

SKFH Announces Results for Q4 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 fourth quarter of 2012.

HIGHLIGHTS

- SKFH recorded a cumulative after-tax profit of NT\$9.82bn for 2012, up 78.7% year-on-year. EPS was NT\$1.16.
- Total group asset reached NT\$2.3 trillion, up 8.1% year-on-year.
- Capital adequacy ratios of the group and subsidiaries were all above regulatory requirements. Group preliminary CAR was 107.8%, RBC of SKL was in the range of 200%~300%, and BIS of SKB was 11.1%.
- SKL successfully disposed of partial floors of the Tun Nan Building on Feb. 25, 2013. Disposal gain of NT\$7.63bn expected to be recognized in Q1 2013.

SHIN KONG LIFE: FOCUS ON PROTECTION PRODUCTS TO CUMULATE VALUE. INCREASE OVERSEAS INVESTMENTS TO ENHANCE PROFITABILITY

Driven by properly controlled hedging cost and investment gains from REATs, investment return reached 4.56% for 2012. The cumulative after-tax profit was NT\$5.53bn.

FYP was NT\$68.47bn, and market share was 5.8%. 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 21.3% higher year-on-year, with FYP from regular premium products 27.8% higher year-on-year. Featured products included VUL by unit-cost-averaging method, as well as health, personal accident, long-term care and foreign currency whole life protection products.

To increase qualified capital and enhance financial structure, SKL successfully issued perpetual cumulative subordinated corporate bonds in amount of NT\$5bn in Q4 2012.

Highlights of Q4 2012 Earnings

SKL obtained approval to increase upper limit of overseas investment to 43% in January, 2013. The newly-added quota will be mainly deployed in fixed incomes to enhance recurrent yield. The target hedging cost is decreased to 130 bps or below in the medium- to long-term, given that implementation of FX reserve scheme helps to stabilize hedging cost.

In 2013, SKL will continue to focus on sales of value-oriented protection and regular premium products and increase mortality/expense gains to cumulate medium-to long-term fundamental interests. Moreover, SKL will promote investment-linked products in unit-cost-averaging method and increase sum insured to provide customers with relatively stable returns and generate stable value of new business (VNB). The number of policies sold is targeted to double in 2013.

SHIN KONG BANK: PROFITS GREW STRONGLY WITH ASSET SIZE MEETING TARGET. ADJUST BUSINESS STRUCTURE TO SUSTAIN EARNING GROWTH

The after-tax profit of SKB for 2012 was NT\$4.26bn, up 35.9% year-on-year. Net interest income was NT\$7.63bn, up 6.7% year-on-year; net fee income was NT\$2.16bn, up 31.0% year-on-year; pre-provision profit was NT\$5.52bn, up 42.0% year-on-year.

Loan balance increased 13.8% year-on-year to NT\$427.21bn. Fueled by the growth of loans to medium-sized enterprises, corporate loan grew 18.9% year-on-year. Deposit balance increased 15.4% year-on-year to NT\$556.65bn. L/D ratio (incl. credit cards balance) was 76.2%.

Net interest margin and net interest spread for Q4 2012 were 1.41% and 1.76%, respectively. Going forward, SKB will adjust structure of deposits and loans, raise yield on corporate loan, increase demand deposits and stringently control interest rates on time deposits to lower funding costs.

With offering a full range of wealth management products, wealth management income for 2012 amounted to NT\$1.17bn, up 48.3% year-on-year. Looking ahead, SKB will not only sustain growth from wealth management through a balanced sales focus on mutual funds, insurance policies and overseas securities, but also develop a larger customer base of retail and corporate wealth management business.

NPL ratio declined to 0.46%, and coverage ratio increased to 232.65% in Q4 2012. NPL ratios for corporate loan and mortgages were 0.59% and 0.26%, respectively, indicating stable asset quality.

SKB will dedicate to strengthening the business operation of TMU, expecting revenues from TMU to double in 2013. Furthermore, SKB will effectively build up renminbi deposits and provide renminbi wealth management products, along

with the liberalization of DBU renminbi business. Aiming at expanding overseas presence, SKB will manage to set up offshore units in ASEAN markets, such as Vietnam.

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.

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

- Pursue growth and enhance profitability in its core life and banking businesses
- Diversify market risk, enhance investment performance, and improve shareholders' equity through deploying in RMB-denominated equities and fixed incomes
- Control costs
- Drive synergies among subsidiaries
- Tighten risk management
- Enhance customer service
- Steadily expand in the Mainland, Hong Kong, Southeast Asia 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 2013.

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