

SKFH Announces Results for Q1 2019

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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 2019.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$5.54bn for Q1 2019, and EPS was NT\$0.45. Total group assets topped NT\$3.7 trillion, up 3.6% year-to-date. Consolidated shareholders’ equity increased 20.9% year-to-date to NT\$174.78bn, and book value per share was NT\$14.27.
- Shin Kong Life delivered strong momentum in first year premium (FYP), with sales up 13.2% year-on-year to NT\$30.27bn, securing a market share of 7.8%. Boosted by market recovery and lowered cost of liabilities, consolidated after-tax profit reached NT\$3.85bn for Q1 2019. Consolidated shareholders’ equity was NT\$97.76bn, up 39.3% year-to-date.
- Shin Kong Bank generated a pre-provision profit of NT\$1.81bn for Q1 2019, up 1.1% year-on-year. Consolidated after-tax profit was NT\$1.19bn. Asset quality remained stable with NPL ratio of 0.22% and coverage ratio of 599.73%. BIS ratio maintained the same level as the previous quarter at 14.38%, while Tier 1 ratio edged up 3 bps quarter-on-quarter to 11.54%.
- MasterLink Securities recorded a consolidated after-tax profit of NT\$0.48bn for Q1 2019, 28.0% higher year-on-year. Brokerage market share was 3.56%, remaining top six in the industry. In Q4 2018, MasterLink Securities became a wholly-owned subsidiary of SKFH with its profitability fully reflected, and added a third profit engine to the group’s business model.
- Life insurance Embedded Value (EV) per share of SKFH was NT\$20.1 (not including net worth of bank and other subsidiaries). V1NB grew 5% year-on-year to NT\$24.1bn, driven by rising business momentum.

SHIN KONG LIFE: FIRST YEAR PREMIUM ADVANCED AND COST OF LIABILITIES DECLINED

Shin Long Life adopted a value-oriented product strategy, concentrating 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 2019 grew 6.5% year-on-year to NT\$16.26bn, accounting for 53.7% of the total; sales of protection products increased 24.6% year-on-year to NT\$1.67bn. Total premium grew 6.2% year-on-year to NT\$71.79bn, driving down cost of liabilities by 2 bps year-to-date to 4.06%.

Life insurance EV per share of SKFH was NT\$20.1. EV of Shin Kong Life was NT\$246.3bn, including property unrealized gains of NT\$71.4bn re-appraised at the end of 2018. V1NB grew 5% year-on-year to NT\$24.1bn, driven by rising business momentum.

Shin Kong Life progressively grows its portfolio of overseas fixed incomes, deploying funds in North America investment-grade corporate bonds and emerging market USD government bonds. At the end of March 2019, the position topped NT\$1.7 trillion. In addition, the company also continues to invest in low beta, high-dividend yield stocks and high-quality real estate to enhance recurring income. Annualized investment return for Q1 2019 was 3.68%, and recurring yield before hedging was 3.68%, up 22 bps year-on-year.

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

Loan balance as of Q1 2019 was NT\$575.43bn, up 1.5% year-to-date. Corporate lending continued to expand in Q1 2019, with balance up 3.1% year-to-date; domestic large corporate loans and overseas syndicated loans were the fastest growing segments, rising by 7.0% and 8.6%, 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. NIM and NIS for Q1 2019 declined 3 bps each, compared to the previous quarter, to 1.49% and 1.86% respectively, due to higher funding cost and loan market competition.

Wealth management income for Q1 2019 reached NT\$560mn, up 2.9% year-on-year. Sales momentum came from bancassurance, fee income of which grew 29.3% 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. In order to attract new funds and expand client base, the bank will actively promote preferential interest deposits and conduct online marketing campaigns with client segmentation.

Asset quality remained solid. NPL ratio for Q1 2019 was 0.22%, and coverage ratio rose from 570.15% to 599.73% in Q1 2019. Both ratios were better than industry average. New NPL generated in Q1 2019 was NT\$370mn, which was in line with expectation. Shin Kong Bank will continue its stringent credit policies and exert strict control on asset quality.

BIS ratio was 14.38%, same as the previous quarter. Tier 1 ratio increased 3 bps quarter-on-quarter to 11.54%.

OUTLOOK

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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