

SKFH Announces Results for Q4 2020

March 18, 2021, 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 fourth quarter of 2020.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$14.46bn for 2020. EPS was NT\$1.12. Total group assets topped NT\$4.3 trillion, up 8.1% year-on-year. Consolidated shareholders’ equity reached NT\$241.58bn, and book value per share was NT\$18.12.
- Shin Kong Life’s first year premium (FYP) reached NT\$72.39bn, securing a market share of 7.9%. Cost of liabilities decreased 14 bps year-on-year to 3.83%. Consolidated after-tax profit for 2020 was NT\$7.24bn. Consolidated shareholders’ equity amounted to NT\$160.28bn at year-end, and equity-to-asset ratio was 4.96%.
- Shin Kong Bank continued profit momentum with a consolidated after-tax profit of NT\$5.94bn, up 7.5% year-on-year. Asset quality remained stable with NPL ratio of 0.19% and coverage ratio of 672.48%. Credit cost for the whole year was only 15 bps.
- MasterLink Securities delivered strong brokerage performance, with brokerage fee income increasing 52.8% year-on-year to NT\$3.58bn. Brokerage market share was 3.65%, remaining top six in the industry. Consolidated after-tax profit was NT\$1.90bn, 22.9% higher year-on-year.

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

In 2020, Shin Kong Life focused on the sales of foreign currency policies and value-focused products to contain hedging costs, optimize asset liability matching, stabilize VNB margin, and accumulate CSM. FYP of foreign currency policies for 2020 amounted to NT\$54.39bn, accounting for 75.1% of the total. VNB margin increased from 21.3% in 2019 to 25.6% (based on actuarial assumptions for 2019 EV). Cost of liabilities decreased 14 bps year-on-year to 3.83%, ahead of yearly target.

As of the end of December 2020, Shin Kong Life's overseas fixed incomes position topped NT\$1.9 trillion, and the funds were mainly invested in USD-denominated bonds. 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 3.65%, and investment return was 3.69%. In addition, Shin Kong Life continues to invest in high-quality real estate. In January 2021, the company acquired the China Development Financial Holding Corp headquarters and Riant Plaza in Hsinchu, aiming to create property value and rental income.

Going forward in 2021, Shin Kong Life will strengthen its agent channel and deepen cooperation with banks and insurance brokers. Foreign currency policies and value-focused products will be promoted to accumulate CSM. As for digital service realm, Shin Kong Life will continue to promote digital self-service, upgrade its AI customer support and adopt RPA to enhance service efficiency. In order to control hedging cost, the company will allocate the funds acquired from FX policies in assets denominated in original foreign currencies and flexibly adjust hedging ratio through proxy baskets. FX volatility reserve will be built up to bring down the reliance on hedging instruments.

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

Loan balance grew 7.9% year-on-year to NT\$653.52bn, better than expected. Corporate loans grew 4.4% year-on-year, primarily driven by SME loans, up 15.3% year-on-year. Consumer loans increased 10.3% year-on-year, with mortgage and unsecured loans up 8.4% and 9.6% year-on-year, respectively. Shin Kong Bank will promote a balanced growth in corporate and consumer loans with stringent credit risk control. Loan growth is targeted at 8% for 2021.

As deposit rates steadily repriced downward, NIM and NIS both increased 3 bps quarter-on-quarter to 1.24% and 1.64% in Q4 2020. The rebound trend is expected to continue in Q1 2021.

Wealth management income for 2020 was NT\$2.42bn. The momentum was mainly contributed by fee income from mutual funds, which was up 24.3% year-on-year. Investment products are expected to be the sale focus in 2021, along with stable contribution of regular premium and FX insurance policies, to increase wealth management income. Besides, Shin Kong Bank will launch intelligent robo-advisory to provide better customer experience and build mobile device sales-force management system to digitize sales process and improve productivity, indicating Shin Kong Bank's ongoing digital transformation efforts.

Asset quality remained solid. NPL and coverage ratios were 0.19% and 672.48%, 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 stellar growth in brokerage business, MasterLink Securities generated a brokerage fee income of NT\$3.58bn for 2020, 52.8% higher year-on-year. Brokerage market share was 3.65%, remaining top six in the industry. Operating revenue for 2020 grew 15.6% year-on-year to NT\$6.96bn, and consolidated net income was NT\$1.90bn, up 22.9% year-on-year.

Looking into 2021, MasterLink Securities will adopt the development strategy of "increasing stable income, expanding business scale, deepening digital services, and focusing on customer connections", and the company will fully exert its management capabilities to cope with market challenges and demonstrate value.

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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