

SKFH Announces Results for Q1 2020

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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 of 2020.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$6.67bn for Q1 2020, 20.3% higher year-on-year. EPS was NT\$0.53. Total group assets was around NT\$4.0 trillion, up 5.8% year-on-year.
- Shin Kong Life’s first year premium (FYP) reached NT\$20.52bn, securing a market share of 8.1%. Contributed by higher investment income and lower cost of liabilities, consolidated after-tax profit increased 46.7% year-on-year to NT\$5.65bn. Cost of liabilities decreased 2 bps year-to-date to 3.95%.
- Shin Kong Bank sustained the growth trend over the past quarter, with wealth management income and investment income growing 9.3% and 60.1% year-on-year, respectively. Consolidated after-tax profit amounted to NT\$1.33bn, up 12.0% year-on-year. Asset quality remained stable with NPL ratio of 0.19% and coverage ratio of 663.43%.
- MasterLink Securities recorded a consolidated after-tax loss of NT\$0.35bn for Q1 2020, as its proprietary trading business was adversely impacted by market volatility. Brokerage market share was 3.54%, remaining top six in the industry.
- Life insurance Embedded Value (EV) per share of SKFH was NT\$23.3 (not including the net worth of bank and other subsidiaries). VNB grew 3% year-on-year to NT\$24.9bn, driven by optimized product mix.

SHIN KONG LIFE: PRODUCT MIX OPTIMIZED AND COST OF LIABILITIES LOWERED

FYP for Q1 2020 was NT\$20.52bn, representing a market share of 8.1%. Traditional interest sensitive life products contributed 87.5% of total FYP, driving down cost of liabilities by 2 bps year-to-date to 3.95%. In 2020, Shin Kong Life focuses on the sales of foreign currency policies and protection products to contain hedging costs, optimize asset liability matching, stabilize VNB, and enhance CSM. FYP of foreign currency policies for Q1 2020 amounted to NT\$14.36bn, accounting for 70.0% of the total. Annualized investment return for Q1 2020 was 4.41%.

Life insurance EV per share of SKFH was NT\$23.3. EV of Shin Kong Life was NT\$292.7bn, up 19% year-on-year, including the property unrealized gains of NT\$74.8bn re-appraised at the end of 2019. VNB grew 3% year-on-year to NT\$24.9bn, driven by optimized product mix.

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

Loan balance grew 1.5% year-to-date to NT\$614.89bn, with balanced growth in corporate and consumer loans, up 1.4% and 1.5% year-to-date, respectively. Corporate loan growth was primarily driven by domestic large corporate and SME loans, up 3.6% and 1.6% year-to-date, respectively. Consumer loans grew 1.5% year-to-date. The momentum mainly came from mortgage loans, up 1.6% year-to-date. Shin Kong Bank will continue to expand consumer lending while promoting corporate and syndicated loans to sustain loan growth momentum. Loan growth is targeted at 6% for 2020.

NIS and NIM for Q1 2020 lowered 2 bps and 1 bp quarter-on-quarter, respectively, to 1.75% and 1.38%. Due to market competition and rate cuts, NIM and NIS are expected to be lower than 2019.

Wealth management income for Q1 2020 was NT\$0.61bn, up 9.3% year-on-year. Momentum came from mutual funds and overseas securities, with fee income up 59.5% and 108.7% year-on-year, respectively. To increase wealth management income, investment products are expected to be sale focus in 2020, along with stable sales of regular premium and FX insurance policies. Also, Shin Kong Bank will launch intelligent robo-advisory in 2H 2020 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 0.19% and 663.43%, respectively. Both ratios were better than the industry average. Shin Kong Bank will continue to monitor its asset quality to stabilize profits.

MASTERLINK SECURITIES: BROKERAGE BUSINESS GREW AND RISK CONTROL IN PROPRIETARY TRADING BUSINESS STRENGTHENED

Driven by a stable growth in brokerage business, MasterLink Securities generated a brokerage fee income of NT\$0.73bn for Q1 2020, 50.7% higher year-on-year. Brokerage market share was 3.54%, remaining top six in the industry. However, due to sharp volatility in the financial market, MasterLink Securities suffered unrealized mark-to-market losses in its proprietary trading, and posted a consolidated after-tax loss of NT\$0.35bn for Q1 2020.

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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