

SKFH Announces Results for Q3 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 third quarter of 2021.

HIGHLIGHTS

- SKFH recorded a consolidated after-tax profit of NT\$21.66bn for 9M 2021, up 22.3% YoY. EPS was NT\$1.62. Total group assets amounted to NT\$4.6 trillion, up 7.9% year-on-year. Consolidated shareholders’ equity reached NT\$249.76bn, and book value per share was NT\$17.39.
- Shin Kong Life continued to promote foreign currency policies and value-focused products, with first year premium (FYP) of NT\$35.44bn. Cost of liabilities decreased 6 bps year-to-date to 3.77%. Consolidated after-tax profit for 9M 2021 was NT\$13.88bn, up 11.7% year-on-year. Consolidated shareholders’ equity amounted to NT\$168.94bn, and equity-to-asset ratio was 5.05%.
- Shin Kong Bank sustained growth momentum over the past quarter. Net interest income and net fee income grew 11.9% and 2.5% year-on-year, respectively. Consolidated after-tax profit reached NT\$5.16bn, up 9.3% year-on-year. Asset quality remained benign with NPL ratio of 0.17% and coverage ratio of 764.82%.
- MasterLink Securities delivered strong brokerage performance, with brokerage fee income increasing 66.7% year-on-year to NT\$4.39bn. Capitalizing on market trends, proprietary trading income grew 70.9% year-on-year to NT\$2.52bn. Consolidated after-tax profit was NT\$3.03bn, up 154.4% year-on-year.
- SKFH was included in DJSI World Index for the first time in 2021, reflecting its continued efforts on corporate sustainability development.

SHIN KONG LIFE: COST OF LIABILITIES CONTINUED TO DECLINE AND NET INCOME INCREASED

As cost of traditional hedging tools and cost of liabilities continued to decline, Shin Kong Life posted a consolidated after-tax profit of NT\$13.88bn for 9M 2021, which was 11.7% higher year-on-year. Consolidated shareholders' equity increased 3.8% quarter-on-quarter to NT\$168.94bn, and equity-to-asset ratio was 5.05%.

Shin Kong Life focuses on 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 9M 2021 amounted to NT\$27.91bn, accounting for 78.8% of the total. First year premium equivalent (FYPE) reached NT\$12.50bn, and FYPE/FYP was 35.3%, higher than the industry average. Cost of liabilities decreased 6 bps year-to-date from 3.83% to 3.77%.

Shin Kong Life progressively invests in overseas fixed incomes, deploying funds in corporate bonds with stable credit quality across sectors, including communication, consumer, utilities and financials. As of the end of September 2021, Shin Kong Life's overseas fixed incomes position was around NT\$2.1 trillion, and the funds were mainly invested in USD-denominated bonds. Annualized investment return was 3.86%, and recurring yield before hedging was 3.36%.

In addition, Shin Kong Life continues to invest in high-quality real estate. In October, the company won the bids for superficies rights to two plots of land in Beitou Shilin Technology Park for NT\$4.402bn. This acquisition aims to bring in stable rental income in the future.

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

Loan balance grew 7.2% year-to-date to NT\$700.31bn. Consumer loans registered a robust year-to-date growth of 11.0%, primarily driven by mortgage and other consumer loans, up 11.4% and 15.7% year-to-date, respectively. OBU and overseas lending will be actively promoted as coronavirus pandemic slows down globally, expected to drive the growth in corporate loans. Total loan growth for 2021 is projected to surpass the original target of 8%.

Deposit balance grew 11.5% year-to-date to NT\$1.02tn. Funds have been actively attracted into securities settlement accounts, growing 21.5% year-to-date and lowering funding cost. Due to loan market competition and excess liquidity, NIS for Q3 2021 decreased 2 bps quarter-on-quarter to 1.65%. NIM for Q3 2021 was 1.23%, broadly flat compared to the previous quarter.

Wealth management income for 9M 2021 grew 6.8% year-on-year to NT\$1.94bn, mainly

contributed by fee income of mutual fund sales, up 34.4% year-on-year. Wealth management income is estimated to grow 5-10% in 2021, boosted by strong sales of investment products, along with growing momentum of insurance policies. It is also worth mentioning that Shin Kong Bank's Intelligent robo-advisory has achieved a net promoter score(NPS) of 80 and the average satisfaction score of 9.4 out of 10 since its launch in the second quarter. Shin Kong Bank will continue to develop digital financial services and provide better customer experience.

Asset quality remained solid. NPL ratio improved 1 bp to 0.17%, and coverage ratio increased from 732.24% to 764.82%. 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 INCREASED AND PROPRIETARY TRADING GAIN GREW

Fueled by a stellar growth in brokerage business, MasterLink Securities generated brokerage fee income of NT\$4.39bn for 9M 2021, 66.7% higher year-on-year. Proprietary trading income increased 70.9% year-on-year to NT\$2.52bn, driven by disposal gain from equities, which was NT\$0.90bn higher year-on-year. Consolidated net income grew 154.4% year-on-year to NT\$3.03bn.

MasterLink Securities continued to promote financial education for all ages, and won the "2021 TSAA Taiwan Sustainable Action Award" in recognition of its active involvement in corporate social responsibility.

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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