



King's Town Bank

'A Different Kind of Bank'

2021 First Half Results Conference



Stock Code : 2809.TW

*The results are preliminary and subject to changes.

August 10, 2021



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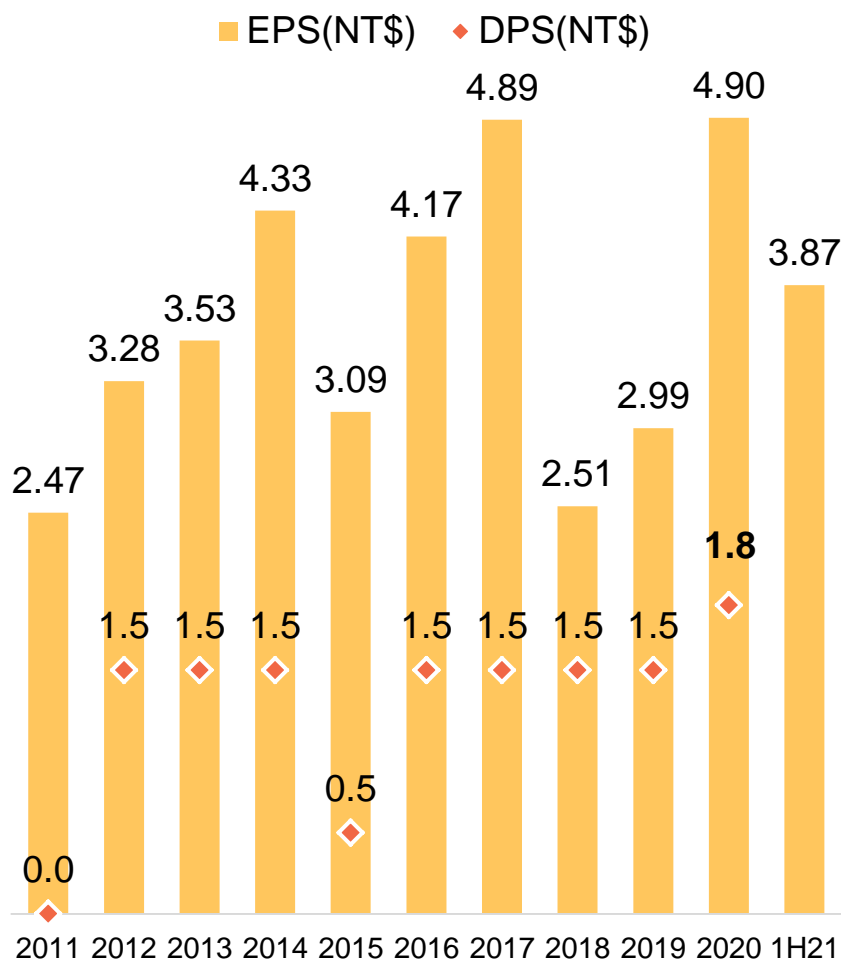
OPERATING HIGHLIGHTS





Operating Highlights

- 1H21 preliminary EPS reached NT\$3.87**
 - 2020 EPS hit a new record high
- Maintained Outstanding Asset Quality and Capital Adequacy Ratios**
- A cash dividend per share of NT\$1.8 for FY2020, surpass NT\$1.5**
 - Aiming to provide stable and growing annual cash dividend-per-share
- 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.










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
<p>Owner-operated, Tsai Family and Chairman Terence Tai control 40% of outstanding shares.</p>		<p>Controlled by multi-generational, large family conglomerates and/or the government, frequently with less than 20% shareholding.</p>
<p>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.</p>		<p>Each Branch provides a similar portfolio of services. Budget established by bank HQ, and all departments and branches work to budget.</p>
<p>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.</p>		<p>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.</p>
<p>We work with our compliance department at every stage of the business development process, embedding compliance in our business conduct and product structure.</p>		<p>Compliance is primarily seen as a supervisory function and is brought into projects at a later stage or only as necessary.</p>
<p>Professionalism defined by accountability, timeliness in providing solutions to clients and communication with others.</p>		<p>Professionalism defined by cumulative experience in a given function and the ability to navigate the corporate hierarchy.</p>
<p>Investment Policy: Hold long-term (equity) and to maturity (bonds), follow underlying companies closely, never invest in something you don't understand.</p>		<p>Trading culture, emphasis on yearly budget and realized profits.</p>
<p>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.</p>		<p>Loan growth target communicated to sales, followed by a team-wide effort to hit the number.</p>



How are we 'Different'?

- ✓ **We take less risk and have a more focused business model.**
- ✓ **Growing loans faster than industry peers, while being much choosier about whom we lend to.**
- ✓ **Growing book 4-5x faster than peers, with far superior returns.**

Key Ratios (%)	Loan CAGR (2016-2020)	BV/Share CAGR (2016-2020)	Average ROE (pretax) (2016-2020)	Average ROA (pretax) (2016-2020)	2020 BIS Ratio
King's Town Bank	8.4	11.2	14.24	1.91	16.23
Local Peer Average	4.2	2.8	8.99	0.66	14.85

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

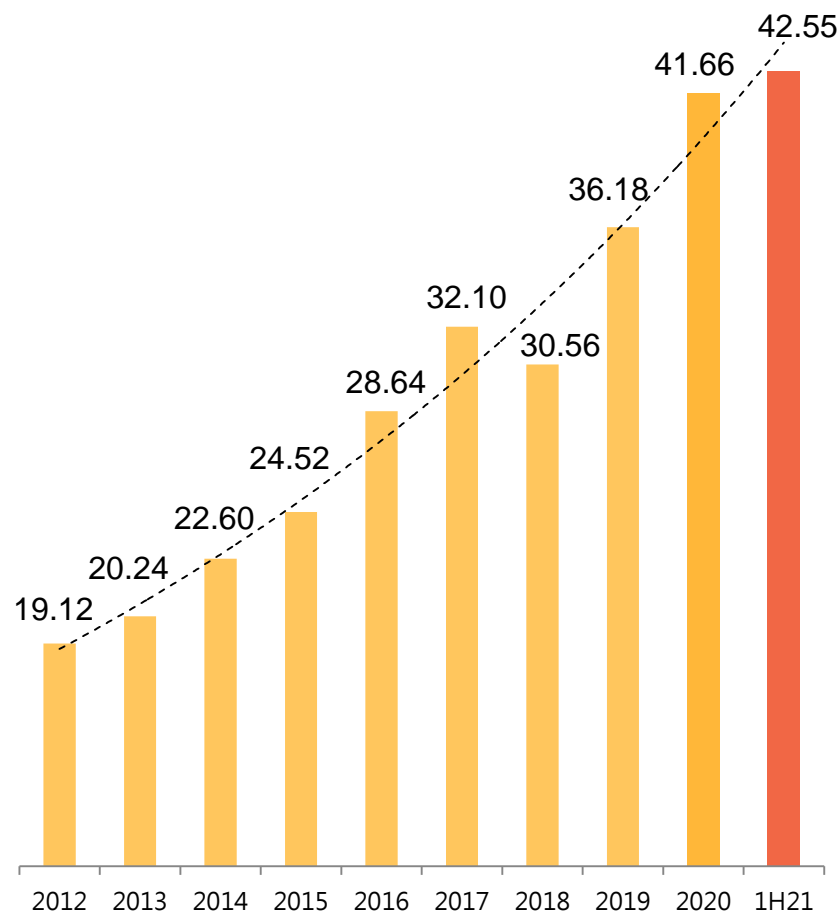
Data Source: Central Bank, year-end 2020.



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.

Maintain our BIS Ratio above 13% and our Tier 1 Capital Ratio above 11%

Aim to sustain healthy growth in BVPS

Maintain double-digit ROE over the long term.

Provide stable and growing annual cash dividend-per-share

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

1H21 FINANCIAL REVIEW

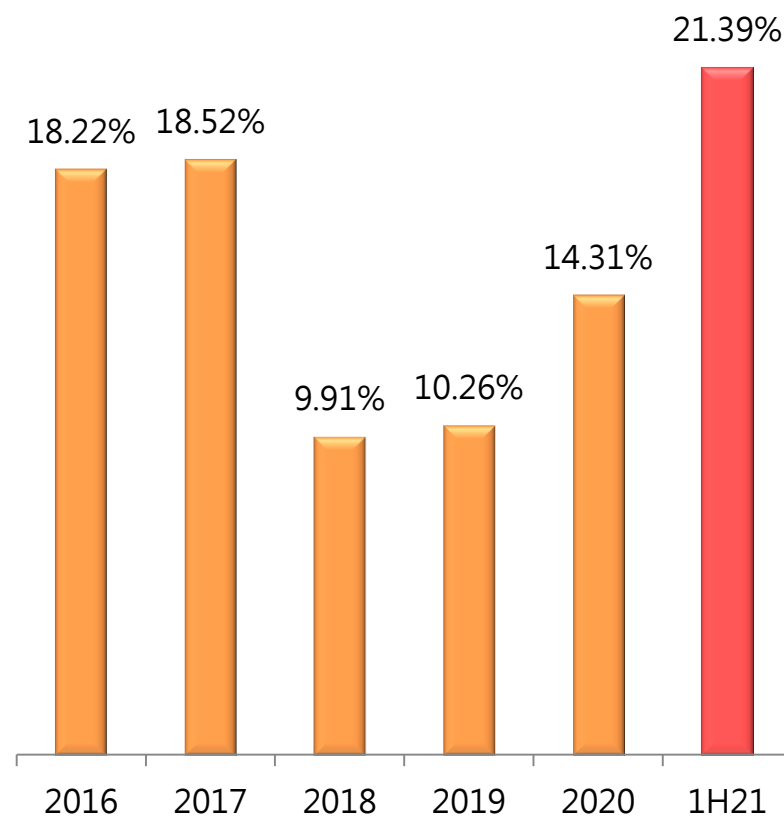




1H21 Financial Review

	1H21	1H20
Total Assets (NT\$ mm)	327,747	298,103
Book Value/share (NT\$)	42.55	36.10
ROE (pretax)	21.39 %	11.80 %
ROA (pretax)	3.09 %	1.65 %
BIS Ratio	16.92 %	15.51 %
NPL Ratio	0.02 %	0.01 %
Coverage Ratio	9652 %	12646 %
Loan-loss Provision Coverage Ratio	1.56 %	1.41 %
FINI Holdings	15.33 %	14.86 %
Fitch Rating	A+(tw) 、 F1(twn)	

ROE (pretax)





1H21 Unaudited Results – Key Highlights

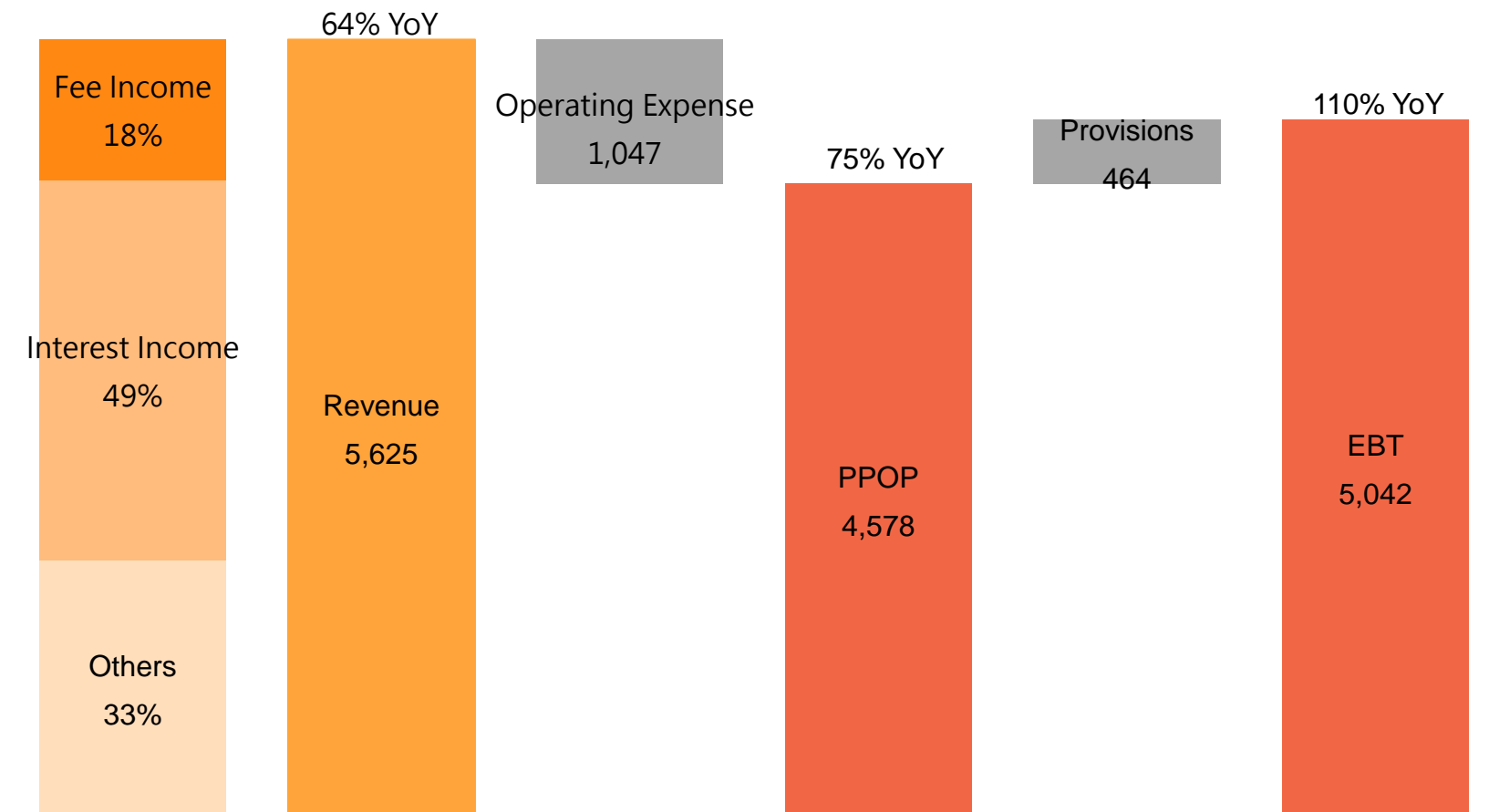
- 1H21 net income increased by 64% compared with the same period last year, with net interest income rising by 11% YoY, and net fee income increasing by 1%. The increase in net interest income was mainly due to the 19% growth in our loan book in 2020 and another 7% growth in 1H21 versus year-end 2020. Total Loans at the end of 1H21 were NT\$201bn.
- 1H21 Other income came in at NT\$1,847mn versus a loss of NT\$69mn in 1H20 was due strong performance in the capital markets and mark-to-market reversals of expected credit losses under IFRS accounting rules. In 1H20, a correction in the capital markets due to the onset of the Covid-19 pandemic and a steep decline in oil prices resulted in a negative contribution from other income.
- 1H21 Provisions for Loan Loss also contributed a positive NT\$464mn, due to a recovery of NT\$768mn Green Energy bad loan provision via the sale of collateral.
- Loan-loss provision ratio was 1.56% at the end of June 2021 versus the median value of 1.31% for the Taiwan banking industry.*

*Median value is from May 2021, the latest date that industry-wide data is available for.



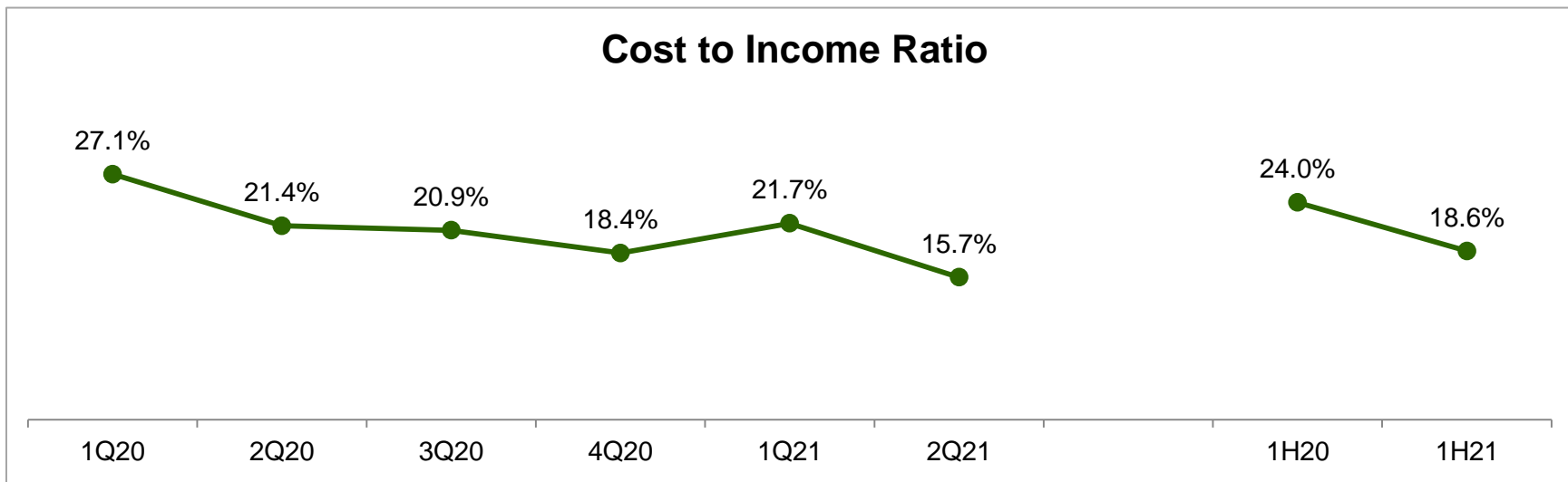
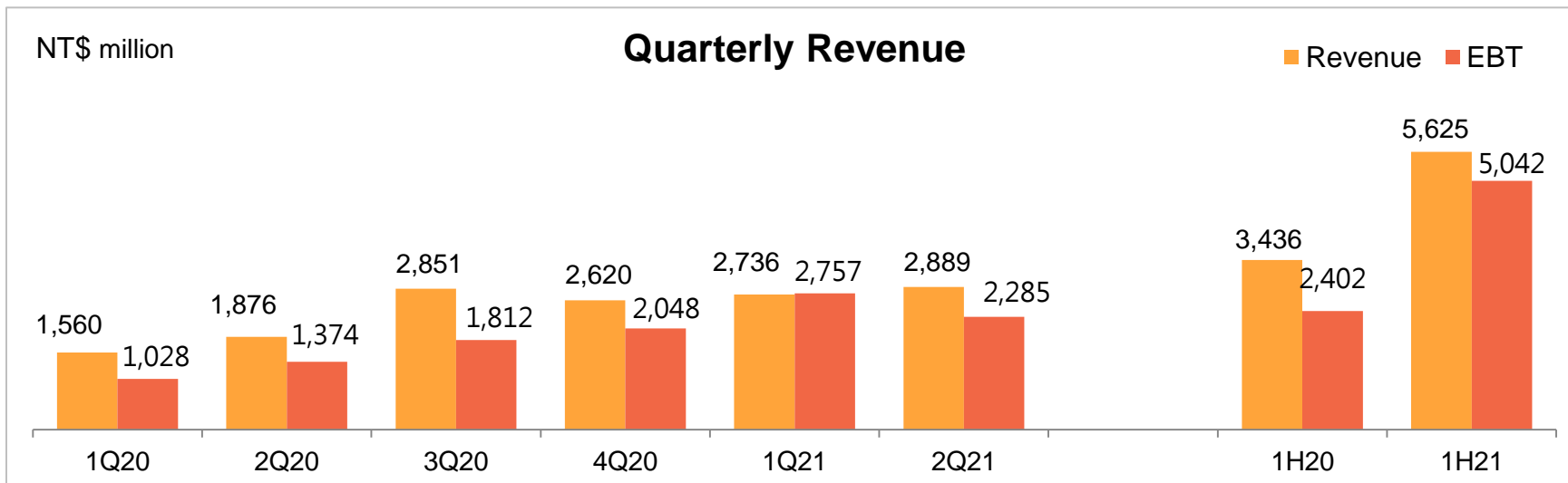
1H21 Revenue Breakdown

NT\$ million



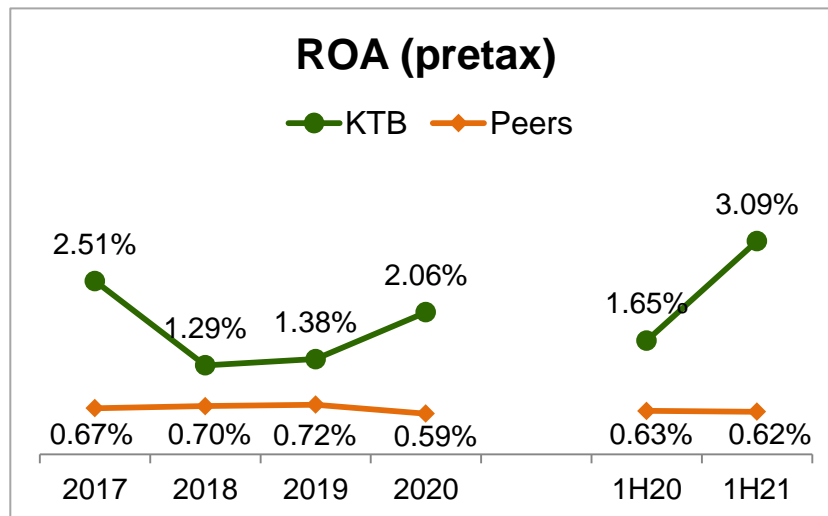
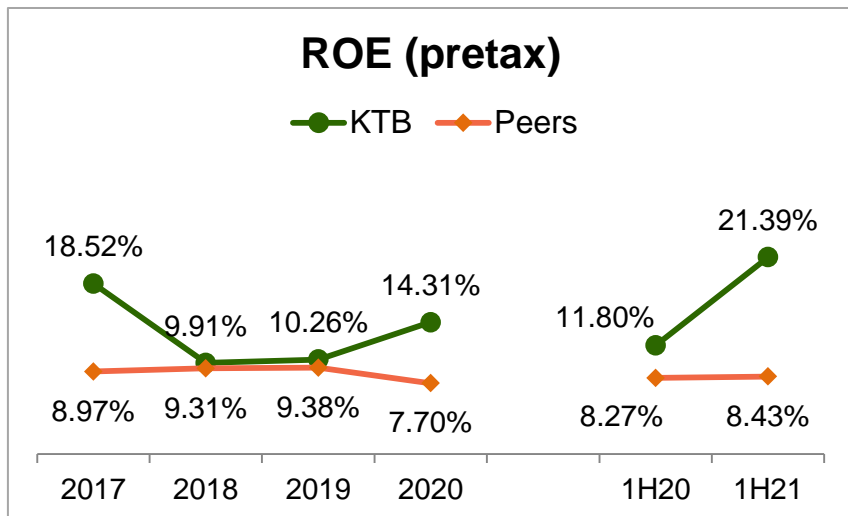
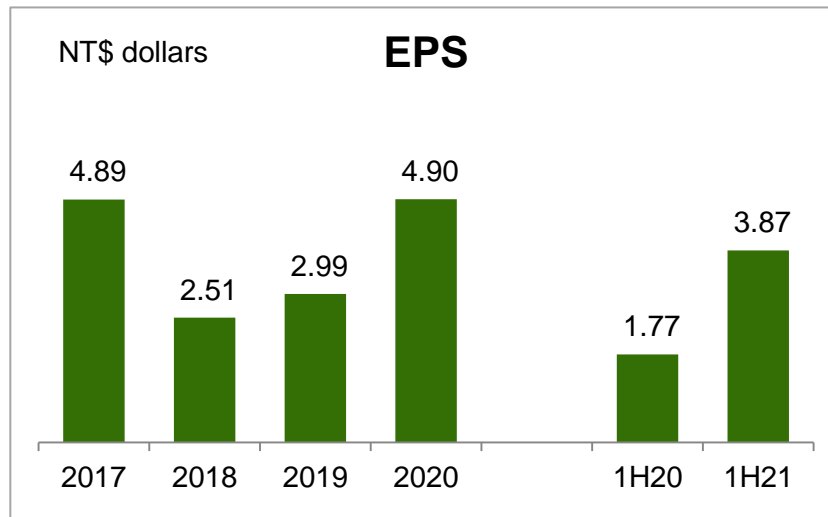
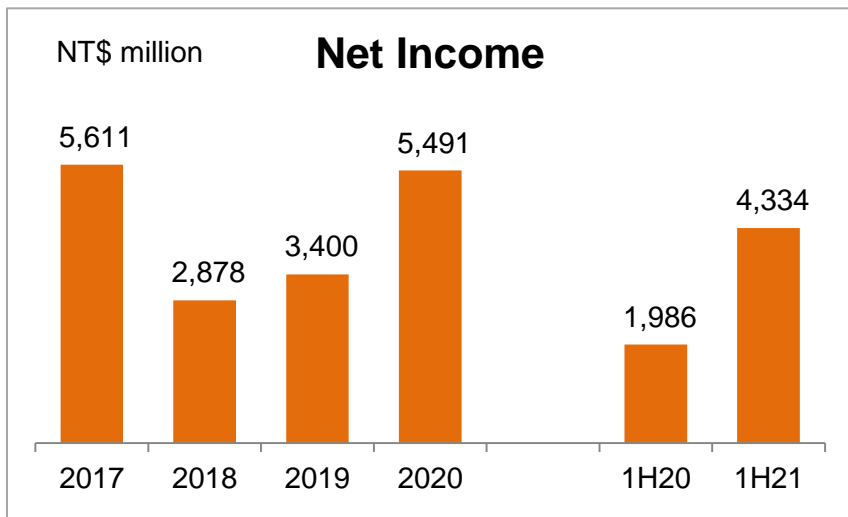


Quarterly Revenue and Expenses





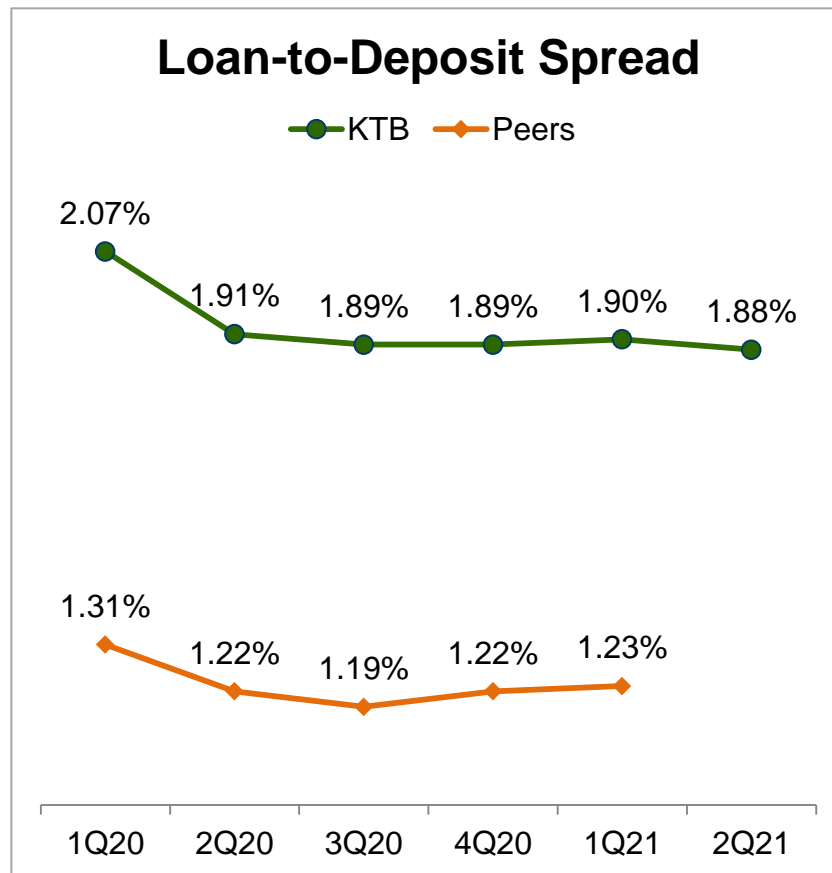
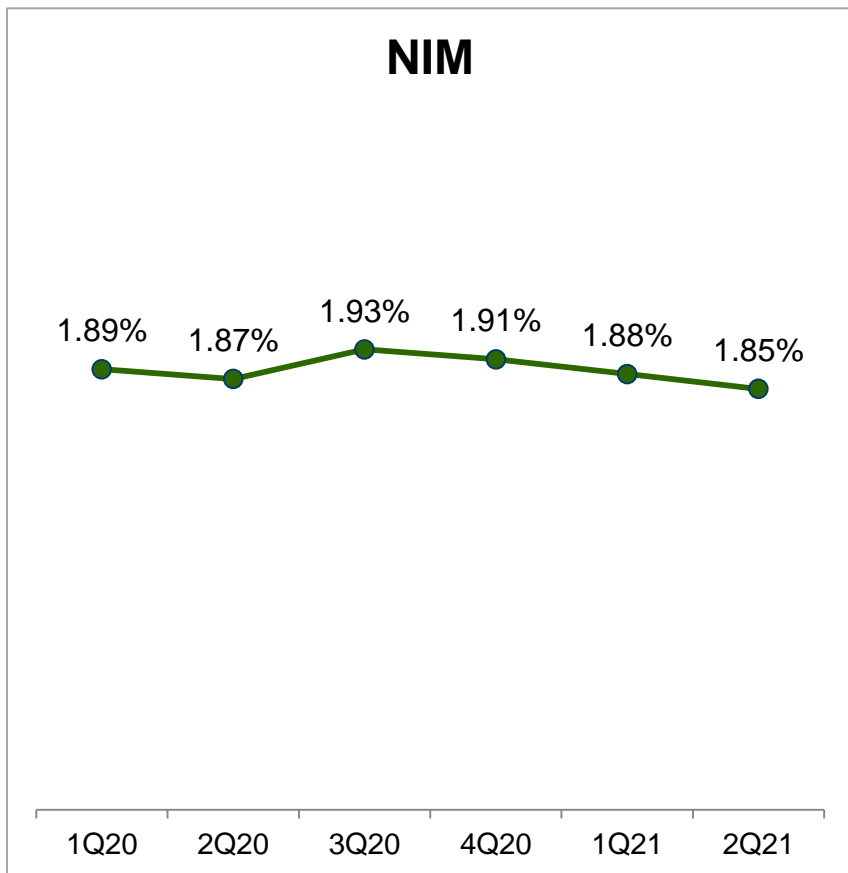
Profitability



Note: Peers data updated to May 2021 (annualized).



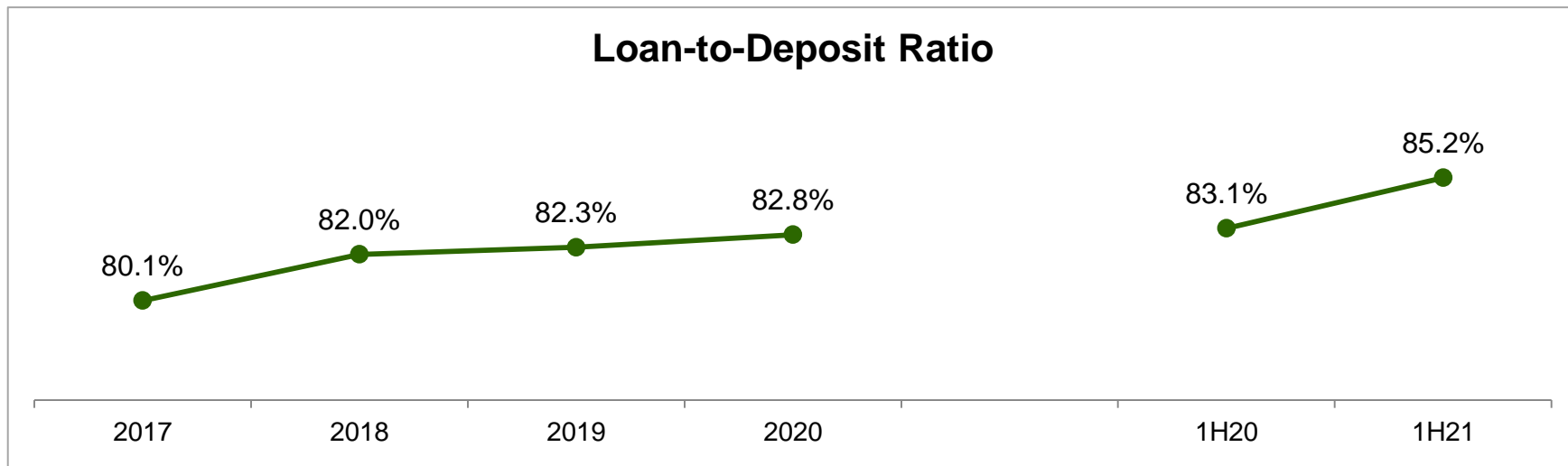
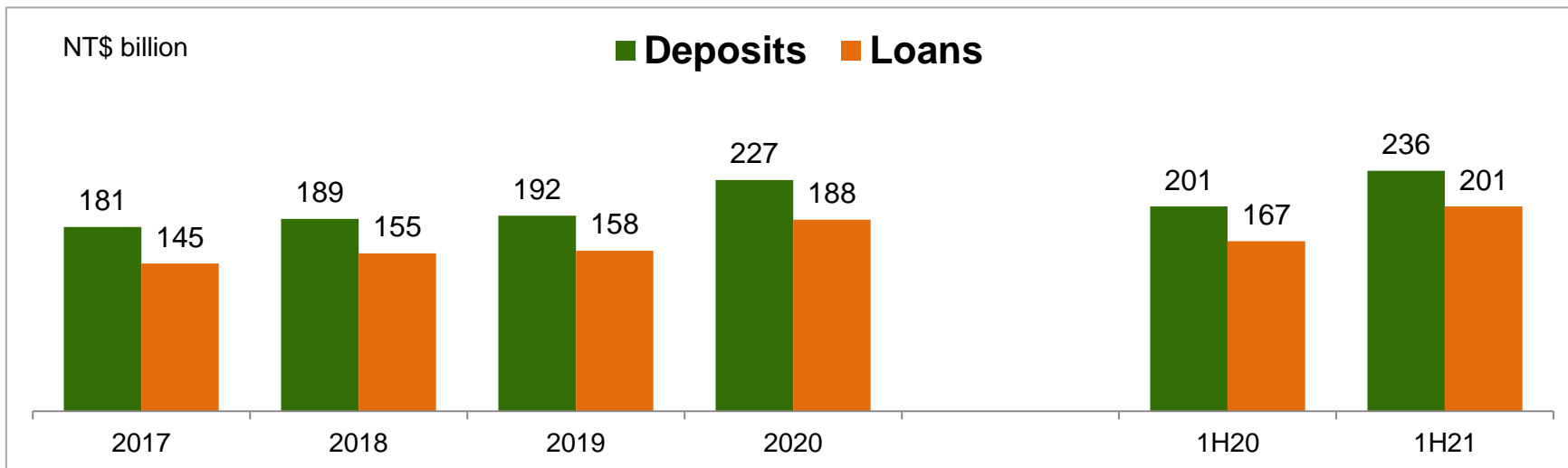
NIM and Spreads



Note: Peers data updated to 1Q/2021.

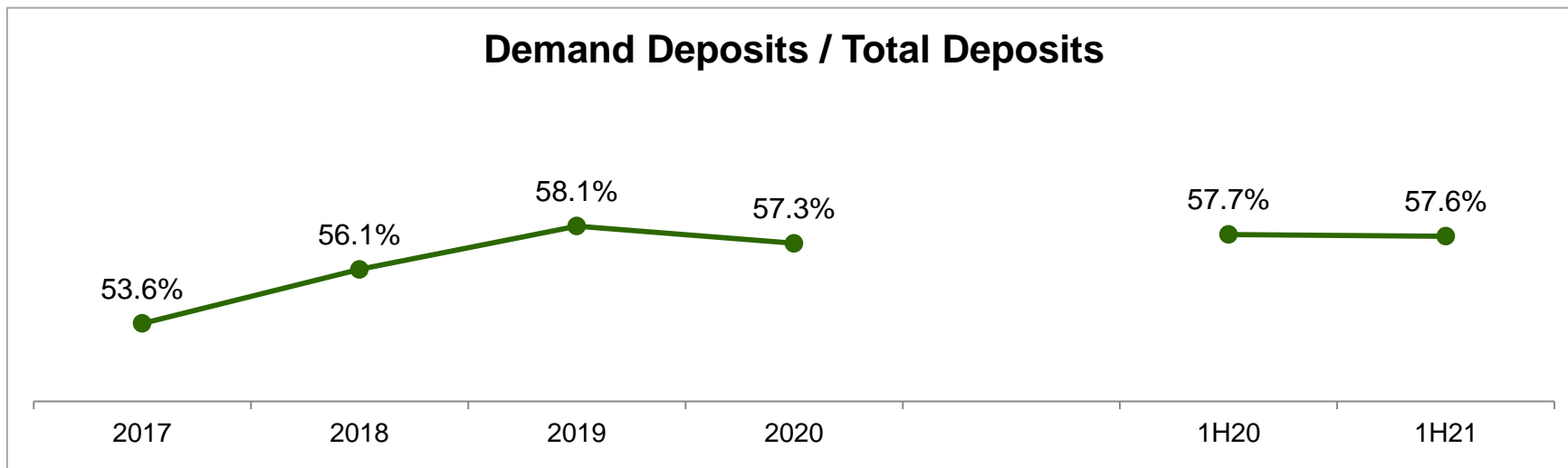
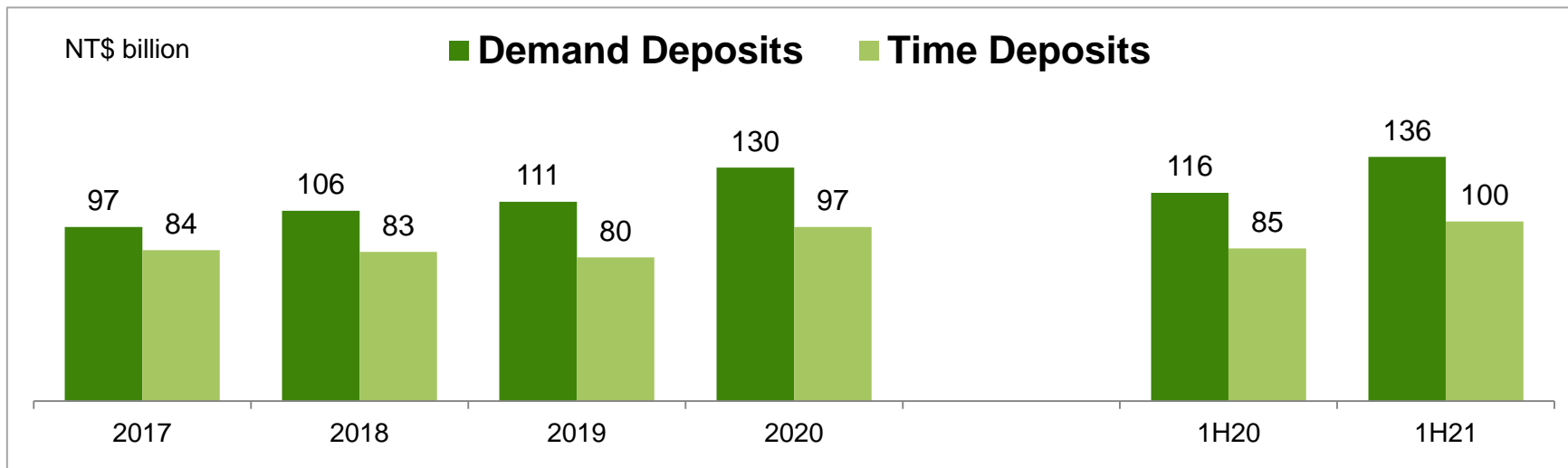


Loans and Deposits





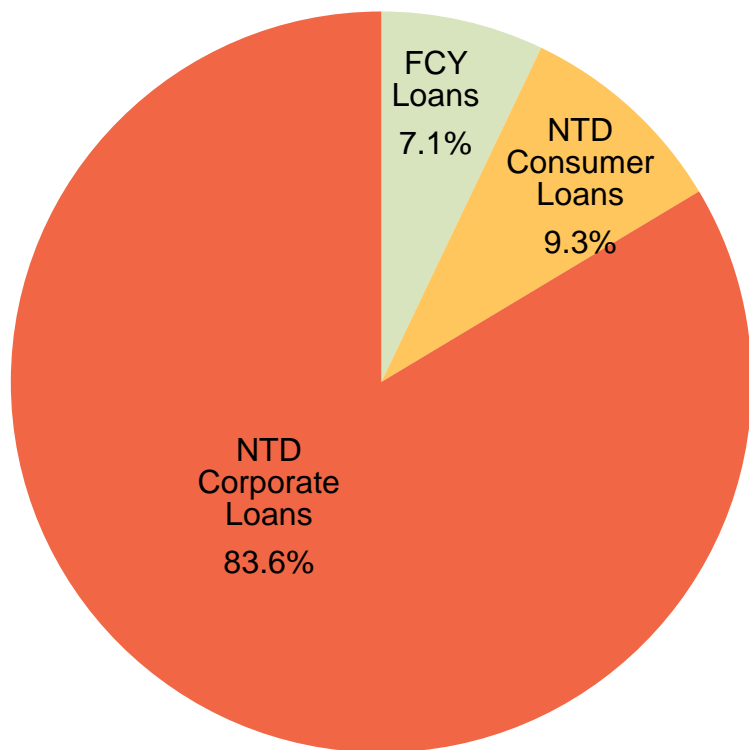
Deposit Breakdown



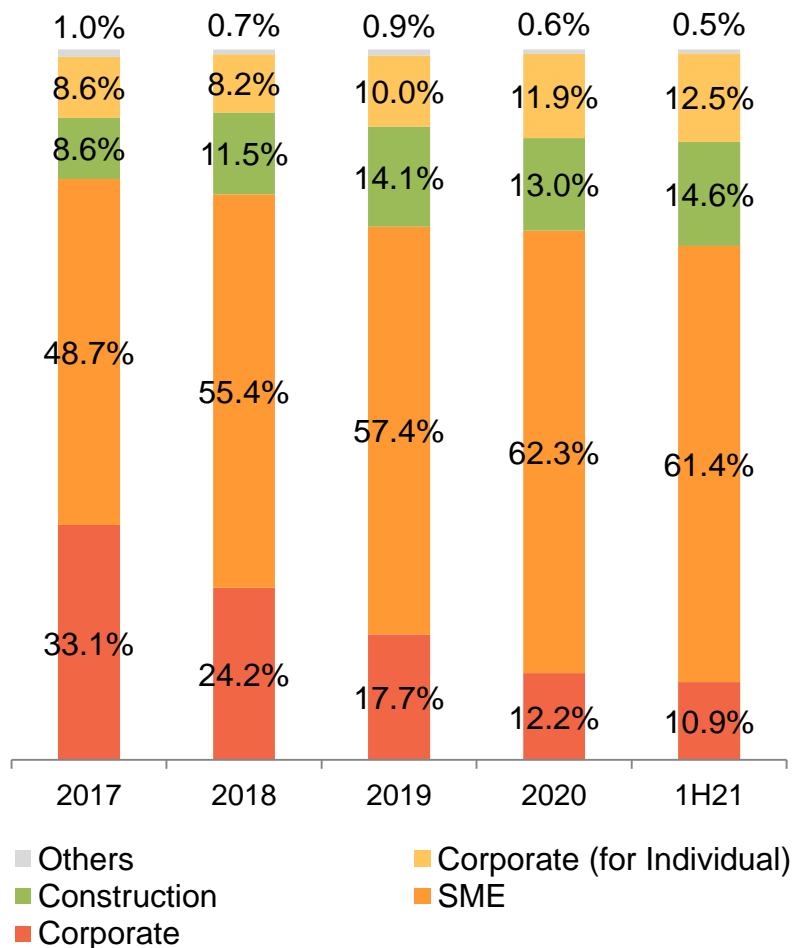


Loan Breakdown

Loan Composition (1H21)

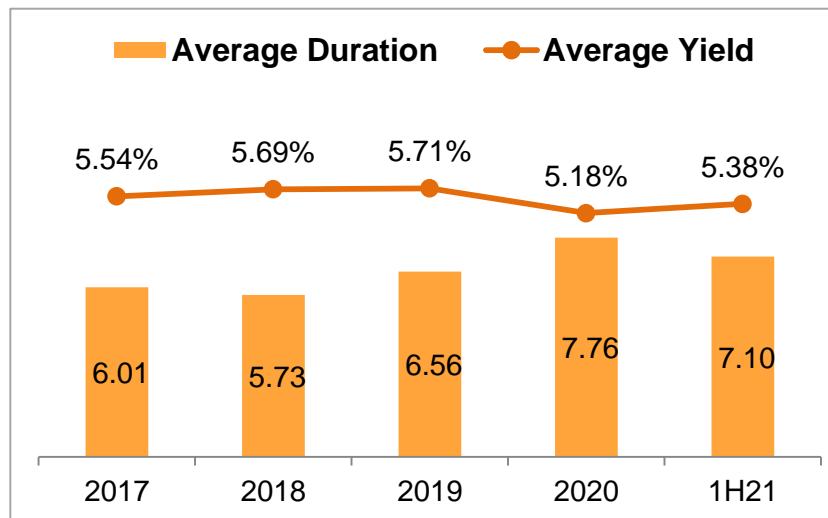
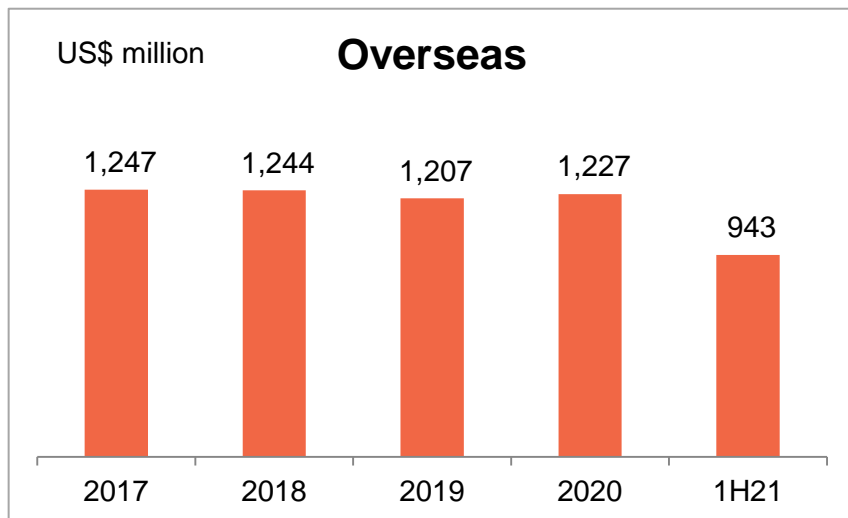
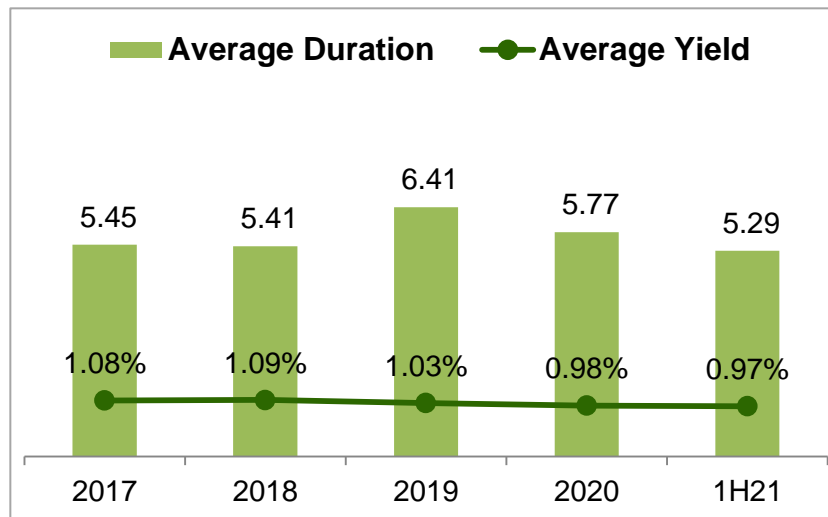
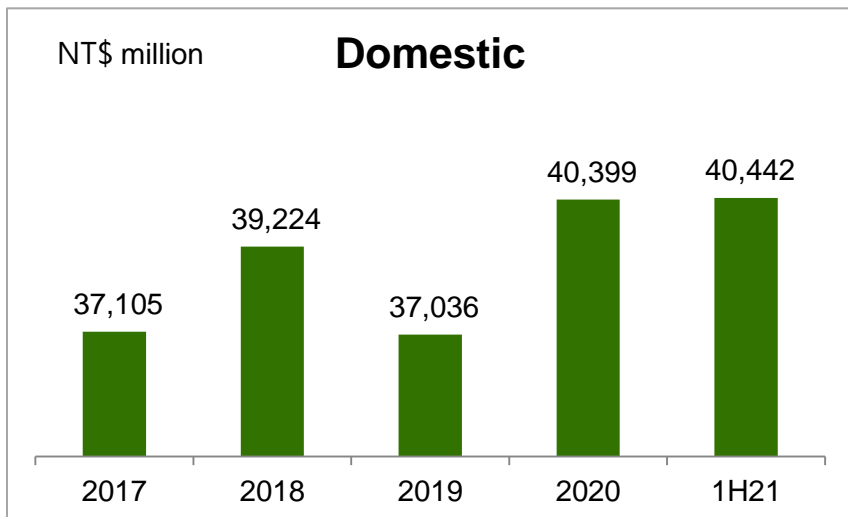


Corporate Loan by Type



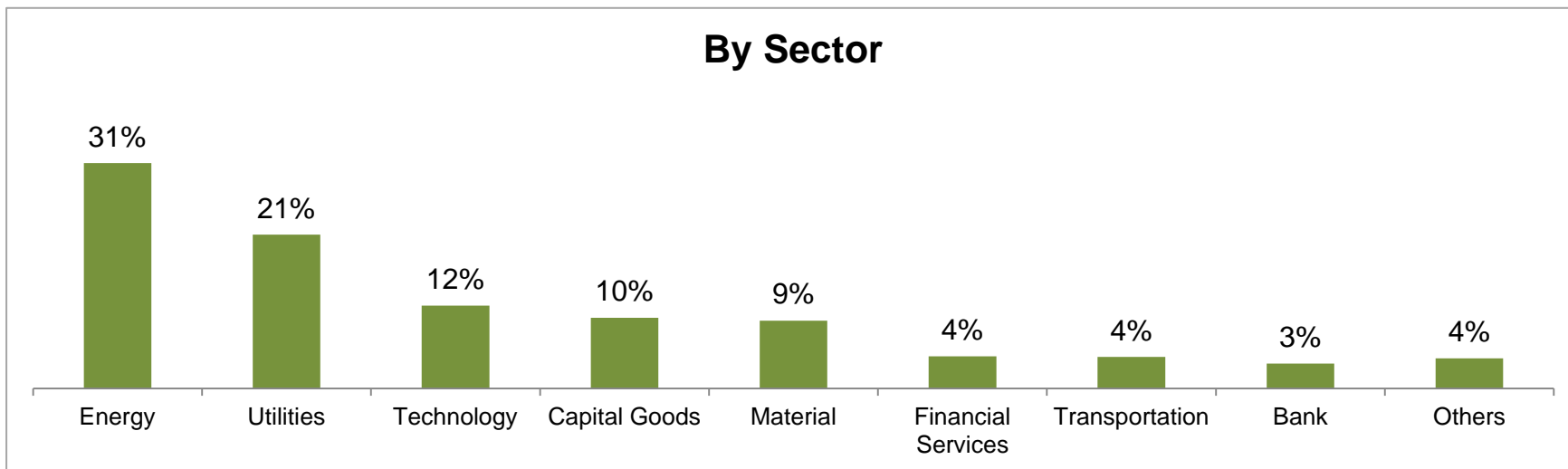
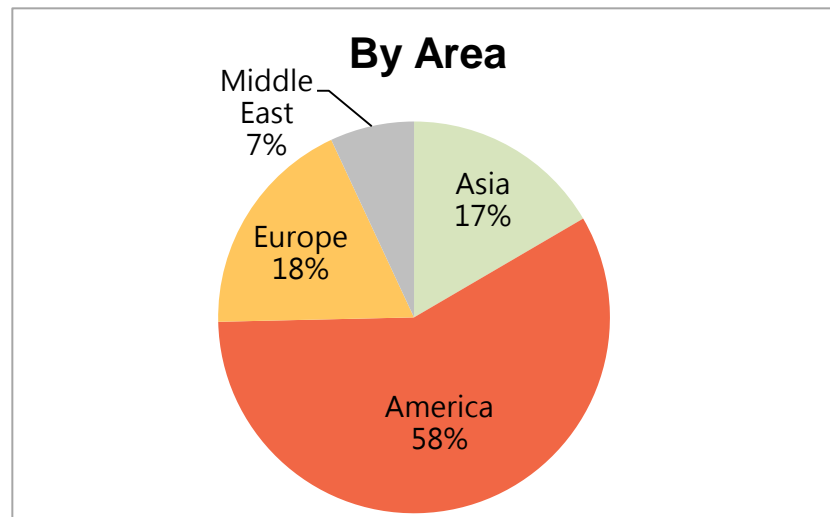
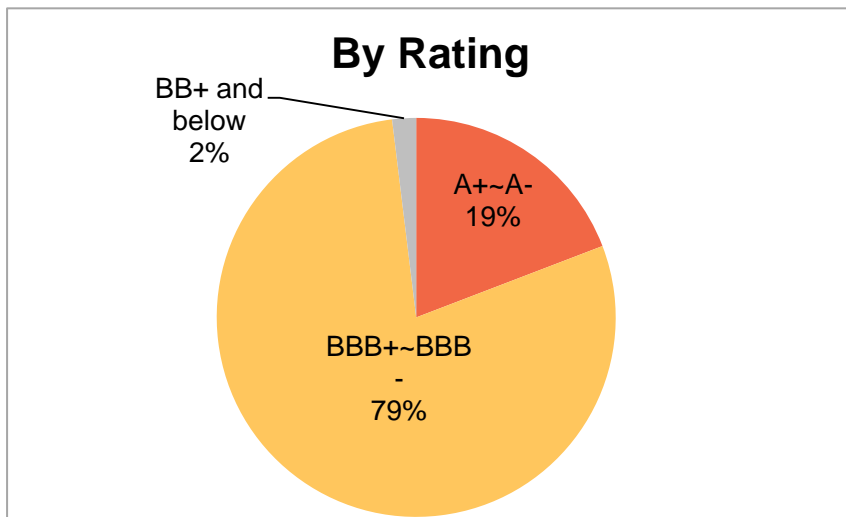


Financial Assets - Fixed Income Investments



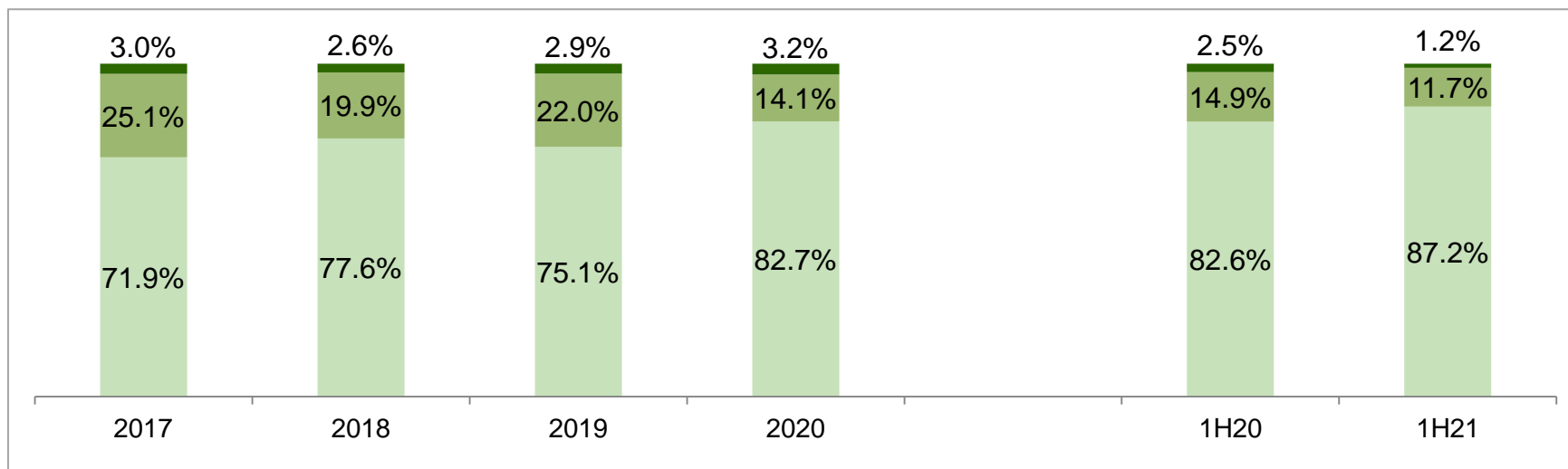
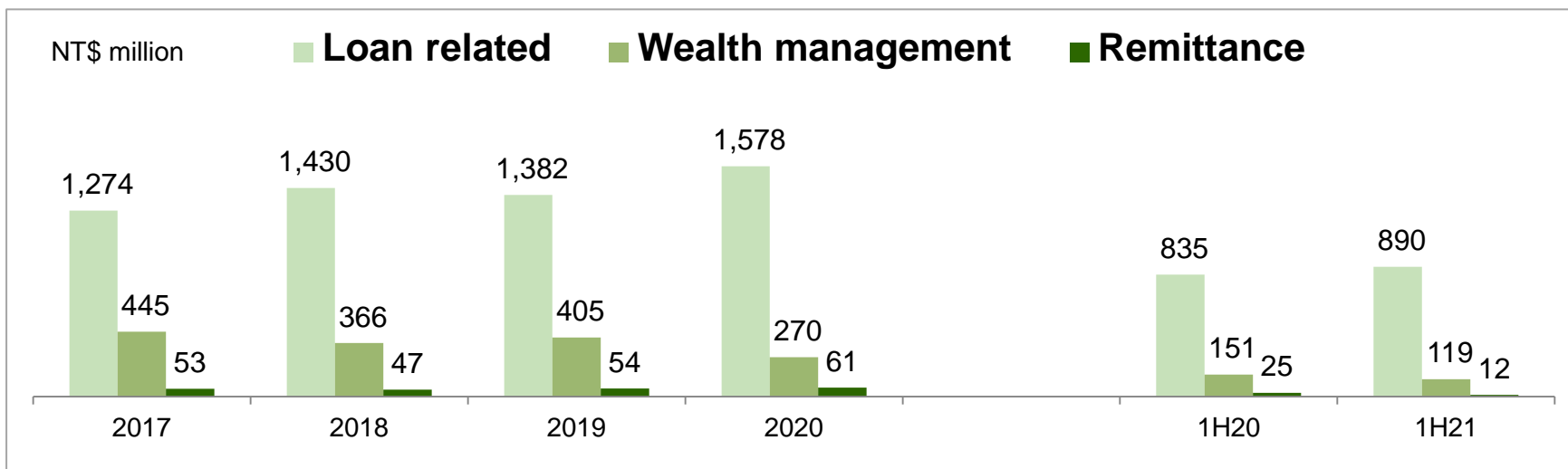


Financial Assets – Overseas Fixed Income Portfolio(1H21)



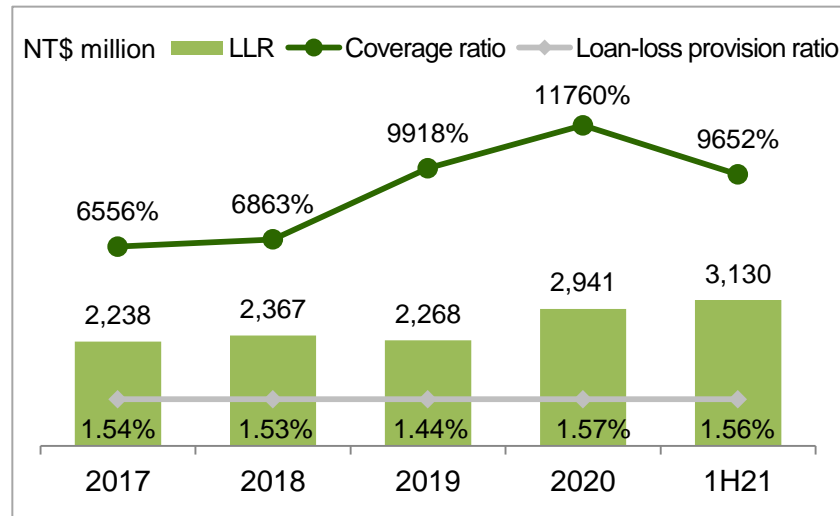
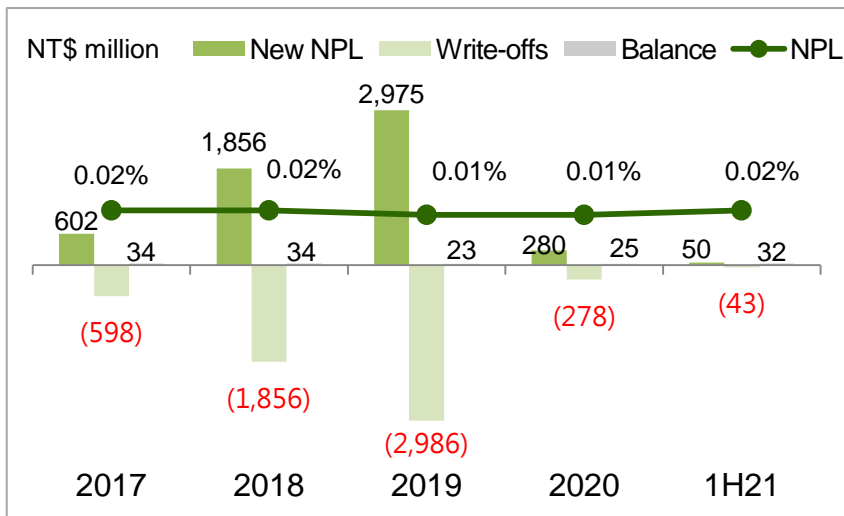
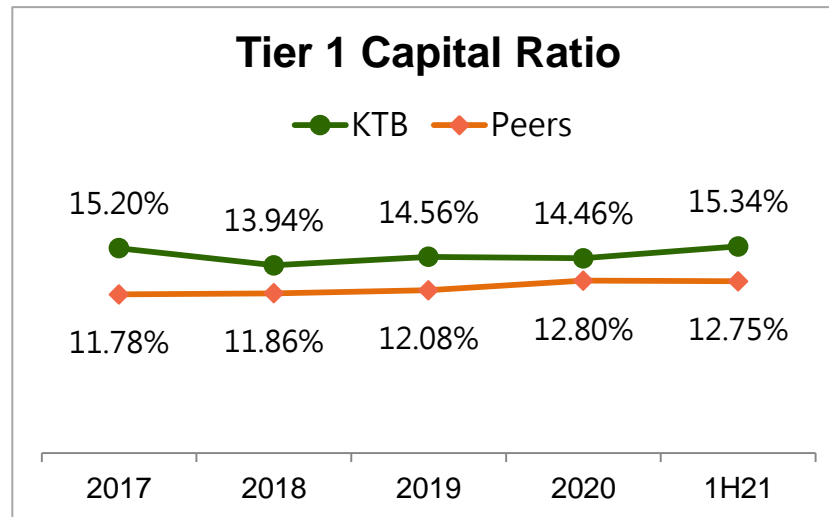
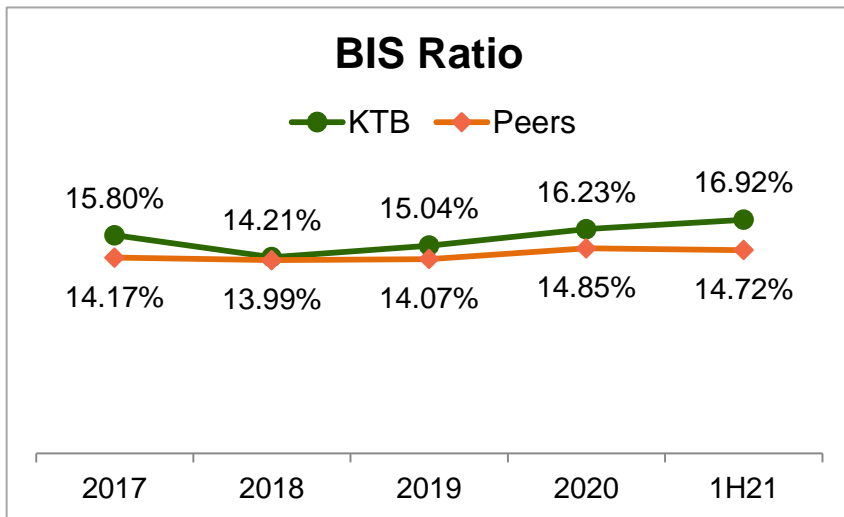


Fee Income





Capital Adequacy and Asset Quality



Note: Peer data updated to Mar. 2021.



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	2	9.52%	527	8	1.20%	287	2



Income Statement

NT\$ million

Items	1H21	1H20	YoY
Net Interest Income	2,757	2,494	11%
Net Fee Income	1,021	1,011	1%
Other Income	1,847	(69)	2,777%
Revenue	5,625	3,436	64%
Operating Expense	(1,047)	(824)	27%
PPOP	4,578	2,612	75%
Provision for Loan Loss	464	(210)	321%
Earnings Before Tax	5,042	2,402	110%
Net Income	4,334	1,986	118%
EPS (Cumulative) (NT\$)	3.87	1.77	119%



Balance Sheet

NT\$ billion

Items	1H21	1H20	YoY	Items	1Q21	1Q20	YoY
Cash, CDs, Interbank Deposits, and R/S	15.8	17.9	-12%	Interbank Deposits, Interbank Borrowings	25.9	27.8	-7%
Securities	102.4	105.9	-3%	Deposits	235.3	200.8	17%
Loans	197.4	164.5	20%	R/P	12.3	24.8	-50%
Property and Equipment	3.5	2.7	30%	Other Liabilities	6.5	4.2	55%
Other Assets	8.6	7.1	21%	Total Liabilities	280.0	257.6	9%
Total Assets	327.7	298.1	10%	Shareholder's Equity	47.7	40.5	18%

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.

Maintain our BIS Ratio above 13% and our Tier 1 Capital Ratio above 11%

Aim to sustain healthy growth in BVPS

Maintain double-digit ROE over the long term.

Provide stable and 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

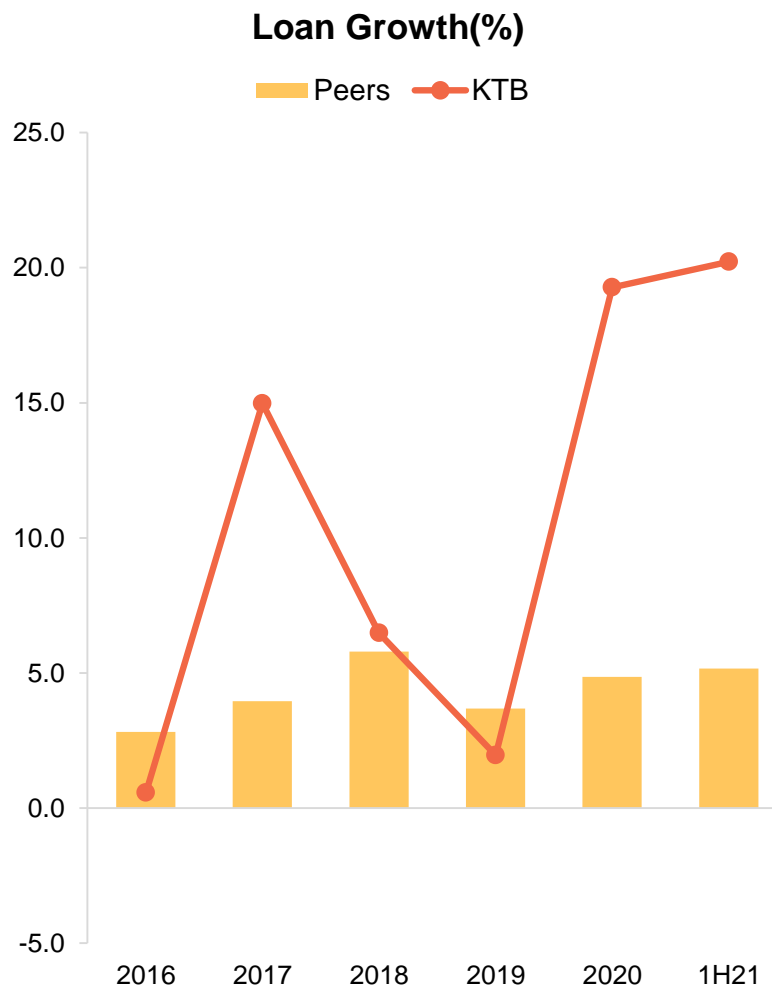
Building Long-Term, Win-Win Partnerships with Clients

Helping clients to grow their business



King's Town Bank 2H21 Outlook

- **We expect continued healthy loan growth on the back of a positive economic outlook in Taiwan:** The DGBAS forecasts that Taiwan's real GDP will grow 5.46% 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 in 2H21.
 - The economy in Southern Taiwan, where are branches mainly located, shows resilience and healthy growth in deposits. 78% of deposit growth was from Tainan City.
 - The impact of the COVID-19 outbreak in Taiwan looks limited as of yet. We expect to maintain our current high level of asset quality.
- **We aim to maintain NIM close to the level of 1H21**
 - While lending rate is expected to be stable, funding costs are not likely to fall much further and spread expansion is also limited due to changes in our asset mix.
- **Investment in Digital Banking Capabilities:**
 - Our focus is on enhancing the digital offering we provide to existing long-term customers.



Note: Peer data updated to 1Q21.



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
 - 18% of deposits
 - 87% of loans
- 43 Non-metro branches, contributing
 - 82% of deposits
 - 13% of loans
- Ranked in the Top 5% in terms of “Corporate Governance Best-Practice for TWSE Listed Companies” for four consecutive years.
- Credit rating affirmed by Fitch at BBB · local rating at A+(tw) 、 F1(tw) for 8 consecutive years. Outlook stable in 2021.





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 !