

SKFH Announces Results for Q2 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 second quarter 2017.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$1.81bn in 1H 2017. Consolidated comprehensive income was NT\$13.87bn. Consolidated shareholders’ equity was NT\$147.44bn, up 8.8% year-to-date. Book value per share was NT\$13.27.
- Shin Kong Life continued to improve its unrealized loss on available-for-sale financial assets, driving other comprehensive income for 1H 2017 amounted to NT\$11.92bn; consolidated shareholders’ equity increased 16.0% year-to-date to NT\$85.59bn. First year premium (FYP) was NT\$57.84bn, and VNB marked double-digit growth year-on-year. Annualized cost of liabilities decreased from 4.37% for 2016 to 4.31%.
- Shin Kong Bank posted a consolidated after-tax profit of NT\$1.97bn. Net interest income and investment income grew 5.5% and 42.4% year-on-year, respectively. NIM and NIS for Q2 were 1.57% and 1.96%, respectively, both at a proper level. Asset quality remained solid with NPL ratio of 0.26% and coverage ratio of 478.26%.
- SKFH successfully issued domestic convertible bonds of NT\$4bn on August 22. Conversion premium ratio was set at 110%. After conversion, the group’s capital will be strengthened.

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

Shin Kong Life recorded a consolidated after-tax profit of NT\$3.56bn for Q2 2017; consolidated after-tax loss for 1H 2017 improved to NT\$0.37bn. Consolidated total comprehensive income was NT\$11.56bn. Due to continued improvement in unrealized losses on available-for-sale financial assets, consolidated shareholders’ equity was NT\$85.59bn, up 16.0% year-to-date.

FYP for 1H 2017 reached NT\$57.84bn, securing a market share of 9.1%. VNB grew over 10% year-on-year (based on actuarial assumptions for 2016 EV). Annualized cost of liabilities declined to 4.31%, 6 bps lower compared to 2016, in line with expectation.

Boosted by strong NT dollar and market demand, FYP of foreign currency policies reached NT\$25.70bn, representing 44.4% of the total. Such products brought Shin Kong Life stable interest spread with proper asset-liability match and no hedging cost. Sales momentum for health insurance sustained through the second quarter with FYP reaching NT\$1.47bn, up 6.2% year-on-year.

Shin Kong Life continued to invest in overseas fixed incomes, deploying funds in North America corporate bonds, emerging market USD government bonds and international bonds. As of the end of June 2017, overseas fixed income portfolio amounted to NT\$1,366.7bn, offering an average yield before hedging of 4.76%. To enhance recurring income, Shin Kong Life continued to increase positions in high-dividend yield stocks. Domestic and foreign cash dividend income is expected to reach NT\$10.0bn for 2017, NT\$2.2bn higher year-on-year.

SHIN KONG BANK: ASSET QUALITY AND CORE BUSINESSES REMAINED SOLID

Pre-provision operating income for 1H 2017 reached NT\$3.46bn, up 9.5 % year-on-year. Momentum mostly came from net interest income and investment income, up 5.5% and 42.4% year-on-year, respectively. The consolidated after-tax profit was NT\$1.97bn.

Loan balance grew 2.0% year-to-date to NT\$518.65bn. Consumer and overseas syndicated loans remained growth driver, increasing 3.8% and 42.8% year-to-date, respectively. Driven by higher yields from personal consumer and overseas syndicated loans, spread maintained strong. NIM and NIS for Q2 2017 were 1.57% and 1.96%, respectively. NIM and NIS for 2017 expected to remain at the similar level to Q2. Asset quality remained solid; NPL and coverage ratios for Q2 2017 were 0.26% and 478.26%, respectively, better than industry average.

The investment research team and financial consultants start to show synergies, driving up mutual funds and overseas securities fee incomes by 85.5% and 78.9% year-on-year, respectively. Income from wealth management for 1H 2017 was NT\$0.98bn. Marketing projects including backflows of maturity payment in foreign currency policies will facilitate clients base growth and improve cross-selling.

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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