

SKFH Announces Results for Q4 2014

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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 2014.

HIGHLIGHTS

- SKFH’s shareholders’ equity increased to NT\$110.85bn, up 9.8% year-on-year, and book value per share was NT\$11.27. Total group asset reached approximately NT\$2.8 trillion, 10.4% higher year-on-year.
- SKFH recorded consolidated comprehensive income of NT\$11.35bn and consolidated after-tax profit of NT\$7.92bn for 2014; profit attributable to SKFH was NT\$6.89bn. EPS was NT\$0.70.
- Capital adequacy ratios of the group and subsidiaries were all above regulatory requirements. Group CAR was 135.0%, RBC of SKL was above 300%, and BIS of SKB was 10.9%.
- SKL’s FYP for 2014 reached NT\$90.19bn, 60.0% higher year-on-year, reducing yearly cost of liability by 14 bps to 4.64%. FX hedging was managed effectively, lowering cost to only 0.37%. By actively selling FX policies and investing acquired funds in international bonds listed in domestic OTC, SKL obtained higher yield. Recurring yield after hedging increased 20 bps year-on-year.
- SKB sustained growth momentum over the year, with net interest income up 15.7% year-on-year, net fee income up 11.8% year-on-year, and TMU income up 130.8% year-on-year. Consolidated after-tax profit for 2014 amounted to NT\$5.16bn; ROE was 13.2%.

SHIN KONG LIFE: FOCUS ON WHOLE LIFE PRODUCTS AND ENHANCE RECURRING INVESTMENT RETURN

FYP for 2014 reached NT\$90.19bn, up 60.0% year-on-year, enabling VNB to grow around 35%

year-on-year (based on actuarial assumptions for 2013 EV) and reducing yearly cost of liability by 14 bps to 4.64%. Consolidated after-tax profit was NT\$1.71bn; shareholders' equity increased by 7.1% year-on-year to NT\$69.63bn.

FX traditional products remained marketing focus in 2014. Sales reached NT\$29.24bn, accounting for 32.4% of total FYP. Such products brought SKL stable interest spread with proper asset-liability match and no hedging cost. Marketing momentum of long-term care/disability policies has continued since their debut in 2013, propelling health insurance FYP to NT\$3.5bn, 47.7% higher year-on-year. SKL's market share in health insurance remained high at 12.5%.

Driven by properly-managed FX hedging, hedging cost and investment return were 0.37% and 4.41% in 2014, respectively. By actively selling FX policies and investing acquired funds in international bonds listed in domestic OTC, SKL enhanced recurring yield after hedging by 20 bps year-on-year. As of the end of 2014, investments in international bonds listed in domestic OTC amounted to NT\$118.8bn with average yield before hedging of 4.4%. The position is expected to grow and increase interest income.

SHIN KONG BANK: ASSET QUALITY REMAINED SOLID AND PROFITS CONTINUED TO GROW

Consolidated after-tax profit of SKB for 2014 amounted to NT\$5.16bn, 27.0% higher year-on-year. Net interest income was NT\$9.72bn, up 15.7% year-on-year; net fee income was NT\$3.04bn, up 11.8% year-on-year. Pre-provision profit was NT\$7.98bn, up 35.0% year-on-year.

Loan balance amounted to NT\$482.54bn, up 7.0% year-on-year; deposit balance increased to NT\$643.68bn, up 4.7% year-on-year. Driven by structural adjustment of deposits and loans aiming at increasing profit contribution of customers, NIM for 2014 increased 3 bps year-on-year to 1.43%. SKB will continue to offer loans with reasonable interest rates and reduce funding costs to stabilize NIM level.

Wealth management income for 2014 was NT\$1.84bn, up 8.8% year-on-year. With a view to strengthening bancassurance business, wealth management consultants have directly registered as the agents of SKL since April, 2014, sharing access to its training resources and marketing tools. Fee income from bancassurance reached NT\$0.95bn, up 85.4% year-on-year. In 2015, SKB will promote long-dated and retirement annuity insurance products as well as boost sales of mutual funds with the investment efficiency system, which employs profit taking and reinvestment mechanisms.

Asset quality remained solid in Q4 2014. NPL ratio decreased from 0.32% to 0.26%, and coverage ratio increased from 384.10% to 486.14%, close to the industry level. 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 in core business, emphasize asset quality and stabilize capital adequacy ratios
- Focus on sales of whole life products and FX policies, investing acquired funds in international bonds listed in domestic OTC and FX separate assets to enhance recurring investment return
- Acquire high-quality real estate to augment rental income
- Control costs and develop business with proper cost-benefit balance
- Drive synergies among subsidiaries
- Tighten risk management
- Enhance service and fulfil the needs of customers to optimize their value growth
- Steadily expand in the Mainland, Hong Kong, Southeast Asia and other overseas markets, and
- Deepen business cooperation with MasterLink Securities Corp.

SKFH has steadily grown its core businesses. We remain cautiously optimistic in our outlook and business performance.

2015 outlook of SKL and SKB:

SKL	SKB
1. Focus on whole life products and health insurance, continuously optimize product mix, and lower cost of liabilities by 10 bps and above.	1. Promote SME loans and consumer banking with stringent risk control. Meanwhile enhance non-interest income.
2. Increase premium income of FX policy and gain stable interest spread with proper asset-liability duration match and no hedging cost, driving FX assets to NT\$200bn by year end.	2. Expand cash management business and increase both NTD and foreign currency demand deposits to lower funding costs.
3. Deploy funds from NTD policies in	3. Boost sales of insurance products with competitiveness enhanced by joint marketing between SKL and

<p>international bonds listed in domestic OTC, with the position reaching NT\$200bn by year end and funds from FX policies in foreign bonds to enhance recurring yield.</p> <ol style="list-style-type: none"> 4. Grow younger sales teams to promote use of E-marketing tools and develop products suitable for younger generation. 5. Actively promote long-term care health/disability insurance and FX cancer products in light of aging population and declining birthrate. Launch programs allowing clients to convert savings policies to health insurance and enhance sum insured. 6. Apply to competent authorities for partially recovering special reserves from property unrealized gain to increase shareholders' equity. 	<p>SKB for bancassurance. Intensify wealth management business interaction among corporate and consumer business units and develop a larger mass affluent client base. Wealth management income expected to grow around 20% in 2015.</p> <ol style="list-style-type: none"> 4. Dedicate to strict KYC procedures and continuously grow TMU client base, expecting revenues from TMU to increase 10% this year. 5. Launch financial services of Bank 3.0. Develop actively third-party payment, mobile payment and electronic banking. 6. Cultivate Asia-Pacific market by expanding overseas presence in Vietnam, Myanmar, Indonesia and Cambodia.
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