

SKFH Third Quarter 2020 Results Conference Call

November 26, 2020, 4:30 p.m. (Taipei)

INTRODUCTION

Stan Lee:

Good afternoon, ladies and gentlemen.

Welcome again for joining the Shin Kong Financial Holding 2020 Third Quarter analyst call. Before we start, I would like to introduce my colleagues who are with me today.

- We are happy to have Sunny Hsu, Executive Vice President of the Financial Holding Company to review the third quarter results with us.
- Also in the room are Han-Wei Lin, Chief Actuary of Shin Kong Life; En-Fon Liao, Head of the investment team in Shin Kong Life; Isabella and Christine, members of the IR team.

The presentation we are about to go through was sent out 2 hours ago. You may also download it from our website or participate through webcast. If you do not have the presentation, please let us know now.

Your lines will be muted when we are presenting. If you are cut off, please dial back in or call Christine at 886 9** *** ** for assistance.

PRESENTATION

Stan Lee:

Page 4 Now please turn to page 4.

SKFH recorded a consolidated after-tax profit of NT\$17.70bn for the first nine months 2020. Earnings per share was NT\$1.38. Consolidated shareholders' equity increased 4.7% quarter-on-quarter to NT\$244.94bn, and book value per share at the end of the third quarter was NT\$18.41.

Core business of each subsidiary remained stable in the third quarter, which will be covered later in the presentation.

I'd like to highlight that the result of the "2020 TCSA Taiwan Corporate Sustainability Award" was announced last week, and Shin Kong won the Corporate Sustainability Report - Financial & Insurance Industry Platinum Award, which is the highest honor in the domestic sustainability management field and sustainability report evaluation. In seeking profit and growth, Shin

Kong also brings together the expertise and functions of its subsidiaries to implement corporate governance and realize ESG commitment through tangible actions.

Page 10 Page 10 – FYP decreased 29.4% year-on-year to NT\$59.49bn due to product mix adjustment. As the share of regular premium increased to 63.4% for the first nine months, FYPE over FYP was 36.8%. Also, foreign currency policies remained the sales focus this year, FYP of such policies amounted to NT\$43.72bn, accounting for 73.5% of total FYP.

With new business inflows and lower declared rate, cost of liabilities declined 9 basis points year-to-date to 3.88%. For the full-year 2020, cost of liabilities is expected to fall by 10 to 15 basis points.

Page 13 Page 13 shows the overall view of Shin Kong Life's investment portfolio. Annualized investment return for the first nine months 2020 was 4.02%. Breakdown of investment returns for different asset classes were: real estate 3.9%, mortgage and corporate loans 1.7%, policy loans 5.5%, overseas investment 3.4%, domestic securities 7.4%, and cash 0.4%.

Page 14 Page 14 presents the portfolio of overseas fixed incomes. At the end of September, overseas fixed incomes topped NT\$1.9 trillion. Corporate bonds accounted for the largest share, representing 45.4% of the total, followed by international bonds at 28.0%, and government bonds at 25.9%. About 90% of the overseas fixed income position was deployed in US dollar denominated bonds.

As for the portfolio by region, North America and Europe are Shin Kong Life's key investment areas, accounting for a combined share of 62.3%.

Page 16 Page 16 – The pie chart on the left-hand side shows the mix of hedging instruments. At the end of the third quarter, hedging ratio was 77.1%, including CS, NDF, and the naturally-hedged foreign currency policies. CS and NDF accounted for 58% and 42%, respectively, of traditional hedges.

Appreciation of NT dollar and higher NDF cost drove up annualized hedging cost to 2.33% for the first nine months. In order to better control hedging cost, Shin Kong Life will continue to build up its foreign currency volatility reserve. The balance reached NT\$5.4bn at the end of October.

I will now hand over to Isabella who will take you through the results of Shin Kong Bank and MasterLink Securities.

Isabella Wang:

Page 20 Thank you, Stan. Please turn to page 20.

Shin Kong Bank delivered continued growth in the first nine months. Driven by

the increase in investment income, pre-provision operating profit was NT\$6.17bn, which was 2.6% higher from a year earlier. Consolidated net income grew 15.3% year-on-year to NT\$4.72bn.

Page 21 Page 21 – The bank’s loan balance rose 4.6% year-to-date to NT\$634bn. Consumer lending continued an upward trend with mortgage and unsecured loans increasing 4.9% and 6.9% year-to-date, respectively. As for corporate lending, the momentum mainly came from SME loans. The full-year target for loan growth remains unchanged at 6%.

Page 22 Page 22 – Net interest margin for the third quarter stayed at 1.21%. Net interest spread decreased 2 basis points quarter-on-quarter to 1.61%. As the deposit book is steadily repricing downward, both net interest margin and interest spread are expected to be stable in the near term.

Page 24 Page 24 – Wealth management income for the first nine months was NT\$1.82bn, and sales momentum came from mutual funds and overseas securities. The fee income from these two categories accounted for 53.7% of the total.

Going forward, the Bank will promote online marketing campaigns to attract new funds and grow its client base. The intelligent robo-advisory platform will be launched by year end to enhance customer experience.

Page 25 Page 25 – Asset quality was stable with NPL ratio at 0.19% and coverage ratio at 669.50%. Both ratios were better than the industry average.

Page 27 Page 27 – MasterLink Securities recorded an after-tax profit of NT\$1.19bn for the first nine months 2020. The revenue from brokerage business grew 43.4% year-on-year to NT\$3.16bn, accounting for 65% of the total operating revenue. Brokerage market share was 3.72% and ranked the 6th place in the industry.

This is the end of our results presentation. Moderator, please start the Q&A session.

Q&A SESSION

Disclaimer:

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