



# **King's Town Bank**

## **'A Different Kind of Bank'**

**Fiscal Year 2020 Results Conference**



**Stock Code : 2809.TW**

**February 23, 2021**



# AGENDA

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# OPERATING HIGHLIGHTS





# Operating Highlights

- 2020 EPS Hit a New Record High**

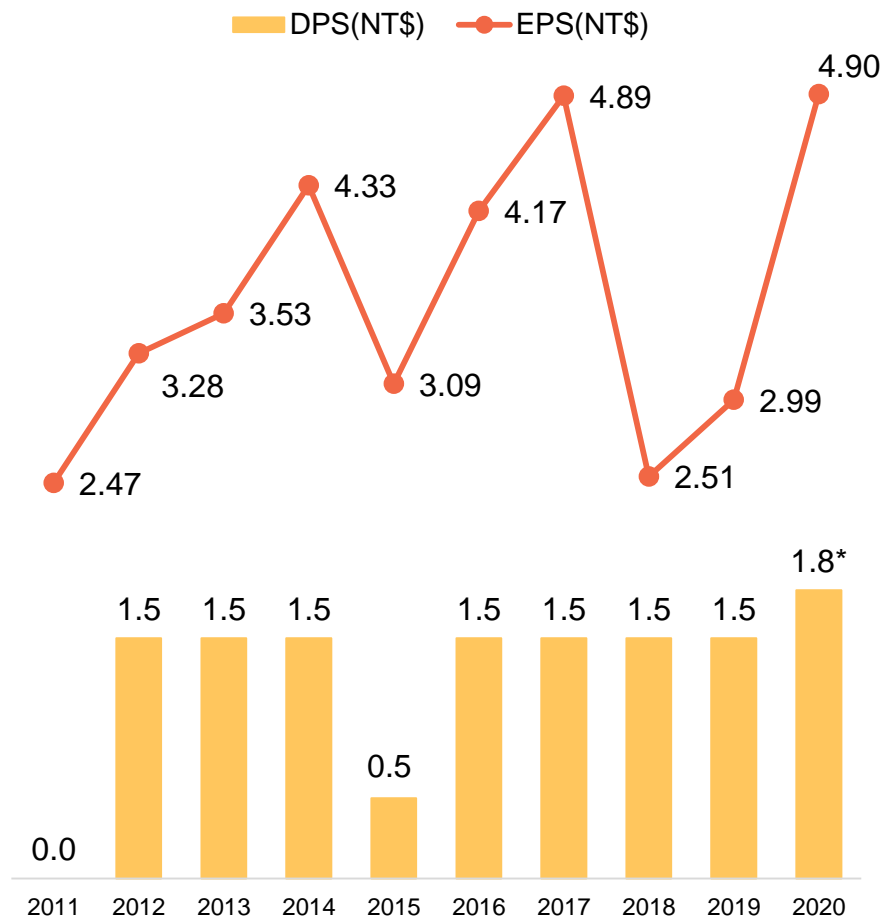
EPS in 2020 reached NT\$4.9.

Achieved double-digit growth in deposits, loans and interest income in 2020.

- Maintained Outstanding Asset Quality and Capital Adequacy Ratios**

- We value ESG Highly and are Dedicated to Further Improvement:** KTB was added to Bloomberg's Gender-Equality Index this year, one of only 5 companies in Taiwan to achieve this designation.

- The Board of Directors proposed a cash dividend per share of NT\$1.8 for FY2020**



\*BOD proposed DPS for FY2020, subject to approval at the upcoming AGM.

# A DIFFERENT KIND OF BANK





# How are we 'Different'?

## A Few Examples of King's Town Bank Management Philosophy vs Peers

### King's Town Bank

vs

### Traditional Banking

Owner-operated – senior management interests are aligned with minority shareholders.



Controlled by multi-generational, large family conglomerates and/or the government, frequently with less than 20% shareholding.

Branches play to the strengths of their team and their client base. We allow the market to dictate the pace and focus of revenue/fee growth.



Each Branch provides a similar portfolio of services. Budget established by bank HQ, and all departments and branches work to budget.

Lending process focused on KYC, flexibility and communication. A team of 'lending supervisors' communicates daily with branch loan officers to provide on-the-spot guidance, helping to streamline loan approval. Loan Committee rarely rejects loan applications outright, instead making counter proposals or creative solutions.



Loan approval process is binary (yes or no answer) with decision-making centered at bank HQ & in the Loan Committee. Process has several layers and can take up to two months.

We work with our compliance department at every stage of the business development process, embedding compliance in our business conduct and product structure.



Compliance is primarily seen as a supervisory function and is brought into projects at a later stage or only as necessary.

Professionalism defined by accountability, timeliness in providing solutions to clients and communication with others.



Professionalism defined by cumulative experience in a given function and the ability to navigate the corporate hierarchy.

Investment Policy: Hold long-term (equity) and to maturity (bonds), follow underlying companies closely, never invest in something you don't understand.



Trading culture, emphasis on yearly budget and realized profits.

Sees loan growth as closely related to GDP growth, goal is to 'do a little better than' GDP growth over the long run, while managing the challenges each year brings.



Loan growth target communicated to sales, followed by a team-wide effort to hit the number.



# How are we 'Different'?

**We take less risk and have a more focused business model.**

**Growing loans in line with industry peers, while being much choosier about whom we lend to.**

**Growing book 4x faster than peers, with far superior returns.**

Key Ratios (%)	10 Year Loan CAGR	10 Year BV/Share CAGR	10 Year Average ROE (pretax)	10 Year Average ROA (pretax)	2019 BIS Ratio
<b>King's Town Bank</b>	<b>5.1</b>	<b>11.3</b>	<b>18.15</b>	<b>1.93</b>	<b>14.52</b>
Local Peer Average	5.1	2.8	9.85	0.67	12.92

\*Note: These averages are calculated from the publicly reported data of Taiwan local banks.

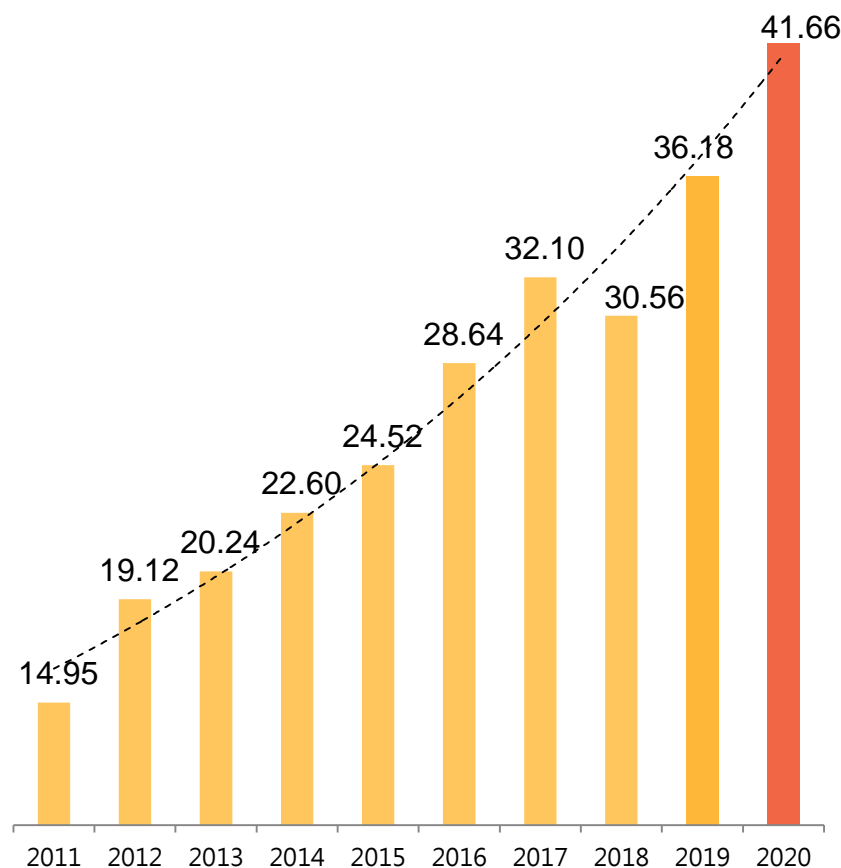
Data Source: Central Bank, year-end 2019.



# High Growth in BV/share + High ROE = Attractive Investor Returns

- BV/share grew at a CAGR of 12% from 2011 to 2020, while ROE has remained high.
- Enabling factors are:
  - High asset quality
  - Low loan default rates and a preference for collateral when dictated by borrower risk profile
  - Stable returns on our investment portfolio
  - Cash dividend of NT\$1.5 per share for 5 straight years
  - Treasury share buyback and cancelation – reduced shares O/S by 6% since 2013

Book Value per share







# Our Commitment to Shareholders

We view asset quality as the basis for all returns. As long as we manage this bank, we will ensure that its asset quality is amongst the best in the industry.

Target a BIS Ratio above 13% and a Tier 1 Capital Ratio above 11%

Aim to sustain healthy growth in BVPS

Strive to maintain double-digit ROE over the long term.

Aim to provide stable or growing annual cash dividend-per-share

Buy treasury shares, when appropriate, to enhance shareholder return.

# 2020 FINANCIAL REVIEW

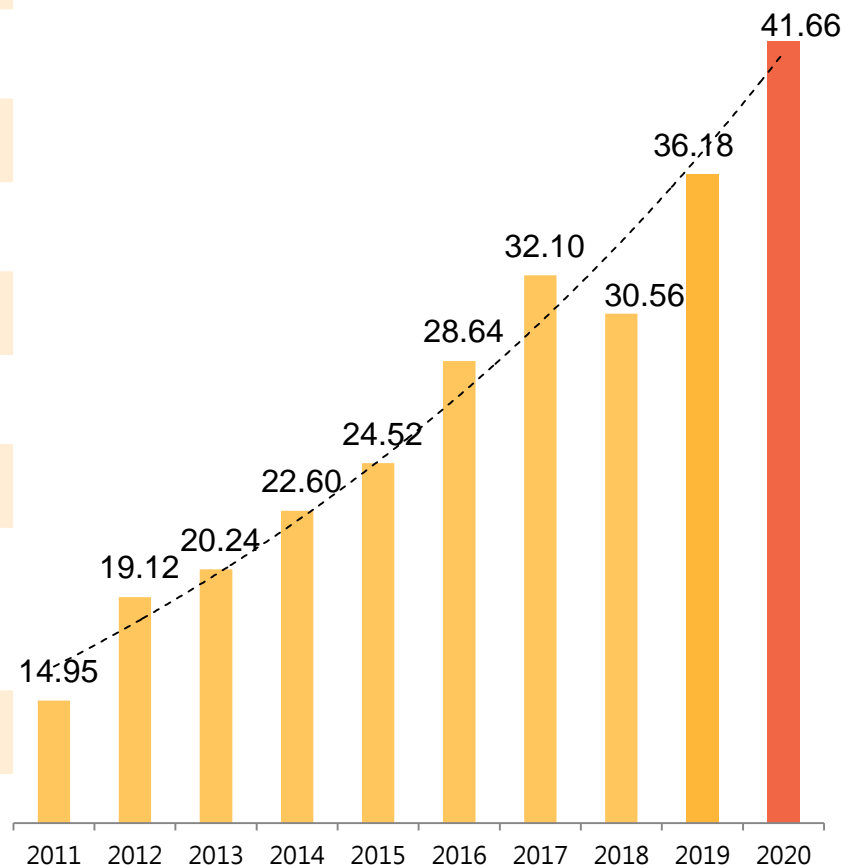




# FY20 Financial Review

	2020.12	2019.12
Total Assets (NT\$ mm)	325,458	282,743
Book Value/share (NT\$)	41.66	36.18
ROE (pretax)	14.31%	10.26%
ROA (pretax)	2.06%	1.38%
BIS Ratio	16.23%	15.04%
NPL Ratio	0.01%	0.01%
Coverage Ratio	11760.49%	9,917.55%
Loan-loss Provision Coverage Ratio	1.57%	1.44%
QFII Holdings	16.27%	17.42%
Fitch Rating	A+(tw) 、 F1(tw)	

**Book Value per share**





# 2020 Operating Highlights

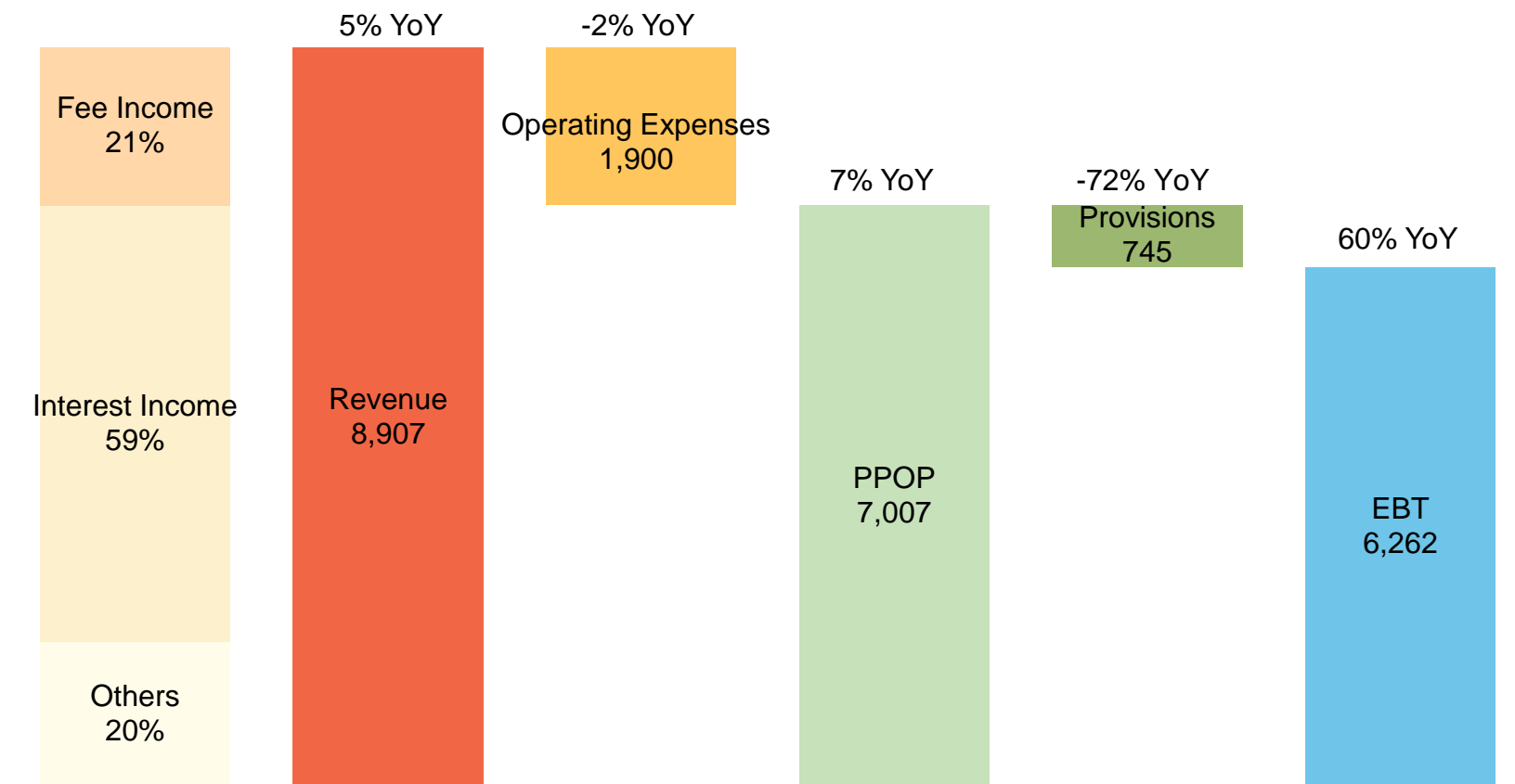
## Financial Performance

- Revenue increased by 5% YoY, with net interest income increasing by 10%, net fee income increasing by 4%, and other income decreasing by 8%. The increase in net interest income was due mainly to strong loan growth. Widening net interest margins on overseas bonds holdings was also a contributing factor.
- The decrease in other income was mainly due to “expected credit losses” booked on financial assets under the requirement of IFRS 9 accounting. The COVID pandemic-influenced economic downturn has resulted in a downgrading of debt securities worldwide.
- Launched the “Goyee” digital account platform in the second quarter of this year. “King’s Pay” international transfer service was introduced in the third quarter.
- 2020 operating expenses were NT\$1.9 billion, a decrease of 2% from the same period last year.
- After-tax net income was NT\$5.5 billion while EPS reached a record high of NT\$4.90. ROE before tax was 14.31% and ROA before tax was 2.06%.
- Asset quality remains sound, with our NPL ratio at 0.01% and loan-loss provision coverage ratio at 1.57%.



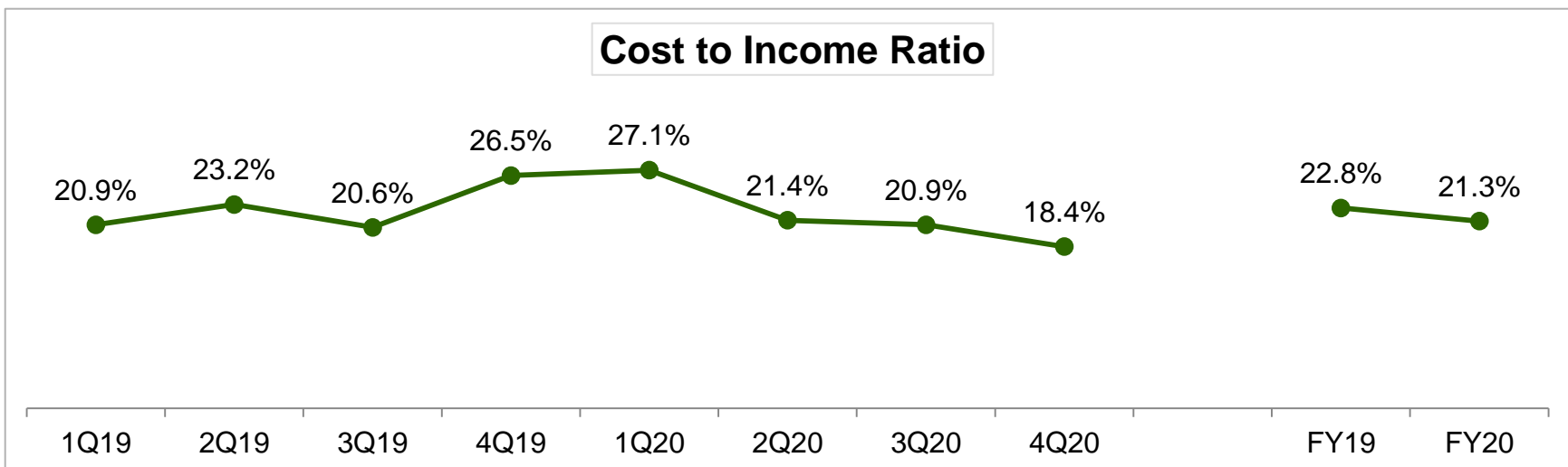
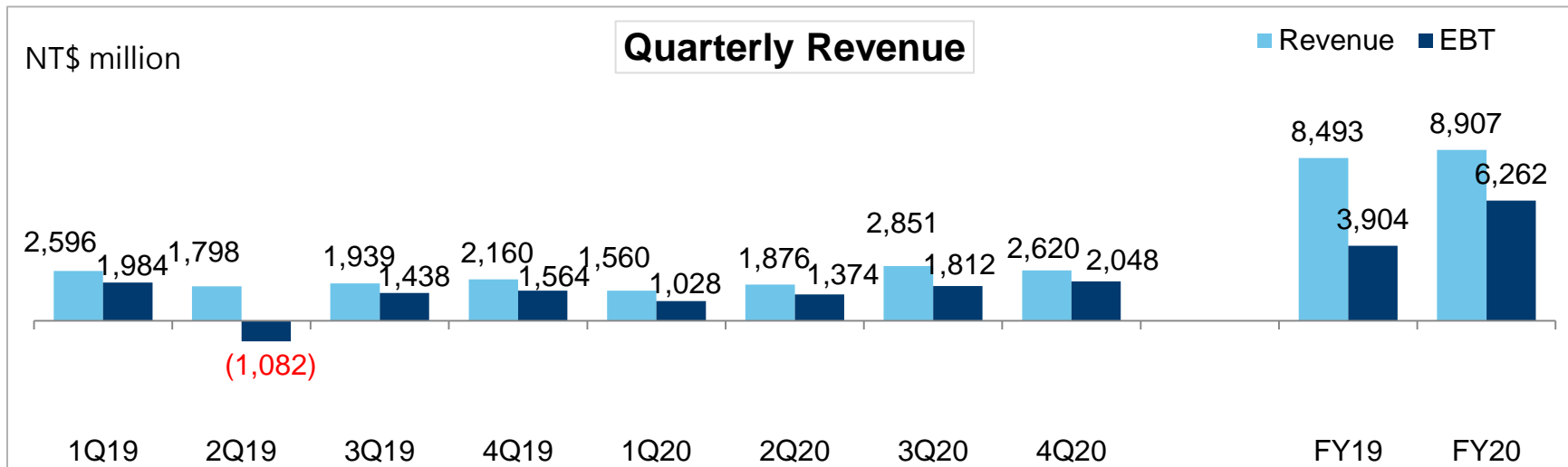
# FY20 Revenue Breakdown

NT\$ million



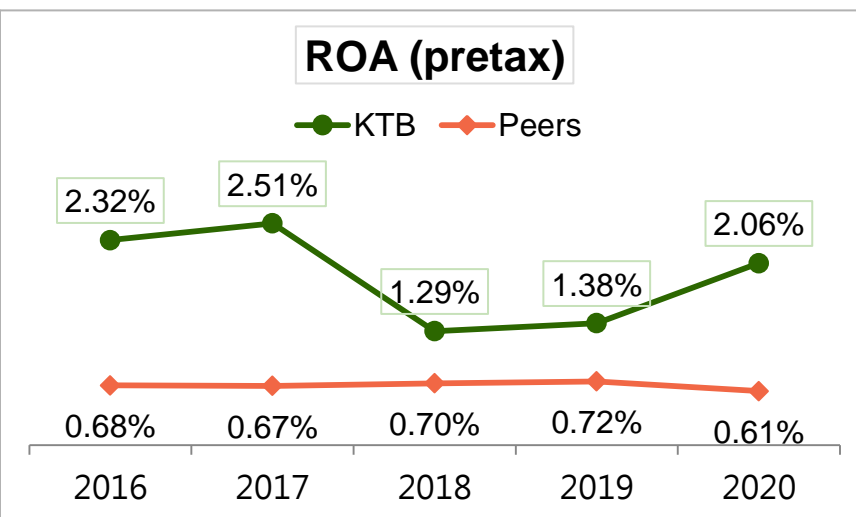
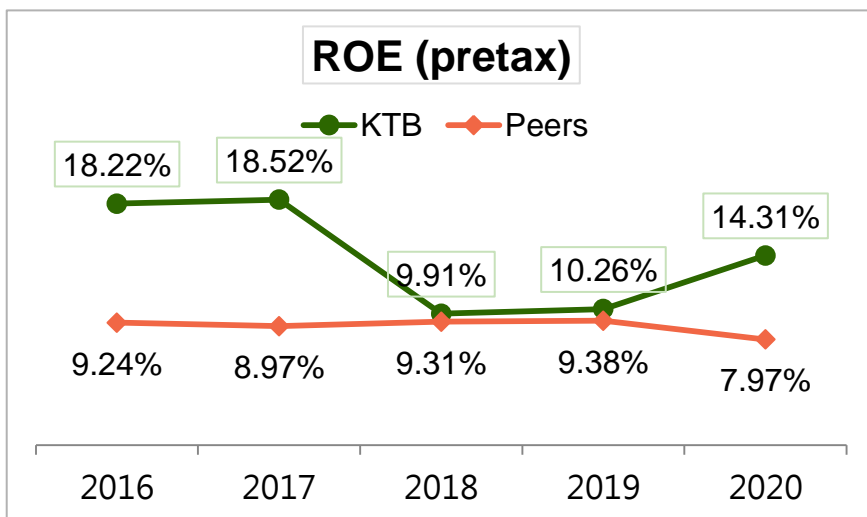
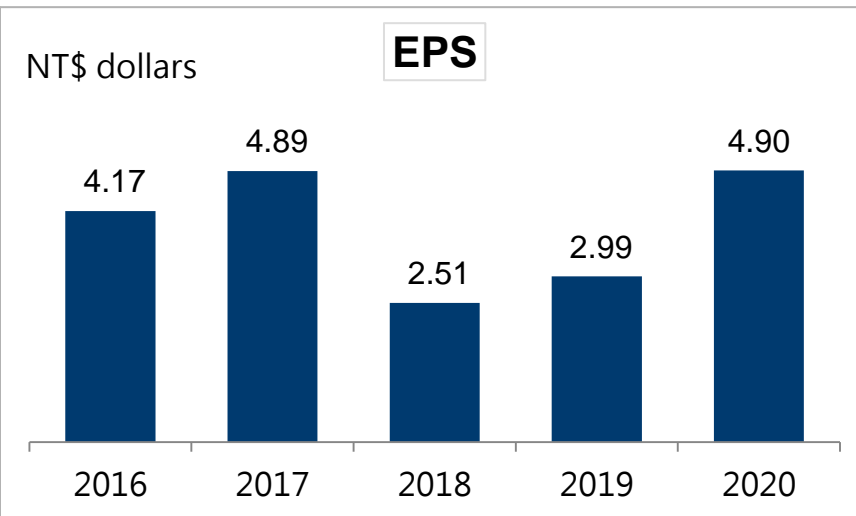
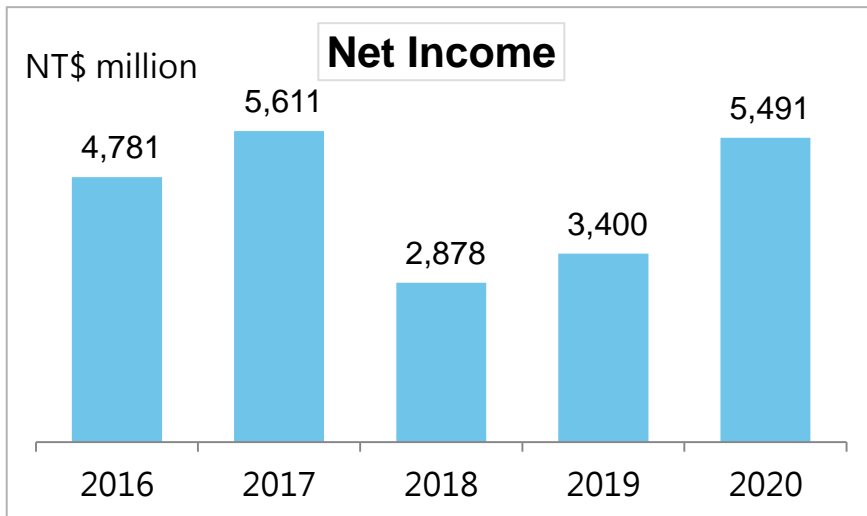


# Quarterly Revenue and Expenses





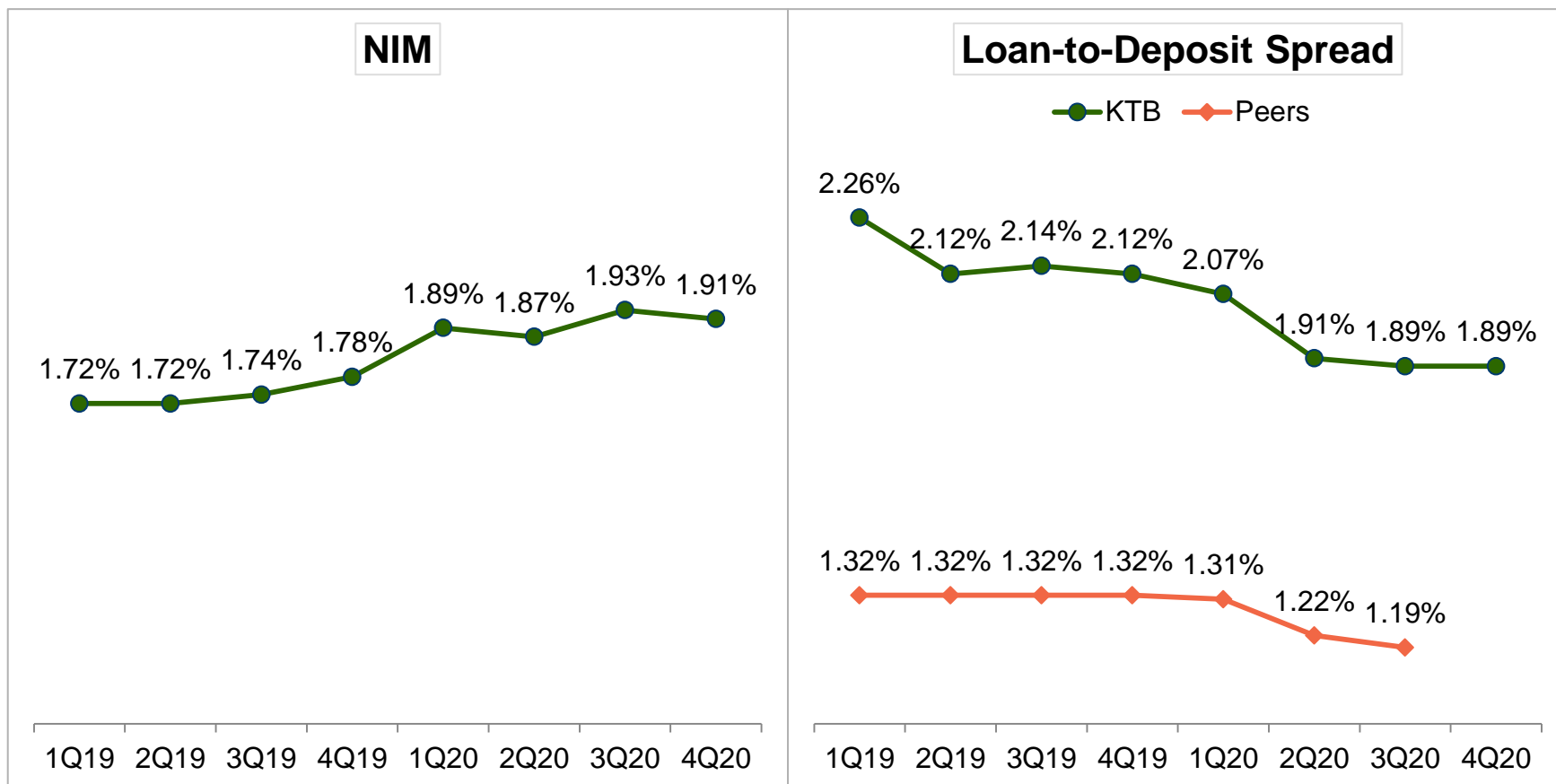
# Profitability



Note: Peers data updated to Nov. 2020 (annualized).



# NIM and Spreads

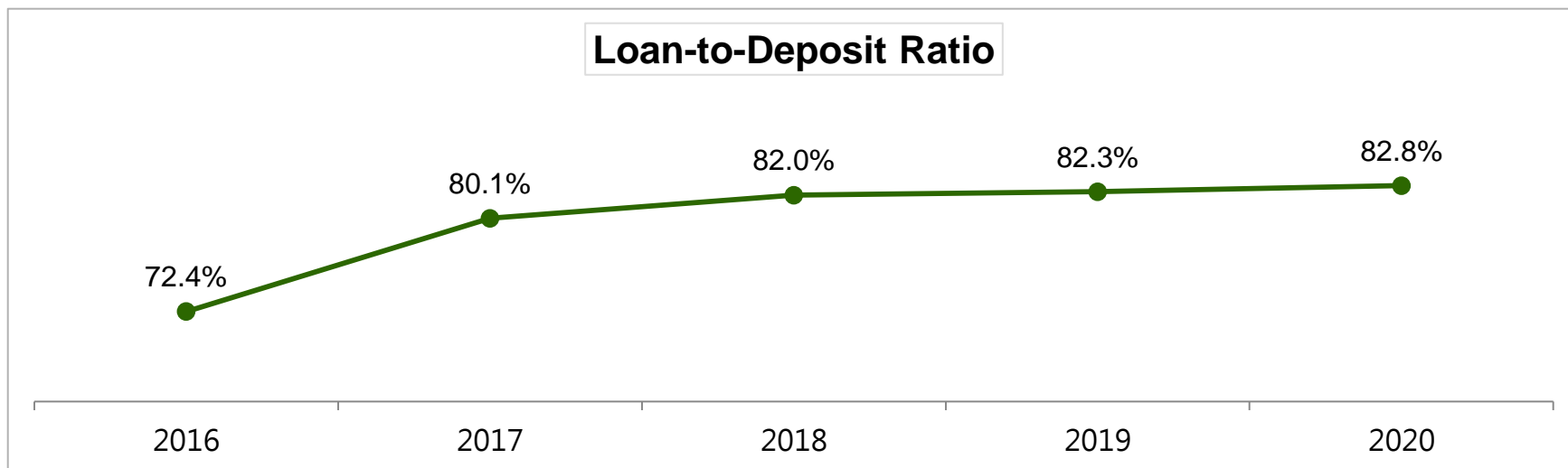
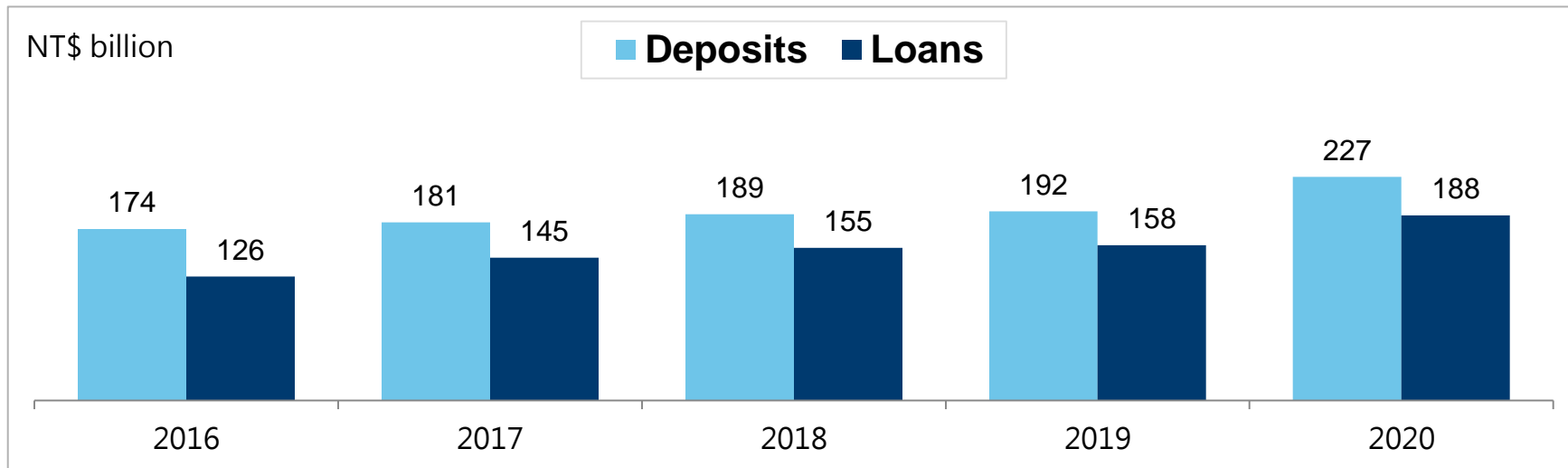


Note: Peers data updated to 3Q/2020.



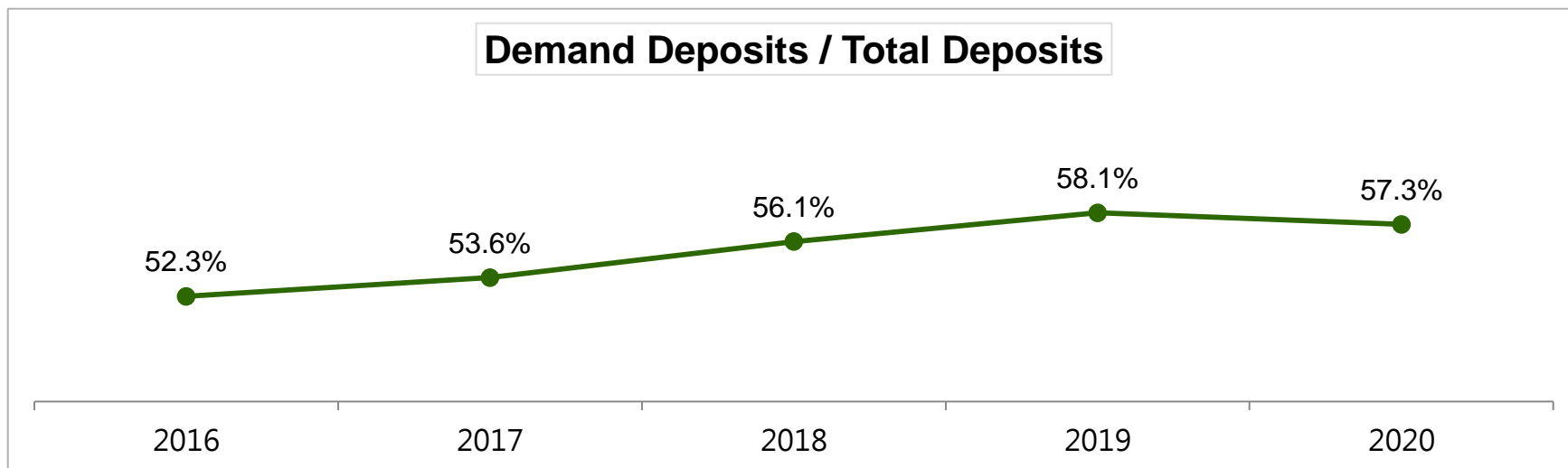
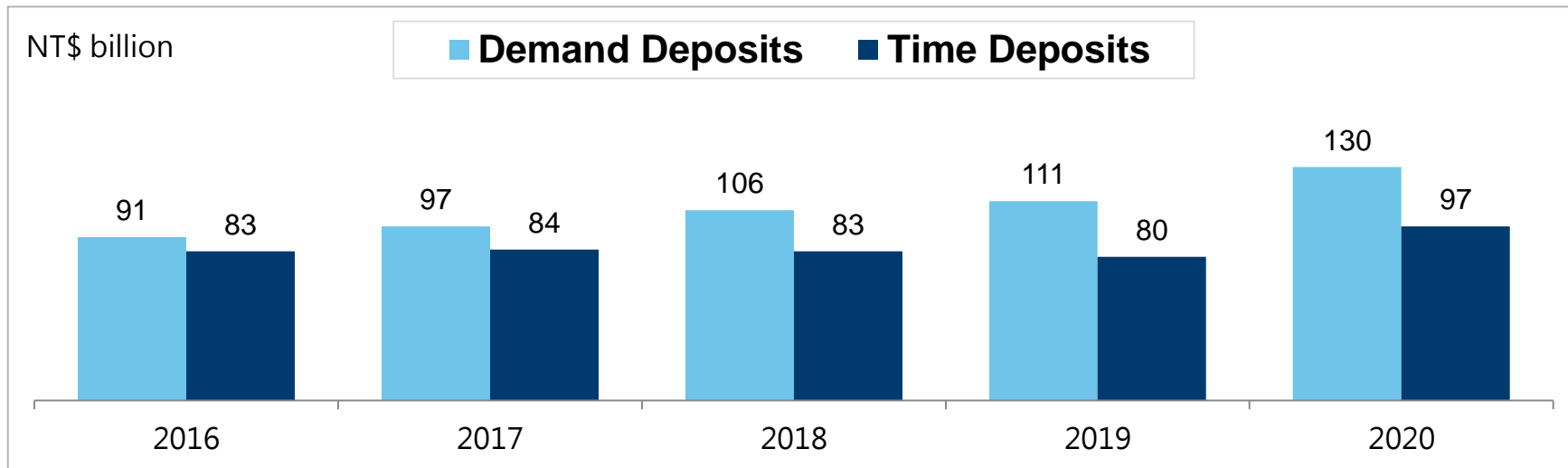


# Loans and Deposits





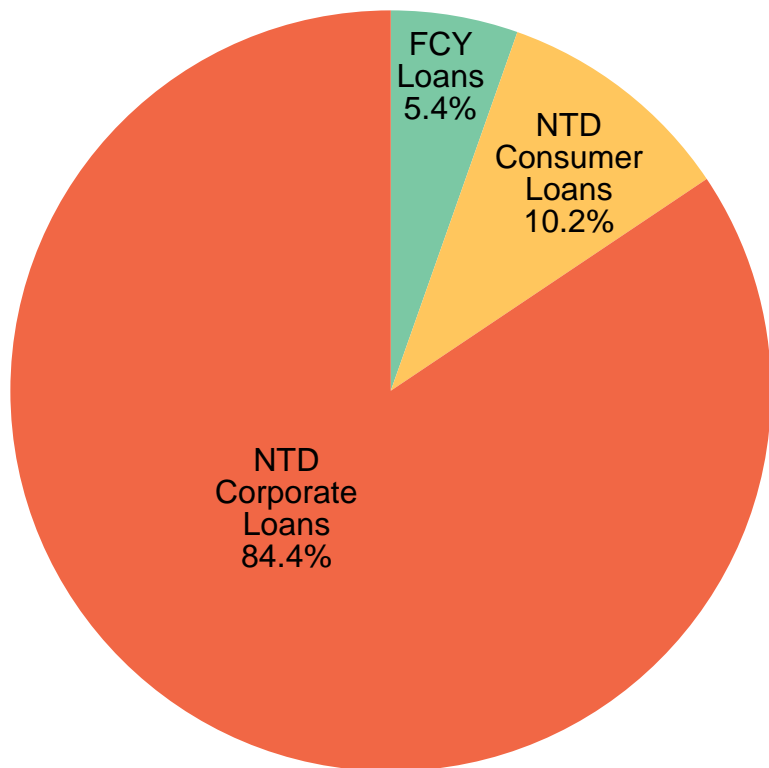
# Deposit Breakdown



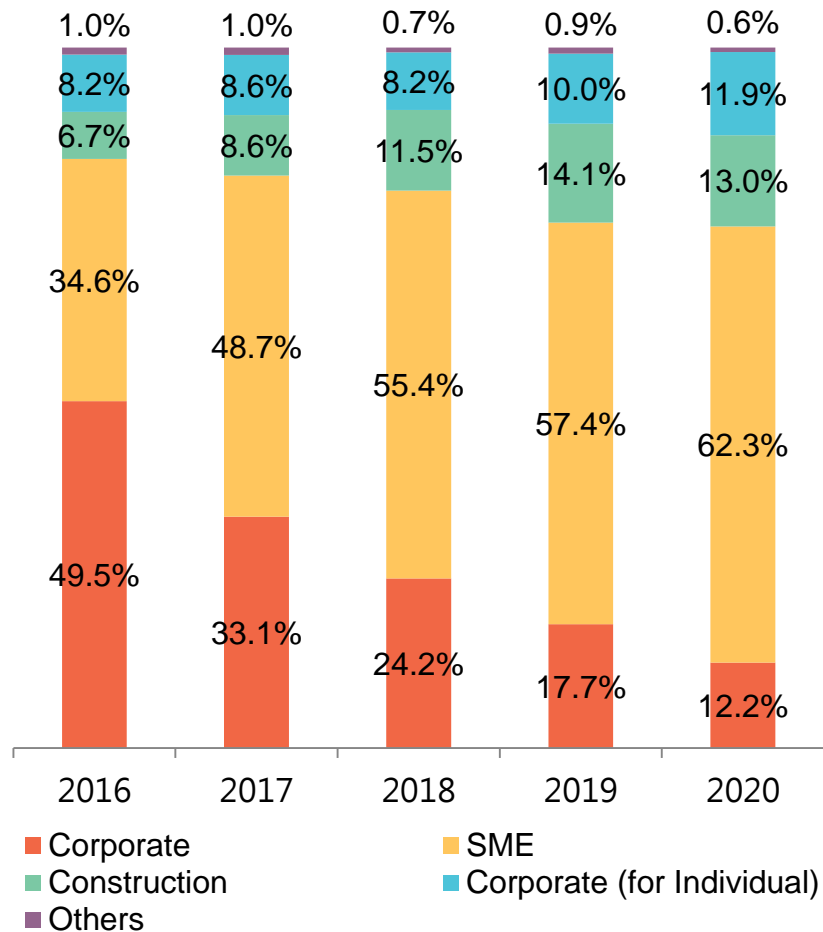


# Loan Breakdown

**Loan Composition (FY20)**

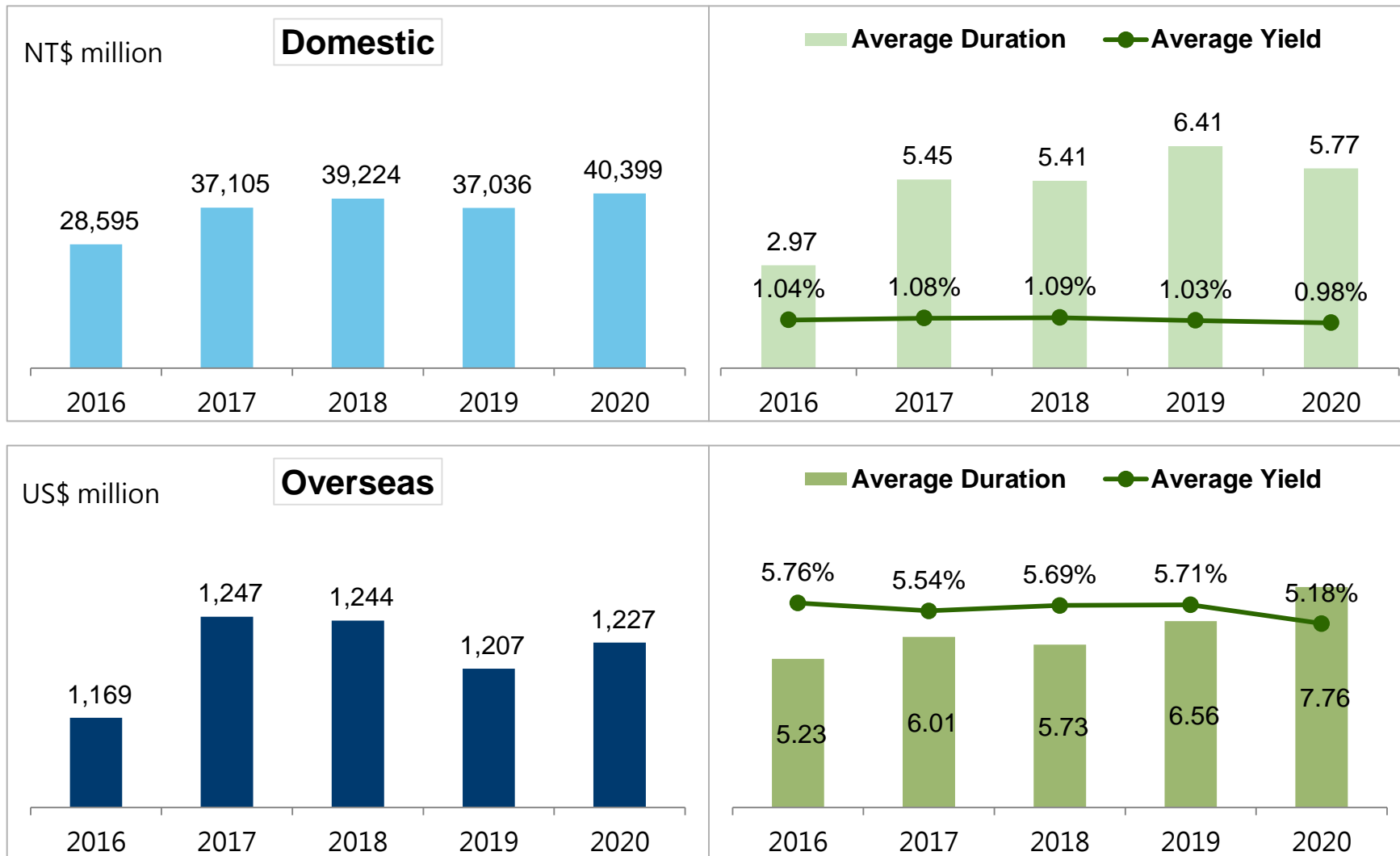


**Corporate Loan by Type**



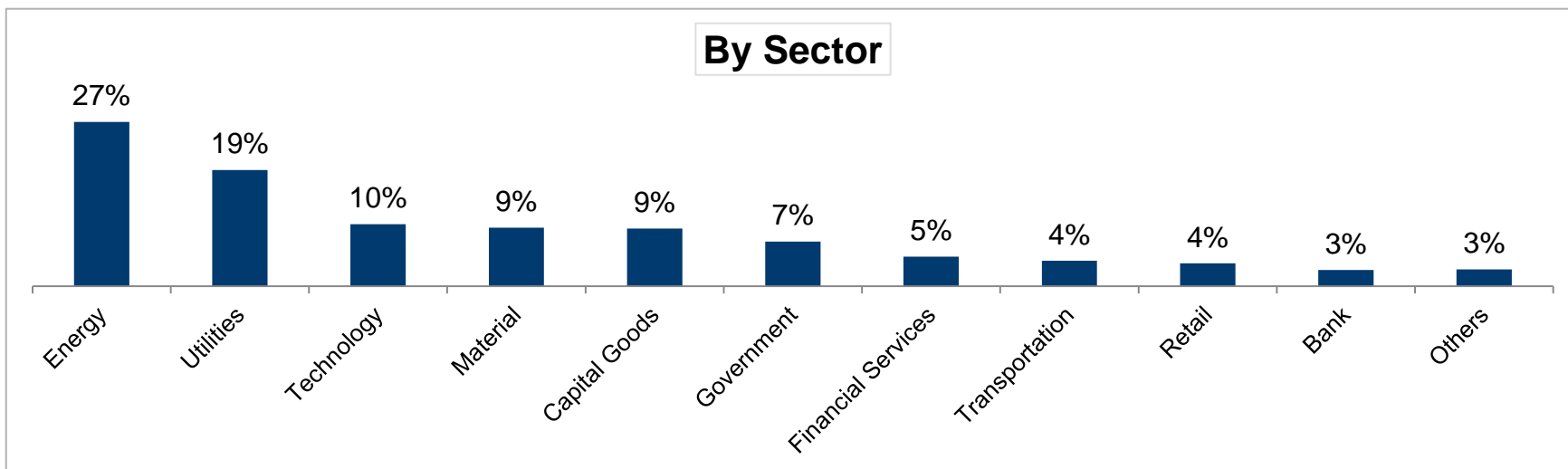
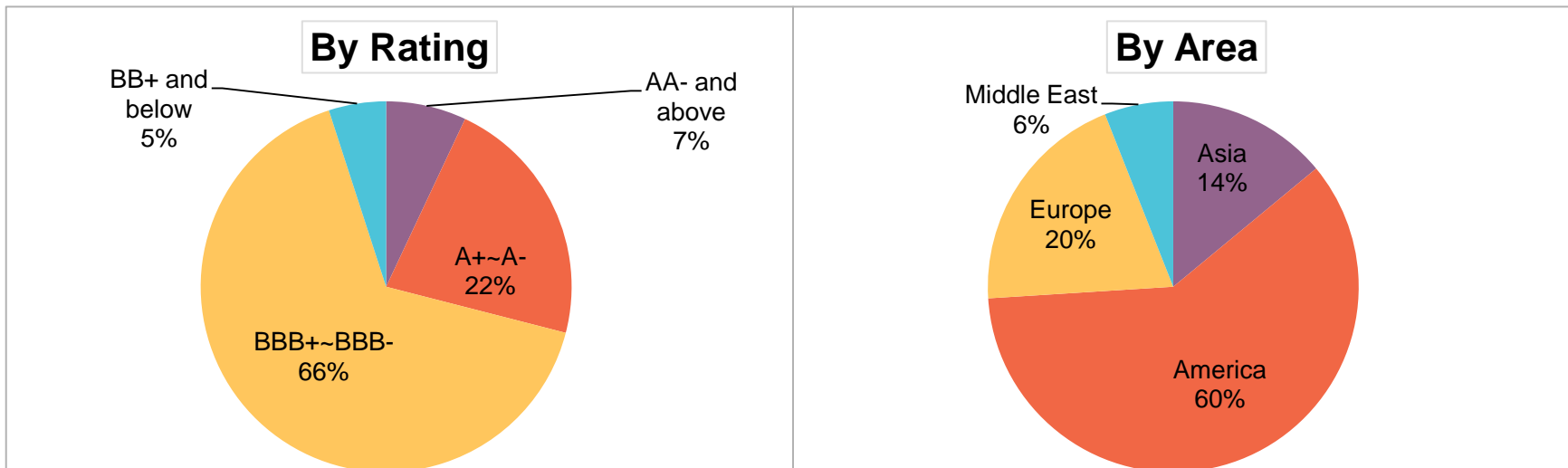


# Financial Assets - Fixed Income Investments



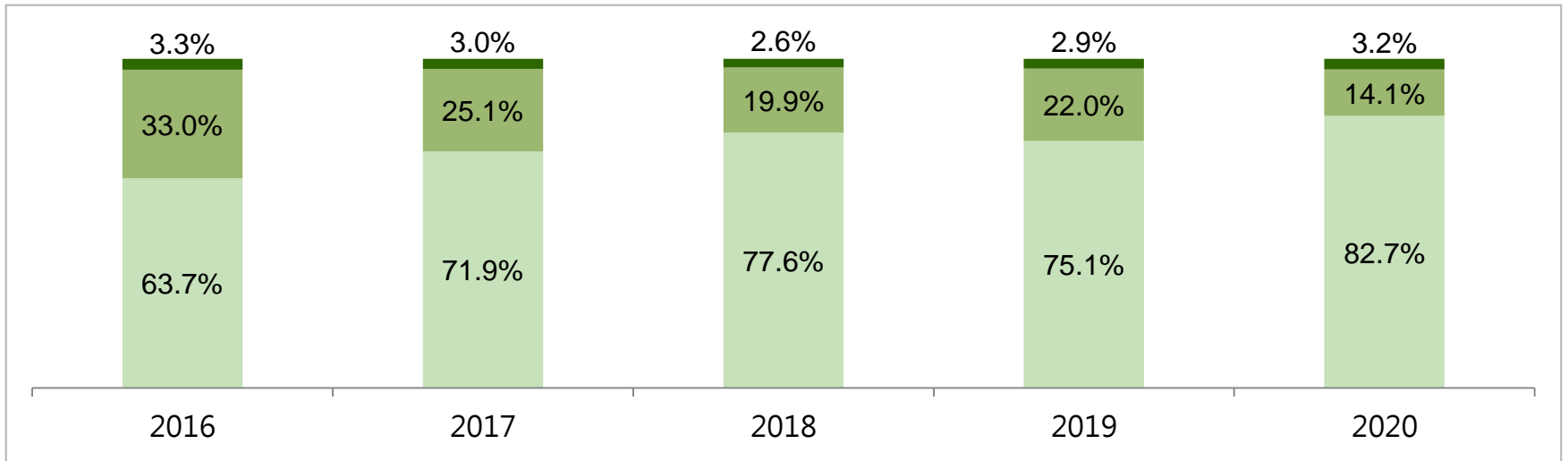
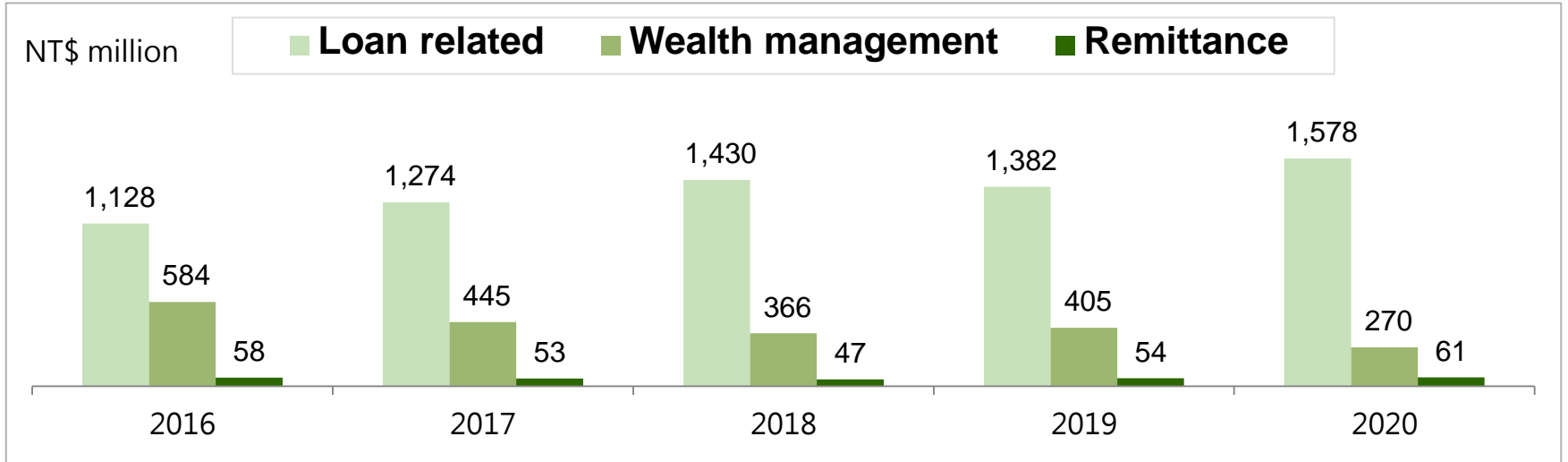


# Financial Assets – Overseas Fixed Income Portfolio(FY20)



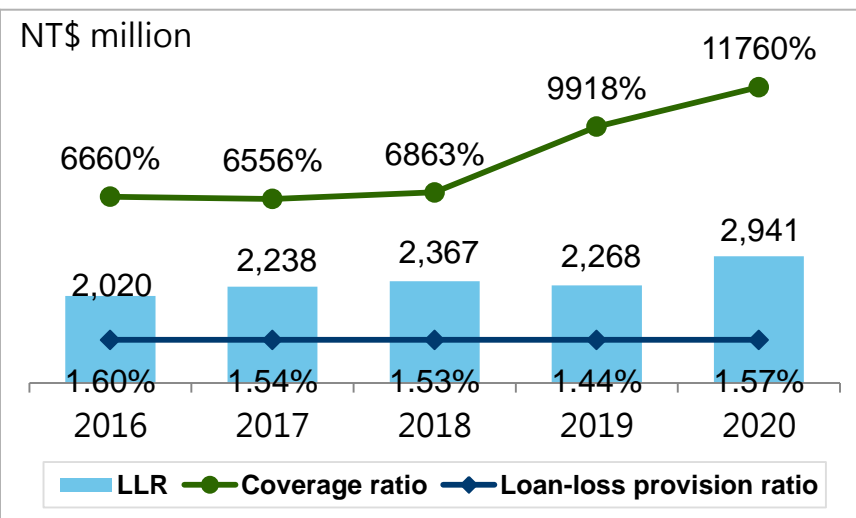
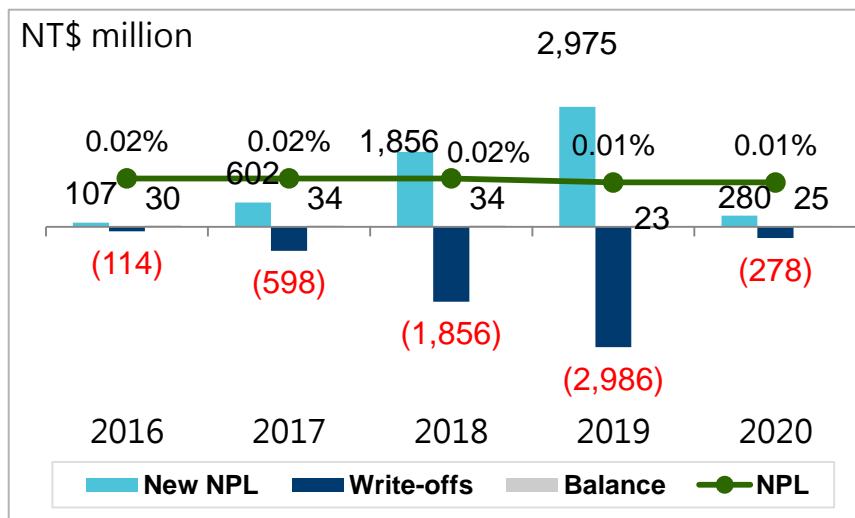
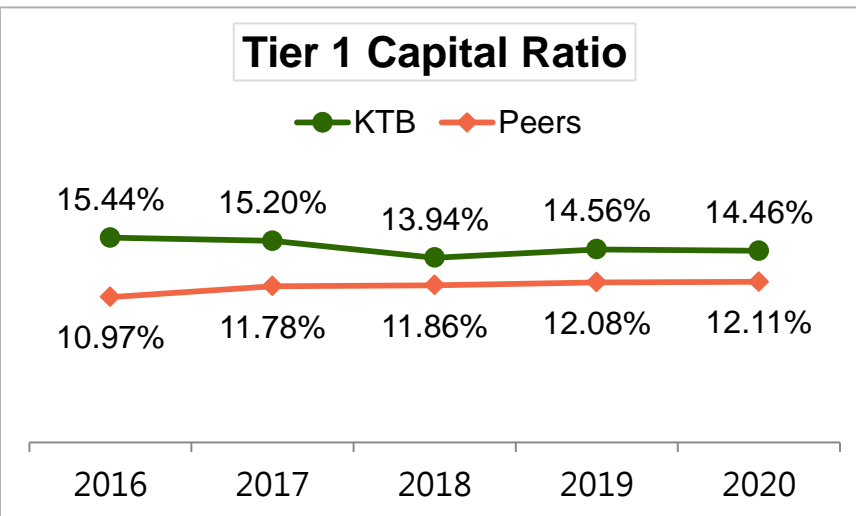
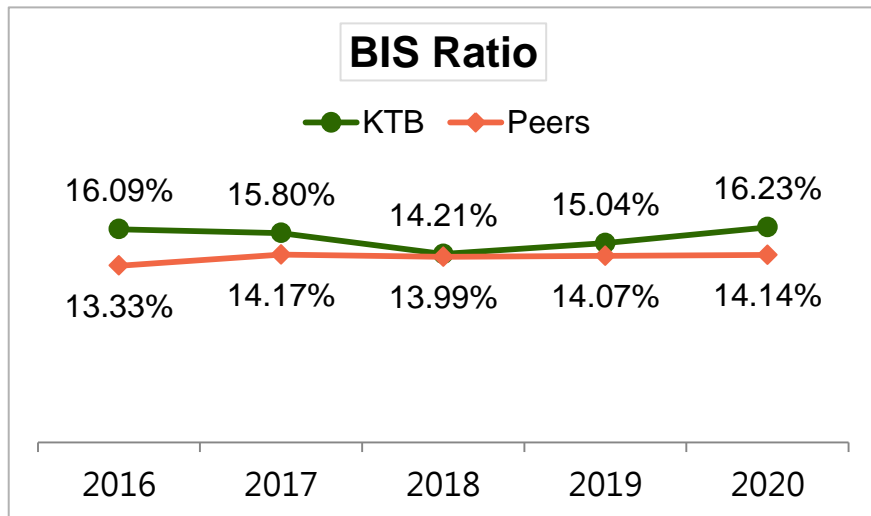


# Fee Income





# Capital Adequacy and Asset Quality



Note: Peers data updated to June 2020.



# Top 1,000 World Banks 2020 - The Banker

Strength				Size			
Rank		Tier 1 Capital (US\$ million)	%ch.	Assets (US\$ million)	%ch.	Rank	
World	Taiwan					World	Taiwan
692	26	1,186	+8.00%	9,390	+2.66%	799	29

Soundness			Performance					
Capital Assets Ratio	Rank		Profits on Capital	Rank		ROA (After-Tax)	Rank	
	World	Taiwan		World	Taiwan		World	Taiwan
12.63%	129	<b>2</b>	9.52%	527	8	1.20%	287	<b>2</b>





# Income Statement

NT\$ million

Items	2020	2019	YoY
Net Interest Income	5,246	4,755	10%
Net Fee Income	1,909	1,841	4%
Other Income	1,752	1,897	-8%
Revenue	8,907	8,493	5%
Operating Expenses	(1,900)	(1,934)	-2%
PPOP	7,007	6,559	7%
Provision for Loan Loss	(745)	(2,655)	-72%
Earnings Before Tax	6,262	3,904	60%
Net Income	5,491	3,400	62%
EPS(Cumulative)(NT\$)	4.90	2.99	64%



# Balance Sheet

NT\$ billion

Items	2020.12	2019.12	YoY	Items	2020.12	2019.12	YoY
Cash, CDs, Interbank Deposits, and R/S	16.7	14.9	12%	Interbank Deposits , Interbank Borrowings	25.7	18.9	36%
Securities	112.7	103.6	9%	Deposits	226.9	191.8	18%
Loans	184.9	155.4	19%	R/P	22.0	28.2	-22%
Property and Equipment	3.4	2.7	26%	Other Liabilities	4.2	2.9	45%
Other Assets	7.7	6.1	26%	Total Liabilities	278.8	241.8	15%
Total Assets	325.4	282.7	15%	Shareholder's Equity	46.6	40.9	14%

# STRATEGY & 2021 OUTLOOK





# Our Commitment to Shareholders

We view asset quality as the basis for all returns. As long as we manage this bank, we will ensure that its asset quality is amongst the best in the industry.

Target a BIS Ratio above 13% and a Tier 1 Capital Ratio above 11%

Aim to sustain healthy growth in BVPS

Strive to maintain double-digit ROE over the long term.

Aim to provide stable or growing annual cash dividend-per-share

Buy treasury shares, when appropriate, to enhance shareholder return.



# Strategic Focus

## Pursuing Growth While Maintaining Outstanding Asset Quality

### Asset Quality is the First Priority

Always asking “at what cost” each growth opportunity will come

### Extra Care in Risk Management

Systematic cooperation between branch sales managers and the risk management team at KTB headquarters

### Building Long-Term, Win-Win Partnerships with Clients

Helping clients to grow their business



# King's Town Bank 2021 Outlook

- **We expect continued healthy loan growth on the back of a positive economic outlook in Taiwan:** The Directorate General of Budget, Accounting & Statistics forecasts that Taiwan's real GDP will grow 4.64% in 2021 and GDP per Capita will exceed US\$30k.

We are cautiously optimistic on the prospects for continued healthy growth in our lending business this year.

We are in a liquidity-rich environment and our deposit-to-loan ratio is low enough to support further loan growth

The external environment is favorable to maintaining our current high level of asset quality.

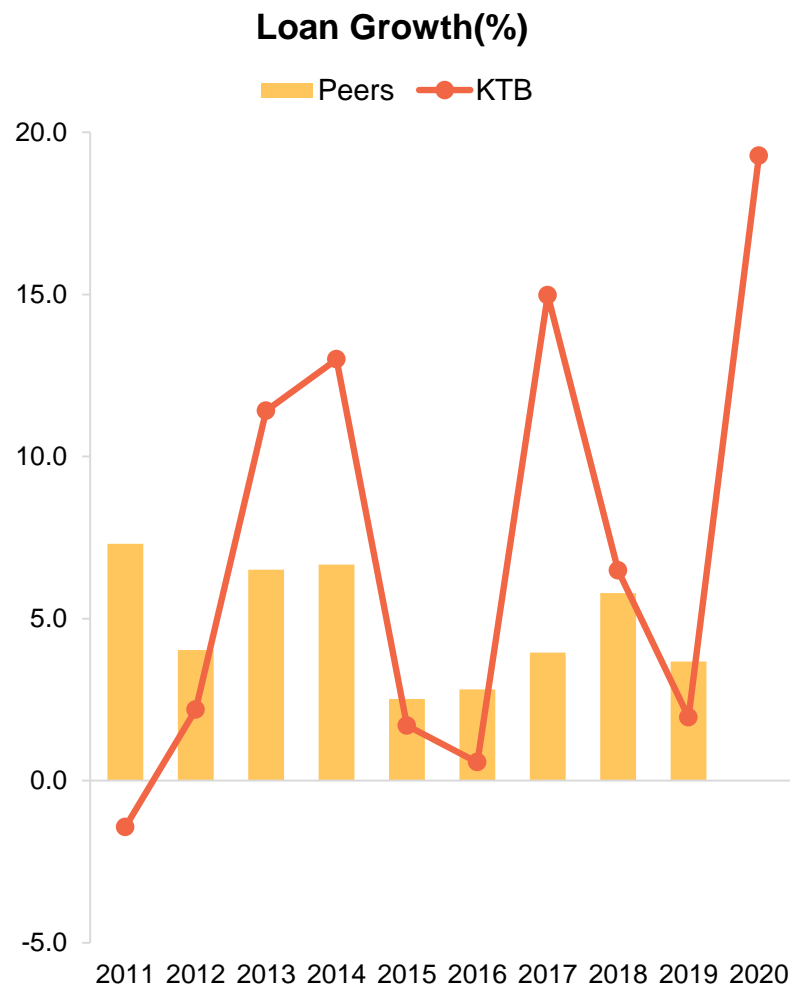
- **We aim to maintain NIM at or close to the level of 2H20**

Funding costs are not likely to fall much further, so we expect NIM to remain relatively stable in 2021.

- **Investment in Digital Banking Capabilities:**

We will continue to increase investment in IT and to expand the size of our IT department.

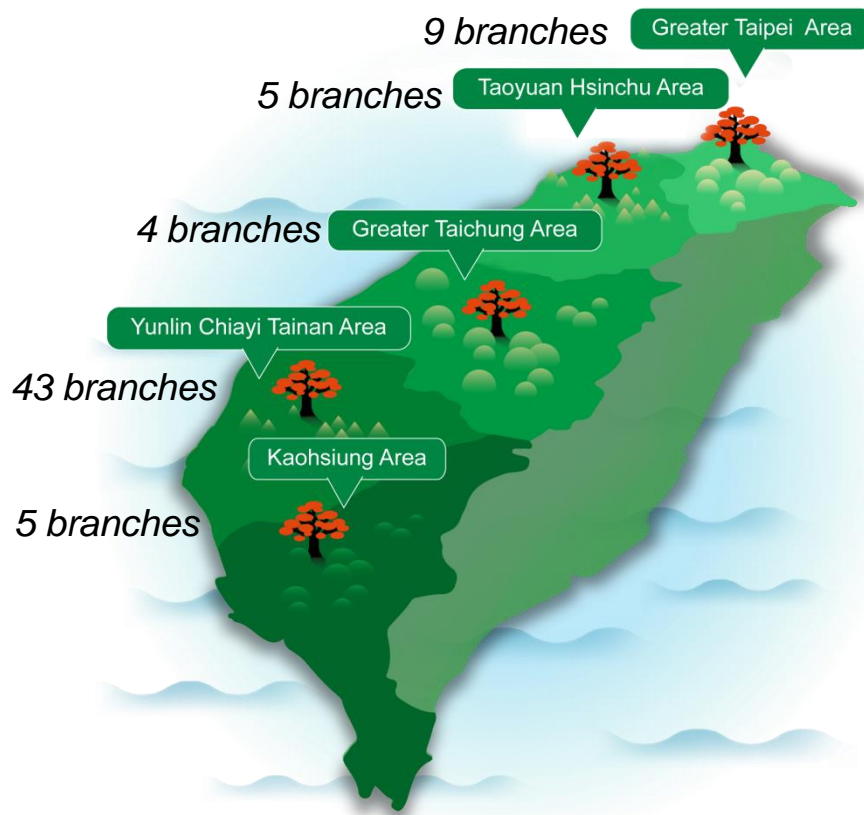
Our focus is on enhancing the digital offering we provide to existing long-term customers.





# King's Town Bank at a Glance

- Established in 1948, formerly known as the Tainan Business Bank.
- Headquartered in Tainan City, a city with a population of 1.9 million.
- A total of 66 branches, with approximately 73% of branches located in Southern Taiwan.
- Paid-in capital of NT\$ 11.2 billion.
- 23 Metro branches, contributing
  - 17% of deposits
  - 86% of loans
- 43 Non-metro branches, contributing
  - 83% of deposits
  - 14% of loans
- Ranked in the Top 5% in terms of “Corporate Governance Best-Practice for TWSE Listed Companies” for three consecutive years.
- Credit rating affirmed by Fitch at BBB · local rating at A+(tw) · F1(twn) for 7 consecutive years. Outlook negative in 2020.





## Disclaimer

- This presentation may include forward looking statements. All statements, other than statements of historical facts, that address activities, events or developments that King's Town Bank expects or anticipates will or may occur in the future are forward-looking statements. King's Town Bank's actual results or developments may differ from those indicated by these forward-looking statements as a result of various factors and uncertainties which are beyond our control. In addition, King's Town Bank makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.
- The preliminary results announced today are unaudited and are therefore subject to change.





*Thank You !*



**Our Website: [www.ktb.com.tw](http://www.ktb.com.tw)**