

SKFH Announces Results for Q4 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 fourth quarter of 2019.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$16.63bn for 2019, up 58.7% YoY. Consolidated total comprehensive income amounted to NT\$46.88bn. EPS was NT\$1.34. Total group assets topped NT\$3.9 trillion, up 9.1% year-on-year. Consolidated shareholders’ equity increased 35.0% year-on-year to NT\$195.30bn. Book value per share was NT\$15.42.
- Shin Kong Life’s first year premium (FYP) was NT\$116.86bn, securing a market share of 9.2%. Contributed by higher recurring income and lower cost of liabilities, consolidated after-tax profit reached NT\$9.25bn, 75.7% higher from the previous year. Consolidated shareholders’ equity reached NT\$114.82bn, 63.6% higher year-on-year.
- Shin Kong Bank sustained the growth trend over the past quarter, with net fee income and investment income growing 10.3% and 22.1% year-on-year, respectively. Consolidated after-tax profit amounted to NT\$5.52bn, up 5.9% year-on-year. Asset quality remained stable with NPL ratio of 0.20% and coverage ratio of 636.00%.
- MasterLink Securities recorded a consolidated after-tax profit of NT\$1.54bn for 2019, 85.7% higher year-on-year. Brokerage market share was 3.70%, remaining top six in the industry.

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

Shin Kong Life posted a consolidated after-tax profit of NT\$9.25bn, 75.7% higher from the previous year. Consolidated total comprehensive income reached NT\$38.36bn. Consolidated shareholders’ equity was NT\$114.82bn, up 63.6% year-on-year.

Shin Kong Life has been focusing its product strategy on foreign currency policies. FYP of such policies for the whole year grew 12.6% year-on-year to NT\$80.53bn, accounting for 68.9% of total FYP. In 2020, Shin Kong Life will continue 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 2019 was NT\$32.64bn, up 64.5% quarter-on-quarter. FYP for 2019 reached NT\$116.86bn, while VNB increased 2.0% year-on-year (based on actuarial assumptions for 2018 EV). Total premium amounted to NT\$318.18bn, driving down cost of liabilities by 11 bps year-on-year to 3.97%.

Investment income rose 15.0% year-on-year to NT\$115.36bn, and investment return was 4.20%, up 21 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, etc. and received domestic and foreign cash dividend income of NT\$16.34bn in 2019, marking an annual increase of NT\$2.36bn. Recurring yield before hedging was 4.17%, up 6 bps year-on-year.

Going forward in 2020, Shin Kong Life will strengthen its agent channel and deepen cooperation with banks and insurance brokers. Foreign currency policies and protection products will be the sales focus to accumulate CSM. As for digital service realm, Shin Kong Life will continue to promote self-service to achieve double-digit growth in online membership. 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, and build up prime real estate to maintain recurring income.

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

Loan balance as of Q4 2019 reached NT\$605.85bn, up 6.8% year-on-year, surpassing expectation. Corporate loan growth was mainly driven by domestic large corporate and overseas syndicated loans, up 21.4% and 13.6% year-on-year, respectively. Consumer loan business remained solid with mortgage and unsecured loans increasing 6.4% and 5.7% year-on-year, respectively, driving consumer loans up 6.0% year-on-year. With stringent credit risk control, Shin Kong Bank will continue to expand consumer lending while promoting corporate and syndicated loans to sustain loan growth momentum.

NIM and NIS for 2019 were 1.44% and 1.82%, respectively. Due to market competition and rate cuts, NIM and NIS are expected to be lower than the level of 2019.

Wealth management income for 2019 was NT\$2.54bn, up 17.7% year-on-year. Sales momentum was contributed by mutual funds and overseas securities, with fee income up 35.4% and 38.0% year-on-year, respectively. To increase wealth management income, investment products are expected to be sale focus in 2020, along with stable momentum of regular premium and FX insurance policies. Also, Shin Kong Bank will launch Intelligent robo-advisory as well as conduct online marketing campaigns and credit card activities for attracting new funds and expanding its client base.

Asset quality remained solid. NPL and coverage ratios were 0.20% and 636.00%, respectively. Both ratios were better than the level of 2018. 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\$1.54bn for 2019, 85.7% higher year-on-year. Brokerage market share was 3.70%, remaining top six in the industry. MasterLink Securities was already a wholly-owned subsidiary of SKFH in 2019 with its profitability fully reflected, adding a third profit engine to the group.

OUTLOOK

SKFH will continue to leverage the strengths of company subsidiaries, integrate resources, and develop cross-subsidiary synergies to maximize value for shareholders. The company's future development strategy will be guided by the following five main principles:

- Stabilize profitability to increase shareholders' equity
- Integrate resources to deepen synergies
- Optimize customer experience through digital transformation
- Create profit sources and expand markets
- Focus on compliance and risk control, implement corporate governance, and promote sustainable operations

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