

SKFH Announces Results for Q1 2015

May 14, 2015, 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 first quarter 2015.

HIGHLIGHTS

- SKFH’s shareholders’ equity increased to NT\$118.27bn, up 6.7% quarter-on-quarter, and book value per share increased to NT\$12.03. Consolidated comprehensive income amounted to NT\$7.52bn and consolidated after-tax profit reached NT\$3.60bn; profit attributable to SKFH was NT\$3.36bn. EPS was NT\$0.34.
- The second issue of domestic unsecured convertible bonds of NT\$5bn was listed in 2012. Bondholders may exercise put option 3 years after issuance. As investment value emerged, only NT\$864mn were put back, representing 17.3% of total principal raised.
- SKL’s FYP amounted to NT\$28.51bn, up 76.8% year-on-year. Annualized cost of liability decreased 3 bps to 4.61% compared to 2014. Recurring yield before hedging increased to 3.37%, up 20 bps year-on-year, with investments in international bonds listed in domestic OTC reaching NT\$161.7bn.
- SKB sustained growth momentum, with net interest income up 6.4% year-on-year. Consolidated after-tax profit amounted to NT\$1.22bn, 2.4% higher year-on-year.
- Life insurance Embedded Value (EV) per share of SKFH was NT\$24.3 (not including net worth of bank and other subsidiaries). V1NB grew 21.9% year-on-year to NT\$17.8bn, driven by rising business momentum.

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

FYP for Q1 2015 surged 76.8% year-on-year to NT\$28.51bn, enabling annualized cost of liability to decrease from 4.64% in 2014 to 4.61%. Consolidated after-tax profit was NT\$2.05bn; shareholders' equity increased by 8.4% quarter-on-quarter to NT\$75.47bn.

FX traditional products remained marketing focus in 2015. Sales reached NT\$7.20bn, up 35.6% year-on-year. Such products brought SKL stable interest spread with proper asset-liability match and no hedging cost. Marketing momentum of long-term care and disability policies has continued into the first quarter, propelling the number of policy sold to 47,260; FYP was NT\$714mn, 60.1% higher year-on-year.

Driven by the increase of investments in international bonds listed in domestic OTC, recurring yield before hedging increased 20 bps year-on-year. As of the end of Q1 2015, investments in international bonds amounted to NT\$161.7bn with average yield before hedging of 4.4%. The position is expected to grow and increase interest income.

Life insurance EV per share of SKFH was NT\$24.3. EV of SKL was NT\$238.4bn, up 11.2% year-on-year, including property unrealized gains of NT\$78.0bn re-appraised at the end of 2014, up NT\$14.5bn year-on-year. V1NB grew 21.9% year-on-year to NT\$17.8bn, driven by rising business momentum.

SKL has been actively supporting the government's new measure on life insurance conversion, allowing eligible policyholders with accumulated cash values to convert into suitable medical and long-term care insurance policies. As of the end of April this year, 854 policies were converted with original policy value reserve of NT\$245mn.

SHIN KONG BANK: BUSINESS REMAINED SOLID AND PROFITS CONTINUED TO GROW

Consolidated after-tax profit of SKB for Q1 2015 amounted to NT\$1.22bn, 2.4% higher year-on-year, due to net interest income increasing 6.4%.

Fuelled by strong hedging demand and increase of the number of clients, TMU income for Q1 2015 surged to NT\$316mn, up 57.2% quarter-on-quarter. The number of TMU clients in 2015 is expected to grow 25%.

Loan balance rose 0.2% quarter-on-quarter to NT\$483.60bn, and deposit balance rose 2.4% quarter-on-quarter to NT\$659.23bn. NIS climbed 3 bps to 1.91% compared to Q4 2014. From Q2

2015, the growth of consumer and SME loans are expected to rise gradually. In addition, the credit quality of SME loans was closely monitored, and mainly collateralized by credit guarantee funds, as well as movable and immovable properties. Developing SME loans also drives wealth management and TMU business.

Wealth management income for Q1 2015 was NT\$384mn. Fee income from bancassurance was NT\$221mn. Starting from 2H 2015, SKB will actively recruit sales heads to elevate the number and quality of financial consultants, in order to provide more personalized services to clients with AUM above NT\$3mn. Also, to generate fee income, Hong Kong Branch started to actively promote wealth management business in Q2 2015.

NPL ratio decreased from 0.26% to 0.24% quarter-on-quarter, and coverage ratio advanced from 486.14% to 529.76% in the first quarter. New NPL generated in Q1 2015 was only NT\$202mn, which was in line with expectation and mainly from smaller individual cases. SKB will continue its stringent credit policies and exert strict control on asset quality.

Overseas profit grows steadily. In Q1 2015, overseas profit reached NT\$501mn, up 13.6% year-on-year, representing 34.9% of earnings before tax.

OUTLOOK

SKFH will closely monitor global economy and continue to realize the following strategic objectives:

- 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.

Disclaimer:

This document and the attachments distributed herewith include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Shin Kong Financial Holding Company expect or anticipate will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. Shin Kong FHC's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market shares, competition, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, cost estimates and other risks and factors beyond our control. In addition, Shin Kong FHC makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.