

SKFH Announces Results for Q3 2016

November 17, 2016, 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 third quarter 2016.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$2.76bn for Q3 2016, up 47.5% quarter-on-quarter; for 9M 2016, consolidated after-tax profit was NT\$2.06bn, and profit attributable to SKFH was NT\$1.50bn. EPS was NT\$0.15.
- Total group assets amounted to NT\$3.05 trillion, up 4.5% year-on-year. Consolidated shareholders’ equity was NT\$132.48bn, NT\$9.34bn higher compared to 2015, mainly driven by SKL’s other comprehensive income for 9M 2016 reaching NT\$7.90bn. Book value per share was NT\$11.74.
- Shin Kong Life’s FYP for 9M 2016 amounted to NT\$89.29bn, 44.6% higher year-on-year, enabling annualized cost of liabilities to decrease to 4.40%, 11 bps lower than 2015. Shin Kong Life continued to allocate funds to emerging market USD government bonds and international bonds to enhance recurring yield. Interest income for 9M 2016 increased to NT\$52.02bn, up 13.9% year-on-year. Recurring yield before hedging advanced 7 bps year-on-year to 3.89%.
- Shin Kong Bank’s net interest income was NT\$7.90bn, up 2.4% year-on-year, reflecting enhanced fund utilization and cost control. Driven by growth in wealth management fee income, net fee income increased 7.4% year-on-year to NT\$2.45bn. Consolidated after-tax profit reached NT\$3.36bn.
- SKFH is actively promoting digital financial services with product innovation, process optimization and business model development to comprehensively enhance competitiveness. Its subsidiaries have utilized big data and integrated channels to create a customer-driven digital financial model. Shin Kong Life was awarded “2016 FCA Best Customer Communication” by Business Next and “Award for Most Innovative Application of FinTech in the Life Insurance Industry” by Wealth Magazine. Shin Kong Bank received

“Best Digital Bank” from Excellence Magazine and “Excellence Award in the ACH Collection Transaction Volume Competition” from Taiwan Clearing House.

SHIN KONG LIFE: LOWER COST OF LIABILITIES AND ENHANCE RECURRING INCOME

FYP momentum sustained through this quarter, driven by strong demand for whole life savings products. FYP for 9M 2016 reached NT\$892.9bn, up 44.6% year-on-year, boosting market share to 9.2%. Traditional products remained marketing focus and contributed 95.1% of total FYP, allowing annualized cost of liabilities to decline to 4.40%, 11 bps lower than 2015, exceeding expectation. Furthermore, FYPE for 9M 2016 amounted to NT\$41.15bn, up 91.7% year-on-year.

Shin Kong Life adjusted asset allocation during the past three quarters, deploying funds primarily in emerging market USD government bonds and international bonds to enhance recurring revenue. Interest income was boosted by portfolio reallocation: interest income for 9M 2016 increased NT\$6.36bn to NT\$52.02bn, up 13.9% year-on-year; recurring yield before hedging advanced 7 bps year-on-year to 3.89%. As of the end of 9M 2016, investments in international bonds amounted to NT\$3,174bn with average yield before hedging of 4.4%. As global interest rates move up in Q4, Shin Kong Life will seize the opportunity and invest in emerging market USD government bonds and overseas corporate bonds with remaining overseas investment quota and undeployed cash of NT\$132bn to increase recurring income.

To enhance capital and financial structure, SKL successfully issued perpetual cumulative subordinated corporate bonds in amount of NT\$13bn on October 31.

SHIN KONG BANK: ADJUST LOAN AND DEPOSIT STRUCTURE AND INCREASE INCOMES STEADILY

Driven by enhanced fund utilization and cost control, net interest income for 9M 2016 grew 2.4% year-on-year to NT\$7.90bn. Due to the growth of wealth management fee income, net fee income increased 7.4% year-on-year to NT\$2.45bn. Consolidated after-tax profit for 9M 2016 was NT\$3.36bn.

In light of economic slowdown, loans focused on clients with superior credit quality. Loan balance as of 9M 2016 was NT\$493.92bn, up 1.3% year-to-date. The growth mostly came from consumer loans, up 4.0% year-to-date. Momentum of consumer and large corporate loans are expected to sustain. NIM for Q3 2016 grew 4 bps quarter-on-quarter to 1.50% and NIS was 1.96%. Shin Kong Bank will increase demand deposit to lower cost of funds and maintain interest spread.

Bancassurance sales increased. Wealth management income for 9M 2016 reached NT\$1.51bn, up 22.5% year-on-year. On the job training for financial consultants will be enhanced for growth in mutual funds and regular premium products expected to be sales focus in Q4.

Asset quality remained solid. NPL ratio and coverage ratio were 0.26% and 480.49%, respectively. Both ratios expected to remain at similar level in Q4.

OUTLOOK

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

- Pursue growth in core business, emphasize asset quality and stabilize capital adequacy ratios
- Focus on sales of whole life products, investing acquired funds in international bonds listed in domestic OTC and FX separate assets respectively to enhance recurring investment return
- Acquire domestic and overseas high-quality real estate, as well as actively manage real estate portfolio to augment investment return on property
- Control costs continually and improve employees' productivity
- 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 overseas markets, and
- Deepen business cooperation with MasterLink Securities Corp.

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