

# SKFH Announces Results for Q4 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 fourth quarter 2017.

## **HIGHLIGHTS**

- SKFH recorded a consolidated after-tax profit of NT\$11.22bn for 2017. Consolidated comprehensive income increased 58.1% year-on-year to NT\$20.51bn. Total group assets amounted to NT\$3.4 trillion, up 7.2% year-on-year. Consolidated shareholders’ equity was NT\$155.97bn, 15.0% higher year-on-year. Book value per share was NT\$13.87.
- Shin Kong Life recorded a consolidated after-tax profit of NT\$6.97bn for 2017; consolidated total comprehensive income increased 79.4% year-on-year to NT\$16.77bn. Consolidated shareholders’ equity increased 23.1% NT\$90.80bn in 2017. First year premium (FYP) was NT\$110.96bn, representing a market share of 8.8%. Cost of liabilities decreased from 4.37% for 2016 to 4.23%.
- Shin Kong Bank posted a consolidated after-tax profit of NT\$4.06bn. Net interest income and wealth management income grew 4.7% and 3.7% year-on-year, respectively. The full-year NIM and NIS were 1.57% and 1.96%, respectively, both at a proper level. Asset quality remained solid with NPL ratio at 0.24% and coverage ratio at 488.29%.
- Capital adequacy ratios of the group and subsidiaries were all above regulatory requirements. Group CAR was 117.7%, RBC of SKL was 257.4%, BIS of SKB was 13.1%, and Tier 1 ratio was 10.4%.

## **SHIN KONG LIFE: COST OF LIABILITIES REDUCED, AND NET WORTH ENHANCED**

Shin Kong Life recorded a consolidated after-tax profit of NT\$6.97bn for 2017; consolidated total comprehensive income increased 79.4% year-on-year to NT\$16.77bn. Consolidated shareholders’ equity increased 23.1% year-on-year to NT\$90.80bn, driven by a decrease of NT\$11.08bn in unrealized losses on available-for-sale financial assets.

FYP for 2017 was NT\$110.96bn, representing a market share of 8.8%. Shin Kong Life continued to promote the sales of NTD and FX whole life products to lower cost of liabilities, which declined 14 bps to 4.23% compared to 2016, exceeding the yearly target. Boosted by strong NT dollar and market demand, FYP of foreign currency policies grew 118.9% year-on-year to NT\$52.04bn, representing 46.9% of the total FYP; such products offered Shin Kong Life stable interest spread with proper asset-liability match and no hedging cost.

Shin Kong Life continued to invest in overseas fixed incomes, amounting to more than NT\$1.4 trillion at the end of 2017. The position mainly included North America investment-grade corporate bonds, emerging market USD government bonds and international bonds. To enhance recurring income, Shin Kong Life continued to invest in high-dividend yield stocks classified as FVOCI. Domestic and foreign cash dividend income received for 2017 was around NT\$10.5bn. Recurring yield before hedging for 2017 was 3.98%; the investment return for 2017 was 3.92%, 12 bps higher year-on-year.

Going forward in 2018, Shin Kong Life will strengthen its agent channel and deepen cooperation with banks and insurance brokers. The company will focus on FX policies and protection products to control hedging cost, gain stable interest spread and accumulate VNB. As for digital service realm, Shin Kong Life will continue to promote e-service platform, self-service platform and e-policies to achieve double-digit growth in online membership and business volume. In the meantime, the AI customer support chatbot will be used to boost service efficiency and customer satisfaction. On the investment front, Shin Kong Life intends to enhance new money and reinvestment yield with eyes on rising interest rates and invest in high-dividend yield stocks to stabilize recurring income. Furthermore, in order to boost customer loyalty and prospect potential customers, Shin Kong Life plans to launch a brand new marketing channel “LIFE Lab” by the end of the second quarter, 2018 to offer insurance plans, product consultation and digital self-service.

## **SHIN KONG BANK: CORE BUSINESS REMAINED SOLID AND WEALTH MANAGEMENT INCOME STRENGTHENED**

Consolidated after-tax profit for 2017 was NT\$4.06bn. Pre-provision operating income reached NT\$7.19bn, up 6.2% year-on-year. Benefited from loan growth, net interest income grew 4.7% year-on-year to NT\$11.19bn.

Loan balance as of the end of 2017 was NT\$534.82bn, up 5.2% year-on-year. Loan growth was driven by consumer lending, up 9.8% year-on-year. Among consumer lending, mortgage and unsecured consumer loans increased 10.4% and 11.8% year-on-year, respectively. With

well-controlled funding costs, NIM for Q4 2017 rose 3 bps quarter-on-quarter. NIS for Q4 was 1.96%, similar to the previous quarter. Asset quality remained solid; NPL and coverage ratios for Q4 2017 were 0.24% and 488.29%, respectively.

Wealth management income for 2017 grew 3.7% year-on-year to NT\$2.05bn. Fee incomes from mutual fund and overseas securities remained strong, up 84.9% and 83.7% year-on-year, respectively, amounting to 45.5% of the total wealth management income. Shin Kong Bank targets to grow wealth management income by at least 10% in 2018 by focusing on sales of FX policies and continues to recruit experienced financial consultants to enhance service quality and average productivity.

## 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.

*Disclaimer:*

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