

SKFH Announces Results for Q1 2021

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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 first quarter of 2021.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$9.44bn for Q1 2021, up 23.7% YoY. EPS was NT\$0.72. Total group assets amounted to NT\$4.4 trillion, up 9.8% year-on-year. Consolidated shareholders’ equity reached NT\$231.38bn, and book value per share was NT\$17.34.
- Shin Kong Life continued to promote foreign currency policies and value-focused products, with first year premium (FYP) reaching NT\$11.00bn. Cost of liabilities decreased 3 bps year-to-date to 3.80%. Consolidated after-tax profit for Q1 2021 was NT\$6.87bn, up 2.2% year-on-year. Consolidated shareholders’ equity amounted to NT\$149.77bn, and equity-to-asset ratio was 4.59%.
- Shin Kong Bank sustained growth trend over the past quarters. Net interest income and net fee income grew 3.0% and 9.2% year-on-year, respectively. Consolidated after-tax profit reached NT\$1.52bn, up 13.7% year-on-year. Asset quality remained solid with NPL ratio of 0.19% and coverage ratio of 712.77%.
- MasterLink Securities delivered strong brokerage performance, with brokerage fee income increasing 62.1% year-on-year to NT\$1.19bn. Capitalized on market trends, proprietary trading income grew substantially to NT\$0.77bn. Consolidated after-tax profit was NT\$0.90bn.
- Life insurance Embedded Value (EV) per share of SKFH was NT\$23.2 (not including the net worth of bank and other subsidiaries). VNB was NT\$20.1bn, and VNB margin increased to 27.8%.

SHIN KONG LIFE: STRATEGIC PRODUCTS PROMOTED AND COST OF LIABILITIES LOWERED

Shin Kong Life continues to promote foreign currency policies and value-focused products to acquire stable interest spreads, optimize asset liability matching, stabilize VNB margin, and accumulate CSM. FYP of foreign currency policies for Q1 2021 amounted to NT\$8.50bn, accounting for 77.3% of the total. First year premium equivalent (FYPE) reached NT\$4.20bn, and FYPE/FYP increased from 35.8% in Q1 2020 to 38.2% in Q1 2021. Cost of liabilities decreased 3 bps year-to-date to 3.80%.

As of the end of March 2021, 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 cost, Shin Kong Life will flexibly adjust the hedging ratio and proxy basket. Recurring yield before hedging was 3.05%, and annualized investment return was 4.31%.

Life insurance EV per share of SKFH was NT\$23.2. EV of Shin Kong Life was NT\$309.4bn, up 6% year-on-year. Driven by optimized product mix, VIF increased 3% year-on-year to NT\$192.5bn. VNB was NT\$20.1bn, and VNB margin increased to 27.8%.

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

Loan balance grew 1.9% year-to-date to NT\$665.82bn, primarily driven by mortgage and other consumer loans, up 3.6% and 3.1% year-to-date, respectively. Shin Kong Bank continues to promote a balanced growth in corporate and consumer loans with stringent credit risk control. Loan growth is targeted at 8% for 2021. Deposit balance grew 3.7% year-to-date to NT\$943.99bn. Demand deposit ratio increased from 44.6% in Q4 2020 to 45.3% in Q1 2021, reducing funding cost.

As deposit rates steadily repriced downward and demand deposit ratio increased, NIM and NIS both went up 1 bp quarter-on-quarter to 1.25% and 1.65%.

Wealth management income for Q1 2021 was NT\$0.68bn, up 10.3% year-on-year. The momentum was mainly contributed by fee income from mutual funds, which was up 52.4% year-on-year. Investment products are expected to be the sale focus, along with stable contribution of regular premium and FX insurance policies, to increase wealth management income. In response to digital finance trends, Shin Kong Bank has officially launched intelligent robo-advisory to provide better customer experience. Also, online marketing campaigns are conducted to attract new funds and client base; AUM grew 2.5% year-to-date.

Asset quality remained solid. NPL ratio and coverage ratio were 0.19% and 712.77%, 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 PROPRIETARY TRADING GAIN SURGED

Driven by a stellar growth in brokerage business, MasterLink Securities generated a brokerage fee income of NT\$1.19bn for Q1 2021, 62.1% higher year-on-year. Proprietary trading income amounted to NT\$0.77bn, driven by disposal gains from equities and related securities, which was NT\$0.47bn higher year-on-year. Operating revenue grew 206.7% year-on-year to NT\$2.28bn, and consolidated net income reached NT\$0.90bn.

In April, MasterLink Securities was approved for high-net-worth business and US qualified intermediary (QI) license, aiming at expanding business opportunities

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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