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Shin Kong Financial Holding

Update on Capital Enhancement

April 28, 2009

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Trading Update

- Equity markets have shown signs of recovery although operating environment remains difficult in 2009
- Investment income has stabilized
 - Interest income (at SKL) modestly higher than 1Q08
 - Strong capital gains from foreign exchange
 - Continued rebound of the Taiwan equity market
- Tight control of expenses
 - SKL: General and administrative expenses controlled at lower level than 1Q08
 - SKB: Overall expenses decreased 9% in 2008 and continued to decline in 1Q09
- Strong liquidity position
 - SKFH: Secured NT\$5bn loan to repay 2004 ECB
 - SKL: Cash balance exceeds NT\$100bn
 - SKB: L/D ratio broadly in line with 4Q08
- Continued proactive risk management with Phase I of the Algo system going on-line this month

Rationale for Capital Enhancement

- Recognize market expectations for higher capital levels
- Enhance competitive position in uncertain market environment
 - Provide sufficient capital buffer for potential impact from market volatilities
 - Position the company to take advantage of market opportunities, e.g., more flexibility in investment and stronger ability to write high-margin protection business
- Proposed combination of initiatives
 - Unlocks hidden value in the balance sheet
 - Ensures optimal capital allocation among subsidiaries, and
 - Provides a unique and fair opportunity for existing shareholders and new investors to participate in Shin Kong's future growth

Overview of Capital Enhancement Plan

**NT\$25~30bn
capital injection
to SKL**

	<u>Amount</u>	<u>Comments</u>
Sale of Mitsukoshi A11 and CMBS securitization	~NT\$8bn	<ul style="list-style-type: none"> ▪ Capital gain of NT\$7.3bn from sale of Mitsukoshi A11 to be booked in Q2 ▪ CMBS securitization with 2 buildings in Neihu district to be completed in 2H
Merger of SKSC and Masterlink	~ NT\$4.7bn	<ul style="list-style-type: none"> ▪ Merge SKSC with Masterlink and upstream excess capital to FHC ▪ Proposal approved by both SKFH and Masterlink Boards ▪ Transaction to be completed in Q4
Capital Raising	NT\$13~18bn	<ul style="list-style-type: none"> ▪ Proposals for GDR and private placement included in AGM agenda ▪ Format and details to be determined

Auction of Shin Kong Mitsukoshi A11 Building

Shin Kong Mitsukoshi A11



Building Profile

Year of Completion	1997
Levels	B5 ~ 7F
Land Area	2,534 ping
Floor Space	19,205 ping
Building Structure	Steel Construction
Auction Date	April 3, 2009
Closing Price	NT\$11.6bn

SKSC Merger Transaction Summary

NT\$bn		Price/ sale value	Book value as of Dec. 31, 2008
Assets to be acquired by Masterlink	Brokerage/ stock affairs business including equipments	0.32	4.63
	Operational real estate	0.11	
	No-active market stock investments	0.20 ⁽¹⁾	
Other assets to be sold		4.03 ⁽¹⁾	
Total capital released from SKSC		4.66 ⁽¹⁾	
Use of fund		Capital injection to SKL	
SKFH's holding in Masterlink		25%	

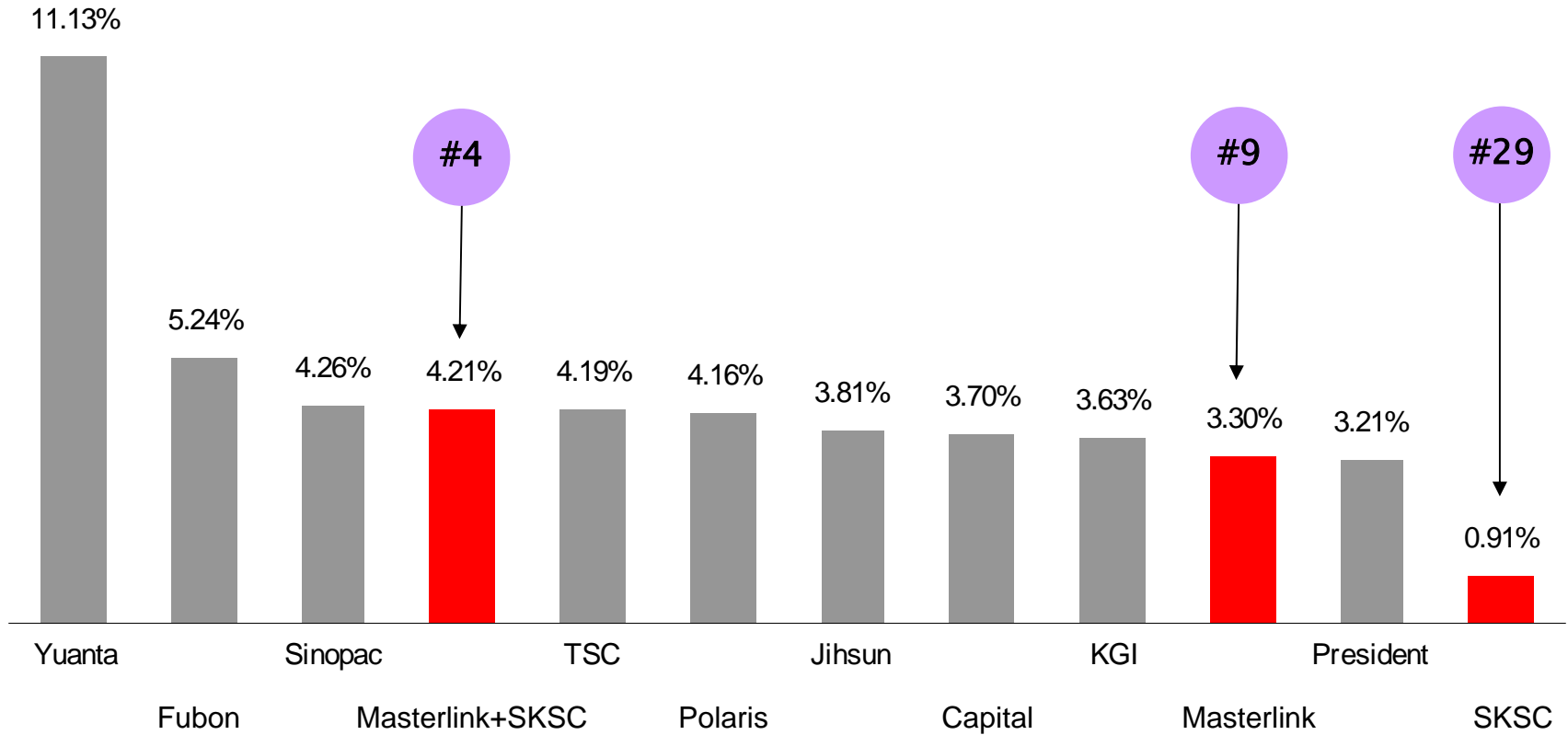
Note:

(1) Estimation only. Price to be confirmed.

Pricing of Assets


- Assets to be acquired by Masterlink include SKSC's brokerage and stock affairs business, equipments, operational real estate, and no-active market stock investments
- Price for brokerage and stock affairs business was set by DCF valuation and in line with 5 comparable transactions (e.g., Great Wall Securities acquired by Waterland Securities).
- Real estates were appraised by 2 appraisal firms
- No-active market stock investments (e.g., TSE and TFE) will be priced based on book values of the companies
- Transaction has been reviewed by 2 third party auditing firms

2008 Brokerage Market Share



Impact on Financial Ratios

%	Before (2008/12/31)	After		
		A11 sale and CMBS securitization	SKSC merger with Masterlink	Capital raising
Life RBC	225	261	281	335~357
FHC CAR	102	113	116	133~140
DLR	125	121	121	116~117
Life Leverage Ratio	53x	40x	35x	24~26x
Dilution	-	-	-	<25%

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

Conclusion

- Shin Kong committed to strengthening its capital base and fully address market expectations for higher capital levels
- Capital enhancement positions Shin Kong to capture opportunities in the current market environment and provides sufficient capital buffer for potential market volatilities
- Proposed combination of initiatives
 - Unlocks hidden value in the balance sheet
 - Ensures optimal capital allocation among subsidiaries, and
 - Provides a unique and fair opportunity for existing shareholders and new investors to participate in Shin Kong's future growth
- 1Q09 results reflect headwinds but demonstrate management's focus on
 - Stabilizing business operations
 - Proactively managing risks, and
 - Building a strong foundation to capture future growth and opportunities