



SKFH

Q3 2020 Results Update

2020/11/26

Disclaimer

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Figures of 9M 2019 and 9M 2020 in this presentation and the presentation materials distributed herewith are reviewed numbers.

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SKFH – 9M 2020 Overview

- SKFH recorded consolidated after-tax profit of NT\$17.70bn for 9M 2020; EPS was NT\$1.38. Consolidated shareholders' equity increased 4.7% QoQ to NT\$244.94bn, and book value per share was NT\$18.41.
- Subsidiaries' core business remained robust.
 - Shin Kong Life:
 - ◆ FYP for 9M 2020 was NT\$59.49bn, representing market share of 8.5%. FX policies remained strategic focus with sales amounting to NT\$43.72bn, accounting for 73.5% of total FYP.
 - ◆ Cost of liabilities declined 3 bps QoQ to 3.88%.
 - ◆ Consolidated shareholders' equity at end of Q3 reached NT\$165.87bn, and equity-to-asset ratio was 5.24%.
 - Shin Kong Bank:
 - ◆ Consolidated after-tax profit for 9M 2020 reached NT\$4.72bn, up 15.3% YoY.
 - ◆ Loan balance rose 4.6% YTD to NT\$633.51bn, driven by growth in consumer lending and SME loans.
 - ◆ NPL ratio and coverage ratio were 0.19% and 669.50%, respectively, higher than industry average.
 - MasterLink Securities:
 - ◆ Brokerage income grew 43.4% YoY to NT\$3.16bn. Market share was 3.72%, ranked 6th place.
 - ◆ Government bond secondary market trading and corporate bond underwriting remained top 2 ranking in industry.

Financial Highlights – 9M 2020

	9M 2019 ⁽¹⁾	9M 2020	YoY Growth
NT\$m (except per share data), %			
Consolidated net income	20,139	17,703	-12.1%
Consolidated comprehensive income	44,903	-1,173	-102.6%
First year premium (Insurance)	84,221	59,489	-29.4%
Loans (Bank)	585,709	633,514	8.2%
Consolidated total assets	3,974,926	4,254,285	7.0%
Shareholders' equity ⁽²⁾	232,222	244,566	5.3%
Consolidated ROA (unannualized)	0.52%	0.43%	
Consolidated ROE (unannualized)	9.67%	7.33%	
Earnings per share ⁽³⁾	1.64	1.38	

Note:

- (1) Numbers were restated to reflect changes in accounting policy with respect to subsequent measurement of investment property from cost model to fair value model
- (2) Consolidated shareholders' equity for 9M 2019 and 9M 2020 were NT\$232,608mn and NT\$244,944mn, respectively
- (3) The after-tax earnings per share (EPS) for 9M 2019 and 9M 2020 would be NT\$1.88 and NT\$1.52, respectively, if the foreign exchange volatility reserve mechanism were not adopted
- (4) Reviewed numbers

Net Income – 9M 2020

Net income contribution

NT\$bn

Subsidiaries	9M 2019 ⁽¹⁾	9M 2020	YoY Growth
Shin Kong Life	14.60	12.19	-16.5%
Shin Kong Bank	4.13	4.73	14.6%
MasterLink Securities	1.30	1.19	-8.7%
Shin Kong Investment Trust	0.03	0.03	20.3%
Shin Kong Venture Capital International	0.02	-0.05	-354.2%
Shin Kong Property Insurance Agency	0.05	0.05	18.6%
Others ⁽²⁾	-0.04	-0.49	-
Net income ⁽³⁾	20.09	17.65	-12.1%

Note:

- (1) Numbers were restated to reflect changes in accounting policy with respect to subsequent measurement of investment property from cost model to fair value model
- (2) Includes other income of SKFH and income taxes
- (3) Net income attributable to SKFH
- (4) Reviewed numbers

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Shin Kong Life – 9M 2020 Overview

- FYP for 9M 2020 was NT\$59.49bn, representing market share of 8.5%. FYPE/FYP increased from 28.8% in 9M 2019 to 36.8%, driven by continued focus on regular-paid policies.
- FX policies remains marketing focus. Sales of such policies for 9M 2020 amounted to NT\$43.72bn, accounting for 73.5% of total FYP.
- Cost of liabilities for 9M 2020 decreased 9 bps YTD from 3.97% to 3.88%.
- Annualized investment return for 9M 2020 was 4.02%, and recurring yield before hedging was 3.63%.
- Consolidated after-tax profit was NT\$12.42bn for 9M 2020. Consolidated shareholders' equity at end of Q3 increased 6.1% QoQ to NT\$165.87bn, and equity-to-asset ratio reached 5.24%.
- As of end of October, domestic and foreign cash dividend income reached NT\$15.7bn.

Financial Highlights – 9M 2020

	9M 2019 ⁽¹⁾	9M 2020	YoY Growth
NT\$mn, %			
First year premium	84,221	59,489	-29.4%
Total premium	226,031	223,528	-1.1%
Investment income	94,555	90,678	-4.1%
Consolidated net income	14,726	12,422	-15.6%
Consolidated comprehensive income	38,588	-7,070	-118.3%
Consolidated total assets	2,966,939	3,199,418	7.8%
Consolidated total shareholders' equity	150,070	165,873	10.5%
ROE (unannualized)	11.26%	7.63%	
ROA (unannualized)	0.51%	0.40%	

Note:

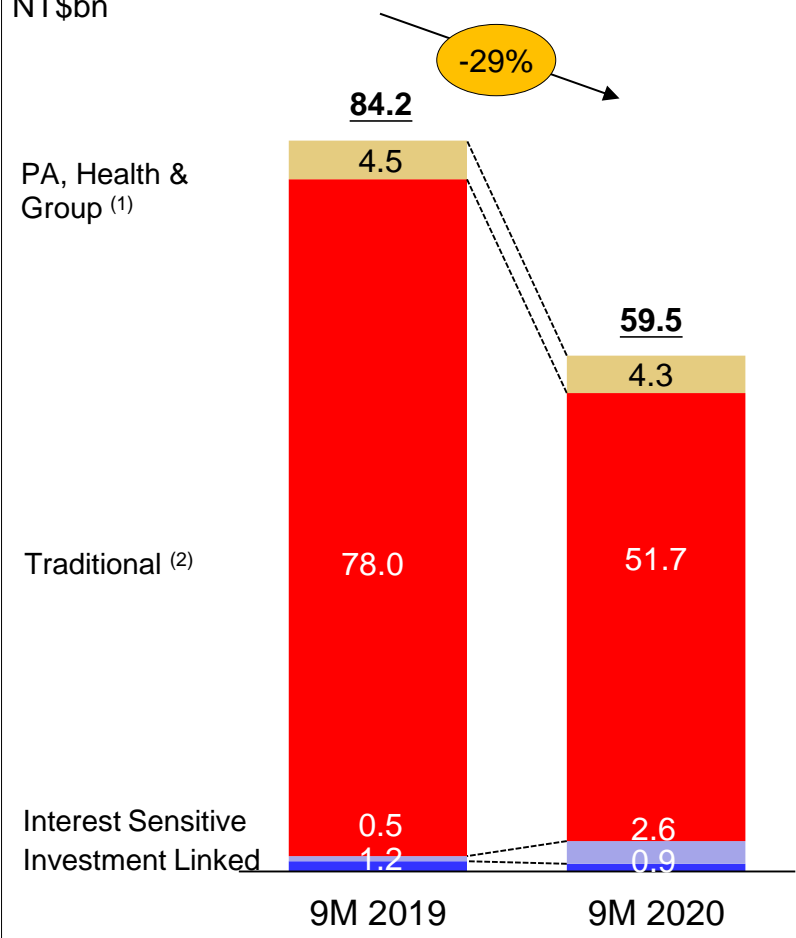
(1) Numbers were restated to reflect changes in accounting policy with respect to subsequent measurement of investment property from cost model to fair value model

(2) Reviewed numbers

Product Mix – 9M 2020

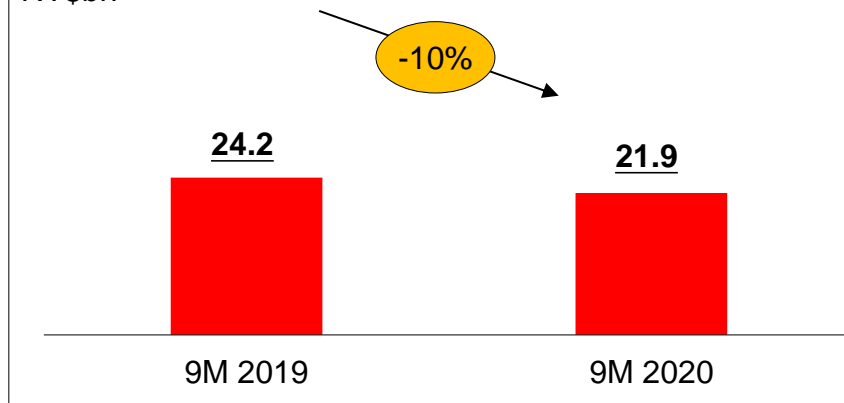
First Year Premium (FYP)

NT\$bn



First Year Premium Equivalent (FYPE)

NT\$bn



Comments

- Due to adjustment in product mix, FYP for 9M 2020 fell 29.4% YoY to NT\$59.49bn. As share of regular premium grew from 57.8% in 9M 2019 to 63.4%, FYPE/FYP increased from 28.8% in 9M 2019 to 36.8%
- FX policies remained strategic focus in 2020. Sales reached NT\$43.72bn, accounting for 73.5% of total FYP
- Cost of liabilities decreased 3 bps QoQ to 3.88%
- FX policies and value-focused products to be actively promoted to control hedging cost, stabilize VNB margin and enhance CSM

Note:

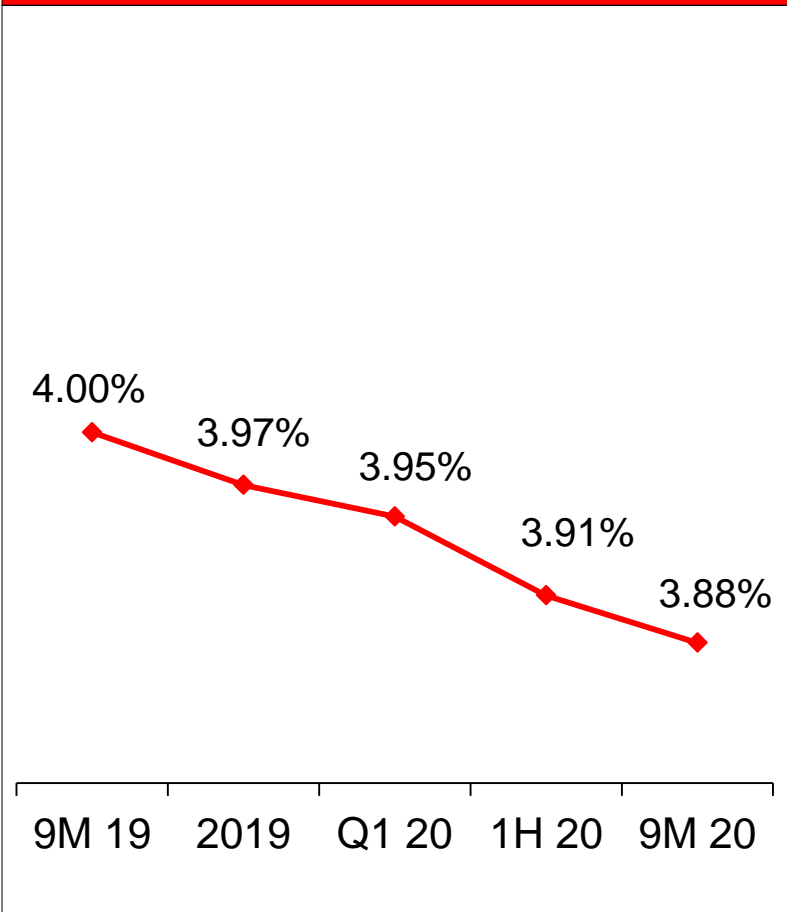
(1) Long-term disability policies are classified as health insurance

(2) Includes interest-sensitive life insurance

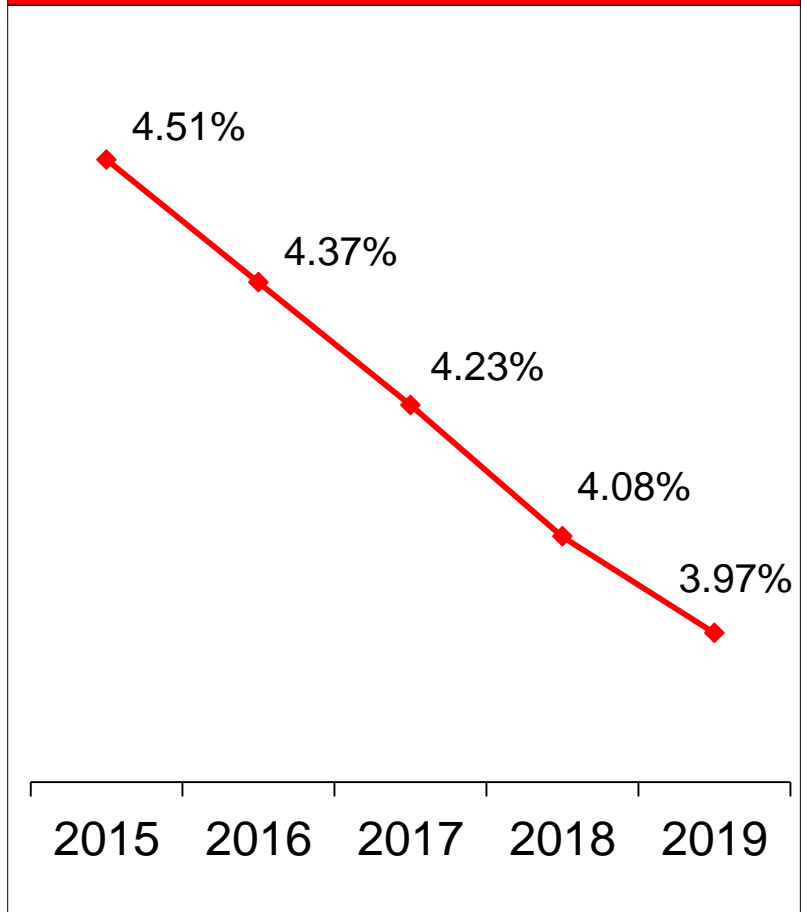
(3) Total may not add up exactly due to rounding

Cost of Liabilities

Cost of Liabilities (quarterly)



Cost of Liabilities (annual)



Persistency Ratio

13 Month Persistency

98.2% 98.2% 98.3%

Q1 20

Q2 20

Q3 20

25 Month Persistency

95.6% 95.7% 95.6%

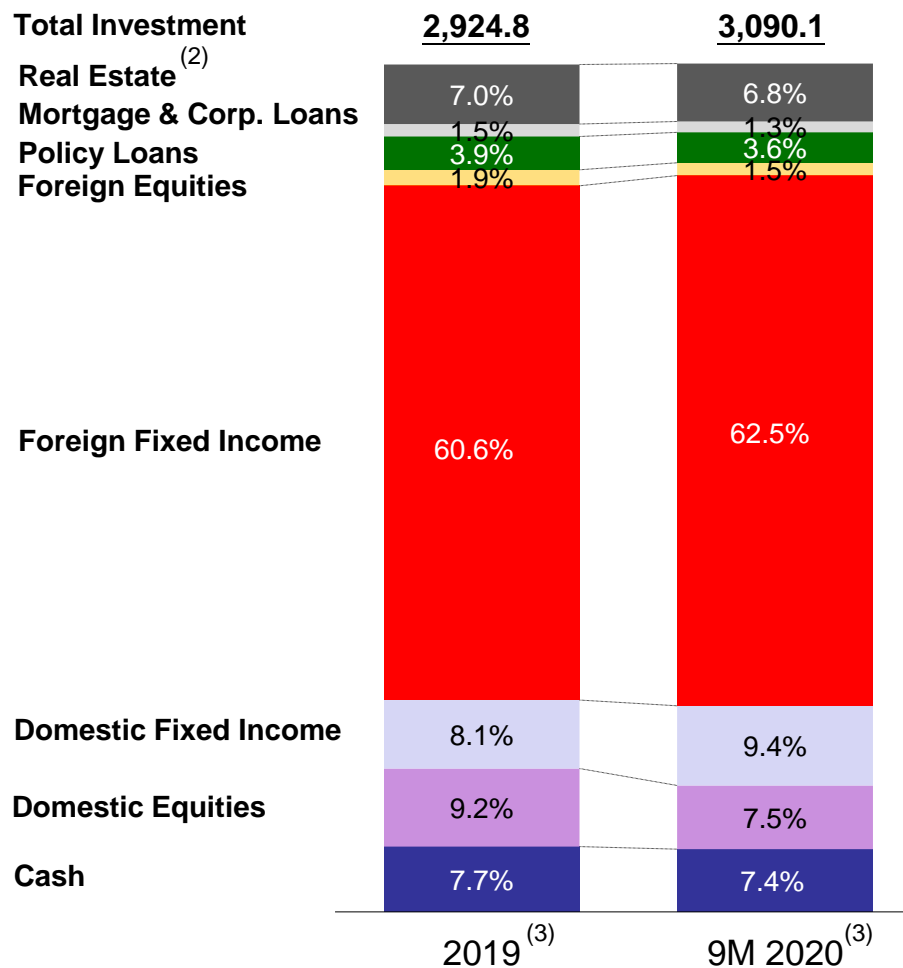
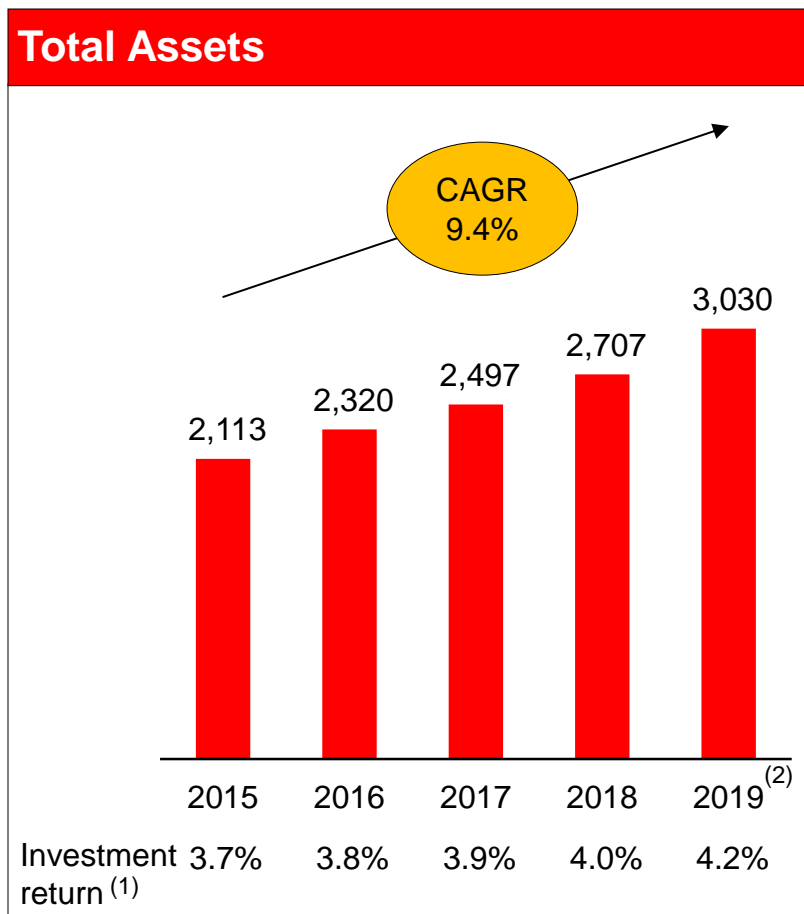
Q1 20

Q2 20

Q3 20

Investment Portfolio

NT\$bn



Note:

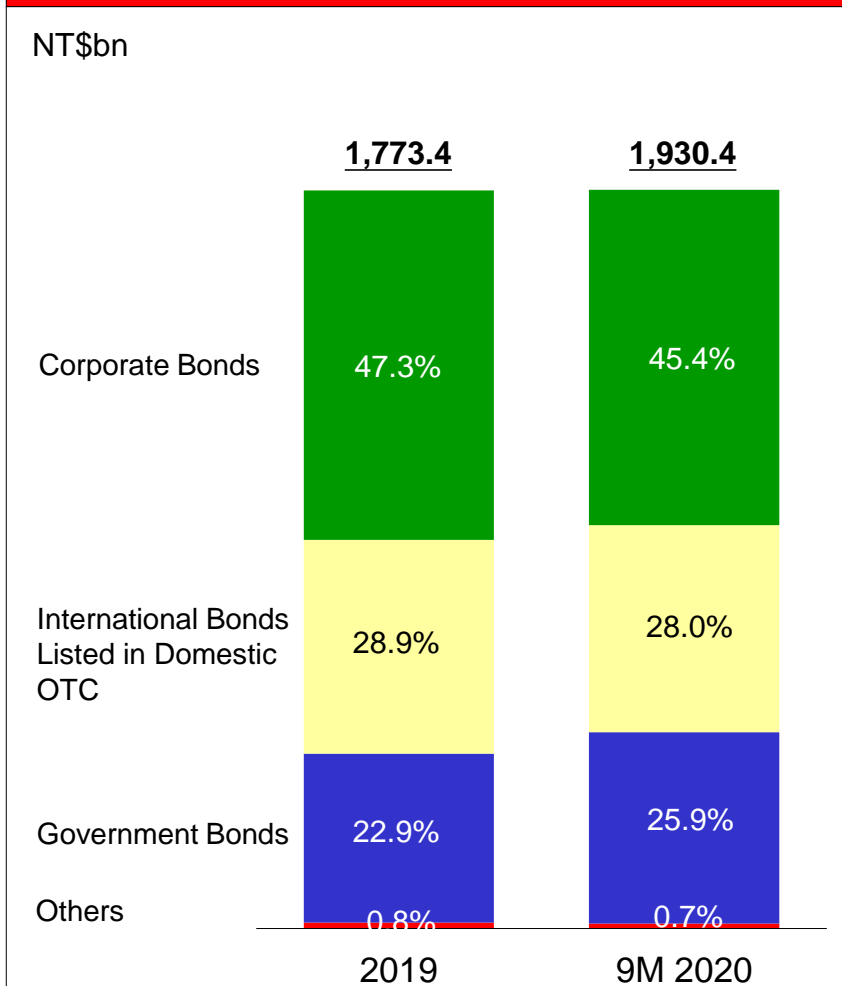
(1) Includes capital gains and FX hedging cost

(2) Includes the impact from adoption of fair value model for investment property

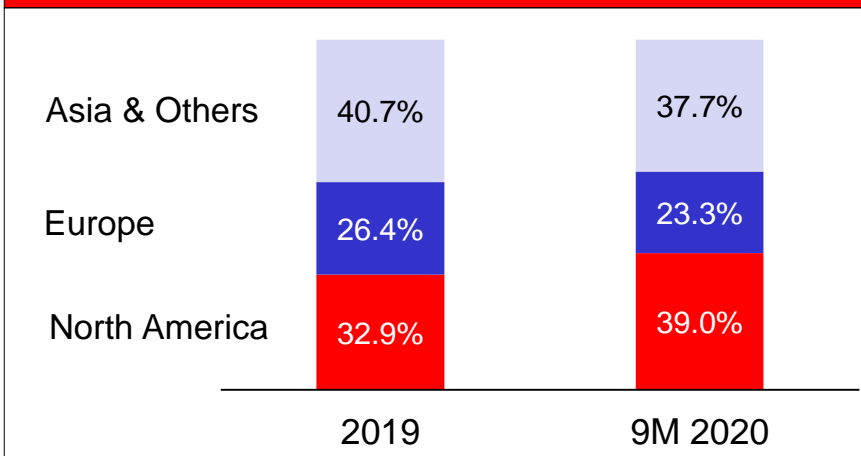
(3) Due to rounding, asset allocation figures may not add up to 100%

Overseas Fixed Income

Overseas Fixed Income Portfolio



Overseas Fixed Income by Region



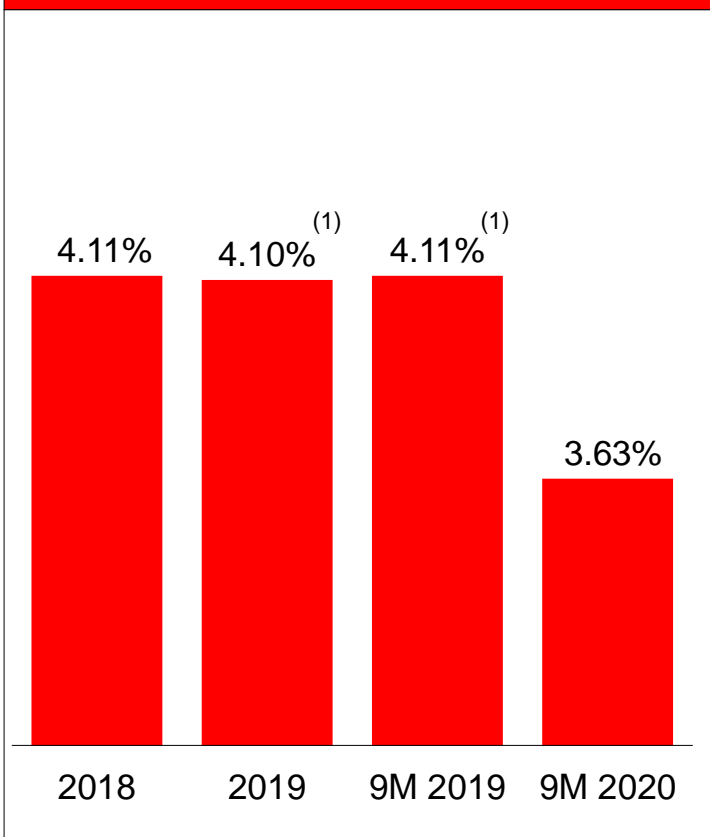
Comments

- Overseas fixed income position mainly deployed in USD-denominated bonds
- Overseas fixed incomes mainly invested in North America and Europe, accounting for 62.3%
- SKL holds corporate bonds with stable credit quality across sectors, including communication, consumer, utilities and financials

Note: Due to rounding, asset allocation figures may not add up to 100%

Recurring Income

Recurring Yield Before Hedging

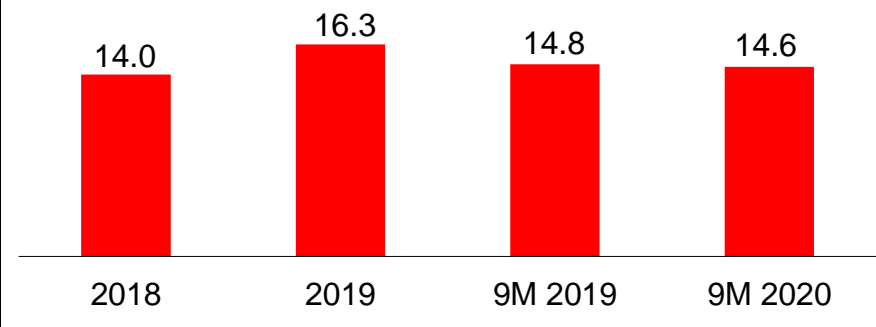


Note:

(1) Figures were restated to reflect adoption of fair value model for investment property

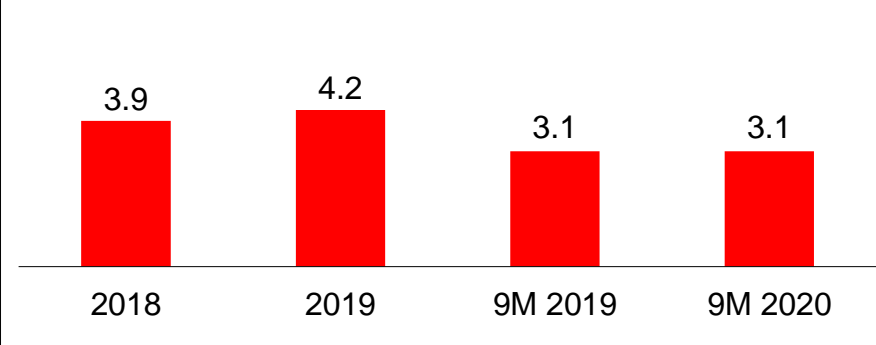
Domestic and Foreign Cash Dividend

NT\$bn



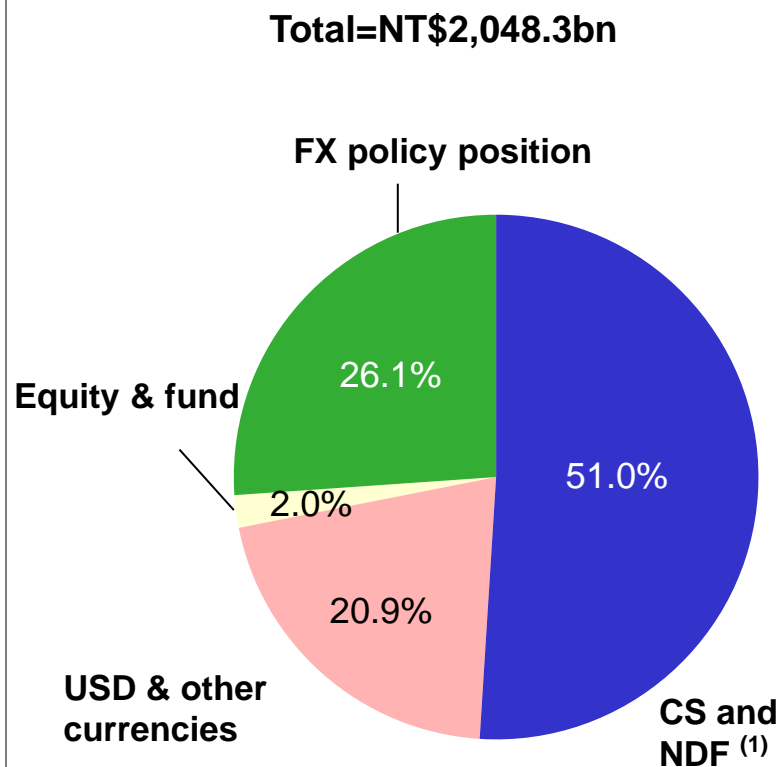
Real Estate Rental Income

NT\$bn



Hedging Strategy

Mix of Hedging Strategies Used



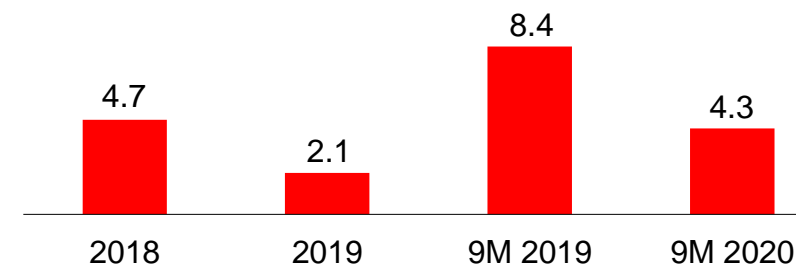
Note:

(1) Currency swaps and non-delivery forwards accounted for 58% and 42%, respectively

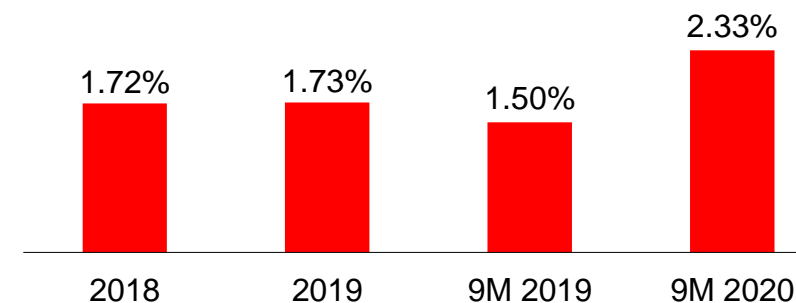
(2) Due to rounding, figures may not add up to 100%

FX Volatility Reserve

NT\$bn



Hedging Cost



Investment Strategy

Strong ALM Discipline

- Accumulate CSM to prepare for IFRS 17 adoption
- Promote value-focused products and emphasize policy quality to cumulate fundamental incomes of mortality and expense gains
- Develop an appropriate asset-liability matching mechanism and assess regularly asset-liability matching risks with rigorous indicators

Well-diversified Portfolio

- Diversification by asset class (equity, credit, currency, commodity, real estate, loan)
- Achieve diversification and yield pick-up through overseas investments. Continue to deploy in investment grade bonds to grow interest income
- Invest in low beta, high-dividend yield stocks for cash dividend income

Cost-effective Currency Hedging

- Promote FX policies to control hedging cost and maintain recurring income
- Build up FX volatility reserve to enhance flexibility in hedging strategy

Enhance Investment Risk Management

- Implement annual asset allocation plan and manage overall investment risks effectively
- Monitor market activities on daily basis as well as strictly manage market, credit and business risks to cope rapidly with changes in financial markets

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Shin Kong Bank – 9M 2020 Overview

- Driven by investment income growing 96.6% YoY, pre-provision operating income for 9M 2020 reached NT\$6.17bn, up 2.6% YoY. Consolidated net income for 9M 2020 was NT\$4.72bn, up 15.3% YoY.
- Wealth management income for 9M 2020 was NT\$1.82bn. Momentum contributed by mutual funds and overseas securities, with fee income up 15.6% and 8.4% YoY, respectively.
- Loan balance grew 4.6% YTD to NT\$633.51bn, primarily driven by consumer and SME loans, both up 6.7% YTD.
- Deposit attracted to drive growth in various business units. Deposit balance grew 7.7% YTD to NT\$877.83bn. Demand deposit ratio increased from 40.53% to 43.99% in 9M 2020, reducing funding cost.
- NIM for Q3 remained same as previous quarter at 1.21%; NIS lowered 2 bps QoQ to 1.61%.
- Asset quality remained solid. NPL ratio was 0.19% and coverage ratio increased from 666.08% to 669.50%, both better than industry average.

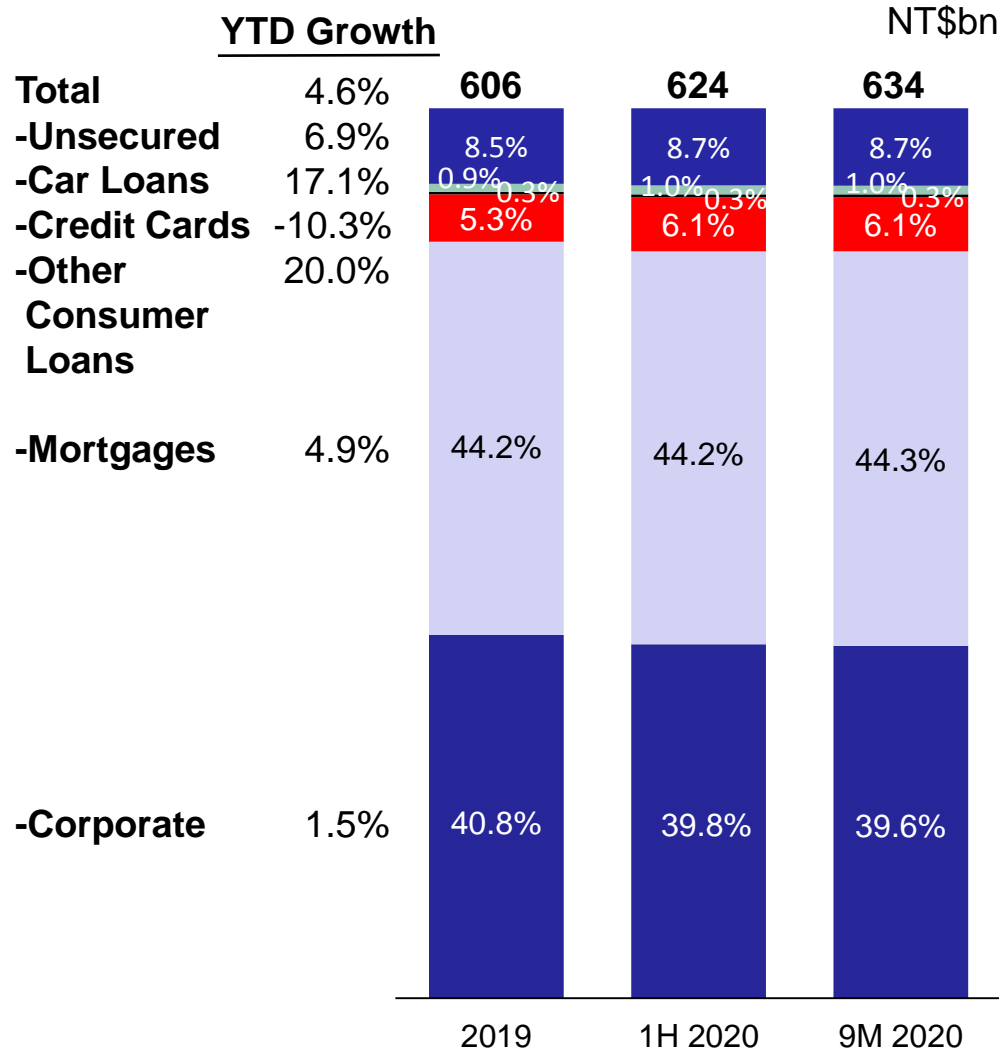
Net Income – 9M 2020

	9M 2019	9M 2020	YoY Growth
NT\$m, %			
Net interest income	8,786	8,338	-5.1%
Net fee income	2,621	2,499	-4.6%
Investment income and other income	1,070	2,029	89.6%
Operating expense	-6,465	-6,699	3.6%
Pre-provision operating income	6,012	6,167	2.6%
Provision expense	-1,078	-898	-16.7%
Income tax benefit (expense)	-842	-549	-34.7%
Consolidated Net Income	4,093	4,720	15.3%

Note:

- (1) Total may not add up exactly due to rounding
- (2) Reviewed numbers

Loan Mix



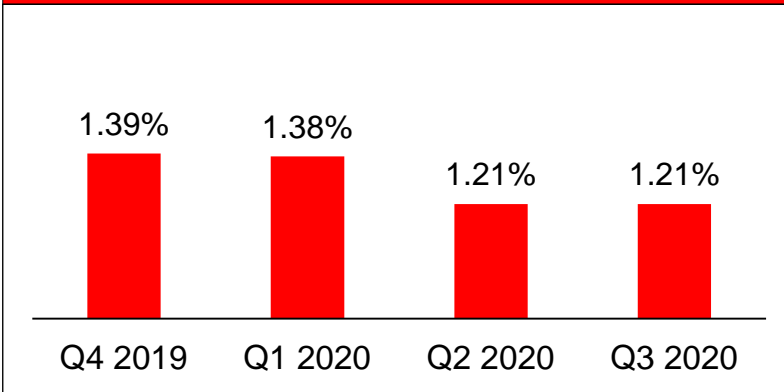
Comments

- With consumer loans growing 6.7% YTD, loan balance increased 4.6% YTD to NT\$633.51bn
- Corporate loan growth primarily driven by SME loans, up 6.7% YTD
- Corporate loans gathering momentum, and consumer loans steadily growing. Loan growth targeted at 6% for 2020

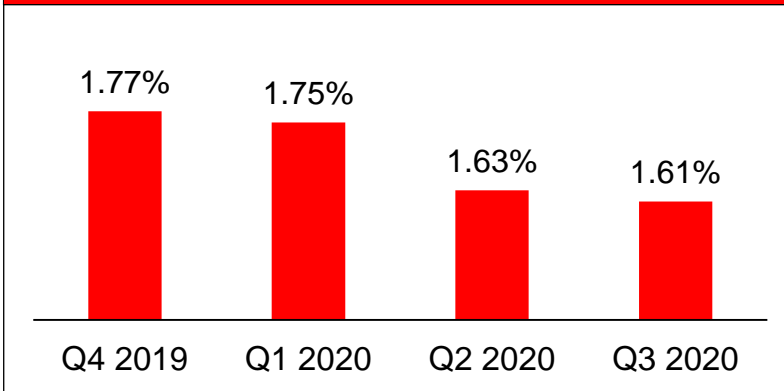
Note: Due to rounding, loan mix may not add up to 100%

Interest Income

Net Interest Margin



Net Interest Spread



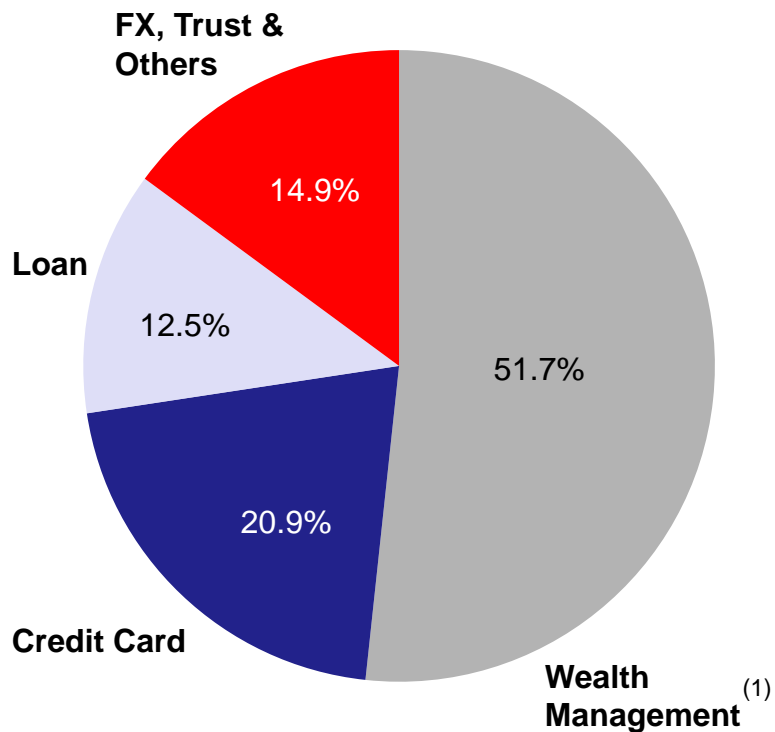
Comments

- NIS lowered 2 bps QoQ to 1.61%; NIM remained same as previous quarter at 1.21%
- As deposit portfolio steadily repriced downward, NIM and NIS expected to be stabilized
- SKB will continue to:
 - Increase demand deposits to lower funding cost
 - Enhance fund utilization to stabilize interest spread
 - Continuously build up foreign currency deposits to expand wealth management and overseas business

Fee Income

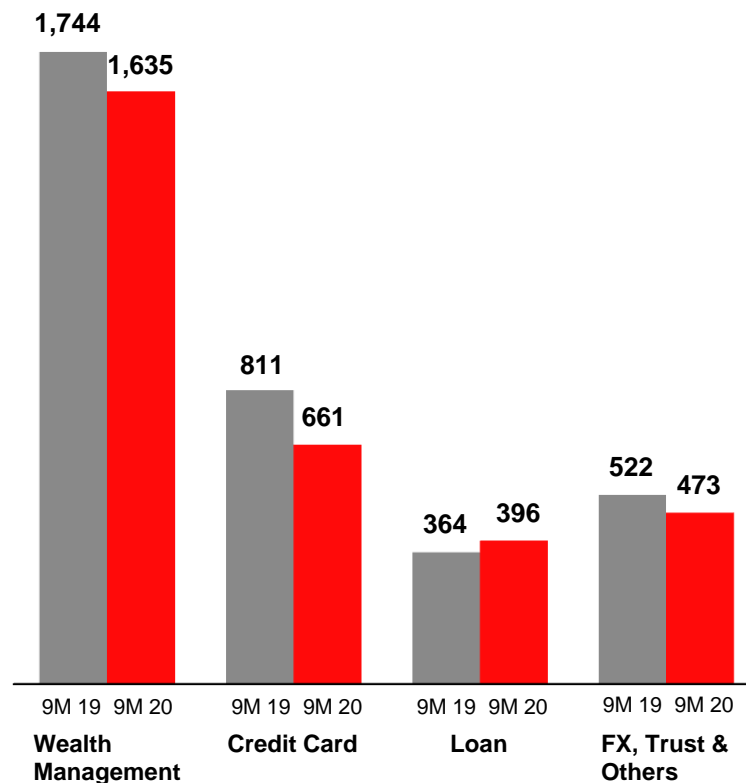
Fee Income Breakdown

Total=NT\$3,165mn



YoY Comparison

NT\$mn



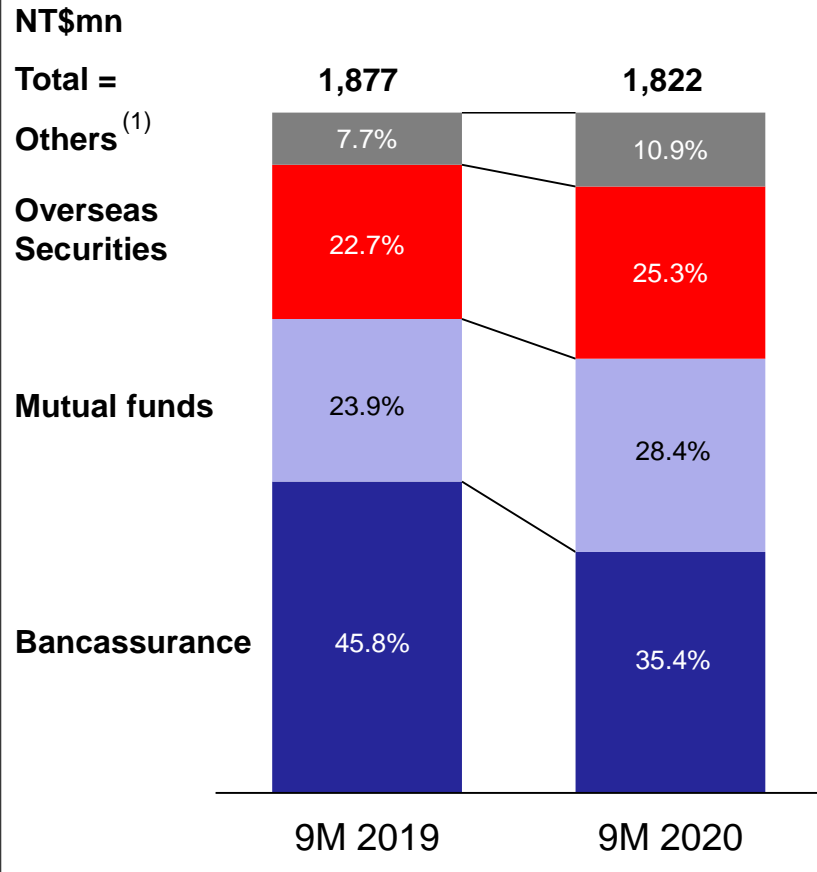
Note:

(1) Not including income from structured products and foreign exchange transactions

(2) Due to rounding, fee income breakdown may not add up to 100%

Wealth Management

Wealth Management Income Breakdown



Wealth Management Center



- Wealth management income for 9M 2020 was NT\$1.82bn. Momentum contributed by mutual funds and overseas securities, with fee income up 15.6% and 8.4% YoY, respectively
- Investment products expected to remain sales focus, along with stable momentum of regular premium and FX insurance policies
- Online marketing campaigns promoted for new funds and client base; intelligent robo-advisory to be launched by year end to improve customer experience

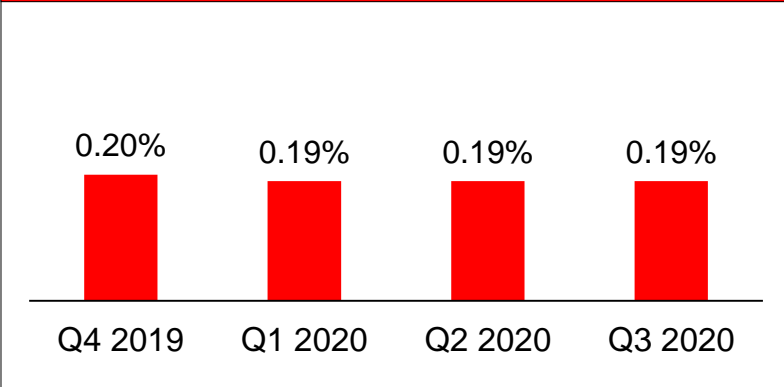
Note:

(1) Including income from structured products and foreign exchange transactions

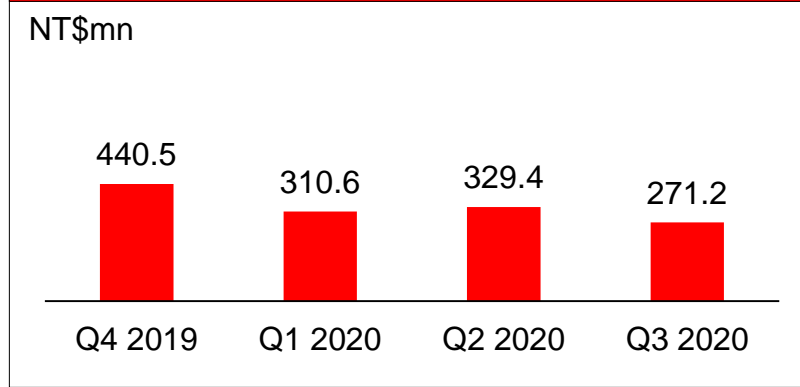
(2) Due to rounding, WM income breakdown may not add up to 100%

Asset Quality

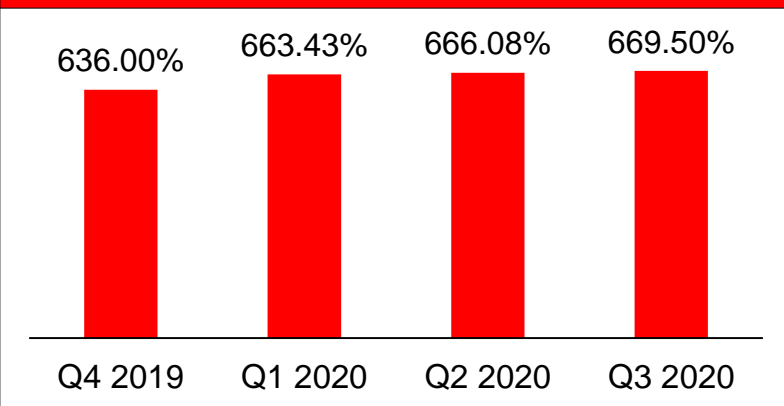
NPL Ratio



New NPL Generation



Coverage Ratio

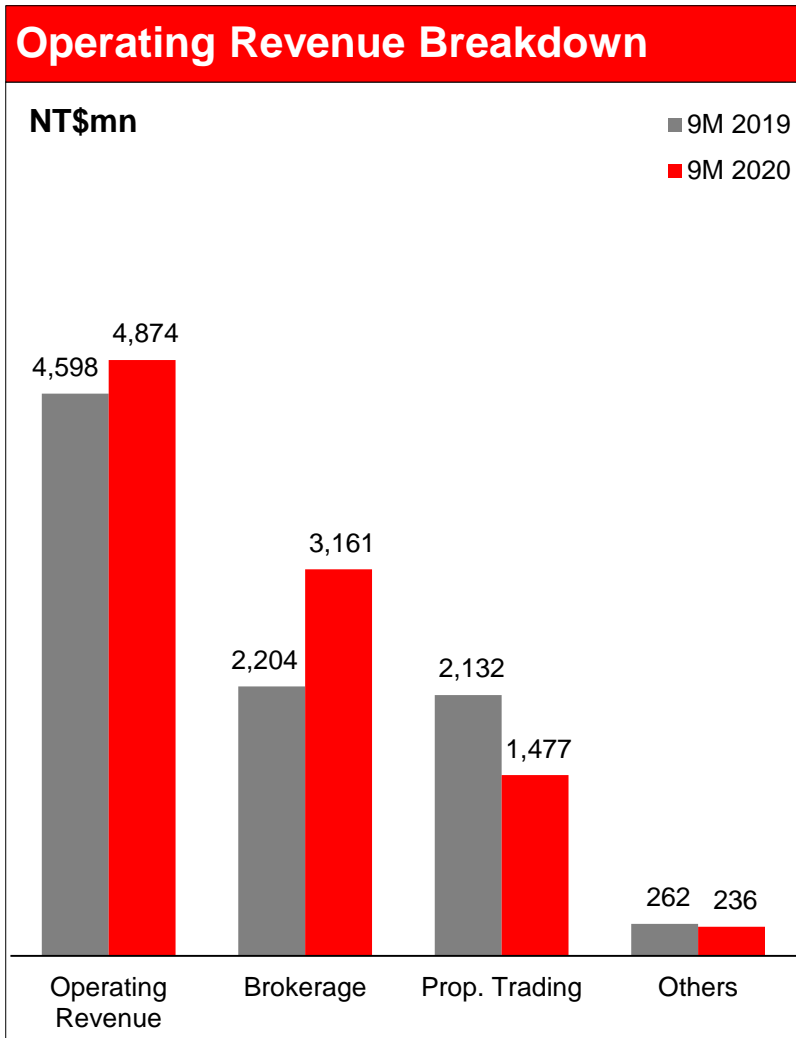


- Asset quality remained solid. New NPL of NT\$271mn generated in Q3 2020, less than previous quarter
- NPL ratio and coverage ratio were 0.19% and 669.50%, respectively, better than industry average

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MasterLink Securities – 9M 2020 Overview



Note: Total may not add up exactly due to rounding

Market Share & Ranking

	9M 19	Ranking	9M 20	Ranking
Government Bond Secondary Market Trading	6.67%	2	6.31%	2
Corporate Bond Underwriting	10.62%	2	10.70%	2
Brokerage	3.69%	6	3.72%	6
Margin Loans	5.34%	7	5.08%	8

- Operating revenue for 9M 2020 grew 6.0% YoY to NT\$4.87bn, and consolidated net income was NT\$1.19bn
- Brokerage income increased 43.4% YoY to NT\$3.16bn, driven by brokerage fee income up 55.3% YoY. Brokerage market share was 3.72%, ranked 6th place in industry
- Government bond secondary market trading and corporate bond underwriting ranked top 2 in industry

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SP / RP Breakdown

NT\$bn

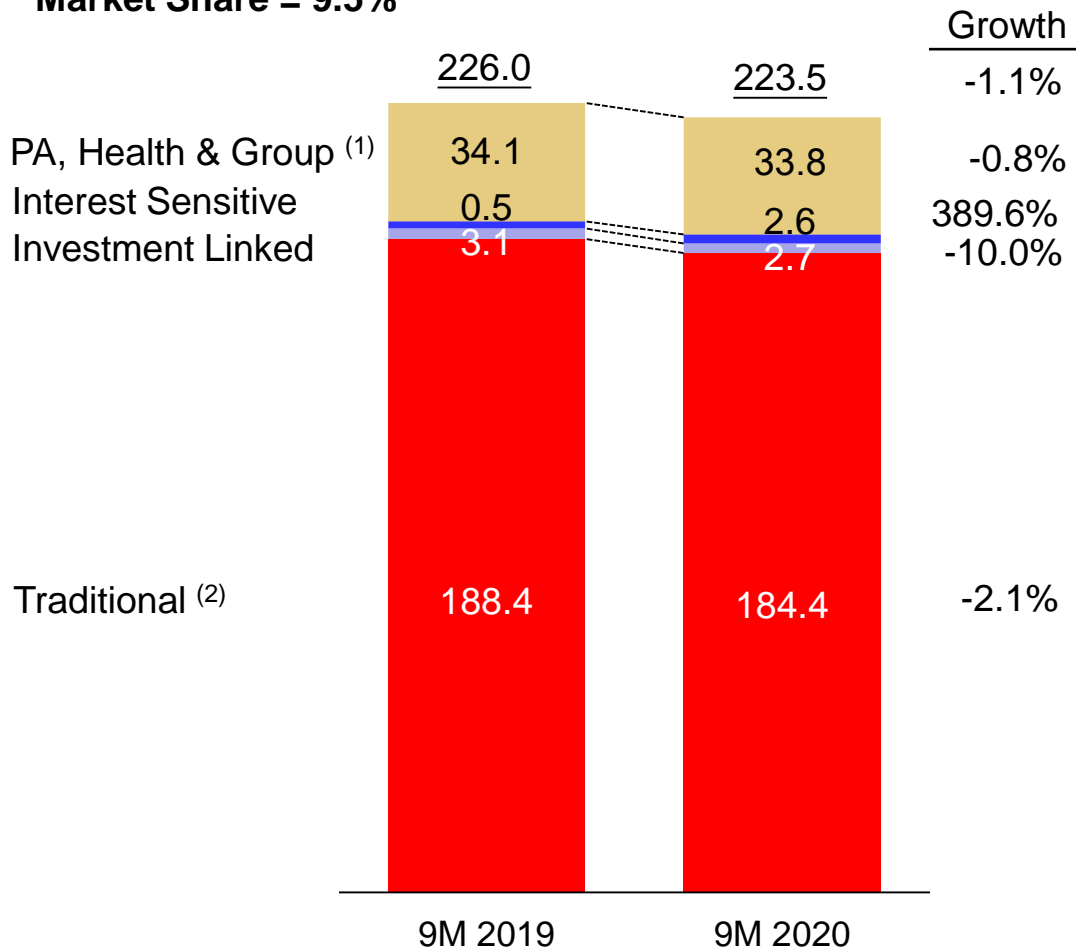
9M 2020 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	18.30	33.39		51.70
Investment-linked				
VUL / VA	0.27	0.03	0.57	0.87
Structured note				
Interest sensitive				
Annuity / UL	2.14		0.48	2.62
PA, health and others		4.30		4.30
Total	20.71	37.72	1.05	59.49
Share	34.8%	63.4%	1.8%	100.0%

Note: Total may not add up exactly due to rounding

Total Premium – 9M 2020

NT\$bn

Market Share = 9.5%



Comments

- Total premium slightly fell 1.1% YoY. However, renewal premium increased 15.7% YoY, driven by continued sales focus on regular-paid policies
- Total premium of FX policies for 9M 2020 reached NT\$98.40bn, up 10.1% YoY

Note:

(1) Long-term disability policies are classified as health insurance

(2) Includes interest-sensitive life insurance

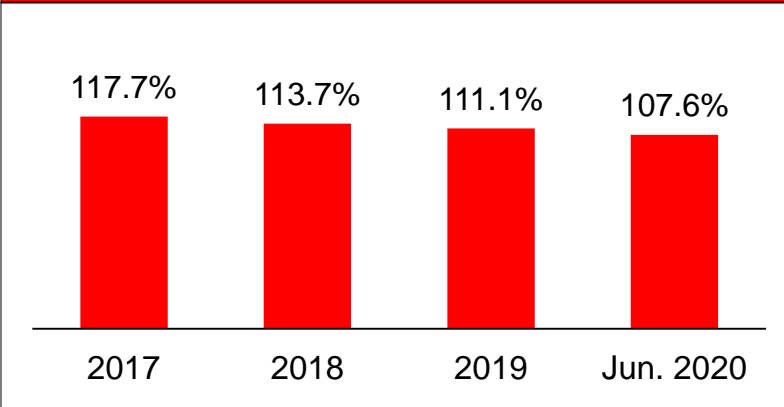
(3) Total may not add up exactly due to rounding

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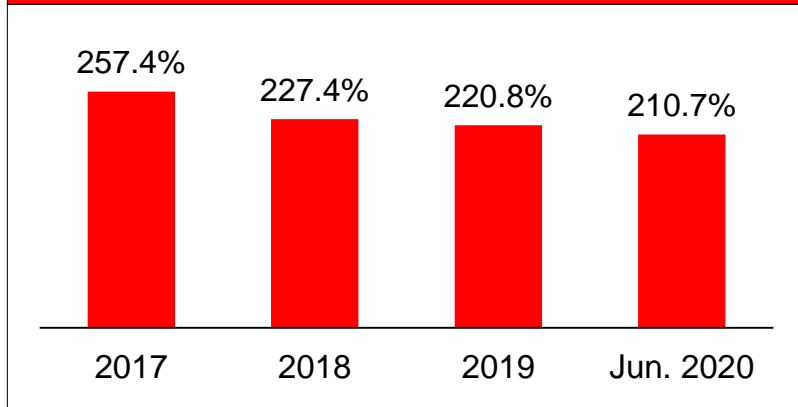
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Capital Adequacy

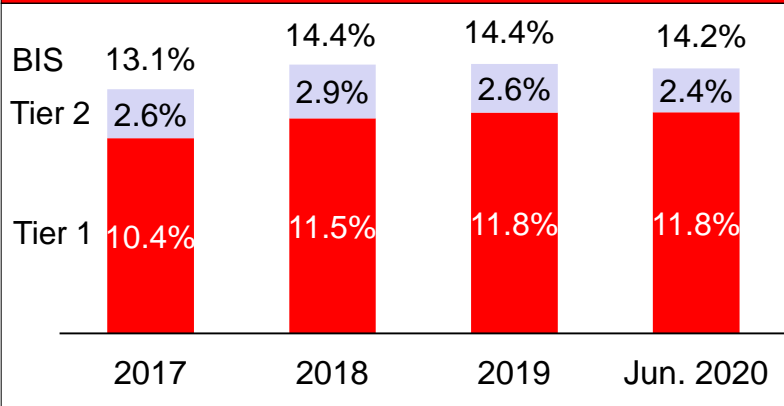
CAR of SKFH



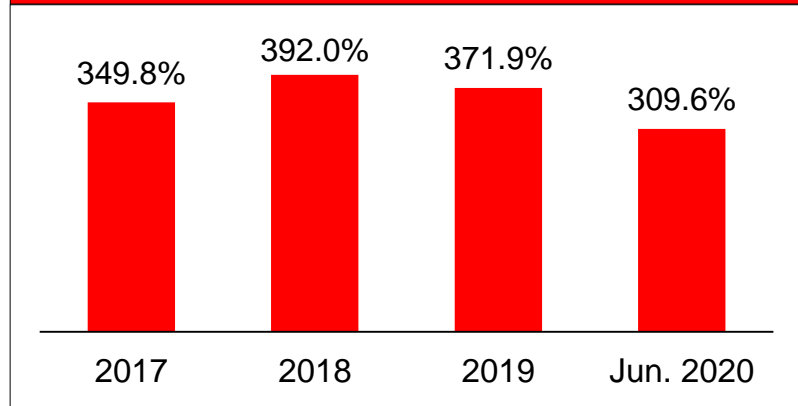
RBC of Shin Kong Life



BIS of Shin Kong Bank



BIS of MasterLink Securities





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Shin Kong Financial Holding

Financial Summary

(NT\$m)

Income Statement Data			9M 20/9M 19		Q3 20/Q3 19	
	9M 2019 ⁽¹⁾	9M 2020	%	Q3 2019 ⁽¹⁾	Q3 2020	%
Net interest income	(109)	(84)	-23.4%	(36)	(27)	-24.5%
Income from subsidiaries						
Shin Kong Life	14,601	12,188	-16.5%	7,165	7,570	5.6%
Shin Kong Bank	4,125	4,727	14.6%	1,627	1,760	8.2%
MasterLink Securities	1,302	1,189	-8.7%	399	615	54.0%
Shin Kong Investment Trust	26	32	20.3%	14	12	-11.5%
Shin Kong Venture Capital International	22	(55)	-354.2%	6	(58)	-1101.9%
Shin Kong Property Insurance Agency	46	54	18.6%	15	19	20.9%
Total income from subsidiaries	20,121	18,135	-9.9%	9,226	9,917	7.5%
Other income	41	(8)	-119.5%	(8)	(11)	36.4%
Administrative and general expenses	(260)	(322)	23.6%	(91)	(129)	41.7%
Income tax benefit (expense)	293	(77)	-126.2%	(14)	109	-868.2%
Net income	20,086	17,645	-12.1%	9,077	9,859	8.6%
Other comprehensive income (loss), after tax	24,771	(18,864)	-176.2%	(8,920)	(8,812)	-1.2%
Total comprehensive income (loss)	44,857	(1,218)	-102.7%	157	1,047	567.3%

Balance Sheet Data			9M 20/9M 19		Q3 20/Q3 19	
	9M 2019 ⁽¹⁾	9M 2020	%	Q3 2019 ⁽¹⁾	Q3 2020	%
Long term investment	238,676	259,937	8.9%	238,676	259,937	8.9%
Total assets	3,974,926	4,254,285	7.0%	3,974,926	4,254,285	7.0%
Shareholders' equity (excl. non-controlling interest)	232,222	244,566	5.3%	232,222	244,566	5.3%

Note:

(1) Numbers were restated to reflect changes in accounting policy with respect to subsequent measurement of investment property from cost model to fair value model.

(2) Numbers have been reviewed by the auditors.

Shin Kong BankFinancial Summary
(NT\$m)

Income Statement Data (Consolidated)	9M 2019	9M 2020	9M 20/9M 19		Q3 20/Q3 19	
				%	Q3 2019	Q3 2020
Interest income	13,522	12,346	-8.7%	4,671	3,927	-15.9%
Interest expense	(4,736)	(4,008)	-15.4%	(1,597)	(1,158)	-27.5%
Net interest income	8,786	8,338	-5.1%	3,074	2,769	-9.9%
Fee income	3,442	3,165	-8.0%	1,202	1,050	-12.7%
Fee expense	(821)	(666)	-18.9%	(276)	(216)	-21.8%
Net fee income	2,621	2,499	-4.6%	926	834	-9.9%
Gains on bill & securities (incl. foreign exchange, net)	1,004	1,974	96.6%	385	799	107.4%
Other gains or losses, net	66	55	-17.2%	26	19	-28.8%
Operating expense	(6,465)	(6,699)	3.6%	(2,158)	(2,216)	2.7%
Pre-provision income or loss	6,012	6,167	2.6%	2,254	2,205	-2.2%
Provision expense	(1,078)	(898)	-16.7%	(350)	(246)	-29.9%
Income tax (expense) benefit	(842)	(549)	-34.7%	(305)	(202)	-33.9%
Net income	4,093	4,720	15.3%	1,598	1,758	10.0%
Other comprehensive income (loss), after tax	534	453	-15.1%	(358)	(579)	61.7%
Total comprehensive income (loss)	4,626	5,173	11.8%	1,240	1,178	-5.0%

Balance Sheet Data	9M 2019	9M 2020	9M 20/9M 19		Q3 20/Q3 19	
				%	Q3 2019	Q3 2020
Total assets	935,752	998,648	6.7%	935,752	998,648	6.7%
Total shareholders' equity	63,671	68,512	7.6%	63,671	68,512	7.6%
Total loans, net ⁽¹⁾	576,928	624,723	8.3%	576,928	624,723	8.3%
Total deposits	788,987	877,832	11.3%	788,987	877,832	11.3%

Operating Metrics	9M 2019	9M 2020	Q3 2019	Q3 2020
Fee income ratio	21.0%	19.4%	21.0%	18.9%
Cost income ratio	51.5%	51.8%	48.6%	49.8%
Loan/deposit ratio (excl. credit card)	73.1%	71.2%	73.1%	71.2%
Loan/deposit ratio (incl. credit card)	73.3%	71.3%	73.3%	71.3%
Net interest margin	1.45%	1.27%	1.43%	1.21%
Net interest spread	1.83%	1.67%	1.80%	1.61%
ROAE	6.64%	7.06%	2.59%	2.63%
ROAA	0.45%	0.49%	0.18%	0.18%

Note:

(1) Excludes credit cards but include overdue receivables.

(2) Numbers have been reviewed by the auditors.

MasterLink Securities

Financial Summary

(NT\$m)

Income Statement Data (Consolidated)	9M 20/9M 19			Q3 20/Q3 19		
	9M 2019	9M 2020	%	Q3 2019	Q3 2020	%
Brokerage commissions and fees	1,696	2,633	55.3%	623	1,057	69.8%
Security lending income	87	102	16.6%	42	36	-14.6%
Underwriting commissions and fees	129	179	38.7%	27	67	151.1%
Wealth management commissions and fees	18	35	97.7%	6	11	69.8%
Gains (Loss) on securities and valuation	2,070	1,867	-9.8%	277	922	232.6%
Gains (Loss) on exchange-traded notes issued	1	0	-23.8%	(0)	(0)	-54.1%
Gains (Loss) on warrants issued	234	5	-97.9%	193	(39)	-120.0%
Gains (Loss) on derivative instruments	(781)	(857)	9.7%	(106)	(445)	321.1%
Stock affairs agent fees	40	40	-0.3%	13	13	1.4%
Interest income	1,017	854	-16.1%	356	270	-24.3%
Other income	89	16	-81.7%	74	29	-60.7%
Total operating revenue	4,598	4,874	6.0%	1,505	1,922	27.7%
Fee expenses	(318)	(417)	31.2%	(113)	(154)	36.6%
Financial costs	(366)	(233)	-36.3%	(131)	(45)	-65.5%
Other operating costs and expenses	(2,788)	(3,148)	12.9%	(945)	(1,143)	20.9%
Total operating expenses	(3,472)	(3,798)	9.4%	(1,189)	(1,342)	12.9%
Operating income	1,126	1,076	-4.5%	316	580	83.2%
Non-operating gains or loss	274	271	-1.0%	89	94	6.0%
Income tax (expense) benefit	(100)	(157)	56.9%	(8)	(59)	613.2%
Net income	1,299	1,189	-8.5%	397	615	55.0%
Other comprehensive income (loss), after tax	395	173	-56.3%	(126)	(70)	-44.5%
Total comprehensive income (loss)	1,695	1,362	-19.6%	271	545	101.0%

Balance Sheet Data	9M 20/9M 19			Q3 20/Q3 19		
	9M 2019	9M 2020	%	Q3 2019	Q3 2020	%
Total assets	112,767	112,185	-0.5%	112,767	112,185	-0.5%
Total shareholders' equity	23,963	24,945	4.1%	23,963	24,945	4.1%

Note:

(1) Numbers have been reviewed by the auditors.