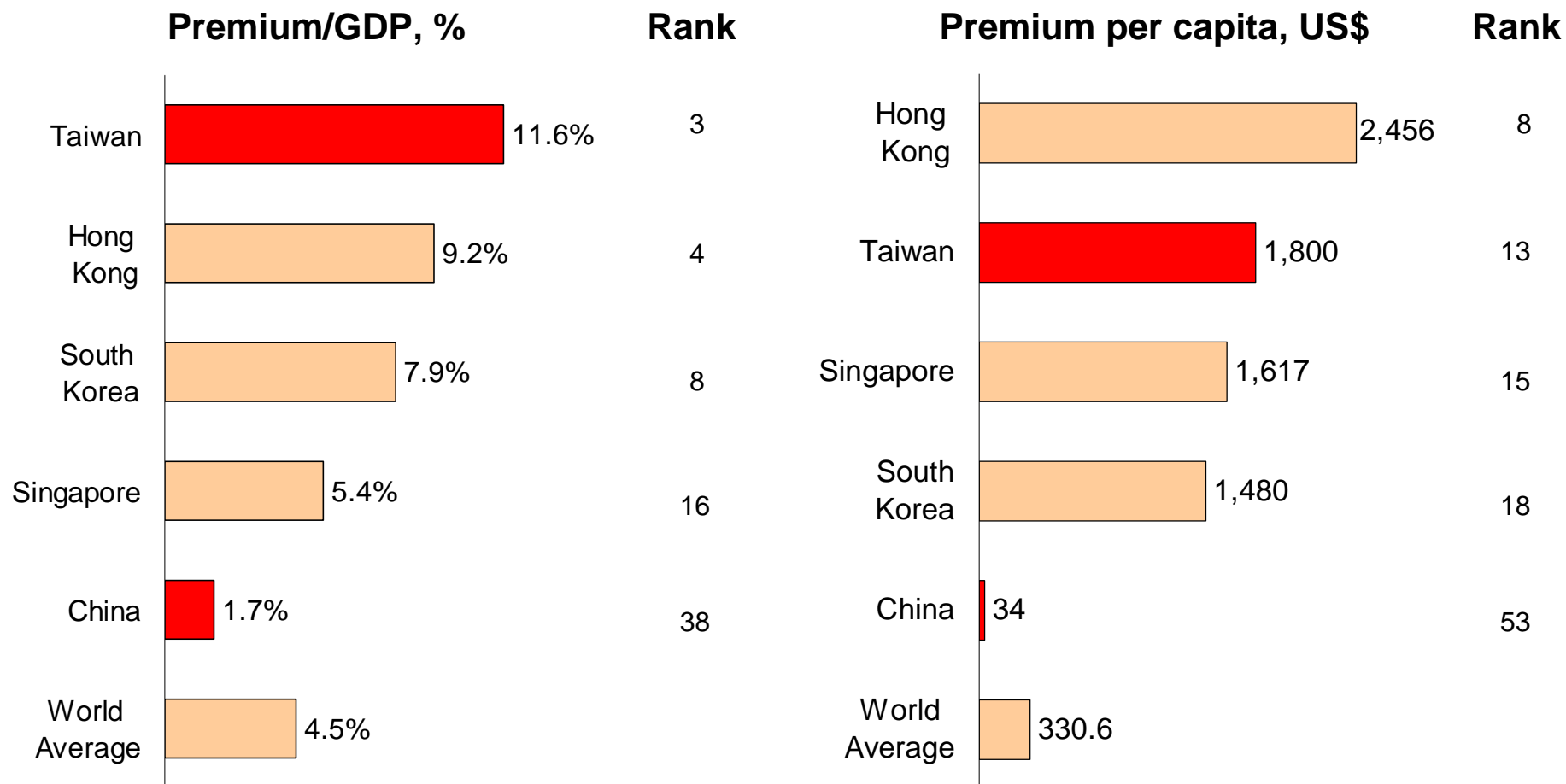
**Total life premium**



**Total life premium 2006**



# Low Penetration and Density





# SKL Received approval for Preparatory Office

2007  
Nov

2008  
Sep

Approved to Set up  
Preparatory Office  
for China JV

Operation  
Reviewed  
by CIRC

Products  
Approved  
by CIRC

Start  
Operation

## Approval Obtained :

- JV Partner – Hainan Airlines Group
- Senior VP of SKL and 20 officers deployed to set up the preparatory office

- Establish distribution platform and major business model
- Analyze and integrate resources of both JV partners
- Start operational preparations, e.g., IT system, product application, recruitment and sales force training

## Formal Operation :

- Establish Shin Kong & HNA Life Insurance Co.
- Headquartered in Beijing
- Initial Investment of RMB 500mn, with 50% ownership for each JV partner

# Joint Venture Partner – HNA Group



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

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# SKL - Real Estate Securitization

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

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

Notes:

(1) Retained equity tranches of CMBS deals, therefore effectively maintain economic ownership and capital appreciation potential of the properties

(2) Weighted average cost

(3) One building was purchased by REIT#1 from SKL with a capital gain of NT\$0.7bn (Q4 2007)

(4) NT\$3.6bn gains booked in January 2006

(5) To be recognized over four years

# Overview of Financing Plan

PRELIMINARY

Source of funds	Issuing entity	Amount (NT\$bn)	Comments
Rights issue	SKFH	7	<ul style="list-style-type: none"> <li>• Completed on March 31, 2008</li> <li>• Dilution ratio: 6.83%</li> <li>• 75% allocated to existing shareholders, 15% to SKFH employees, 10% to public</li> <li>• Proceeds to be injected into SKL by June 30, 2008</li> </ul>
FHC's own funds		3 – 3.5	<ul style="list-style-type: none"> <li>• Injected together with proceeds from rights issue into Shin Kong Life in June, 2008</li> </ul>
Preferred Shares	SKL	~10	<ul style="list-style-type: none"> <li>• Ensure efficiency in capital allocation</li> <li>• Placement could be private or public</li> <li>• Create opportunity to bring in world-class strategic investor(s)</li> </ul>

**Target is to maintain RBC at 250%**

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

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