

SKFH Announces Results for Q4 2013

March 6, 2014, 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 fourth quarter of 2013.

HIGHLIGHTS

- SKFH recorded a cumulative after-tax profit of NT\$9.99bn for 2013. EPS was NT\$1.11.
- After-tax profit, combined with other comprehensive income, amounted to NT\$12.07bn. Shareholders’ equity increased to NT\$100.95bn, up 22.2% year-on-year.
- Total group asset reached NT\$2.5 trillion, up 7.8% year-on-year.
- Capital adequacy ratios of the group and subsidiaries were all above regulatory requirements. Group preliminary CAR was 125.0%, RBC of SKL was in the range of 250%~300%, and BIS of SKB was 10.6%.
- SKL generated a consolidated net income of NT\$6.53bn, driven by hedging cost at only 0.62% and cash dividend of NT\$6.62bn. Total investment income reached NT\$72.36bn, 6.2% higher year-on-year, and investment return was 4.43%.
- SKB sustained growth momentum over the year, with net interest income 10.7% higher year-on-year. In addition, net fee income grew 11.4% year-on-year; wealth management income increased 13.4% year-on-year; TMU income surged 288.8% year-on-year.

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

Driven by hedging cost at only 0.62% and cash dividend of NT\$6.62bn, investment return was 4.43% in 2013 and consolidated net income reached NT\$6.53bn, up 13.3% YoY. Although global yields have risen significantly since Q2 2013, mark to market impact was limited because only 10.4% of SKL’s fixed income investments were classified as available for sale. Other comprehensive income was NT\$2.49bn

Highlights of Q4 2013 Earnings

and comprehensive income reached NT\$9.02bn. Shareholders' equity was NT\$64.99bn, up 20.4% YoY.

FYP for Q4 was NT\$20.76bn, up 54.9% QoQ. Sales momentum of regular premium products, health insurance and investment-linked products significantly increased. In particular, sales of regular premium traditional products reached NT\$5.01bn, up 77.5% YoY. Renewal premium grew 6.5% YoY due to strong sales of regular premium products, which is crucial to cumulate fundamental mortality and expense gains. Long-term profit remains the focus of product strategy: In 2013, VUL was promoted by unit-cost-averaging method, boosting sum-insured per policy to NT\$1.9mn and the number of policies sold to 21,579, 97.6% higher year-on-year. The number of long-term care health policies sold was 11,765. FYP reached NT\$0.47bn.

Amid rising global yields, SKL will gradually invest in emerging market USD-denominated sovereign debts and high-quality corporate bonds and mainly classify those as held to maturity and no active market to match asset-liability duration, enhance recurring investment return and avoid volatility in net worth. As for real estate investment, SKL won the bid to acquire superficies of a piece of land in Nankang District, Taipei City in Q4 for NT\$2.02bn, on which a multifunctional building will be developed and generate rental yield around 3.5%~4%.

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

After-tax profit of SKB for 2013 was NT\$4.06bn. Net interest income was NT\$8.40bn, up 10.7% year-on-year; net fee income was NT\$2.72bn, up 11.4% year-on-year. Pre-provision profit was NT\$5.92bn, up 22.5% year-on-year, excluding one-off REITs gains of NT\$728mn in 2012.

Loan balance increased 5.5% year-on-year to NT\$450.82bn, while deposit balance increased 10.5% year-on-year to NT\$614.52bn. NIM rose from 1.39% to 1.40%, driven by structural adjustment of deposits and loans aiming at increasing profit contribution of customers. SKB will continue to offer loans with reasonable interest rates and reduce funding costs to stabilize NIM level.

Fuelled by strong sales of overseas securities and mutual funds, wealth management income for 2013 was NT\$1.69bn, up 13.4% year-on-year. SKB will boost sales of foreign currency regular premium policies to increase fee income in 2014. As for corporate wealth management, revenues from TMU reached NT\$451mn, up 288.8% year-on-year.

NPL ratio declined to 0.42% and coverage ratio rose from 244.84% to 265.57% in Q4 2013. NPL ratios for corporate loans and mortgages were 0.58% and 0.25%,

respectively, indicating stable asset quality. Going forward, SKB will continue its stringent credit policies and exert strict control on asset quality.

OUTLOOK

SKFH will closely monitor global economy and continue to:

- Pursue growth and enhance profitability in its core life and banking businesses
- Deploy investments in emerging market USD-denominated sovereign debts and high-quality corporate bonds amid rising yields to enhance recurring investment return and improve shareholders' equity
- Acquire high-quality real estate to augment rental income
- 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.

2014 outlook of SKL and SKB:

SKL	SKB
<ol style="list-style-type: none"> 1. Focus on sales of protection, foreign currency regular premium savings and interest sensitive life products to cumulate fundamental interests and create mid-to long-term value 2. Enhance sales force recruitment and actively nurse young talents to accelerate organizational rejuvenation. Implement electronic marketing to explore young clients 3. Promote unit-cost-averaging VUL. Target number of policies sold at 30,000 in 2014 	<ol style="list-style-type: none"> 1. Adjust loan structure, expand consumer lending and boost fee income growth to enhance both profitability and capital adequacy 2. Increase ratio of demand deposits to optimize deposit structure. Strictly control interest rates of time deposits to lower funding costs 3. Sustain growth in wealth management through balanced sales focus on overseas securities, mutual funds and insurance policies. Launch wealth management

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<p>4. With change in social structure, highlight marketing of long-term care health insurance and expand senior citizens market. Target number of policies sold at 60,000 in 2014</p> <p>5. Cultivate foreign currencies denominated policies, grasp trend of interest rate and match liability duration to enhance recurrent investment income</p> <p>6. Implement hedging strategies flexibly and lower target of hedging cost to 100 bps</p>	<p>business at Hong Kong Branch in late May to drive earnings momentum</p> <p>4. Deliver a growth rate of more than 30% in TMU revenues with well-established corporate client base</p> <p>5. Increase number of active credit cards</p> <p>6. Cultivate Asia-Pacific market by setting up offshore units in Vietnam, Myanmar and Cambodia</p>
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