

SKFH Announces Results for Q3 2010

November 05, 2010, Taipei

Shin Kong Financial Holding Company Limited (“Shin Kong”, “SKFH”, or the “Company”, TWSE: 2888) announces consolidated results of the Company and its subsidiaries for the third quarter 2010.

HIGHLIGHTS

- SKFH recorded after-tax profit of NT\$4.62bn in Q3 2010, significantly higher than the same period last year. Cumulative after-tax profit turned positive and was NT\$1.62bn for 9M 2010.
- Total group asset broke through NT\$2 trillion and went up 9.6% year-on-year.
- Driven by improvement in financial asset valuation and profitability, SKFH’s shareholders’ equity increased 22.5% quarter-on-quarter to NT\$98.26bn. Excluding MasterLink’s minority interest, shareholders’ equity would be NT\$83.76bn; book value per share was NT\$10.7, higher than par value.
- Shin Kong Life (SKL) made an after-tax profit of NT\$4.01bn in Q3 2010; cumulative after-tax profit was NT\$0.10bn.
- 9M FYP was NT\$65.01bn, up 23.9% year-on-year. Q3 FYP was NT\$27.08bn, 20.6% higher quarter-on-quarter.
- Shin Kong Bank (SKB) recorded a cumulative after-tax profit of NT\$1.42bn, up 216.0% year-on-year.
- SKFH’s Board resolved to purchase common shares of MasterLink Securities (MasterLink) not exceeding 8% of the total issued common shares in the centralized securities trading market in order to increase its shareholding in MasterLink to above 25%.

SHIN KONG LIFE: SHARP TURNAROUND IN PROFITABILITY

SKL recorded after-tax profit of NT\$4.01bn in Q3 2010 driven by higher premium and investment income. Cumulative after-tax profit was NT\$0.10bn. ROA and ROE were 0.01% and 0.17% respectively.

9M FYP was NT\$65.01bn, up 23.9% year-on-year. Q3 FYP was NT\$27.08bn, 20.6% higher quarter-on-quarter. Total premium was NT\$145.20 billion.

Highlights of Q3 2010 Earnings

Protection products were the focus of traditional sales vs high share of single premium savings products in 2009. Due to stabilization in global markets, sales of investment-linked products increased to NT\$2.05bn in Q3 2010. Growth of interest-sensitive products decreased due to the high basis achieved in 2H 2009. Margin is the main consideration in new product development. For example, SKL launched a protection product, co-developed with Dai-ichi Life, which is expected to drive mortality gains, expense gains, and VNB (Value of New Business).

Cross-selling remained strong with SKB contributing NT\$16.64bn of FYP in 9M 2010 (39.1% of bancassurance premium). In future, more emphasis will be put on high margin products and products that generate high fee income for the bank.

Annualized investment return for 9M 2010 reached 4.1%. Interest income increased 13.3% year-on-year.

In real estate, development of the A12 plot in Xinyi District has been completed and usage license received in August 2010. The office-hotel complex comprises the Le Meridien hotel which will be managed by My Humble House and the Shin Kong Xinyi Financial Center which is currently being marketed to potential tenants. Target tenants include international financial institutions and renowned global enterprises with DBS being the first leading financial group to sign a rental contract in October this year. Located in the prime Xinyi district, Shin Kong Xinyi Financial Center is well-positioned to capture opportunities created by cross-strait opening and is expected to generate stable rental income for SKL going forward.

On the overseas front, SKL will steadily expand SKHNA's business by establishing additional sales/servicing offices in Beijing and setting up the newly approved Hainan branch.

SHIN KONG BANK: PROFITS CONTINUED TO GROW

After-tax profit for SKB in 9M 2010 was NT\$1.42bn (up 216.0% year-on-year). Pre-provision profit increased 68.8% to NT\$2.93bn while operating expense remained at a similar level compared to 9M 2009.

Loan balance increased 9.4% year-on-year to NT\$311.12bn; deposit balance increased 10.0% to NT\$383.9bn. L/D ratio was maintained at a high level of 80.7%.

NIM was 1.55% in Q3 2010; net interest spread improved to 1.95%. Going forward, SKB will continue to expand scale of deposits and loans and deploy funds efficiently to maintain NIM at a high level.

Fee income from wealth management was NT\$618 million, up 36.1% year-on-year. Growth was mainly driven by sales of mutual funds, insurance, and foreign securities. As for product innovation, SKB is the first domestic bank to launch preferred shares products, and a leader in terms of market share and technology of

Highlights of Q3 2010 Earnings

trading platform, providing our customers with diversified choices of wealth management products.

Asset quality improved with overall NPL decreased from 0.85% in Q2 2010 to 0.74%; coverage increased from 116.62% in Q2 2010 to 130.34%.

OUTLOOK

In order to further strengthen capital and create shareholder value, the Board of SKFH passed a resolution on August 13 to issue 600 million common shares. NT\$5.0bn of the proceeds will be used to enhance capital of SKL. The transaction will be completed by the end of the year.

In addition, to better satisfy the definition of subsidiaries spelt out in the Financial Holding Company Act, SKFH's Board has resolved to purchase common shares of MasterLink not exceeding 8% of the total issued common shares in the centralized securities trading market. Management expects the investment will increase profits recognized from MasterLink and deepen cooperation with the securities subsidiary.

In future, the Company will not only closely monitor developments in the global economy but also continue to:

- Pursue growth and enhance profitability in its core life and banking businesses
- Control costs
- Drive synergies among subsidiaries
- Tighten risk management (e.g., the Algo risk management system was completed in Q2 2010)
- Enhance customer service (e.g., continue to optimize SKL's New Core System), and
- Cooperate with our partner to successfully manage our joint venture in China

Driven by recovery in the global economy and equity/bond markets, operating metrics of the Company have significantly strengthened. Management believes that performance in Q4 2010 will continue to improve building on the very strong operating results of Q3.

Disclaimer:

This document and the attachments 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 expect or anticipate will or may occur in the future (including but not limited to projections,

Highlights of Q3 2010 Earnings

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.