

SKFH Announces Results for Q2 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 second quarter of 2019.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$10.72bn for 1H 2019. Consolidated total comprehensive income grew significantly in comparison with 1H 2018, amounting to NT\$44.37bn. EPS was NT\$0.87. Total group assets topped NT\$3.8 trillion, up 6.1% year-to-date. Consolidated shareholders’ equity increased 28.9% year-to-date to NT\$186.47bn. Annualized consolidated ROE was 13.0%, performing better than peers. Book value per share was NT\$15.22.
- Shin Kong Life delivered strong momentum in first year premium (FYP), with sales up 16.5% year-on-year to NT\$64.38bn, securing a market share of 9.1%. Contributed by higher recurring income and lower cost of liabilities, consolidated after-tax profit reached NT\$7.15bn for 1H 2019. Consolidated shareholders’ equity was NT\$109.51bn, 56.0% higher year-to-date.
- Shin Kong Bank’s net fee income increased 6.2% year-on-year to NT\$ NT\$1.70bn, bolstered by rising momentum in wealth management business, which grew 11.9% year-on-year. Consolidated after-tax profit was NT\$2.49bn. Asset quality remained stable with NPL ratio of 0.21% and coverage ratio of 600.29%. BIS ratio and Tier 1 ratio were 14.67% and 11.83%, respectively, both higher than the level of the previous quarter.
- MasterLink Securities recorded a consolidated after-tax profit of NT\$0.90bn for 1H 2019, 17.9% higher year-on-year. Brokerage market share was 3.62%, remaining top six in the industry. In Q4 2018, MasterLink Securities became a wholly-owned subsidiary of SKFH, adding a third profit engine to the group. Profit from MasterLink Securities recognized by SKFH grew 255.3% year-on-year.

SHIN KONG LIFE: FOCUS ON FOREIGN CURRENCY POLICIES AND INCREASE RECURRING INCOME

Shin Long Life posted a consolidated after-tax profit of NT\$7.15bn and annualized investment return for 1H 2019 was 4.10%. Contributed by market recovery, unrealized gains on financial assets continued to grow and consolidated total comprehensive income reached NT\$39.38bn for 1H 2019, driving up consolidated shareholders' equity to NT\$109.51bn, up 56.0% year-to-date.

Driven by strong sales momentum for foreign currency policies, FYP for 1H 2019 grew 16.5% year-on-year to NT\$64.38bn, while VNB increased 17.1% year-on-year (based on actuarial assumptions for 2018 EV). Foreign currency policies remained the marketing focus this year, with sales rising 35.5% year-on-year to NT\$43.38bn, accounting for 67.4% of the total. Total premium increased 9.7% year-on-year to NT\$159.76bn, driving down cost of liabilities by 2 bps quarter-on-quarter to 4.04%.

Shin Kong Life progressively grows its portfolio of overseas fixed incomes, deploying funds in North America investment-grade corporate bonds and USD-denominated government bonds. At the end of June 2019, the position topped NT\$1.8 trillion. Recurring yield before hedging was 3.74%, up 17 bps year-on-year. Meanwhile, the company looks to invest in low beta, high-dividend yield stocks and high-quality real estate to enhance recurring income. As of the end of August 2019, domestic and foreign cash dividend income already reached NT\$14.0bn.

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

Loan balance as of Q2 2019 was NT\$582.02bn, up 2.6% year-to-date. Domestic large corporate loans and overseas syndicated loans were the fastest growing segments, rising by 9.7% and 14.7% 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. NIS decreased 4 bps quarter-on-quarter to 1.82% and NIM lowered 6 bps quarter-on-quarter to 1.43% for Q2, due to loan market competition and decline in market yield.

Wealth management income for 1H 2019 reached NT\$1.18bn, up 11.9% year-on-year. Sales momentum came from bancassurance, with fee income up 29.8% year-on-year. In the second half of the year, investment products will be the sale focus, along with stable momentum of regular premium and foreign currency insurance policies. Besides, Shin Kong Bank will conduct preferential time deposits and online marketing campaigns to attract new funds and expand client base.

Asset quality remained solid. As of Q2 2019, NPL and coverage ratios were 0.21% and 600.29%,

respectively. Both were better than the industry average. Shin Kong Bank will continue to monitor credit risks and maintain its asset quality. BIS and Tier 1 ratios for Q2 2019 were 14.67% and 11.83%, both higher than the previous quarter.

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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