

Fubon FHC  
to acquire  
ING Life Insurance (Taiwan)

October 20, 2008



This meeting may contain forward-looking statements with respect to the financial condition, results of operations and business of the company. These forward-looking statements represent the company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed. Certain statements, such as those that include the words "potential", "estimated", and similar expressions or variations on such expressions may be considered "forward-looking statements".

Financial results are all based on preliminary management data and may differ from audited reports.



- Transaction summary
- Strategic rationale
- Overview of ING Life Taiwan
- Transaction impact
- Appendix

# Transaction summary

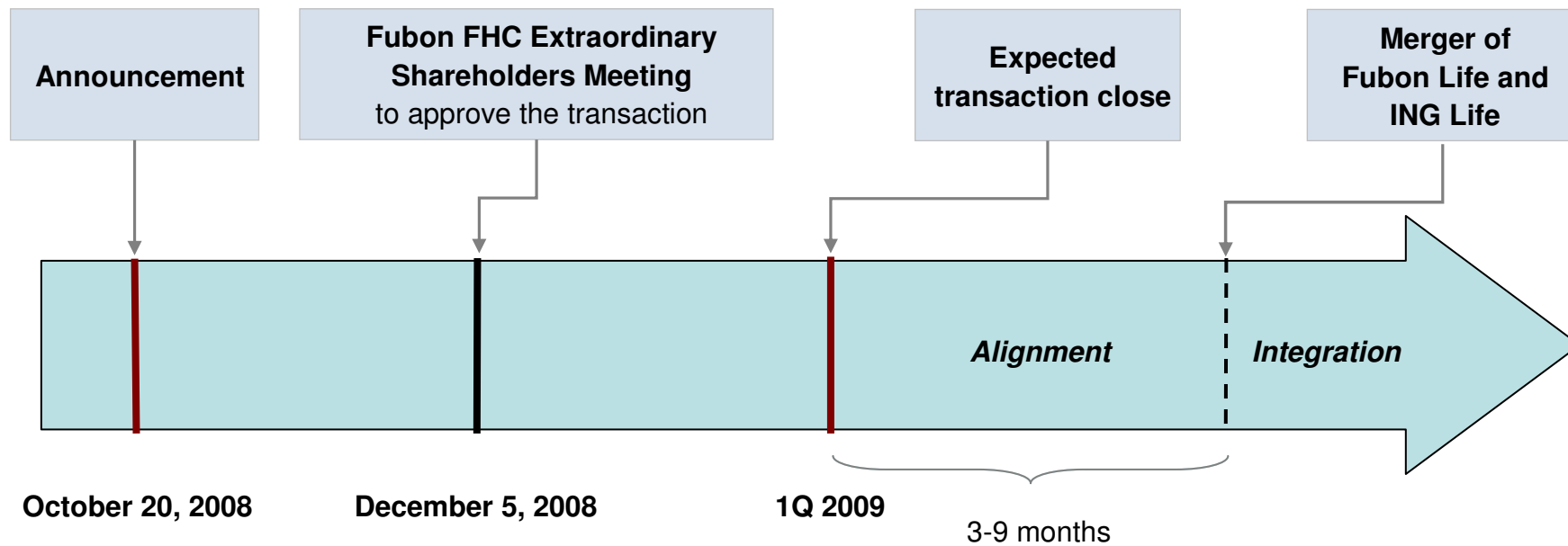


Term	Summary
Transaction price	<ul style="list-style-type: none"> <li>■ Total transaction value of US\$600 million (NT\$19.5bn)                             <ul style="list-style-type: none"> <li>■ Implied Price to Book value of 0.71x (as of June 30, 2008)</li> </ul> </li> </ul>
Transaction structure	<ul style="list-style-type: none"> <li>■ Issuance of new Fubon FHC shares and subordinated debentures to ING</li> <li>■ Implied consideration mix of one ING Life Taiwan share: stock portion equivalent to 0.3174 Fubon FHC share + cash portion equivalent to NT\$7.93 (based on Current Market Price<sup>1</sup>)</li> </ul>
Form of consideration	<ul style="list-style-type: none"> <li>■ Stock portion                             <ul style="list-style-type: none"> <li>■ Equal to 5% of Fubon FHC's total share capital on a fully diluted pro forma basis</li> <li>■ Pricing of new shares based on Current Market Price<sup>1</sup> upon closing subject to floor price of NT\$15 per share</li> <li>■ ING subject to 1-year lock-up period</li> </ul> </li> <li>■ Debenture portion                             <ul style="list-style-type: none"> <li>■ Issue size equal to total transaction value of US\$600 million less the market value of the stock portion (determined at time of closing)</li> <li>■ Tier II qualifying subordinated debt; bullet repayment                                     <ul style="list-style-type: none"> <li>- 8 year maturity and interest rate of mid-swap rate + 338bps<sup>2</sup></li> </ul> </li> </ul> </li> </ul>
Additional optional financing	<ul style="list-style-type: none"> <li>■ Option to issue to ING additional subordinated debt of up to US\$350 million before end of 2009                             <ul style="list-style-type: none"> <li>■ At same terms as subordinated debt issued for the transaction</li> </ul> </li> </ul>
Approvals	<ul style="list-style-type: none"> <li>■ Subject to approval of Fubon's shareholders and customary regulatory approvals</li> </ul>
Expected close	<ul style="list-style-type: none"> <li>■ 1<sup>st</sup> quarter 2009</li> </ul>

<sup>1</sup> Calculated as the 20 day average closing price 5 days prior to closing date; NT\$22.94 based on 10/17/08 date

<sup>2</sup> If transaction closes after June 30, 2009, then 7 year maturity and interest rate of mid-swap rate + 325bps

# Estimated transaction timeline





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# Strategic rationale



<b>Scale and market share</b>	<ul style="list-style-type: none"><li>■ Fubon Life and ING Life Taiwan combination creates the #2 player in the industry, with a premium market share of 13.9%</li><li>■ ING Life Taiwan will add 2.2m customers to Fubon FHC's 6.5m customers and 3.6m policies in force to Fubon Life</li></ul>
<b>Fastest growing franchise</b>	<ul style="list-style-type: none"><li>■ ING Life Taiwan has grown First Year Premium ("FYP") market share from 3.4% to 4.7% between 2006 and 2008 YTD</li><li>■ With 55% yoy FYP growth in September 2008 YTD, ING Life Taiwan has significantly outpaced the industry growth</li></ul>
<b>Superior underwriting quality</b>	<ul style="list-style-type: none"><li>■ ING Life Taiwan has consistently achieved strong above industry average mortality gain</li></ul>
<b>Improve distribution capabilities</b>	<ul style="list-style-type: none"><li>■ Adds over 8,100 agents to create 3<sup>rd</sup> largest agency force of approximately 10,300</li><li>■ Continuing increases in agent productivity and persistency of new business</li></ul>
<b>Complementary product portfolio and customer base</b>	<ul style="list-style-type: none"><li>■ ING Life Taiwan's regular premium products complements Fubon's single premium focus</li><li>■ ING Life Taiwan's focus on tied agent channel complements Fubon's strength in the bancassurance</li></ul>
<b>Healthy investment portfolio</b>	<ul style="list-style-type: none"><li>■ ING Life Taiwan has low exposure to more volatile assets such as equities<ul style="list-style-type: none"><li>■ Only 6.1% of investment portfolio in equities vs. 9.8% for Cathay and 11.0% for Shin Kong as of 1H08</li></ul></li><li>■ 48.2% of the investment portfolio in Taiwan government bonds</li><li>■ Only NT\$548m structured credit products within overseas investments</li></ul>



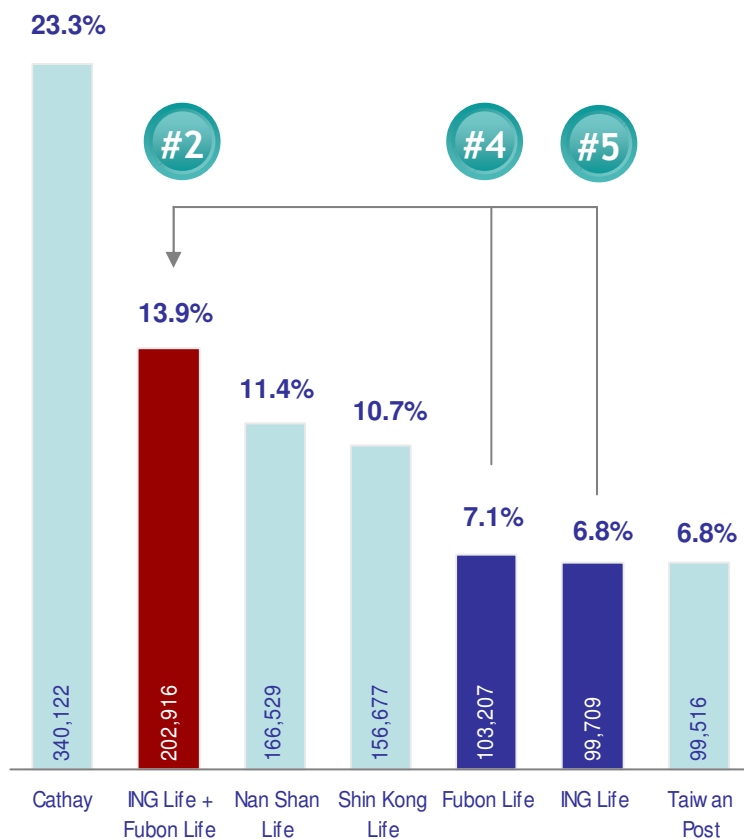
- ✓ Attractive price
- ✓ Expected to be earnings accretive to Fubon FHC
- ✓ Group capitalization remains strong after closing
- ✓ Positive impact on RBC ratio
- ✓ Self-financed transaction structure
- ✓ Limited shareholder ownership dilution fixed at 5%
- ✓ Downside protection on new share issuance price
- ✓ Additional optional financing provides flexible access to future capital



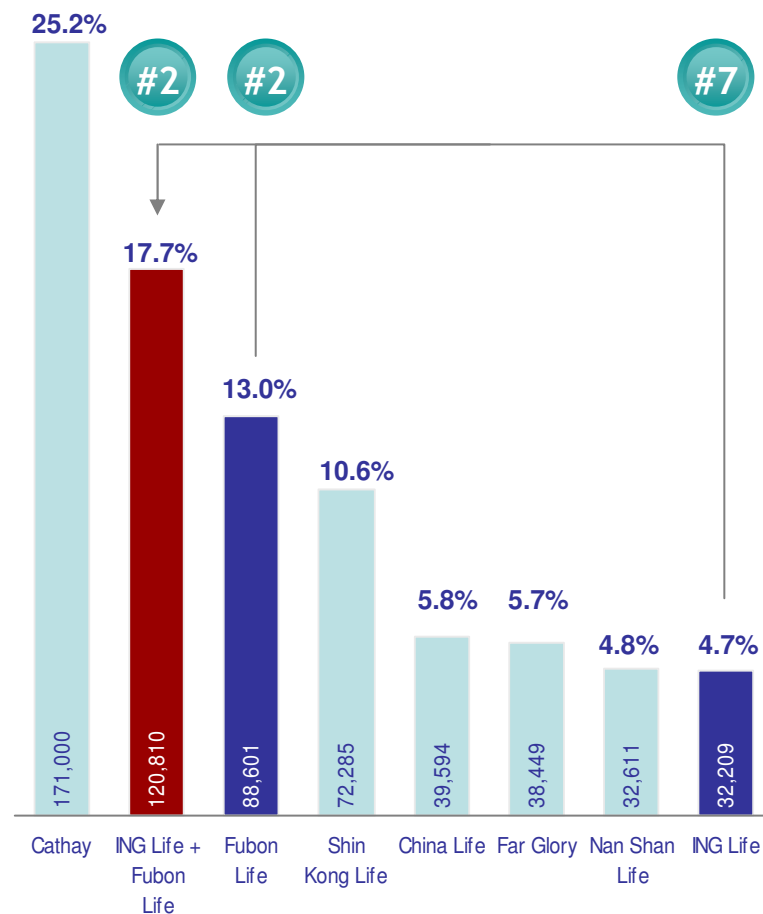
# The transaction will propel Fubon's scale and market share in the Taiwan life insurance market



Total premium (NT\$mm)



First year premium (NT\$mm)



Source: LIAROC  
Note: Data in September 2008 YTD



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# ING Life Taiwan overview



## Business overview

- ◆ Following ING Group's acquisition of Aetna's global life insurance operations in 2001, the Taiwan franchise was domesticated in 2006
- ◆ The 5<sup>th</sup> largest life insurer in Taiwan by total premiums (6.8% market share) as of September 30, 2008
- ◆ Has 2.2 million customers, 3.6 million policies in force
- ◆ Over 8,100 agents as of August 2008 (8.9% agency market share)
- ◆ Credit rating by Taiwan ratings: twAAA/stable and reaffirmed on October 1, 2008

## Summary financial data

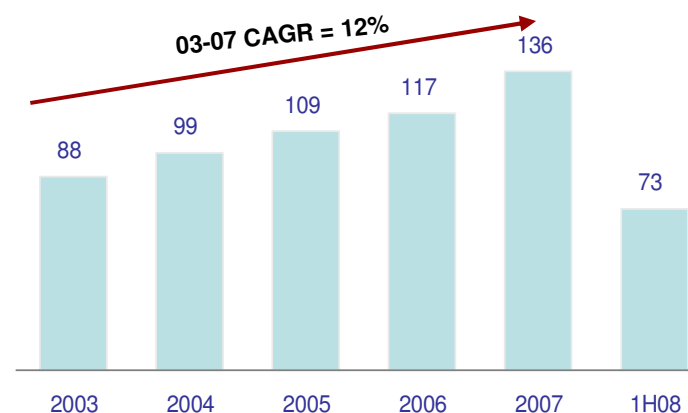
(NT\$bn)	2006	2007	1H08
<b>Key Balance Sheet Items</b>			
Total assets	520.5	600.0	612.5
Operating reserves (General account)	421.6	476.1	486.2
Shareholders' equity	54.4	40.5	27.3
<b>Key Income Statement Items</b>			
Premium income	116.9	136.1	73.3
Investment income	19.0	25.9	13.7
Operating expenses	(10.1)	(10.7)	(4.9)
Profit after tax	4.0	8.2	1.3
<b>RBC ratio</b>	>300%	>300%	250-300%

Source: ING Life Taiwan's audited financial statements

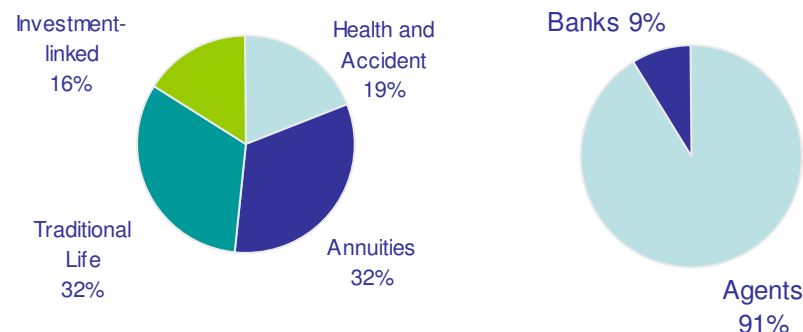
Note: The Company's status was converted from a branch to a separate local company on March 1, 2006.

Income statement figures represent consolidated figures for the year ending December 31, 2006. 2005 data is for the branch ING Life Taiwan

## Premium income growth (NT\$bn)



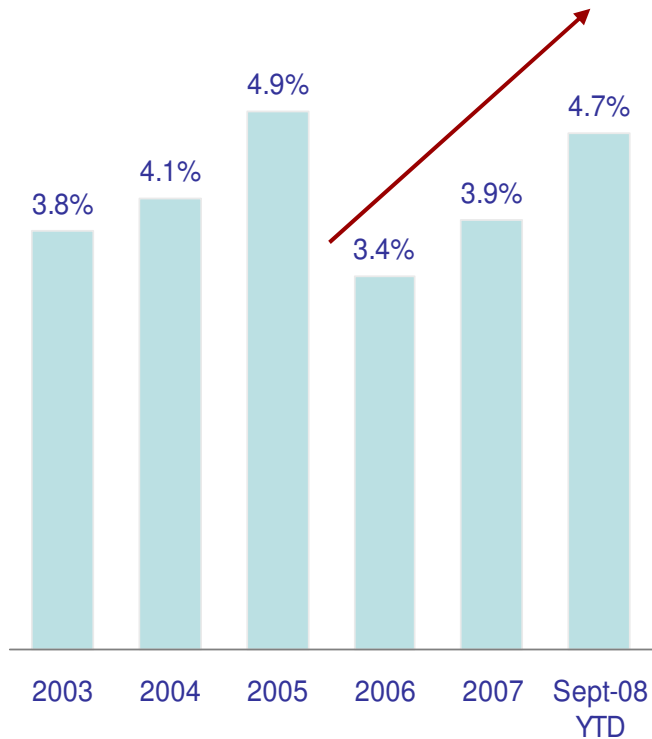
## 1H08 product and distribution mix



# ING Life Taiwan has achieved robust market share development in recent years

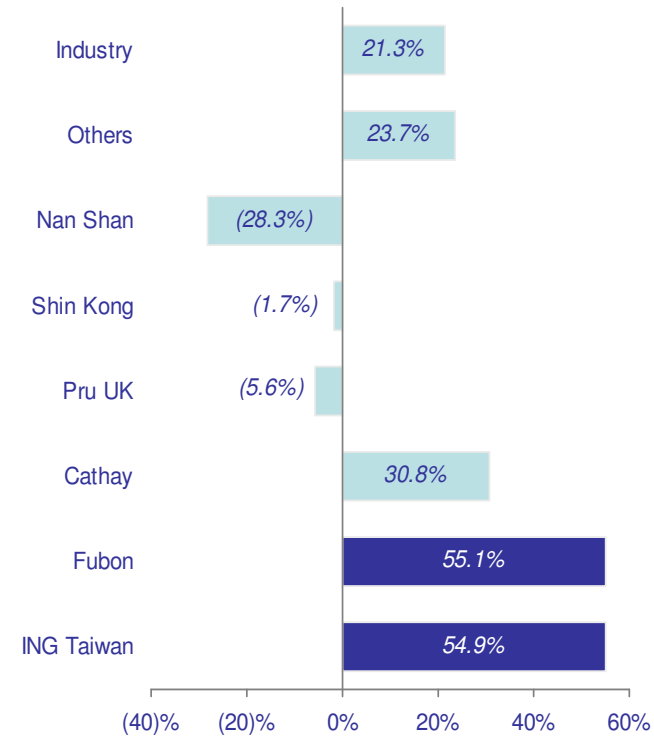


Market share (first year premium income)



FYP (NT\$m)	2003	2004	2005	2006	2007	Sept-08 YTD
FYP (NT\$m)	13,218	18,205	26,464	17,894	29,609	32,209

Sept-08YTD first year premium growth

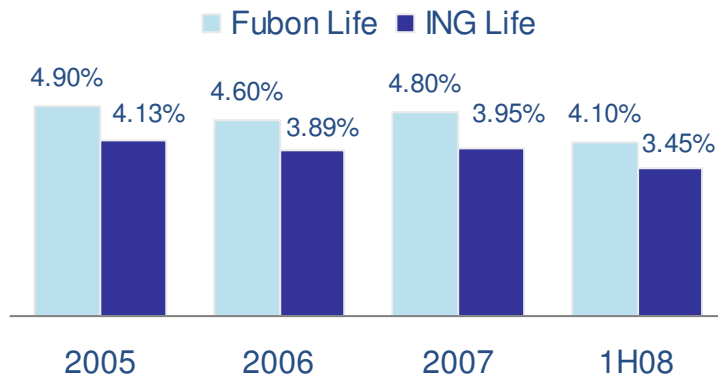


Source: ING Life Taiwan, TII and LIAROC

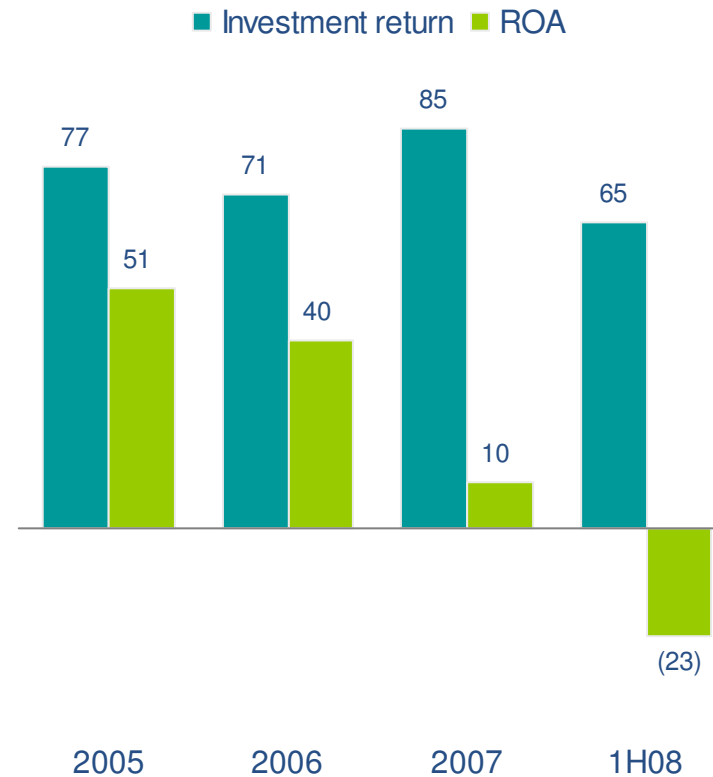
# ING Life Taiwan has achieved strong profitability due to its superior mortality gains



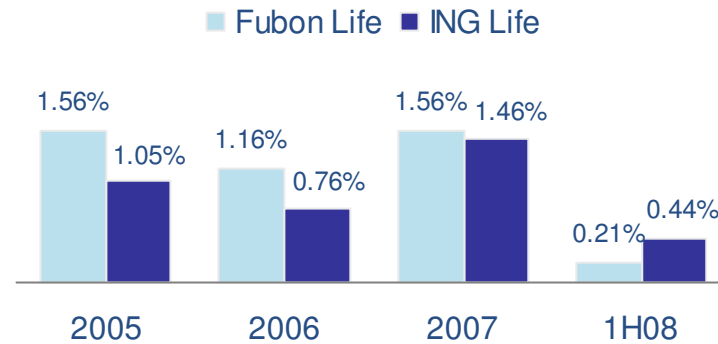
Investment return



Fubon-ING Life differentials (bps)



ROAA



■ **ING Life Taiwan is able to achieve strong profitability even with lower investment returns due to its above industry average mortality gains**

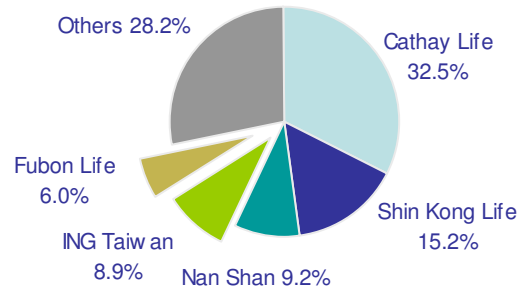
Source: Company disclosure

Note: 1H08 annualized; ING Life investment return based on Fubon estimates; Differentials calculated as Fubon – ING Life

# ING Life Taiwan has leading distribution capabilities, especially in the agency channel

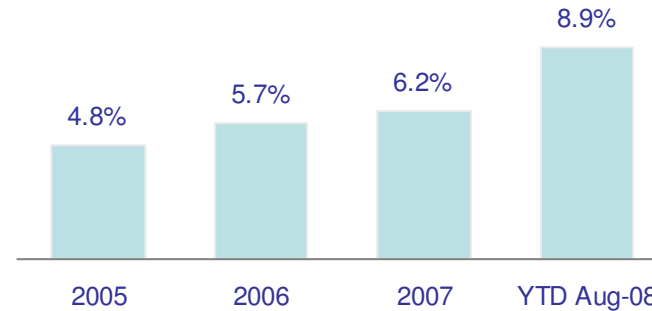


Market shares in the agency channel



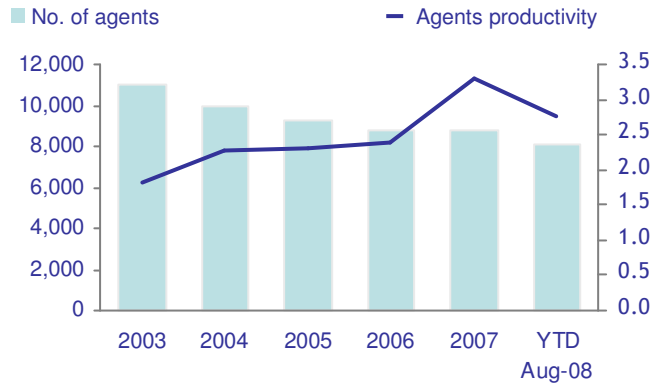
Source: Taiwan Insurance Institute. August 2008 date

ING Life Taiwan agency channel market share



Source: Excluding SPCE policies written by ING Life Taiwan for a short period in 2005. Including these sales, ING Life Taiwan's market share in 2005 would be 7.2%

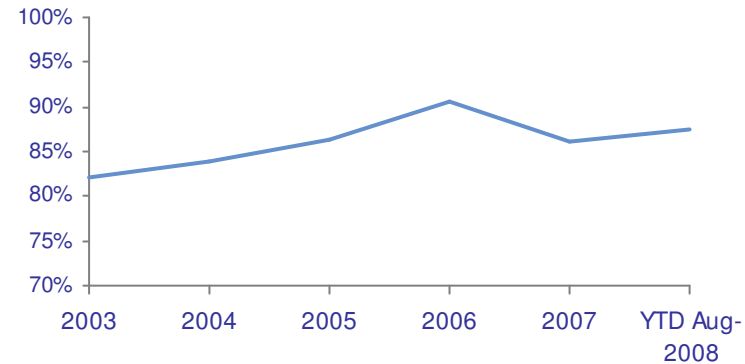
Large and productive agency network



Source: ING Life Taiwan

Note: Agent productivity defined as average new policies sold per agent per month. Persistency defined as percentage of policies in-force 13 months after sale. In 2006 persistency was unusually high as a result of low surrenders of SPCE products

13-month persistency ratio



# Conservative investment portfolio



## Investment portfolio of ING Life Taiwan (NT\$mm)

	<b>Amount</b>	<b>% total</b>
Deposits and cash equivalent	5,324	1.0%
Taiwan government bonds	252,628	48.2%
Domestic equity investments	30,331	5.8%
Domestic corporate bonds	17,704	3.4%
Real estate	12,993	2.5%
Policy loans	29,842	5.7%
Mortgage loans	27,965	5.3%
Overseas investments	147,219	28.1%
<b>Total</b>	<b>524,007</b>	<b>100.0%</b>

Source: ING Life Taiwan, as of September 2008

## Key highlights

- ◆ Conservative investment portfolio with close to 50% in Taiwan government bonds
- ◆ Overseas investments are fixed income securities, comprised mainly of G7 government bonds, agency MBS, and investment grade corporate bonds in diverse industries
- ◆ Negligible exposure to structure credit products
- ◆ Conservative asset portfolio supports a stable return and reduces earning volatility

# Overseas investments breakdown



## Investment portfolio of ING Life Taiwan (NT\$mm)

	<b>Amount</b>	<b>% total</b>
G7 government bond	63,293.8	43.0%
Other sovereign bond	3,509.4	2.4%
Agency MBS/CMO	23,480.3	15.9%
Corporate bond	56,387.0	38.3%
Structured credit product	548.0	0.4%
<b>Total</b>	<b>147,218.5</b>	<b>100.0%</b>

Source: ING Life Taiwan, as of September 2008





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# Key pro forma financials



## Key pro forma financials at FHC level

(NT\$mm, unless specified otherwise)

	Fubon FHC June 2008	ING Life Taiwan June 2008	Fubon FHC Pro forma
Net profit	7,010	1,348	7,983
EPS (NT\$)	0.91	1.05	0.98
Total assets	1,923,560	612,476	2,528,173
Total equity	156,762	27,326	166,081
Asset/Equity (x)	12.27x		15.22x
ROAE (%)	8.7%	8.0%	9.6%
ROAA (%)	0.75%	0.44%	0.65%
Double leverage	103.2%	-	112.7%
FHC CAR	139.9%	-	139.7%

Source: Fubon

Note:(1) Pro forma equity assumes new issued share priced at Current Market Price (5 days prior's 20-day average closing price) as of 10/17/2008 of NT\$22.94

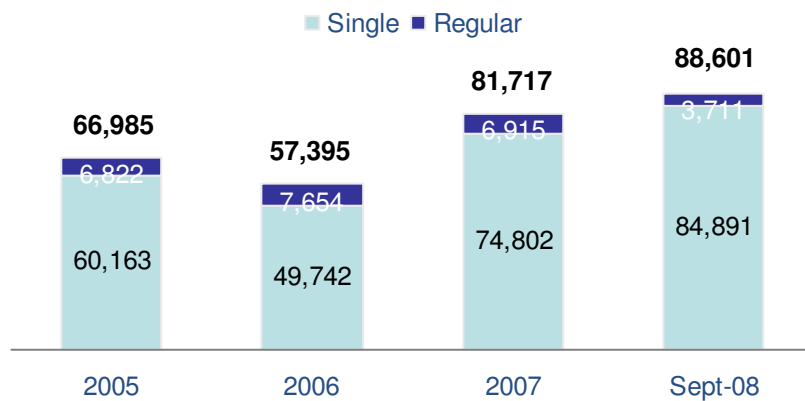
(2) Net profit and EPS are half-year data; ROAE and ROAA are annualized basis

- The transaction is expected to be earnings accretive to Fubon FHC
- FHC capital position remains strong after the acquisition

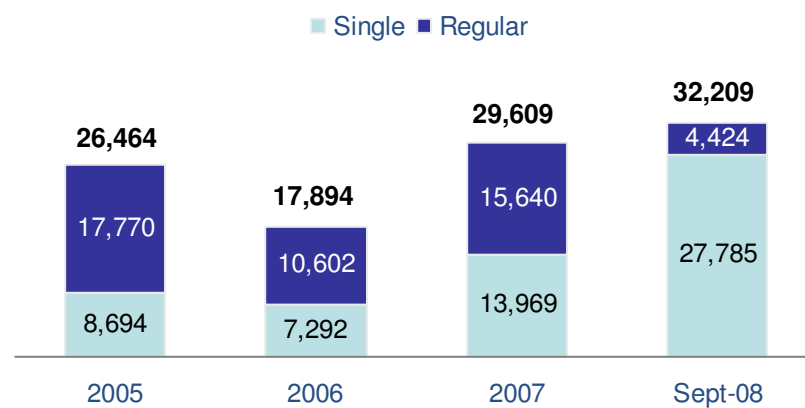
# Lowered product concentration risk



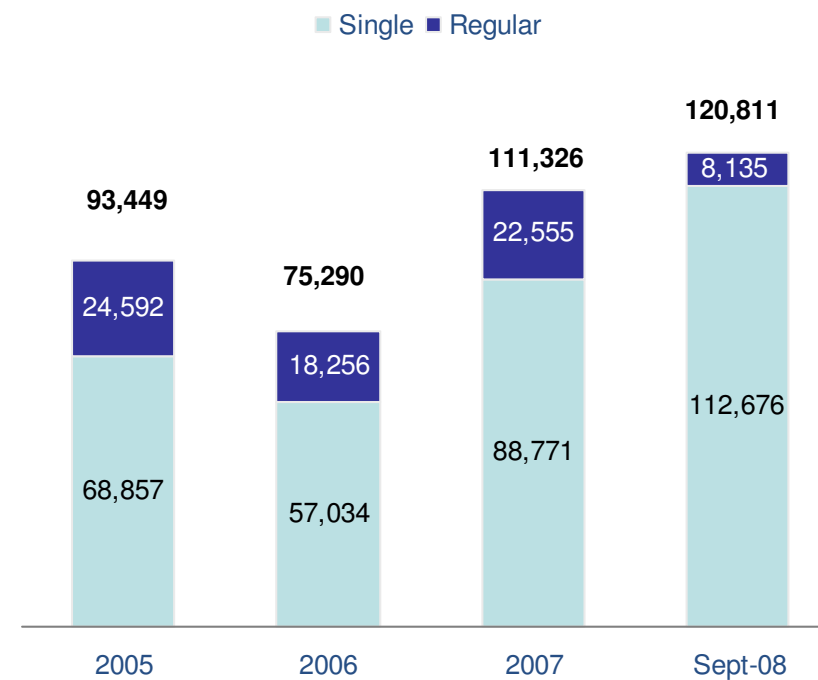
Fubon Life first year premium (FYP) by type (NT\$mm)



ING Life Taiwan first year premium (FYP) by type (NT\$mm)



Pro forma FYP by type



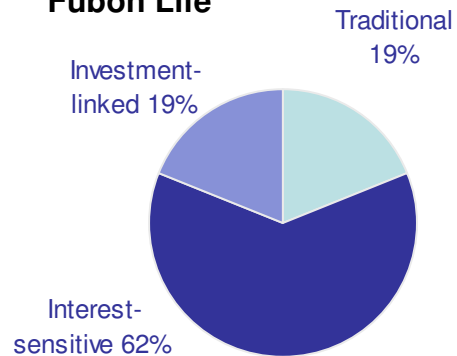
Source: Fubon, ING Life Taiwan. Data as of September 2008

# More diversified product portfolio



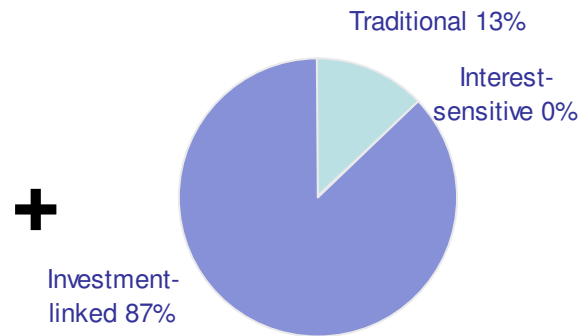
## First year premium (FYP) by product

### Fubon Life



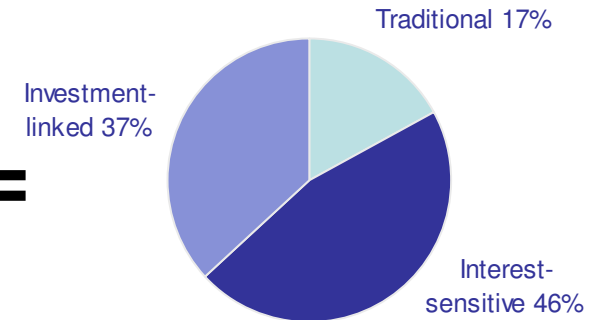
**Total = NT\$88.6bn**

### ING Life Taiwan



**Total = NT\$32.2bn**

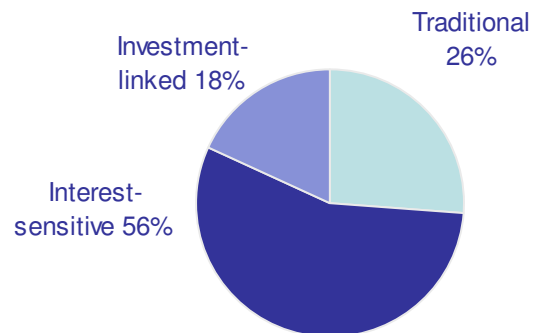
### Pro forma



**Total = NT\$120.8bn**

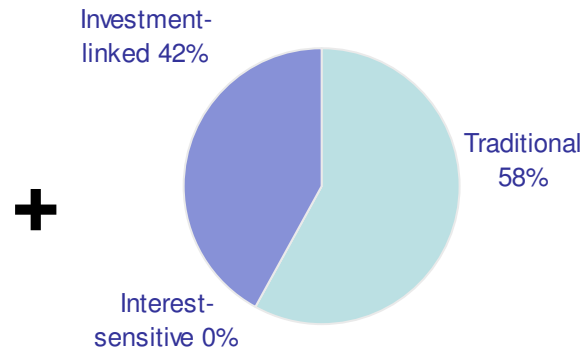
## Total premium (TP) by product

### Fubon Life



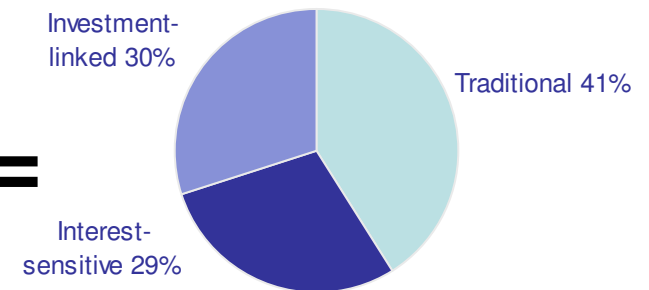
**Total = NT\$103.2bn**

### ING Life Taiwan



**Total = NT\$99.7bn**

### Pro forma



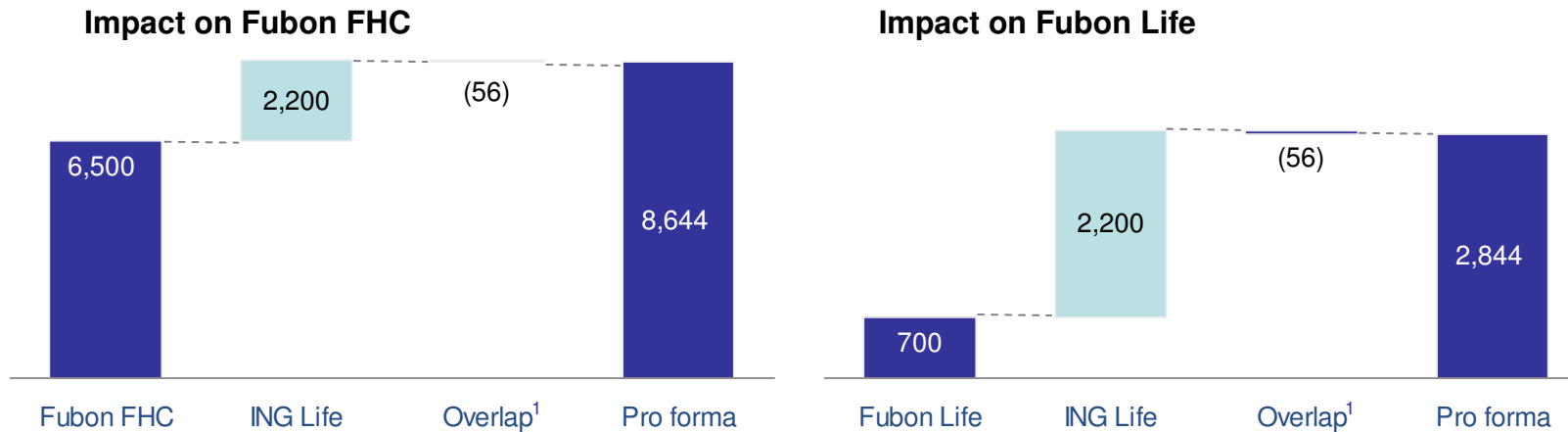
**Total = NT\$202.9bn**

Source: Fubon, ING Life Taiwan. Data as of September 2008

# Expanded customer base and more cross-selling opportunity through strengthened distribution

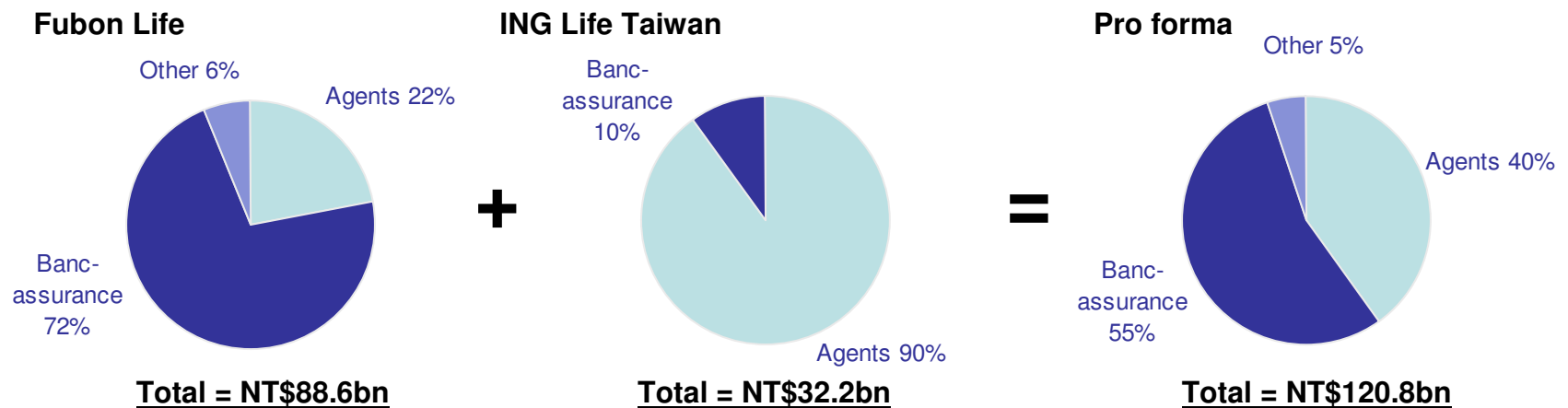


## Customer base (000)



<sup>1</sup> Fubon approximates customer overlap to be 8% of Fubon Life's existing customer base

## First year premium (FYP) by distribution channel



Source: Fubon, ING Life Taiwan. Data as of September 2008



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# Key financial information



## Income statement (NT\$mm)

	Fubon Life		ING Life Taiwan	
	2008 6M	2007 6M	2008 6M	2007 6M
Premium	49,725	27,485	38,296	49,470
Net reinsurance income / (expense)	204	404	(474)	(91)
Net fee income	1,077	1,123	5,310	4,112
Net other operating income / (expense)	56	43	(25)	(23)
Non other operating income / (expense)	18	3	(213)	(10)
Net provision	(36,628)	(327)	(9,097)	(32,725)
Claim	(15,908)	(28,752)	(30,887)	(17,188)
Commission	(2,640)	(2,173)	(4,314)	(3,551)
Safety fund	(49)	(27)	(47)	(59)
General & administrative expense	(1,056)	(873)	(4,916)	(4,981)
Net investment income	5,030	6,095	8,666	9,617
Net real estate investment income	75	63	194	14
	0	0	0	0
Net income before tax and MI	(96)	3,065	2,492	4,585
Tax expenses	392	(339)	(1,089)	(683)
Cumulative effect of accounting changes / (expense)	0	0	(55)	0
<b>Net Income</b>	<b>296</b>	<b>2,726</b>	<b>1,348</b>	<b>3,901</b>

Source: Fubon

# Key financial information (cont'd)



## Balance sheet (NT\$mm)

	Fubon Life		ING Life Taiwan	
	2008 6M	2007 6M	2008 6M	2007 6M
Current assets	92,426	64,327	48,899	57,814
Loans	21,822	14,182	57,839	52,416
Fund and long term investments	176,118	177,284	413,906	392,014
Fixed assets	194	153	1,745	1,712
Intangible assets	533	552	186	23
Investment linked asset	68,109	60,511	82,319	45,228
Others	1,598	1,059	7,582	6,571
<b>Assets</b>	<b>360,799</b>	<b>318,068</b>	<b>612,476</b>	<b>555,778</b>
Current liabilities	7,467	14,156	14,498	11,586
Long term liabilities	402	428	2,030	753
Reserves	273,013	221,188	486,166	454,998
Investment linked liabilities	68,109	60,511	82,319	45,228
Others	54	53	137	100
<b>Liabilities</b>	<b>349,044</b>	<b>296,335</b>	<b>585,150</b>	<b>512,665</b>
<b>Equities</b>	<b>11,755</b>	<b>21,733</b>	<b>27,326</b>	<b>43,113</b>
<b>Liabilities and Equities</b>	<b>360,799</b>	<b>318,068</b>	<b>612,476</b>	<b>555,778</b>

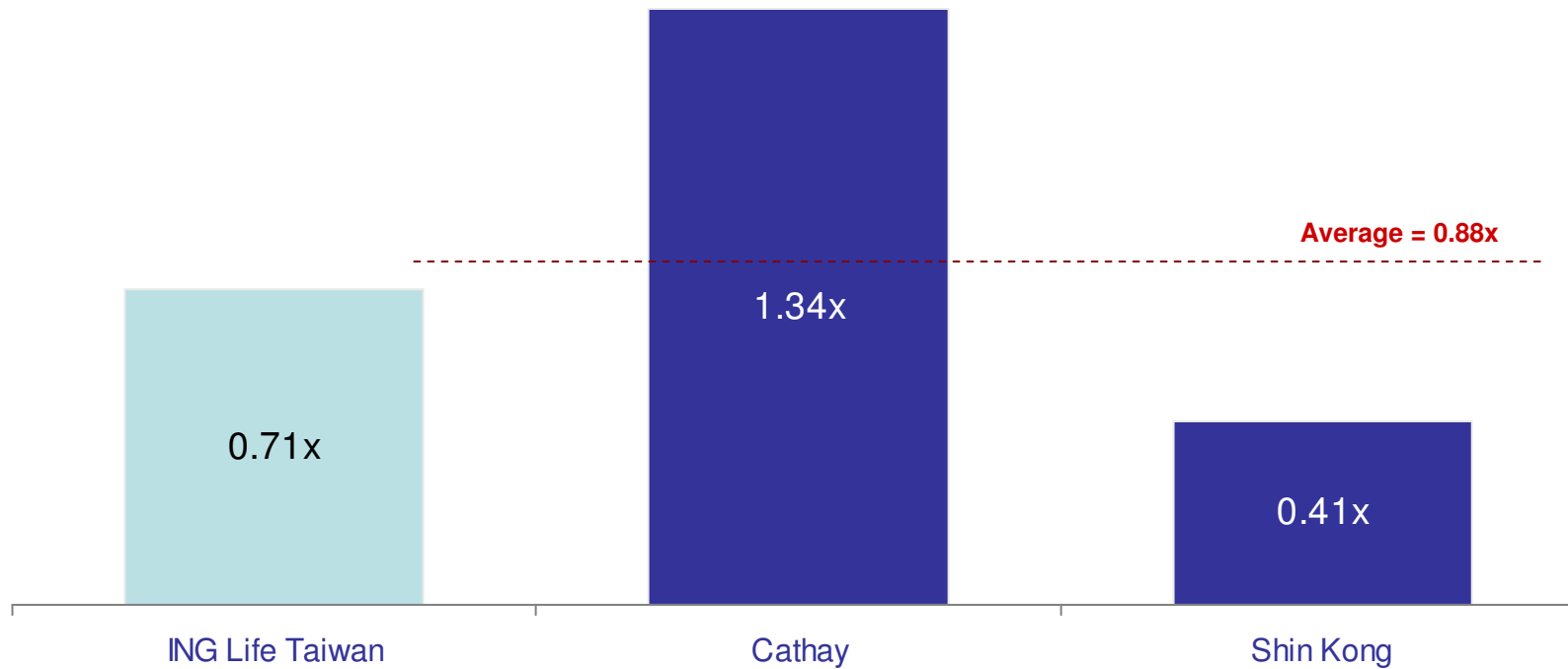
Source: Fubon



# Implied price to book vs. peers



Implied price to adjusted book value vs. peers



Source: Fubon, J.P. Morgan Research estimates

Note: Cathay and Shin Kong's 1H08 book value adjusted for property unrealized gains