

# SKFH Announces Results for Q3 2020

*November 26, 2020, Taipei*

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 2020.

## **HIGHLIGHTS**

- SKFH recorded a consolidated after-tax profit of NT\$17.70bn for 9M 2020. EPS was NT\$1.38. Total group assets topped NT\$4.2 trillion, up 7.0% year-on-year. Consolidated shareholders’ equity reached NT\$244.94bn, and book value per share was NT\$18.41.
- Shin Kong Life’s first year premium (FYP) reached NT\$59.49bn, securing a market share of 8.5%. Cost of liabilities decreased 9 bps year-to-date to 3.88%. Consolidated after-tax profit for 9M 2020 was NT\$12.42bn. Consolidated shareholders’ equity at the end of Q3 amounted to NT\$165.87bn, and equity-to-asset ratio was 5.24%.
- Shin Kong Bank posted a consolidated after-tax profit of NT\$4.72bn, up 15.3% year-on-year. Asset quality remained stable with NPL ratio of 0.19% and coverage ratio of 669.50%. Annualized credit cost was only 15 bps.
- MasterLink Securities delivered strong brokerage performance, with brokerage fee income increasing 55.3% year-on-year to NT\$2.63bn. Brokerage market share was 3.72%, remaining top six in the industry. Consolidated after-tax profit was NT\$1.19bn, and consolidated shareholders’ equity was NT\$24.94bn.

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

In 2020, Shin Kong Life focuses on the sales of foreign currency policies and value-focused products to contain hedging costs, optimize asset liability matching, stabilize VNB margin, and enhance CSM. FYP of foreign currency policies for 9M 2020 amounted to NT\$43.72bn, accounting for 73.5% of the total.

As of the end of September 2020, Shin Kong Life’s fixed incomes position topped NT\$1.9 trillion, and the funds were mainly invested in USD-denominated bonds. Meanwhile, the company

continuously invests in low beta, high-dividend yield stocks to stabilize recurring income. In order to control hedging costs and enhance the flexibility in FX hedging, Shin Kong Life will continue to build up its FX volatility reserve. Recurring yield before hedging was 3.63%, and annualized investment return was 4.02%. In addition, Shin Kong Life continues to invest in high-quality real estate. In October, the company won the Taipei City Nangang Bus Station BOT Project for NT\$610mn as the best qualified applicant. A high-end commercial complex transfer-station building will be constructed to increase rental income.

## **SHIN KONG BANK: ASSET QUALITY REMAINED STRONG AND PROFITS CONTINUED TO GROW**

Loan balance grew 4.6% year-to-date to NT\$633.51bn, primarily driven by consumer and SME loans, both up 6.7% year-to-date. With stringent risk control, Shin Kong Bank continues to expand consumer lending while promoting corporate and syndicated loans. Loan growth is targeted at 6% for 2020. Efforts have been made to attract deposits to drive growth in various business units. Deposit balance grew 7.7% year-to-date to NT\$877.83bn. Demand deposit ratio increased from 40.53% to 43.99% in 9M 2020, lowering funding cost.

NIM for Q3 was 1.21%, remained at the same level as the previous quarter. NIS decreased 2 bps to 1.61%. As deposit portfolio has been steadily repriced downward, NIM and NIS are expected to be stabilized.

Wealth management income for 9M 2020 was NT\$1.82bn. The momentum was contributed by mutual funds and overseas securities, with fee income up 15.6% and 8.4% year-on-year, respectively. Investment products are expected to be the sale focus, along with stable contribution of regular premium and FX insurance policies. To attract new funds and expand client base, Shin Kong Bank will conduct online marketing campaigns and credit card activities. Besides, with the Intelligent robo-advisory gearing up for launch by year end, Shin Kong Bank shows its intention to provide better customer experience.

Asset quality remained solid. NPL and coverage ratios were 0.19% and 669.50%, 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 INVESTMENT STRENGTHENED**

Driven by a stable growth in brokerage business, MasterLink Securities generated a brokerage fee income of NT\$2.63bn for 9M 2020, 55.3% higher year-on-year. Brokerage market share was 3.72%, remaining top six in the industry. Operating revenue for 9M 2020 grew 6.0% year-on-year

to NT\$4.87bn, and consolidated net income was NT\$1.19bn.

## 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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