

SKFH Announces Results for Q3 2015

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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 third quarter 2015.

HIGHLIGHTS

- SKFH’s consolidated after-tax profit was NT\$4.47bn; profit attributable to SKFH was NT\$4.04bn. EPS was NT\$0.40. Total group asset reached NT\$2.9 trillion, up 2.8% quarter-on-quarter.
- SKL posted a consolidated after-tax loss of NT\$31mn, resulting from implementing strategies to reduce unrealized loss on AFS financial assets. Asset allocation was flexibly adjusted in line with product strategy, enabling interest income for 9M 2015 to increase NT\$7.59bn to NT\$45.65bn, up 19.9% year-on-year. Recurring yield before hedging advanced 18 bps year-on-year to 3.82%. Due to properly-managed FX strategy, annualized hedging cost for 9M 2015 declined to 0.48%, significantly lower than 1.23% for 1H 2015.
- SKB’s consolidated after-tax profit was NT\$3.80bn, down 4.2% year-on-year, mainly due to a higher base of Q3 2014 resulting from one-off property disposal gain of NT\$424mn. NPL and coverage ratios were 0.19% and 712.03%, respectively, better than industry average.
- SKL acquired a piece of land in October for NT\$1.76bn in Shilin District, Taipei City to flexibly adjust real estate portfolio. Rental apartments will be developed for rental income.

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

FYP for 9M 2015 amounted to NT\$61.75bn, securing a market share of 7.0%. The strategy to lower cost of liability by promoting whole life products persists, allowing annualized cost of liability to decline 11 bps to 4.53% compared to 2014. FX traditional products remained marketing focus. Sales reached NT\$18.35bn in 9M 2015, accounting for 29.7% of total FYP.

Such products brought SKL stable interest spread with proper asset-liability match and no hedging cost. SKL has vigorously cultivated operations in the long-term care market with more than 208,000 long-term care and disability policies sold in 9M 2015. FYP was NT\$2.75bn, 103.3% higher year-on-year.

Due to properly-managed FX strategy, annualized hedging cost for 9M 2015 was 0.48%. Investment income decreased due to prudent execution of realizing unrealized loss on AFS financial assets, and annualized investment return was 3.37% for 9M 2015.

SKL has actively adjusted domestic asset allocation, investing funds from NT dollar policies in international bonds and deploying funds from foreign currency policies in overseas bonds to enhance recurring revenue. Interest income was boosted by portfolio reallocation: interest income for 9M 2015 increased NT\$7.59bn to NT\$45.65bn, up 19.9% year-on-year; recurring yield before hedging advanced 18 bps year-on-year to 3.82%.

Since 2015, SKL has been actively supporting the government's measure on life insurance conversion, allowing eligible policyholders with accumulated cash values to convert into suitable health and long-term care insurance policies. At present, 2,427 policies have been converted with original policy value reserve of around NT\$750mn. Savings policies and life insurance with only death benefits were switched to long-term care and health insurance, indicating growing awareness of health and long-term care coverage across demographics.

SHIN KONG BANK: CLOSELY MONITOR ASSET QUALITY AND STRENGTHEN CORE BUSINESS

Consolidated after-tax profit for 9M 2015 was NT\$3.80bn, down 4.2% year-on-year, mainly due to a higher base in Q3 2014 resulting from one-off property disposal gain of NT\$424mn.

Deposit balance was NT\$671.11bn, up 4.3% year-to-date; although loan growth slowed due to global economic concerns, up 2.5% year-to-date to NT\$494.67bn, NIS and NIM for 9M 2015 were 1.92% and 1.46% respectively, 7 bps and 3 bps higher than 2014, driven by adjustment in deposit and loan structure, as well as enhancement in fund utilization starting from Q1. SKB will continue to expand foreign deposit to facilitate international business, as well as adjust deposit and loan structure while enhancing fund utilization.

Wealth management income for 9M 2015 was NT\$1.24bn, down 15.5% year-on-year; declines in fee income from mutual funds and fixed income products were relatively significant. SKB will continuously recruit financial consultants to develop clients with AUM above NT\$3mn and increase fee income from mutual funds by unit-cost-averaging method and fixed income products.

Asset quality remained solid. NPL ratio decreased from 0.24% to 0.19%, and coverage ratio increased from 565.86% to 712.03% in Q3 2015, better than industry average. SKB will continue its stringent credit policies and exert strict control on asset quality.

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 respectively to enhance recurring investment return
- Acquire high-quality real estate and activate assets to augment investment return on property
- Control costs and develop business with proper cost-benefit balance
- Drive synergies among subsidiaries
- Tighten risk management
- Develop a full range of digital financial services, enhance service quality 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.

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