

# SKFH Announces Results for Q1 2018

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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 2018.

## **HIGHLIGHTS**

- SKFH recorded a consolidated after-tax profit of NT\$16.27bn for Q1 2018; EPS was NT\$1.54. Total group assets topped NT\$3.4 trillion, up 1.6% year-to-date. Consolidated shareholders’ equity was NT\$172.44bn, 10.6% higher year-to-date. Book value per share was NT\$14.75.
- Shin Kong Life generated a consolidated after-tax profit of NT\$14.72bn for Q1 2018 with solid investment income and lowered cost of liabilities. Consolidated shareholders’ equity increased 11.6% year-to-date to NT\$101.29bn. First year premium (FYP) was NT\$26.73bn, securing a market share of 7.3%. Annualized cost of liabilities decreased 3 bps year-to-date to 4.20%.
- Shin Kong Bank posted a consolidated after-tax profit of NT\$1.25bn. Net interest income and net fee income grew 6.0% and 10.4% year-on-year, respectively. Asset quality remained solid with NPL ratio at 0.24% and coverage ratio at 555.25%. BIS was 13.60% and Tier 1 ratio was 10.96%, both higher than the previous quarter.
- Life insurance Embedded Value (EV) per share of SKFH was NT\$24.9 (not including net worth of the bank and other subsidiaries). EV of Shin Kong Life increased NT\$25.0bn year-on-year to NT\$253.6bn. V1NB grew 3% year-on-year to NT\$23.0bn, driven by the optimized product portfolio.

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

FYP for Q1 2018 was NT\$26.73bn, representing a market share of 7.3%. Traditional whole life products contributed 91.0% of total FYP, driving down annualized cost of liabilities by 3 bps year-to-date to 4.20%. In 2018, Shin Long Life focuses on the sales of foreign currency policies and protection products to contain hedging costs, generate stable interest spreads, and

accumulate value of new business. FYP of foreign currency policies for Q1 2018 grew 80.1% year-on-year to NT\$15.26bn, accounting for 57.1% of the total, and sales of protection products increased 29.3% year-on-year to NT\$1.37bn.

Life insurance EV per share of SKFH was NT\$24.9. EV of Shin Kong Life was NT\$253.6bn, up 11% year-on-year, including the property unrealized gains of NT\$68.2bn re-appraised at the end of 2017. V1NB grew 3% year-on-year to NT\$23.0bn, driven by optimized product portfolio.

Shin Kong Life progressively invests in overseas fixed incomes with eyes on rising interest rates. The position amounted to around NT\$1.5 trillion at the end of Q1 2018 and primarily 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 low beta, high-dividend yield stocks classified as FVOCI. Domestic and foreign cash dividend income received for 2018 was targeted at NT\$12.0bn. Enhanced by one-off disposal gains of equities and bonds before rate hikes, annualized investment return after hedging for Q1 2018 reached 5.82%.

To boost real estate value, Shin Kong Life is actively assessing real estate investments generating both capital gain and stable yield, while activating existing buildings and developing raw land and superficies rights by constructing high-quality projects. In order to seize business opportunities of ageing population and gain rental income, Shin Kong Life won the bid on May 14 for the superficies rights in Zhongzheng District, Taipei, with an offer of NT\$1.77bn. The plot will be developed into rental apartments for elderly citizens. With 3 other construction projects underway, including Xinban, Sanchong Shuiyang and Shilin Chientan, Shin Kong Life intends to invest approximately NT\$11.8bn to build 4 senior rental housing properties in the greater Taipei area.

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

Consolidated after-tax profit of Shin Kong Bank for Q1 2018 amounted to NT\$1.25bn, up 29.3% year-on-year. Net interest income was NT\$2.90bn, up 6.0% year-on-year; net fee income was NT\$0.83bn, up 10.4% year-on-year. Pre-provision profit was NT\$1.79bn, 7.0% higher year-on-year.

Loan balance remained flat at NT\$534.27bn, compared to the end of 2017. The loan growth target is set at 6% for 2018. Shin Kong Bank will continue to conduct overseas syndicated loans to boost loan growth and stabilize interest spreads. Deposit balance was increased to facilitate the growth of various business units. Loan-to-deposit ratio (incl. credit card balance) fell to 72.9%.

Net interest margin for Q1 2018 lowered 3 bps quarter-on-quarter to 1.55%, while net interest spread was 1.97%, similar to the previous quarter.

Wealth management business achieved stellar results with income increasing 17.5% year-on-year to NT\$544mn for Q1 2018. Sales of mutual funds and overseas securities remained strong, contributing 48.2% of the total wealth management income. Shin Kong Bank targets to grow wealth management income by at least 10% in 2018 by focusing on foreign currency and regular-paid policies. Meanwhile, to enhance service quality and average productivity, more experienced financial consultants will be recruited.

NPL ratio and coverage ratio for Q1 2018 were 0.24% and 555.25%, respectively, better than the industry average. Shin Kong Bank will continue to monitor its asset quality and maintain earnings.

## OUTLOOK

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

- Adjust structure to stabilize profitability
- Integrate resources to deepen synergies
- Prioritize e-operations and pioneer mobile services
- Create profit sources and expand markets
- Enhance funds utilization with attention to compliance and risk control
- Fulfil corporate responsibility and implement corporate governance

### *Disclaimer:*

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