

SKFH Announces Results for Q3 2012

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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 of 2012.

HIGHLIGHTS

- SKFH recorded a cumulative after-tax profit of NT\$10.29bn for 9M 2012, up 67.9% year-on-year. EPS was NT\$1.22.
- Total group asset reached NT\$2.3 trillion, up 6.9% year-on-year.
- As of the end of Q3, consolidated shareholders’ equity of SKFH was NT\$93.37bn, 12.4% higher quarter-on-quarter, driven by the NT\$8.59bn recovery of SKL’s shareholders’ equity.
- Shin Kong Life (SKL) solidly developed its core business and enhanced marketing of protection products.
- Shin Kong Bank’s (SKB) asset quality remained stable, as profits grew strongly.

SHIN KONG LIFE: CORE BUSINESS REMAINED SOLID

Driven by the domestic cash dividend income of NT\$5.31bn recognized in Q3, annualized investment return reached 4.49% for 9M 2012. The cumulative after-tax profit was NT\$6.69bn.

FYP was NT\$56.15bn, and market share was 6.0%. Long-term profit generation remains the main consideration in product strategies focused on growth of regular premium products and risk premium. FYP of traditional products was 60.5% higher year-on-year, with FYP from regular premium products 36.5% higher year-on-year. Since July 1 this year, in coordination with the reduction of policy reserve interest rates and implementation of the 2012 Taiwan Standard Ordinary Experience Mortality Table, protection products have remained the sales focus. Those products include VUL by unit-cost-averaging method, as well as MTR, MTL, health, personal accident, long-term care and foreign currency whole life protection products.

Highlights of Q3 2012 Earnings

In cross-selling, SKB contributed NT\$15.99bn in 9M FYP (57.2% of bancassurance premium). In the fourth quarter, more emphasis will be put on higher margin foreign currency products and products that generate higher fee incomes for the bank.

SHIN KONG BANK: ASSET QUALITY REMAINED SOLID. PROFITS GROW STORNGLY

The after-tax profit of SKB for 9M 2012 was NT\$3.57bn, up 20.5% year-on-year. Net interest income was NT\$5.63bn, up 5.0% year-on-year; net fee income was NT\$1.53bn, up 23.3% year-on-year; pre-provision profit was NT\$4.29bn, up 41.7% year-on-year.

Loan balance increased 11.4% year-on-year to NT\$414.59bn. Driven by the growth of loans to medium-sized enterprises, corporate loans grew 12.1% year-on-year. Deposit balance increased 16.5% year-on-year to NT\$526.13bn. L/D ratio (incl. credit cards balance) was 78.6%.

Net interest margin and net interest spread for Q3 2012 were 1.38% and 1.77%, respectively. Going forward, SKB will continue to provide loans with reasonable interest rates and deploy funds efficiently to maintain NIM level.

Driven by strong sales of insurance and bond products, the wealth management income for 9M 2012 was NT\$795mn, up 29.2% year-on-year. Sales focuses will be on overseas securities and foreign currency insurance policies, which are expected to contribute to fee income growth.

The NPL ratio slightly declined to 0.92% while the coverage ratio increased from 109.69% in Q2 to 112.63%. The foreclosed collateral of NT\$1.72bn non-performing loan to Prince Motors was auctioned off for NT\$9.14bn in September, and the principal and interests will be fully recovered with no loss. Excluding the loan, NPL and coverage ratios would improve to 0.51% and 204.15%, respectively.

OUTLOOK

Guided by strategic priorities to create shareholders' value, SKFH is actively deploying in overseas market. SKHNA Life Insurance has already applied for establishing Jiangsu branch to further facilitate business growth in the Mainland. Furthermore, to increase qualified capital and enhance financial structure, the Board of SKL resolved on September 28 to issue perpetual cumulative subordinated corporate bonds in maximum amount of NT\$5bn.

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

Highlights of Q3 2012 Earnings

- Pursue growth and enhance profitability in its core life and banking businesses
- Diversify market risk, enhance investment performance, and improve shareholders' equity through deployment of stock, bond and other RMB-denominated financial instruments in China
- Control costs
- Drive synergies among subsidiaries
- Tighten risk management
- Enhance customer service
- Steadily expand in the Mainland, Hong Kong and other overseas markets and successfully manage SKHNA Life Insurance, Shin Kong Leasing, SKB's Hong Kong branch, and
- Deepen business cooperation with MasterLink Securities Corp.

Fundamentals of SKFH have continued to be solid. We remain cautiously optimistic in our outlook and expect further improvement in Q4 2012 results.

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