

# SKFH Announces Results for Q3 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 third quarter 2018.

## **HIGHLIGHTS**

- SKFH’s consolidated after-tax profit for 9M 2018 was NT\$19.46bn, representing an increase of 79.6% year-on-year; EPS was NT\$1.76. Total group assets topped NT\$3.6 trillion, up 7.5% year-to-date. Book value per share was NT\$14.56.
- Shin Kong Life’s consolidated after-tax profit for 9M 2018 increased 112.5% year-on-year to NT\$15.50bn with solid investment income and lowered cost of liabilities. First year premium (FYP) was NT\$83.87bn, securing a market share of 8.1%. Compared to 2017, annualized cost of liabilities further decreased 10 bps to 4.13%.
- Shin Kong Bank sustained growth momentum over the past quarter, with net interest income up 6.5% year-on-year. Consolidated after-tax profit amounted to NT\$3.90bn, up 25.9% year-on-year. NPL ratio was 0.24% and coverage ratio was 565.75%, both higher than the industry average.
- MasterLink Securities recorded an after-tax profit of NT\$0.99bn for 9M 2018, up 39.5% year-on-year. Brokerage market share was 3.85% and ranked the 6<sup>th</sup> place in the industry.

## **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. Sales momentum for foreign currency policies continued into the third quarter, as FYP of such policies for 9M 2018 grew 20.9% year-on-year to NT\$46.14bn, accounting for 55.0% of total FYP.

FYP for Q3 2018 was NT\$28.59bn, up 9.0% period-on-period. FYP for 9M 2018 reached NT\$83.87bn, while the market share rose from 7.8% in 1H 2018 to 8.1%. Total premium

amounted to NT\$217.51bn, driving down annualized cost of liabilities by 10 bps year-to-date to 4.13%.

Investment income amounted to NT\$84.95bn, 24.0% higher year-on-year. Annualized investment return was 4.40% for 9M 2018. Shin Kong Life progressively invests in overseas fixed incomes, deploying funds in corporate bonds with stable credit quality across sectors, including communication, consumer, utilities and financials. As of the end of September 2018, Shin Kong Life held an overseas fixed income portfolio of NT\$1.7 trillion, which brought an average yield before hedging of around 4.7%. To enhance recurring income, Shin Kong Life continued to invest in low beta, high-dividend yield stocks. Domestic and foreign cash dividend income received for 2018 is targeted at NT\$13.5bn, NT\$3.0bn higher year-on-year. Recurring yield before hedging was 4.04%, up 7 bps year-on-year.

To boost real estate value, Shin Kong Life has been 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. Shin Kong Life won the bid in early November for the partial floors in the Taipei Financial Center building, with an offer of NT\$2.0bn. This acquisition aims to build up long-term property value and bring in stable rental income.

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

Loan balance grew 4.4% year-to-date to NT\$558.49bn as of Q3 2018. Consumer loan business remained solid with mortgage and unsecured loans increasing 5.4% and 5.0% year-to-date, respectively. Corporate loan growth was mainly driven by overseas syndicated loans, with loan balance as of Q3 2018 reaching NT\$23.17bn, up 33.4% year-to-date. Shin Kong Bank will continuously promote consumer loans and participate in syndicated loans toward overseas corporations with good credit ratings to increase profitability and asset size. Loan growth is targeted at 6% for 2018.

US rate hike drove up funding cost: the average FX deposit rate for 9M 2018 was around 30 bps higher than that for 2017, causing NIM and NIS for Q3 2018 to decrease 4 bps quarter-on-quarter to 1.53% and 1.94%, respectively.

Wealth management income for 9M 2018 was NT\$1.58bn, up 6.5% year-on-year. The momentum was mainly contributed by bancassurance and mutual funds, with fee income up 8.5% and 9.3% year-on-year, respectively. Amid ongoing uncertainty in the global financial market, Shin Kong Bank will focus on insurance products in Q4 2018, such as regular-paid

products and USD policies, to boost insurance fee income and protect clients' assets. Shin Kong Bank will also continue to recruit experienced financial consultants to enhance service quality and average productivity.

NPL ratio for Q3 2018 was 0.24%, and coverage ratio was 565.75%. 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

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