

## SKFH Announces Results for Q1 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 first quarter of 2013.

### **HIGHLIGHTS**

- SKFH recorded an after-tax profit of NT\$7.43bn for Q1 2013, up 144.1% year-on-year. Total comprehensive income amounted to NT\$8.52bn. EPS was NT\$0.88.
- Shareholders’ equity increased to NT\$91.11bn, up 10.3% year-to-date. Book value per share reached NT\$10.8.
- Total group asset reached NT\$2.4 trillion, up 6.5% year-on-year.
- 2012 EV for SKL was NT\$194.4bn, and life insurance EV per share of SKFH remained high at NT\$23.0. V1NB was estimated at NT\$140bn, 11.1% higher year-on-year, indicating that strategies aiming at sales of regular premium, value-oriented products have effectively improved VNB margin.
- SKB delivered strong financial results, with net interest income 10.5% higher year-on-year. In addition, net fee income grew 28.0% year-on-year; wealth management income increased 60.0% year-on-year; TMU income surged 260.7% year-on-year.

### **SHIN KONG LIFE: FOCUS ON PRODUCT PROFITABILITY TO CUMULATE VALUE**

Net income for Q1 2013 reached NT\$6.29bn. Due to recovery of global equity markets, other comprehensive income was NT\$0.97bn. Shareholders’ equity increased to NT\$61.23bn, up 13.5% year-to-date. FYP was NT\$8.40bn, down 49.7% year-on-year, mainly impacted by reduced reserve rates on traditional products resulting in less market demand. However, renewal premium grew 5.3% year-on-year driven by continuous focus on sales of regular premium products.

Long-term profit generation remains the main consideration in product strategies aiming at growing regular premium products and risk premium. FYP of regular

## *Highlights of Q1 2013 Earnings*

premium traditional products accounted for 78.2% of total traditional FYP. To diversify risk and increase protection, SKL will continue to promote VUL products by unit-cost-averaging method, foreign currencies policies, account-based long-term care products and health insurance.

Driven by properly operated hedging strategies, annualized hedging gain for Q1 2013 was 0.24%. In conjunction with the disposal gain from partial floors of Tun Nan Building, total investment income reached NT\$22.32bn, 40.4% higher year-on-year. The annualized investment return was 4.2% in Q1 2013.

To better reflect markets changes, SKL conservatively adjusted the actuarial assumptions for 2012 EV and AV. 2012 EV for SKL was NT\$194.4bn, which includes Adjusted NAV of NT\$158.8bn. Property unrealized gains increased to NT\$102.0bn at the end of 2012. VIF increased 7.9% year-on-year. V1NB was estimated at NT\$140bn, 11.1% higher year-on-year, indicating that strategies aiming at sales of regular premium, value-oriented products have effectively improved VNB margin.

### **SHIN KONG BANK: ADJUST BUSINESS STRUCTURE TO SUSTAIN EARNING GROWTH**

The after-tax profit of SKB for Q1 2013 was NT\$1.03bn. Net interest income was NT\$2.01bn, up 10.5% year-on-year; net fee income was NT\$0.72bn, up 28.0% year-on-year. Pre-provision profit was NT\$1.50bn, up 26.7% year-on-year, excluding one-off REITs gains of NT\$470mn in Q1 2012.

Adjusting deposit and loan structures is the strategic objective for 2013. Loan balance was NT\$427.08bn, L/D ratio (incl. credit cards balance) increased to 78.6%, and demand deposit ratio rose to 39.69%.

As of Q1 2013, net interest margin were 1.41%, and net interest spread improved to 1.79%. Going forward, SKB will adjust deposit and loan structures, raise yield on corporate loans, strengthen cash management business and act as the main settlement bank for MasterLink Securities to increase demand deposits and lower cost of funds.

Boosted by strong sales of overseas securities and mutual funds, wealth management income for Q1 2013 was NT\$500mn, up 60.0% year-on-year. SKB will not only continue to promote mutual funds, insurance policies and overseas securities, but also develop a larger customer base of retail and corporate wealth management business.

NPL ratio remained at 0.46%, and coverage ratio increased from 232.65% to 248.87%, indicating stable asset quality.

## OUTLOOK

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

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.

*Disclaimer:*

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