

SKFH Announces Results for Q3 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 third quarter of 2019.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$19.06bn for 9M 2019. Consolidated total comprehensive income grew significantly in comparison with 9M 2018, amounting to NT\$43.74bn. EPS was NT\$1.55. Total group assets topped NT\$3.9 trillion, up 7.7% year-to-date. Consolidated shareholders’ equity increased 32.9% year-to-date to NT\$192.18bn. Book value per share was NT\$15.17.
- Shin Kong Life’s first year premium (FYP) grew 0.4% year-on-year to NT\$84.22bn, securing a market share of 8.4%. Contributed by higher recurring income and lower cost of liabilities, consolidated after-tax profit reached NT\$13.58bn for 9M 2019. Consolidated shareholders’ equity was NT\$107.51bn, 53.1% higher year-to-date.
- Shin Kong Bank’s net fee income increased 10.0% year-on-year to NT\$ NT\$2.62bn, bolstered by rising momentum in wealth management business, which grew 18.5% year-on-year. Consolidated after-tax profit rose 4.9% year-on-year to NT\$4.09bn. Asset quality remained stable with NPL ratio of 0.20% and coverage ratio of 635.07%.
- MasterLink Securities recorded a consolidated after-tax profit of NT\$1.30bn for 9M 2019, 31.1% higher year-on-year. Cumulative brokerage market share increased from 3.62% in 1H 2019 to 3.69%, remaining top six in the industry.

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

Shin Kong Life posted a consolidated after-tax profit of NT\$13.58bn and consolidated total comprehensive income reached NT\$37.35bn for 9M 2019, up by NT\$42.75bn. Consolidated shareholders’ equity was NT\$107.51bn, up 53.1% year-to-date.

FYP for 9M 2019 grew 0.4% year-on-year to NT\$84.22bn, while VNB increased 8.2% year-on-year (based on actuarial assumptions for 2018 EV). Foreign currency policies remained the marketing focus this year, with sales rising 21.3% year-on-year to NT\$55.96bn, accounting for 66.4% of the total. Total premium increased 3.9% year-on-year to NT\$226.03bn, driving down cost of liabilities by 8 bps year-to-date to 4.00%.

Shin Kong Life progressively grows its portfolio of overseas fixed incomes, deploying funds in North America investment-grade corporate bonds and emerging market USD-denominated government bonds. At the end of September 2019, the position was around NT\$1.8 trillion. 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 September 2019, domestic and foreign cash dividend income already amounted to NT\$14.8bn. Domestic and foreign cash dividend income for 2019 is targeted at NT\$15.8bn, around NT\$1.8bn higher compared to 2018. Recurring yield before hedging was 4.15%, up 11 bps year-on-year; annualized investment return reached 4.33%.

SHIN KONG BANK: SOLID ASSET QUALITY AND ROBUST GROWTH IN WEALTH MANAGEMENT

Loan balance as of Q3 2019 reached NT\$585.71bn, up 3.3% year-to-date. Consumer loan business remained solid with mortgage and unsecured loans increasing 3.8% and 4.3% year-to-date, respectively. In Q4, 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. Due to loan market competition and US Fed's rate cut, NIS for Q3 2019 lowered 2 bps quarter-on-quarter to 1.80% and NIM remained the same level as the previous quarter at 1.43%.

Wealth management income for 9M 2019 was NT\$1.88bn, up 18.5% year-on-year. Sales momentum was contributed by mutual funds and overseas securities, with fee income up 23.2% and 32.2% year-on-year, respectively. Double-digit growth is expected in wealth management income for 2019 with continued sales focus on Investment products along with stable momentum of regular premium and FX insurance policies. Also, Shin Kong Bank will conduct preferential time deposits and online marketing campaigns for new funds and client base.

Asset quality remained solid. NPL ratio for Q3 2019 was 0.20%, and coverage ratio was 635.07%. Both ratios were better than industry average. Shin Kong Bank will continue to monitor its asset quality to stabilize profits.

MASTERLINK SECURITIES: STELLAR PERFORMANCE IN PROPRIETARY TRADING BUSINESS AND CONTINUED GROWTH IN PROFITS

Driven by strong growth in proprietary trading, MasterLink Securities posted a consolidated after-tax profit of NT\$1.30bn for 9M 2019, 31.1% higher year-on-year. Cumulative brokerage market share increased from 3.62% in 1H 2019 to 3.69%, remaining top six in the industry. In Q4 2018, MasterLink Securities became a wholly-owned subsidiary of SKFH with its profitability fully reflected, adding a third profit engine to the group.

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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