

SKFH Announces Results for Q4 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 fourth quarter 2019.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$10.48bn for 2018. Total group assets topped NT\$3.6 trillion, up 7.8% year-on-year. Consolidated shareholders’ equity was NT\$144.62bn, and book value per share was NT\$11.80.
- Shin Kong Life delivered strong momentum in first year premium (FYP), with sales up 14.1% year-on-year to NT\$126.66bn, securing a market share of 9.2%. Compared to 2017, cost of liabilities decreased 15 bps to 4.08%, ahead of the yearly target. Consolidated after-tax profit reached NT\$5.26bn.
- Shin Kong Bank sustained the growth trend over the past quarter, with net interest income and wealth management income up 5.7% and 5.4% year-on-year, respectively. Consolidated after-tax profit amounted to NT\$5.22bn, up 28.5% year-on-year. Asset quality remained stable with NPL ratio of 0.23% and coverage ratio of 570.15%.
- MasterLink Securities recorded a consolidated after-tax profit of NT\$0.83bn for 2018. Shareholders’ equity increased 6.3% to NT\$22.87bn in 2018. Brokerage business grew steadily with a market share of 3.78%, ranked top six in the industry.
- Capital adequacy ratios of the group and subsidiaries were all above regulatory requirements. Group CAR was 113.7%, RBC of Shin Kong Life was 227.4%, BIS of Shin Kong Bank was 14.4%, Tier 1 ratio was 11.5%, and BIS of MasterLink Securities was 392.0%.

SHIN KONG LIFE: COST OF LIABILITIES REDUCED AND FIRST YEAR PREMIUM SURGED

In 2018, Shin Long Life focused its product strategy on the sales of foreign currency policies and

protection products. Sales momentum for foreign currency policies continued into the fourth quarter, as FYP of such policies for 2018 grew 37.5% year-on-year to NT\$71.55bn, accounting for 56.5% of total FYP. Shin Kong Life has continued to deploy funds from foreign currency policies in foreign assets to contain hedging costs and generate stable interest spreads.

Boosted by market demand, FYP for Q4 2018 was NT\$42.79bn, up 49.7% quarter-on-quarter. FYP for 2018 reached NT\$126.66bn, while the market share rose from 8.8% in 2017 to 9.2%. Total premium amounted to NT\$307.06bn, driving down cost of liabilities by 15 bps year-on-year to 4.08%.

Although sharp fluctuations in foreign exchange drove hedging cost higher to 1.72%, investment income increased 11.6% year-on-year to NT\$100.28bn, and investment return was 3.99%, up 7 bps year-on-year. Shin Kong Life progressively invests in overseas fixed incomes with funds acquired from foreign currency policies. The company also grows its portfolio of low beta, high-dividend yield stocks and received domestic and foreign cash dividend income of around NT\$14.0bn in 2018, approximately NT\$3.5bn higher year-on-year. Recurring yield before hedging was 4.11%, up 13 bps year-on-year.

Going forward in 2019, Shin Kong Life will strengthen its agent channel and deepen cooperation with banks and insurance brokers. Foreign currency policies and protection products will remain the sales focus. As for digital service realm, Shin Kong Life will continue to promote self-service to achieve double-digit growth in online membership and business volume. In the meantime, the AI customer support chatbot will be upgraded to enhance service efficiency and customer satisfaction. Shin Kong Life will continue to grow its portfolio of overseas fixed incomes with funds received from foreign currency policies, invest in high-dividend yield stocks, promote policy loans and build up prime real estate to enhance recurring income.

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

Loan balance as of the end of 2018 was NT\$567.07bn, up 6.0% year-on-year. The growth was primarily driven by a 7.8% year-on-year increase in consumer loans, with mortgage and unsecured consumer loans growing 8.3% and 6.7% year-on-year, respectively. Shin Kong Bank will maintain growth momentum in consumer lending while promote domestic corporate lending and overseas syndicated loans with good credit ratings. Loan growth is targeted at 6% for 2019. US rate hike drove up funding cost, lowering NIM and NIS for 2018 by 3 bps and 2 bps to 1.54% and 1.94%, respectively.

Wealth management income for 2018 was NT\$2.16bn, up 5.4% year-on-year. The momentum

was contributed by bancassurance, with FYP up 17.5% year-on-year to NT\$19.37bn and bancassurance fee income up 11.7% year-on-year. In 2019, Shin Kong Bank will actively promote higher margin products, such as regular-paid products and USD policies, and boost sales of investment products to achieve double-digit growth in wealth management income.

Asset quality remained solid. The NPL ratio lowered from 0.24% to 0.23%, and the coverage ratio increased from 488.29% to 570.15% in 2018. Shin Kong Bank will continue its stringent credit policies and exert strict control on asset quality. BIS and Tier 1 ratios were 14.4% and 11.5%, respectively, better than 2017.

OUTLOOK

As the third largest profit engine of SKFH, MasterLink Securities will integrate group resources to enhance its brokerage market share. MasterLink Securities will also work closely with Shin Kong Life and Shin Kong Bank to promote joint marketing and enhance wealth management business. For proprietary trading business, the securities firm will look to stabilize investment returns by risk control and various hedging instruments.

Going forward, SKFH will closely monitor global economy and realize the strategic objectives:

- Innovate services 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
- Implement corporate governance and fulfil corporate responsibility

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