

SKFH Announces Results for Q3 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 third quarter 2017.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$10.84bn for 9M 2017. Consolidated comprehensive income increased 81.4% year-on-year to NT\$17.72bn. EPS was NT\$1.03.
- Total group assets amounted to NT\$3.3 trillion, up 5.4% year-to-date. Consolidated shareholders’ equity was NT\$151.48bn, 8.8% higher year-to-date. Book value per share was NT\$13.66.
- Shin Kong Life recorded a consolidated after-tax profit of NT\$7.29bn for 9M 2017; consolidated total comprehensive income increased 141.9% year-on-year to NT\$14.28bn. Consolidated shareholders’ equity increased 19.7% year-to-date to NT\$88.31bn. First year premium (FYP) was NT\$84.08bn, representing a market share of 8.9%. Annualized cost of liabilities decreased from 4.37% for 2016 to 4.28%.
- Shin Kong Bank posted a consolidated after-tax profit of NT\$3.10bn. Net interest income and investment income grew 5.3% and 80.5% year-on-year, respectively. NIM and NIS for Q3 were 1.55% and 1.97%, respectively, both at a proper level. Asset quality remained solid with NPL ratio of 0.26% and coverage ratio of 478.27%.

SHIN KONG LIFE: COST OF LIABILITIES IMPROVED, AND NET WORTH ENHANCED

Shin Kong Life recorded a consolidated after-tax profit of NT\$7.29bn for 9M 2017. Consolidated shareholders’ equity was NT\$88.31bn, 19.7% higher year-to-date.

FYP for 9M 2017 declined 5.8% year-on-year to NT\$84.08bn, representing a market share of 8.9%. Annualized cost of liabilities continued to decline and reached 4.28%, 9 bps lower

compared to 2016, in line with expectation.

Boosted by strong NT dollar and market demand, cumulative FYP of foreign currency policies grew 138.9% year-on-year to NT\$38.16bn, representing 45.4% of the total. Such products offered Shin Kong Life stable interest spread with proper asset-liability match and no hedging cost was applied. Sales momentum for health insurance sustained through the third quarter with FYP for the first nine months reaching NT\$2.26bn, up 5.6% year-on-year.

Shin Kong Life continued to invest in overseas fixed incomes, deploying funds in North America investment-grade corporate bonds, emerging market USD government bonds and international bonds. As of the end of September 2017, overseas fixed income portfolio amounted to NT\$1.4 trillion. 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 exceed NT\$10.0bn for 2017. Recurring yield before hedging for 9M 2017 was 3.97%, and the annualized investment return was 3.89% in 9M 2017, 31 bps higher year-on-year.

SHIN KONG BANK: ASSET QUALITY REMAINED SOLID, AND CORE BUSINESSES STRENGTHENED

Pre-provision operating income for 9M 2017 reached NT\$5.41bn, up 12.0 % year-on-year. Momentum mostly came from net interest income and investment income, up 5.3% and 80.5% year-on-year, respectively. Impacted by provision expense NT\$0.84bn higher year-on-year, consolidated after-tax profit for 9M 2017 was NT\$3.10bn.

Loan balance grew 3.4% year-to-date to NT\$525.68bn as of the end of the third quarter. Consumer loan business maintained solid with mortgage and personal consumer loans increasing 7.9% and 7.7% year-to-date, respectively. NIS for Q3 2017 was 1.97%, similar with Q2. Due to decreasing market yield for short-term fund utilization, NIM for Q3 2017 lowered 2 bps quarter-to-quarter to 1.55%. NPL and coverage ratios for Q3 2017 were 0.26% and 478.27%, respectively, better than the industry average. Shin Kong Bank will continue to monitor its asset quality.

Wealth management income for 9M 2017 reached NT\$1.49bn, driven by mutual fund and overseas securities fee income growing 81.9% and 89.0% year-to-year, respectively. Shin Kong Bank will strengthen sales of regular premium and FX policies in Q4 to boost fee income.

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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