

SKFH Announces Results for Q2 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 second quarter of 2020.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$7.83bn for 1H 2020. EPS was NT\$0.61. Total group assets amounted to NT\$4.2 trillion, up 7.5% year-on-year.
- Shin Kong Life's first year premium (FYP) reached NT\$43.64bn, securing a market share of 9.3%. Cost of liabilities decreased 6 bps year-to-date to 3.91%. Consolidated after-tax profit for 1H 2020 was NT\$4.77bn. Consolidated shareholders' equity at the end of Q2 was NT\$156.41bn, and equity-to-asset ratio reached 5.03%.
- Shin Kong Bank sustained the growth trend over the past quarter, with wealth management income and investment income growing 3.1% and 89.9% year-on-year, respectively. Consolidated after-tax profit amounted to NT\$2.96bn, up 18.8% year-on-year. Asset quality remained stable with NPL ratio of 0.19% and coverage ratio of 666.08%. Annualized credit cost was only 17 bps.
- MasterLink Securities delivered strong brokerage performance, with brokerage fee income increasing 46.8% year-on-year to NT\$1.58bn. Brokerage market share was 3.72%, remaining top six in the industry. Consolidated after-tax profit was NT\$0.57bn, and consolidated shareholders' equity was NT\$24.36bn.

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

Shin Kong Life posted a consolidated after-tax profit of NT\$4.77bn, and the annualized investment return for 1H 2020 was 3.77%. Consolidated shareholders' equity was NT\$156.41bn, and equity-to-asset ratio reached 5.03%.

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 1H 2020 amounted to NT\$32.24bn, accounting for 73.9% of the total.

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 2020, the position topped NT\$1.8 trillion. Recurring yield before hedging was 3.32%. Meanwhile, the company looks to continuously invest in low beta, high-dividend yield stocks and high-quality real estate to stabilize recurring income. As of the end of July 2020, domestic and foreign cash dividend income already reached NT\$12.6bn.

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

Loan balance grew 3.0% year-to-date to NT\$624.06bn, primarily driven by consumer and SME loans, up 4.7% and 5.6% year-to-date, respectively. 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.

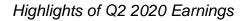
NIS and NIM for Q2 2020 were 1.63% and 1.21%, respectively. Due to market competition and rate cuts, NIM and NIS are expected to be lower than 2019.

Wealth management income for 1H 2020 was NT\$1.22bn, up 3.1% year-on-year. The momentum was contributed by mutual funds and overseas securities, with fee income up 26.7% and 32.9% year-on-year, respectively. To increase wealth management income, investment products are expected to be the sale focus in 2H 2020, along with stable contribution of regular premium and FX insurance policies. Also, Shin Kong Bank will launch intelligent robo-advisory by the end of 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 666.08%, 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\$1.58bn for 1H 2020, 46.8% higher year-on-year. Brokerage market share was 3.72%, remaining top six in the industry. As the market stabilized, MasterLink Securities improved its proprietary trading performance, and posted a consolidated net income of





NT\$0.57bn for 1H 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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