

SKFH Announces Results for Q1 2017

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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 2017.

HIGHLIGHTS

- SKFH recorded a consolidated comprehensive income of NT\$3.05bn for Q1 2017. Consolidated shareholders’ equity was NT\$138.51bn, up 2.2% year-to-date. Book value per share was NT\$12.40. Due to sharp exchange rate fluctuations, consolidated after-tax loss was NT\$2.83bn.
- Shin Kong Life continued to improve its unrealized loss on available-for-sale financial assets. Other consolidated comprehensive income for Q1 2017 was NT\$5.88bn; consolidated shareholders’ equity increased 2.7% year-to-date to NT\$75.73bn. First year premium (FYP) was NT\$28.23bn, up 34.5% year-on-year. Annualized cost of liabilities decreased from 4.37% for 2016 to 4.34%.
- Shin Kong Bank posted a consolidated after-tax profit of NT\$0.97bn. Net interest income and net fee income grew 4.3% and 4.5% year-on-year, respectively. Benefited from the increase of loan-to-deposit ratio (incl. credit card balance), NIM for Q1 2017 improved 4 bps quarter-on-quarter to 1.59%. Asset quality remained solid with NPL ratio of 0.26% and coverage ratio of 476.01 %.
- Life insurance Embedded Value (EV) per share of SKFH was NT\$22.8 (not including net worth of bank and other subsidiaries). EV of Shin Kong Life increased NT\$12.9bn year-on-year to NT\$228.6bn. V1NB grew 33% year-on-year to NT\$22.2bn, driven by rising business momentum.

SHIN KONG LIFE: COST OF LIABILITIES DIMINISHED AND NET WORTH ENHANCED

Boosted by strong demand for interest sensitive whole life products, FYP for Q1 2017 reached NT\$28.23bn, up 34.5% year-on-year, securing a market share of 8.1%. Traditional products remained marketing focus and contributed 94.2% of the total FYP, and FYPE grew 18.9%

year-on-year to NT\$11.17bn. Annualized cost of liabilities declined to 4.34%, 3 bps lower than 2016.

Foreign currency policies remained strategic focus in 2017 with sales of NT\$8.48bn in Q1 2017, representing 30.0% of total FYP. Such products brought SKL stable interest spread with proper asset-liability match and no hedging cost. The sales momentum for health insurance heated up with FYP reaching NT\$0.83bn, up 26.9 % year-on-year.

Life insurance EV per share of SKFH was NT\$22.8. EV of Shin Kong Life was NT\$228.6bn, up 6% year-on-year, including property unrealized gains of NT\$67.8bn re-appraised at the end of 2016. V1NB grew 33% year-on-year to NT\$22.2bn, driven by rising business momentum.

Shin Kong Life continued to invest in overseas fixed incomes, deploying funds in emerging market USD government bonds and international bonds. As of the end of March 2017, investment in international bonds amounted to NT\$391.0bn, average yield before hedge was 4.5%. To enhance recurring income, Shin Kong Life continued to increase positions in high-dividend yield stocks since Q1. Domestic cash dividend income is expected to reach NT\$9.0bn for 2017, NT\$3.0bn higher year-on-year.

As sharp exchange rate fluctuations drove up annualized hedging cost to 2.86%, consolidated after-tax loss for Q1 2017 was NT\$3.93bn; consolidated comprehensive income was NT\$1.96bn. Shin Kong Life continued to improve its unrealized loss on available-for-sale financial assets. Consolidated shareholders' equity was NT\$75.73bn, up 2.7% year-to-date.

SHIN KONG BANK: CORE BUSINESSES REMAINED SOLID AND INCOME FROM WEALTH MANAGEMENT STRENGTHENED

Shin Kong Bank's consolidated after-tax profit for Q1 2017 was NT\$0.97bn. Net interest income was NT\$2.73bn, up 4.3% year-on-year; net fee income was NT\$0.75bn, up 4.5% year-on-year. Pre-provision operating income grew 7.5% year-on-year to NT\$1.68bn.

Loan balance as of the end of Q1 2017 was NT\$511.63bn, up 0.6% year-to-date. Annual loan growth for 2017 is expected to achieve 6%. Shin Kong Bank will continuously participate in syndicated loans toward overseas corporations with good credit ratings to expand loan and stable spread. NIM for Q1 2017 was 1.59%, benefited from loan-to-deposit ratio (incl. credit card balance) increasing to 77.0%. Demand deposit ratio also improved to 42.3%. NIS was 1.95%.

Wealth management business continued to grow. Income from wealth management for Q1 2017 was NT\$463mn, up 13.1% year-on-year. Growth mostly came from mutual fund and overseas

securities. Sales in bancassurance will be strengthened in the second quarter to boost fee income. SKB will expand foreign currency funds and clients base through promotional projects, including preferential time deposit and backflows of maturity payment in foreign currency policies.

NPL ratio and coverage ratio for Q1 2017 were 0.26% and 476.01%, respectively, better than industry average. SKB will continue to monitor its asset quality.

OUTLOOK

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

- Adjust earnings structure and build momentum
- Strengthen fund utilization, with attention to legal compliance and risk control
- Intergrade company resources to deepen synergies
- Develop new business, new channels and new markets
- Fulfill corporate responsibility and strengthen corporate governance.

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