

SKFH Announces Results for Q2 2013

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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 second quarter of 2013.

HIGHLIGHTS

- SKFH recorded an after-tax profit of NT\$7.01bn for 1H 2013. Total comprehensive income amounted to NT\$8.61bn. EPS was NT\$0.81.
- Shareholders’ equity increased to NT\$92.89bn, up 2.0% quarter-on-quarter.
- Total group asset reached NT\$2.3 trillion, up 4.4% year-on-year.
- Driven by effective hedging strategies, annualized hedging cost for 1H 2013 was 0.37% and consolidated net income reached NT\$5.54bn. Other comprehensive income was NT\$1.86bn in 1H 2013, and comprehensive income reached NT\$7.40bn. Shareholders’ equity increased to NT\$61.38bn.
- SKB delivered strong financial results, with net interest income 10.0% higher year-on-year. In addition, net fee income grew 23.9% year-on-year; wealth management income increased 33.0% year-on-year; TMU income surged 296.7% year-on-year.

SHIN KONG LIFE: FOCUS ON PRODUCT PROFITABILITY AND RECURRING INVESTMENT RETURN

Driven by effective hedging strategies, annualized hedging cost for 1H 2013 was 0.37%. Consolidated net income reached NT\$5.54bn. Only 13.2% of SKL’s fixed income investments were classified as available for sale position, as held to maturity and no active market positions, which are not marked to market, accounted for 28.4% and 57.8%, respectively; therefore, impacts caused by significantly rising global yields were limited. Other comprehensive income was NT\$1.86bn in 1H 2013 and comprehensive income reached NT\$7.40bn. Shareholders’ equity increased to NT\$61.38bn.

FYP was NT\$22.23bn, down 43.5% year-on-year, mainly because reduction of reserve rate for traditional products resulted in market demand decline. However,

Highlights of Q2 2013 Earnings

renewal premium grew 5.7% year-on-year due to strong sales of regular premium products, which was crucial to cumulate fundamental incomes of mortality and expense gains.

Total investment income reached NT\$37.39bn, 4.7% higher year-on-year. Annualized investment return was 4.14% in 1H 2013. Amid rising domestic and foreign yields, SKL will gradually invest in long-term fixed incomes with funds from first year and renewal premiums, as well as principals and interests from existing bond portfolios, and mainly classify them as held to maturity and no active market positions to enhance recurring investment return and avoid volatility in net worth. The amount of investments classified as held to maturity and no active market positions increased by NT\$71.4bn in 1H 2013. Moreover, due to focus on high dividend yield stocks, domestic cash dividend income is estimated to exceed NT\$6.5bn for 2013, which will mainly be recognized in Q3.

SHIN KONG BANK: CORE BUSINESSES REMAIN SOLID TO SUPPORT EARNING GROWTH

After-tax profit of SKB for 1H 2013 was NT\$2.17bn. Net interest income was NT\$4.06bn, up 10.0% year-on-year; net fee income was NT\$1.43bn, up 23.9% year-on-year. Pre-provision profit was NT\$2.97bn, up 25.8% year-on-year, excluding the one-off REITs gains of NT\$728mn in 1H 2012.

Loan balance increased 2.0% quarter-on-quarter to NT\$435.48bn, while deposit balance increased 5.2% quarter-on-quarter to NT\$567.11bn. SKB is committed to adjusting the structure of its corporate loans, strengthening cash management business and serving as the main settlement bank for MasterLink Securities. As a result, demand deposit ratio rose to 40.74%, NIM improved to 1.42%, and NIS increased to 1.80%.

Boosted by strong sales of overseas securities and mutual funds, wealth management income for 1H 2013 was NT\$9.33mn, up 33.0% year-on-year. Sales focus for the second half of 2013 will be on insurance policies, which is expected to facilitate fee income growth. As for corporate wealth management, revenues from TMU for 1H 2013 reached NT\$211mn, up 296.7% year-on-year.

NPL and coverage ratios for Q2 2013 were 0.47% and 234.19%, respectively. NPL ratio of corporate loans were 0.60%, remaining at the same level as the previous quarter, among which NPL ratio of SME loans dropped 16 bps to 0.59%. Going forward, SKB will continue its stringent credit policies and maintain strict control on asset quality.

OUTLOOK

Guided by strategic priorities to create shareholders' value, SKFH is actively deploying in overseas markets and developing new products to further facilitate business growth.

In the 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
- Take advantage of the rising yields and diversify market risks by investing in USD-denominated fixed-incomes in emerging markets to enhance recurring investment return and improve shareholders' equity
- 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 improvements in business performance.

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