

# SKFH Announces Results for Q2 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 second quarter 2018.

## **HIGHLIGHTS**

- SKFH recorded a consolidated after-tax profit of NT\$16.71bn for 1H 2018; EPS was NT\$1.54. Total group assets topped NT\$3.5 trillion, up 5.7% year-to-date. Consolidated shareholders’ equity was NT\$169.56bn, 8.7% higher year-to-date. Book value per share was NT\$13.98.
- Shin Kong Life generated a consolidated after-tax profit of NT\$14.27bn for 1H 2018 with solid investment income and lowered cost of liabilities. Consolidated shareholders’ equity increased 10.0% year-to-date to NT\$99.85bn. First year premium (FYP) was NT\$55.29bn, securing a market share of 7.8%. Annualized cost of liabilities decreased 7 bps year-to-date to 4.16%.
- Shin Kong Bank posted a consolidated after-tax profit of NT\$2.55bn. Net interest income and investment income grew 6.6% and 31.5% year-on-year, respectively. NIM and NIS for Q2 were 1.57% and 1.98%, respectively, both at proper levels. Asset quality remained solid with NPL ratio at 0.24% and coverage ratio at 562.33%.
- SKFH has been approved by competent authorities to acquire MasterLink Securities Corp. as a wholly-owned subsidiary through issuance of new shares and share swap. The share swap effective date was set as October 1, 2018. Going ahead, SKFH will establish three core growth drivers, including life insurance, bank, and securities to strengthen market position and enhance business performance.

## **SHIN KONG LIFE: COST OF LIABILITIES REDUCED AND NET INCOME SURGED**

In 2018, Shin Long Life focuses its product strategy on the sales of foreign currency policies and protection products to contain hedging costs, generate stable interest spreads, and accumulate value of new business. Fueled by strong market demand, FYP of foreign currency policies for 1H

2018 grew 24.6% year-on-year to NT\$32.02bn, accounting for 57.9% of the total. Sales momentum for protection products sustained through the second quarter with FYP reaching NT\$2.51bn, up 29.0% year-on-year.

FYP for Q2 2018 was NT\$28.56bn, up 6.8% quarter-on-quarter. FYP for 1H 2018 reached NT\$55.29bn, representing a market share of 7.8%. Traditional whole life products contributed 91.4% of total FYP. Total premium amounted to NT\$145.60bn, driving down annualized cost of liabilities by 7 bps year-to-date to 4.16%.

Total investment income reached NT\$56.40bn, 48.5% higher year-on-year. Annualized investment return was 4.57% for 1H 2018. Shin Kong Life progressively invests 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 2018, overseas fixed income portfolio topped NT\$1.5 trillion, offering an average yield before hedging of around 4.7%. To maintain 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 is targeted at NT\$12.5bn, NT\$2.0bn higher year-on-year, which will mainly be recognized in Q3.

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

Loan balance grew 2.7% year-to-date to NT\$549.09bn, and total growth is targeted at 6% for 2018. Corporate and consumer loans grew 3.6% and 2.2% quarter-on-quarter, respectively; corporate loan growth was mainly driven by overseas syndicated loans, with the loan balance as of 1H 2018 reaching NT\$20.06bn, up 15.5% year-to-date. Driven by continuous expansion of overseas syndicated loans, NIS for Q2 2018 rose 1 bp quarter-on-quarter to 1.98%. Benefited from the higher bond yield and loan-to-deposit ratio (74.5%, 1.6% higher quarter-on-quarter), NIM for Q2 2018 increased 2 bps to 1.57%

Wealth management income for 1H 2018 was NT\$1.06bn, up 7.8% year-on-year. The momentum was contributed by investment products, including mutual funds, overseas securities and structured products, and accounting for 49.7% of the total wealth management income. US-China trade war, turning into a currency war, has brought uncertainty to the global financial market. Thus, to protect clients' assets in the highly volatile environment, Shin Kong Bank will focus on insurance products, such as regular-paid products and USD policies, to boost insurance fee income and reach double-digit growth for wealth management income. Shin Kong Bank will also continue to conduct online marketing campaigns with client segmentation for younger target group and promote preferential time deposits to attract new funds for future business growth.

NPL ratio for Q2 2018 was 0.24%, and coverage ratio was 562.33%. Both ratios were better than 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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