



King's Town Bank

“A Different Kind of Bank”

Investor Presentation



Stock Code : 2809.TW

April 2022



AGENDA

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OPERATING HIGHLIGHTS

“We stick to what we do best.”

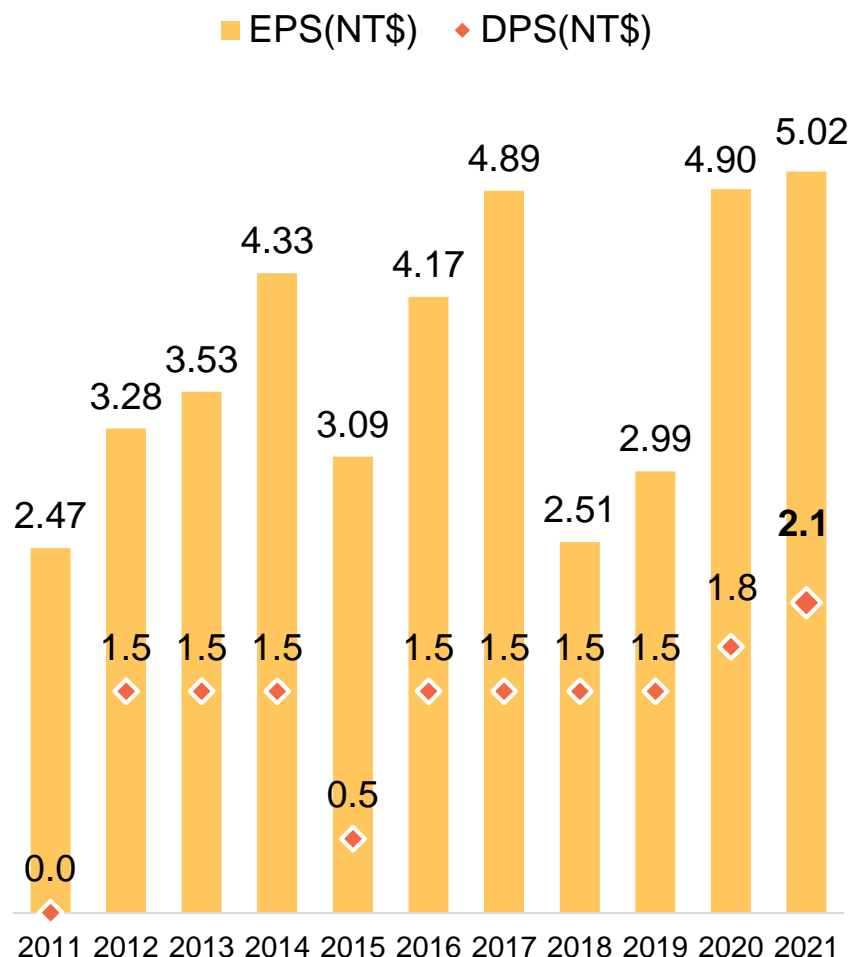
- John Tsai, Vice Chairman -





Operating Highlights

- **2021 preliminary EPS reached NT\$5.02**
 - 2021 EPS hit a new record high
- **Maintained Outstanding Asset Quality and Capital Adequacy Ratios**
- **Provide stable and growing annual cash dividend-per-share**
 - Aiming to increase or maintain 2021 cash dividend-per-share compared to the level of 2020.
- **We value ESG Highly and are Dedicated to Further Improvement:** KTB was again added to Bloomberg's Gender-Equality Index this year, one of only 7 companies in Taiwan to achieve this designation.



*BOD proposed DPS for FY2021, subject to approval at the upcoming AGM.



1Q22 Unaudited Results – Key Highlights

- 1Q22 net revenue decreased by 78% compared with the same period last year, while net interest income and net fee income increased by 6% and 13% YoY, respectively. The increase in net interest income was mainly due to the growth in our loan book in 1Q22.
- Total Loans at the end of 1Q22 were NT\$215 bn, up 12.7% YoY and up 2.7% QoQ.
- 1Q22 Other income decreased significantly due to the provision of expected credit losses under IFRS accounting rules.
- Loan-loss provision ratio was 1.50% at the end of March 2022 versus the median value of 1.31% for the Taiwan banking industry.*

*Median value is from February 2022, the latest date that industry-wide data is available for.



1Q22 Preliminary Income Statement (Unaudited)

NT\$ million

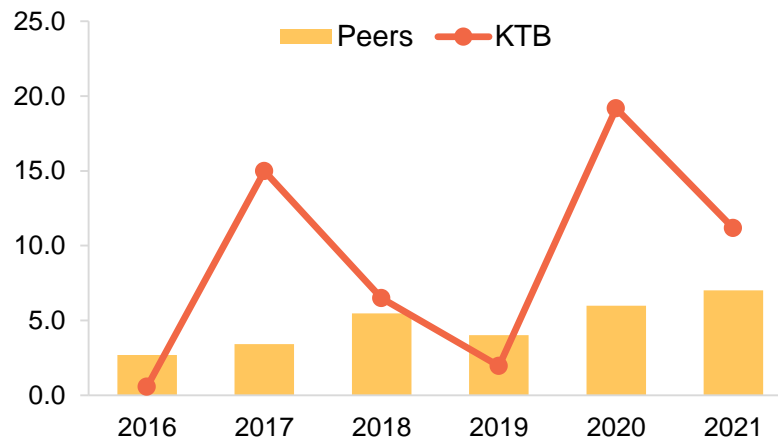
Items	1Q22	% Revenue	1Q21	% Revenue	YoY
Net Interest Income	1,462	243%	1,380	50%	6%
Net Fee Income	553	92%	514	19%	7%
Other Income	(1,415)	-236%	842	31%	-268%
Revenue	601	100%	2,736	100%	-78%
Operating Expenses	(485)	-81%	(593)	-22%	-18%
PPOP	116	19%	2,144	78%	-95%
Provision for Loan Loss	80	13%	613	22%	-87%
Earnings Before Tax	196	33%	2,757	101%	-93%



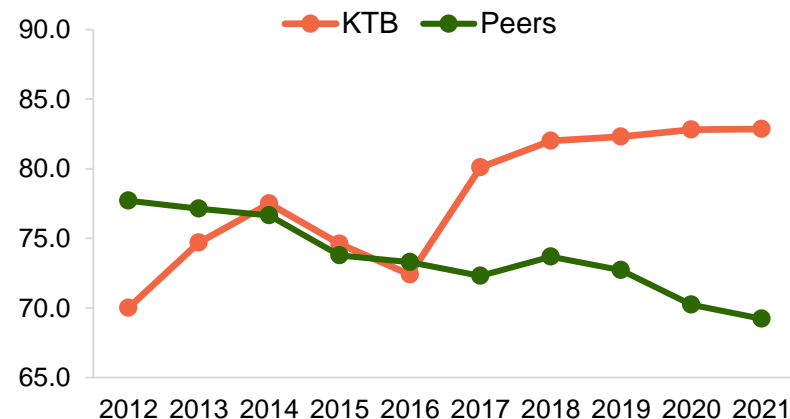
King's Town Bank 2022 Outlook

- **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 4.42% in 2022 and IMF expects Taiwan's GDP per Capita will exceed US\$36k.
 - We are cautiously optimistic on the prospects for continued healthy growth in our lending business in 2022.
 - 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.
- **Long-term growth opportunities in Southern Taiwan**
 - Expect companies to continue to invest and the region to show resilience and healthy growth. We will strengthen our loan and deposit businesses in this region.
- **Aim to maintain NIM this year around or slightly higher than the level of 2021**
 - Interest rate hike expectations and trends may widen loan-to-deposit spreads, but changes in NIM may be affected by the adjustments of our asset portfolio.
- **Investment in Digital Banking Capabilities:**
 - Our focus is on enhancing the digital offering we provide to existing long-term customers.

Loan Growth (%)



LDR ratio (%)



Source: FSC



Strategic Focus & Competitive Advantage

Healthy loan growth

Targeting slightly above
GDP growth in the long run

Cost advantage

Favorable funding and cost
structure thanks to roots in
Southern Taiwan

Superior asset quality

Asset quality is our top
priority

Solid capital ratio

Maintaining a sound
capital base



Disciplined Investment Strategy

Adjustments to our asset mix
are made with a long-term view

Sustainability

Considering all stakeholders
and focusing on sustainable
profitability

A DIFFERENT KIND OF BANK

“Not many bank Chairpersons will tell you they feel it is critical for their employees to develop a sense of compassion for colleagues and clients.”

- Terence Tai, Chairman -





How we are 'Different'

Loan Growth

10.7%

Peers **4.8%**
2017-2021 CAGR

Loan-to-Deposit
Spread

2.07%

Peers **1.30%**
2017-2021 Average

Cost to Income %

20%

Peers **56%**
In 2021

ROA (pretax)

1.84%

Peers **0.64%**
2017-2021 average

Deposit Growth

7.8%

Peers **5.4%**
2017-2021 CAGR

NIM

1.85%

Peers* **1.18%**
In 2021

BIS ratio

16.62%

Peers **14.80%**
In 2021

ROE (pretax)

13.33%

Peers **8.77%**
2017-2021 average

Note: Except for NIM, peer data are the average of all local peers. Source is CBC database.

*Peers for NIM are the top 5 private banks by asset size, based on company presentation data.



Why we are 'Different'



Alignment of Interests

- Owner-operated – Management team owns a 40%+ stake.
- Most employees are owners via our ESOP plan.
- One bank culture, with strong collaboration across business units.



Growth Opportunities in Southern Taiwan

- Many Tech companies have recently announced capex plans in southern Taiwan. The “Semi S corridor” is gradually taking shape.
- We have advantages as 73% of our branches are in this area.
- Close relationship with the community.

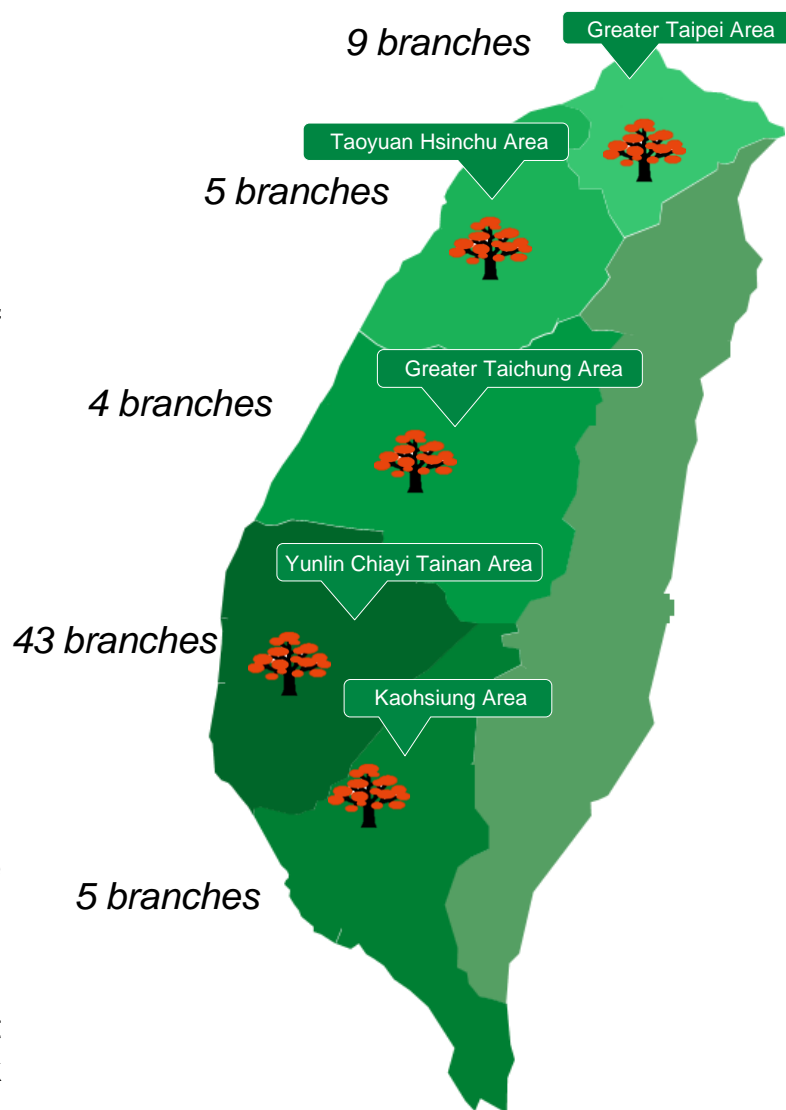


Focus on Sustainable Profitability

- Minimizing risks through reducing internal conflicts of interest.
- Building long-term partnerships with customers.
- Viewing employees as assets and partners.

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
 - 19% of deposits
 - 86% of loans
- 43 Non-metro branches, contributing
 - 81% of deposits
 - 14% 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+(tn) · F1(twn) for 8 consecutive years. Outlook stable in 2021.

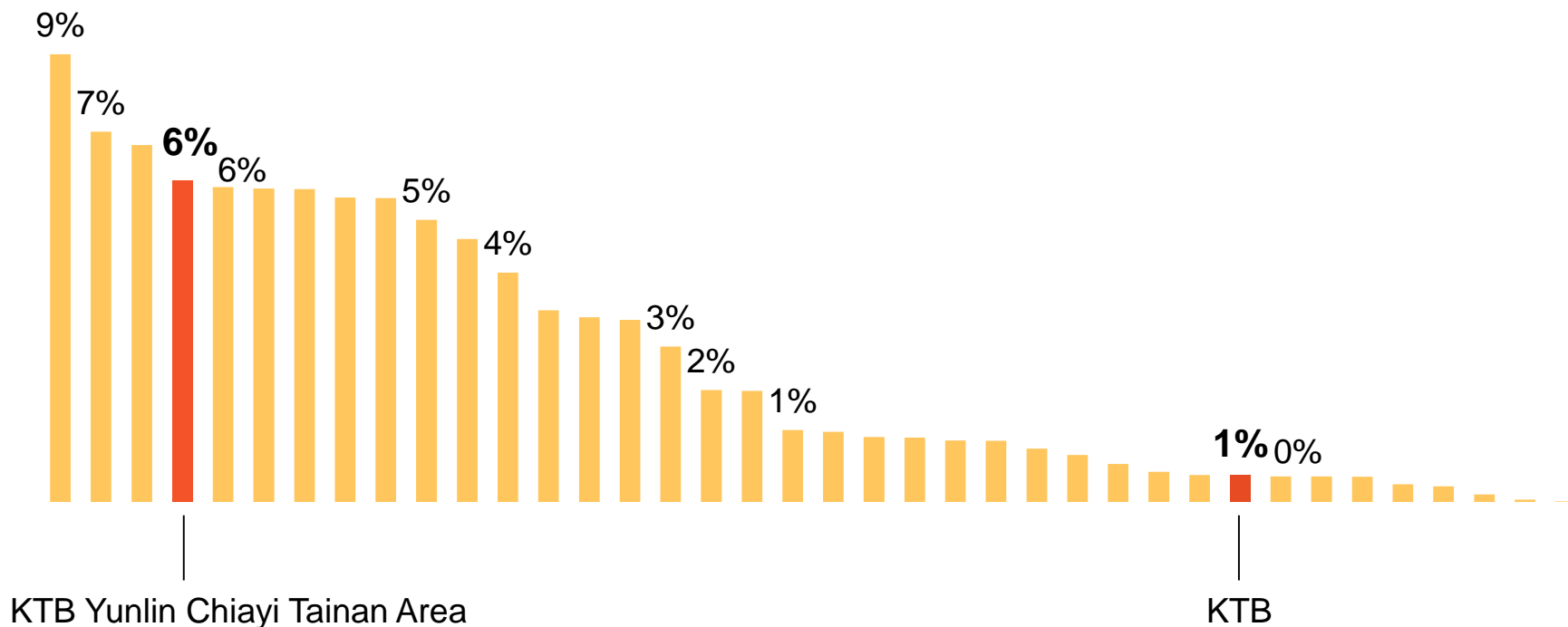




Strong Position in Deposits in Southern Taiwan

- KTB has a high deposit market share in Yunlin Chiayi Tainan Area.

Deposit Market Share in 2021 in Taiwan



OUR STRATEGY AND PHILOSOPHY

“If a bank does not have strong asset quality, then its ROA is just a mirage.”

- Terence Tai, Chairman -



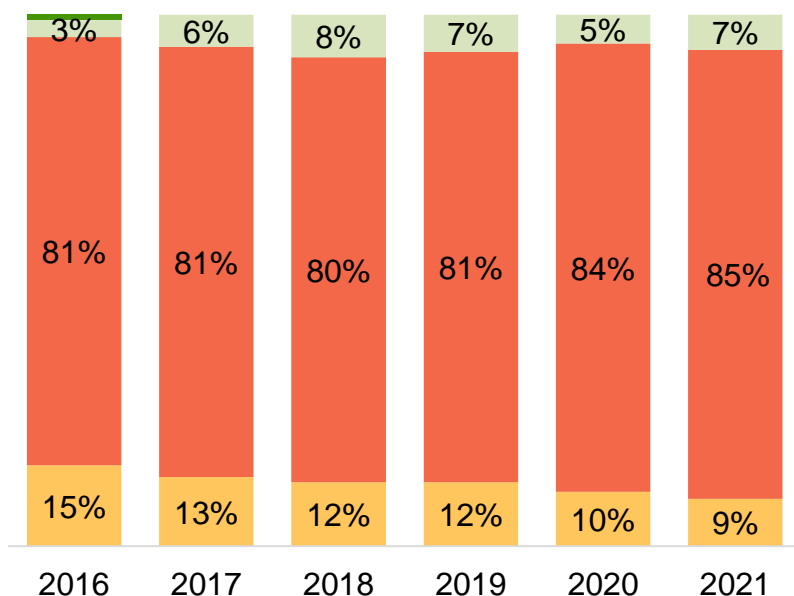


Growing Our Core Corporate Banking Business

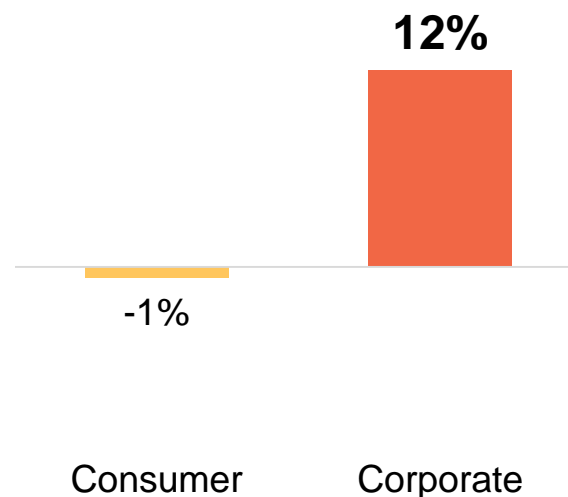
We focus on what we do best

Loan Breakdown

■ Others ■ FCY Loan
■ NT\$ Corporate Loan ■ NT\$ Consumer Loan



Growth in NT\$ Loans
(2017-2021 CAGR)





We Mostly Avoid Standardized Products

- The mortgage lending market is commoditized, with low lending rates and narrow spreads.
- Participating in this market segment would be detrimental to our ROA, so we mostly avoid it.

Mortgage loans as % of total loans (2021)



Source: CBC database



Outgrowing the Industry Through a Focused Approach

Focusing on niche markets

Targeting larger SMEs and smaller corporates, and also lending directly to SME owners for re-investment in their business.

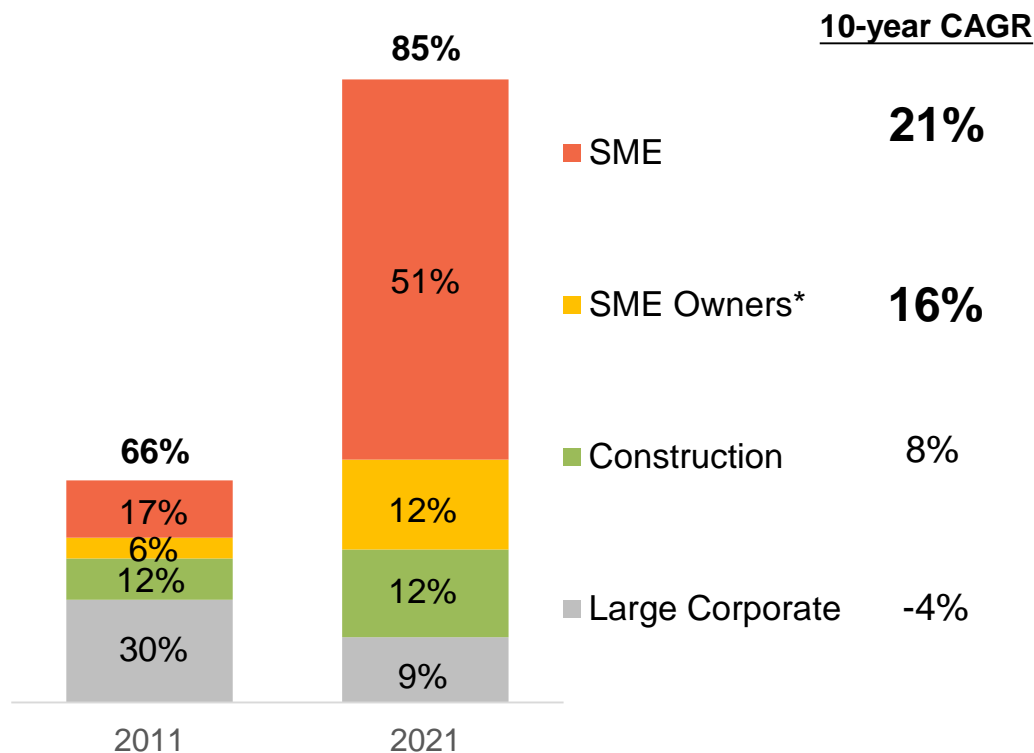
Building long-term relationships

Building long-term, win-win partnerships with customers and growing together with them.

Offering creative solutions

Our loan committee rarely rejects loan applications outright, instead offering counter proposals and creative solutions.

NT\$ Corporate Loan as % of Loan Portfolio

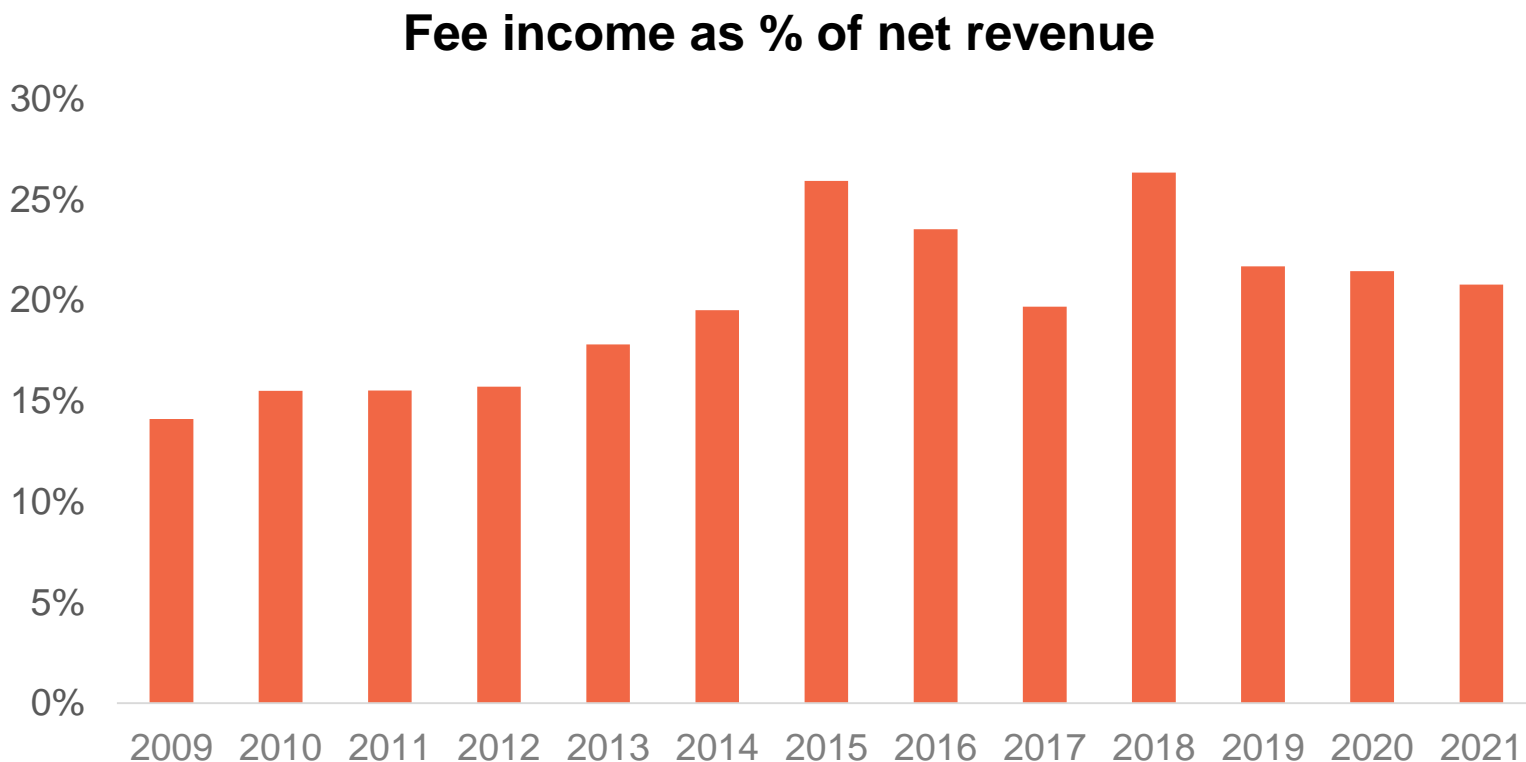


*Direct lending to SME owners for business-related purposes.



Significant Contribution from Fee Income

- Strong industry domain knowledge
- Offering custom-made solutions





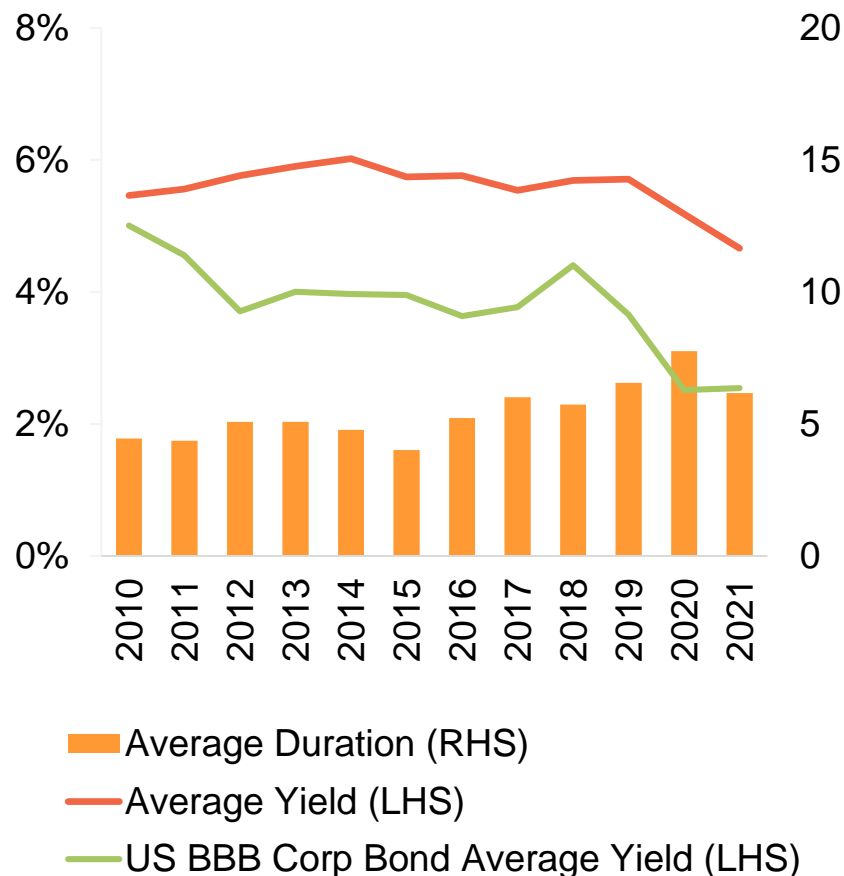
Investment Discipline Drives Our Long-Term Outperformance



Long-term, value investing

- ✓ We benchmark overseas bonds with loans in the same sector to compare valuation.
- ✓ We invest only in senior bonds, hold to maturity and follow them as we'd follow an equity holding.
- ✓ We hold a concentrated equity portfolio and follow the companies closely.
- ✓ Domestic treasuries are held for liquidity purposes.

KTB Overseas fixed income portfolio



Source: Bloomberg, company data



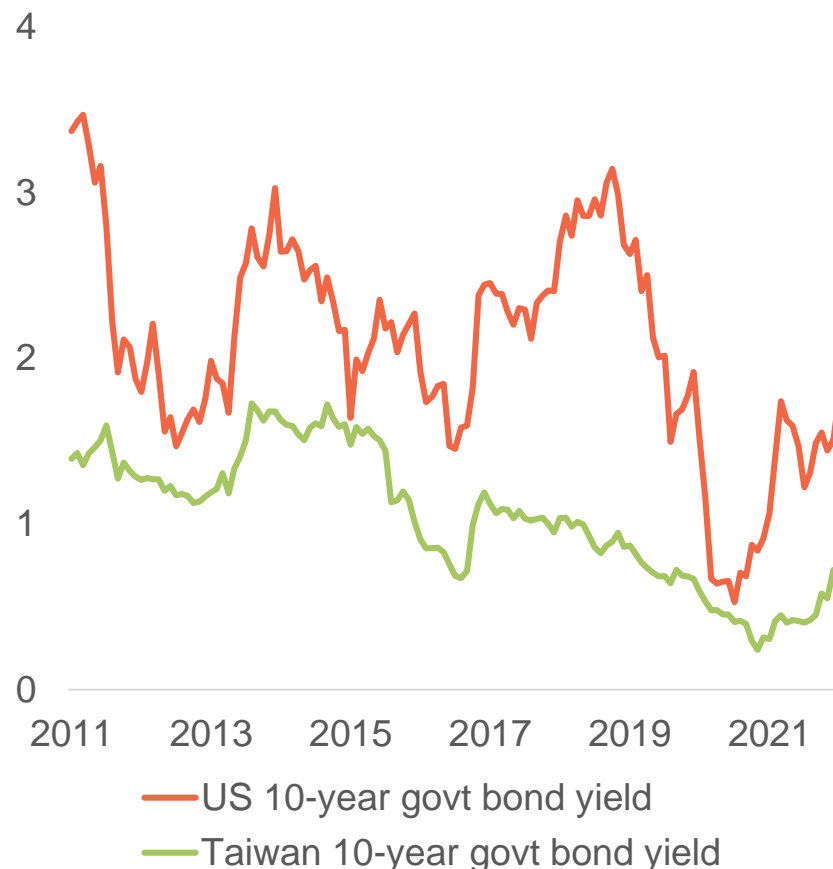
Overseas Bonds as a Proxy for FX Loans



Better liquidity and yield

- ✓ Intensive research is performed on each position, and the holdings are reviewed regularly as if they are loans/equity.
- ✓ Taiwan is the rare place where low-cost US\$ funding is available. We match our US\$ bond exposure with low-cost US\$ funding, avoiding currency exchange risks and resulting in favorable spreads.

US and Taiwan bond yield



Source: Bloomberg



Controlling Our Costs Carefully

Do only what we do best

We don't intend to do everything – we sold our credit card department in 2010.

Efficient Use of Human Resources

Collaboration between business units and the right-sizing of our investment, lending and corporate team.

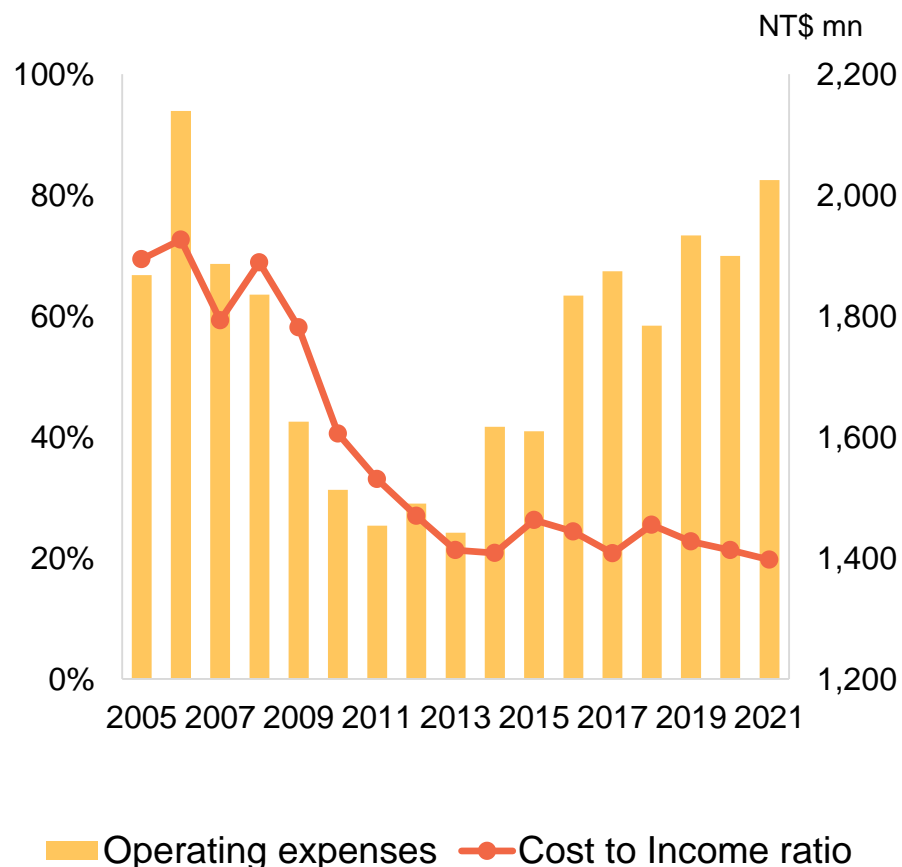
Based in Southern Taiwan

Costs are lower versus Northern Taiwan.

Disciplined investment in IT

Focusing on enhancing the digital offering for existing customers.

CI Ratio down to 20% from 70%





Management Philosophy on Risks

Eliminating conflict of interests

Preventing agency risk from taking root

Understanding the sources of risks

KYC enhanced by long-standing relationships with customers and intensive research into new clients.

Focusing on the long-term

Avoiding management policies that encourage risk-taking – we do not set annual hard-coded revenue budgets

Evaluating risk and reward carefully

Always asking at what cost growth will come



Strategies to Minimize Risk



Lending

- All credit line approvals go through headquarters.
- Knowing customers and their industries well.
- Protected by collateral and the deal structure.



Investment

- We don't invest in what we don't understand.
- We view foreign bond investments as a type of loan and perform regular reviews.



Wealth Management

- We don't sell customers financial products that we don't understand.
- When the capital markets get frothy, we market our products more conservatively.

Commitment to ESG



TWSE Corporate Governance Evaluation

Ranked in the top 5% of all listed companies for four straight years.



Employee Stock Ownership Trust Program

KTB's Employee Stock Ownership Trust Program was established in 2010. Staff are eligible to join after one year of employment, and participation rate is close to 100%.



Capital Adequacy

CAR was 16.23% and Tier 1 Capital Ratio 14.46% in 2020, better than the domestic banks mean of 14.85% and 12.80%, respectively. Long-term credit rating of A+ (twn) from Fitch Ratings for eight consecutive years.



Solar Energy Lending and Advocacy

First mover in lending to both the Wind Farm (began in 2010) and Solar Farm (2011) Industries. Installed roof top solar panels at our headquarters to encourage use by local communities, clients and employees. The green energy industry credit balance was NT\$13.83bn, accounting for 7.36% of total credit balance.



Bloomberg Gender-Equality Index

KTB was again named to Bloomberg Gender-Equality Index for this year, one of the seven companies in Taiwan to achieve this designation.



Fraud Detection

KTB collaborated with the police to help thwart 139 fraudulent transactions in 2020, an increase of 26 over the previous year, with a total value of about NT\$11mn being intercepted.



Energy Consumption

Total KTB corporate greenhouse gas emissions for 2020 was 2,325 (t-CO₂e/year), 18.8% lower than 2017, which has already reached the 2022 target of a 15% reduction. Total KTB corporate annual energy consumption for 2020 was 4,510kWh, 12.05% lower than 2017.



Data Security

Established an Information Security Management Committee to enhance information security management, using ISO27001 as a guideline.



Commitment to ESG – Focus on Youth and Financial Education

Our southern Taiwan branches are a part of the local community, so a key focus of the Bank's philanthropy is nurturing Taiwan's young generation, using a wholistic approach. We support and host a broad range of activities.



Co-op and Internship Opportunities at KTB

We provide co-op work opportunities to earn course credits and summer internship programs at our branches in cooperation with local technical colleges.



Supporting Outstanding Education Charities

We support Teach for Taiwan's efforts in remote areas of the island both financially and with learning tools (such as tablet PCs). We also donated land for a Tainan learning center for vulnerable children to the Taiwan Fund for Children and Families, place fund-raising boxes for the charity in our bank branches and our employees participate in fund-raising events for the fund.



Get-to-know Finance Activities

KTB Bank staff conduct seminars about finance industry careers and run career counseling events in local high schools. We also organize trips to our bank branches for elementary school students from remote areas, familiarizing them with account opening procedures, ATM use and even fraud prevention.



Art & Art Therapy for Youth

We sponsor art appreciation classes, create and run art therapy programs for young students and conduct training programs in indigenous art forms.

OUR COMMITMENT TO SHAREHOLDERS

“We evaluate ourselves in terms of asset quality, capital position, ROA and ROE.”

- John Tsai, Vice Chairman -





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.

2021 FINANCIAL REVIEW

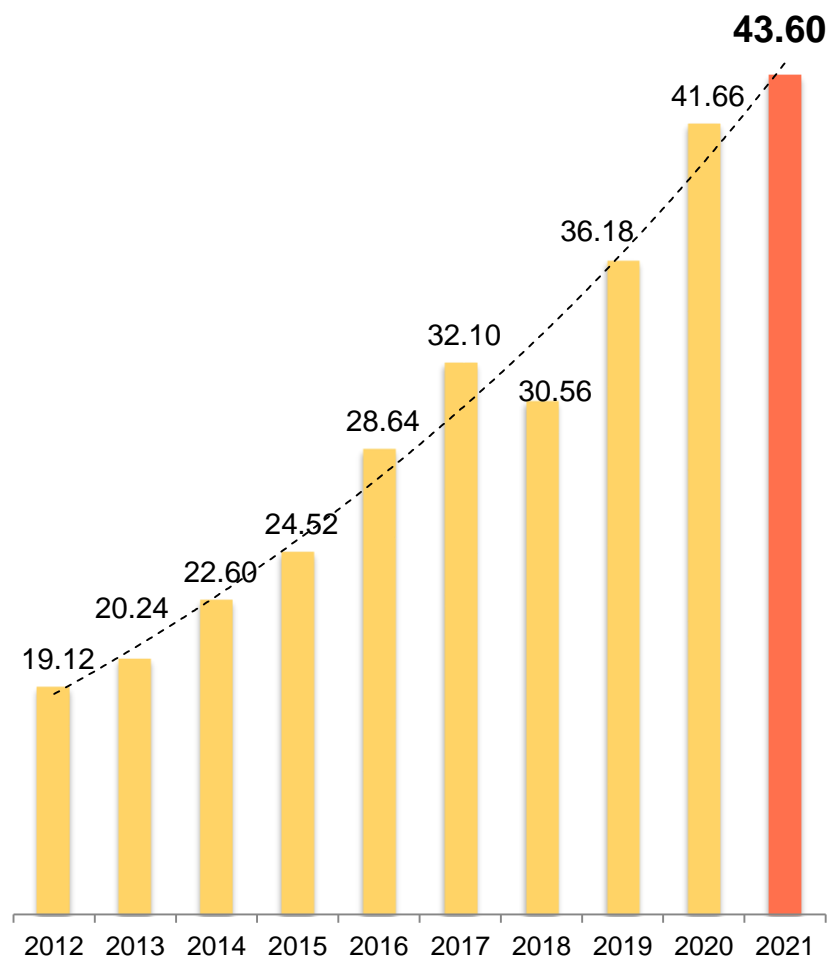




FY21 Financial Review

	2021	2020
Total Assets (NT\$ mm)	343,149	325,458
Book Value/share (NT\$)	43.60	41.66
ROE (pretax)	13.63%	14.31%
ROA (pretax)	1.95%	2.06%
BIS Ratio	16.62%	16.23%
NPL Ratio	0.02%	0.01%
Coverage Ratio	8,278%	11,760%
Loan-loss Provision Coverage Ratio	1.51%	1.57%
FINI Holdings	18.43%	16.27%
Fitch Rating	A+(tw) 、 F1(twn)	

Book Value per Share





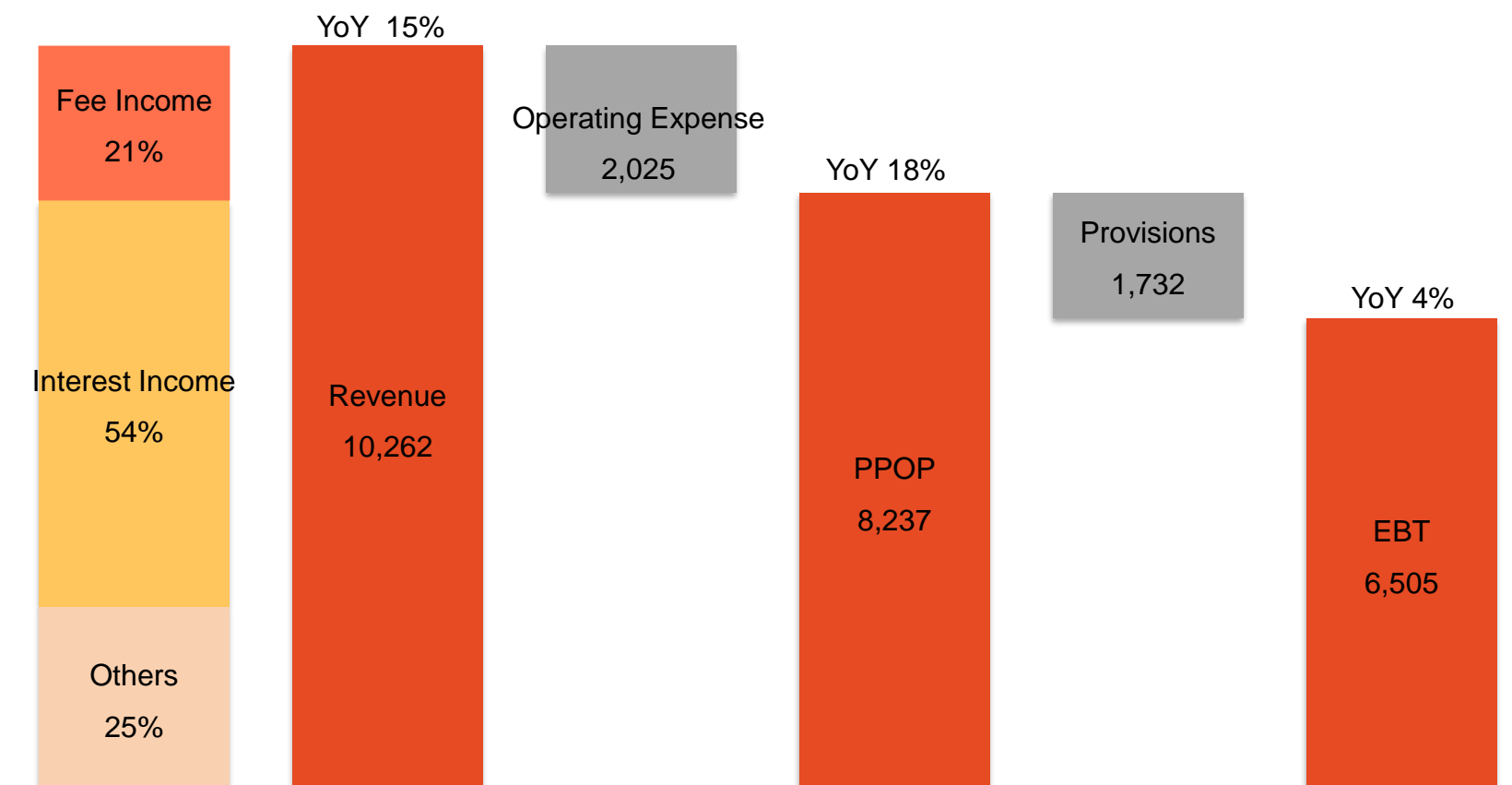
2021 Operating Highlights

- 2021 net revenue increased by 15% compared to 2020, with net interest income rising by 7% YoY, net fee income increasing by 12% and other income increasing by 45%.
- The increase in net interest income was mainly due to the 11% growth in our loan book in 2021. The growth in net fee income was also driven by loan-related fee. 2021 Other income was due strong performance in the capital markets, portfolio adjustment and mark-to-market reversals of expected credit losses under IFRS accounting rules.
- 2021 Provisions for Loan Loss was NT\$1,732mn. KTB has recognized all of the NT\$2,297mn outstanding lending exposure to Taiwan Land Development Corporation as loss. In addition, a recovery of NT\$768mn Green Energy bad loan provision via the sale of collateral was booked.
- Loan-loss provision ratio was 1.51% at the end of 2021 versus the median value of 1.30% for the Taiwan banking industry.



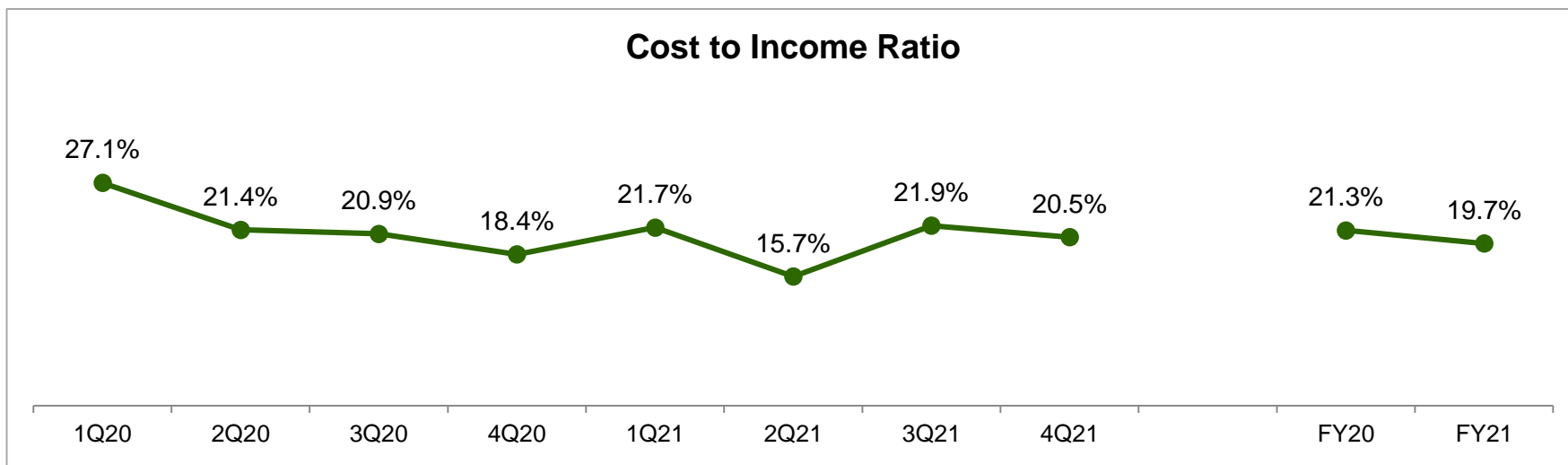
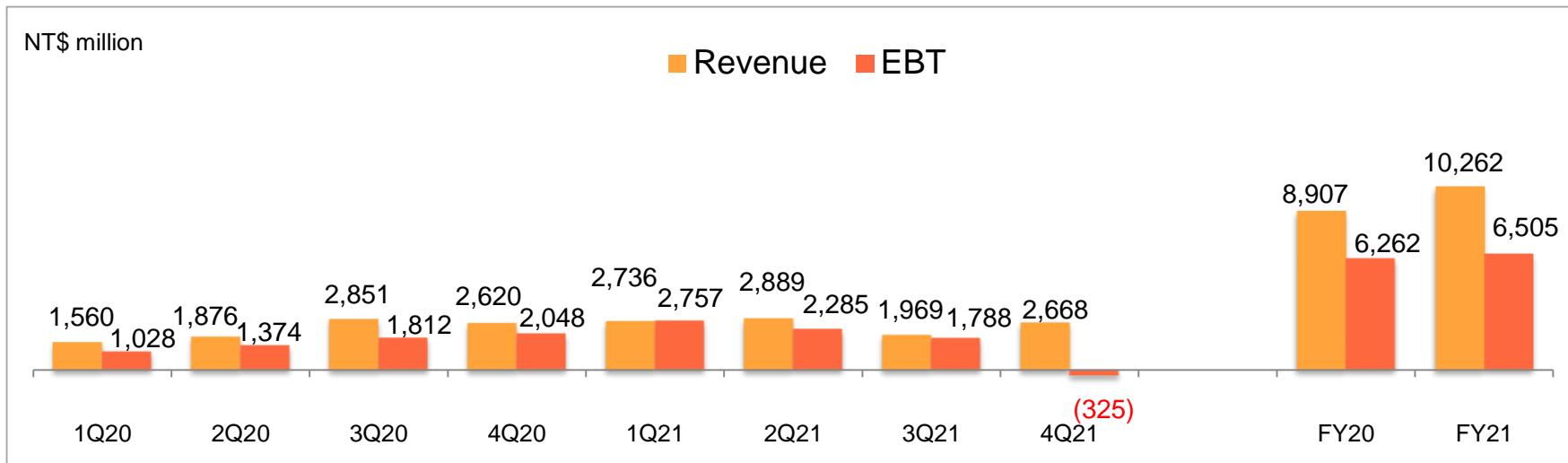
FY21 Revenue Breakdown

NT\$ million



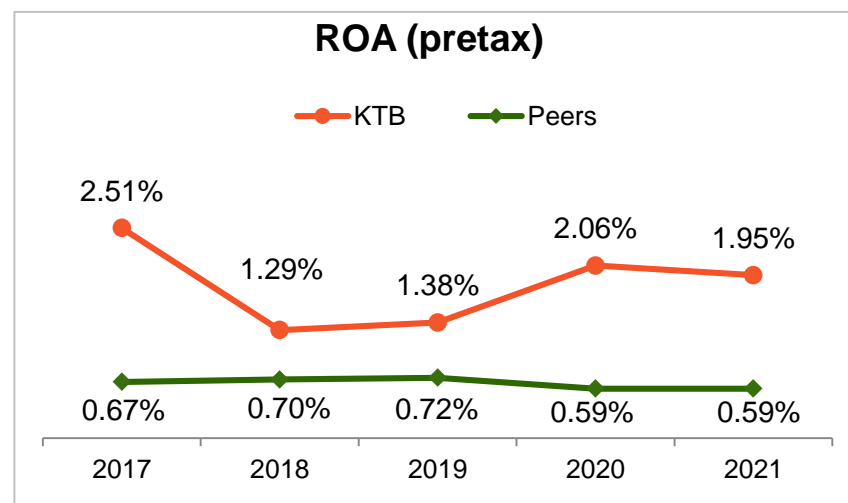
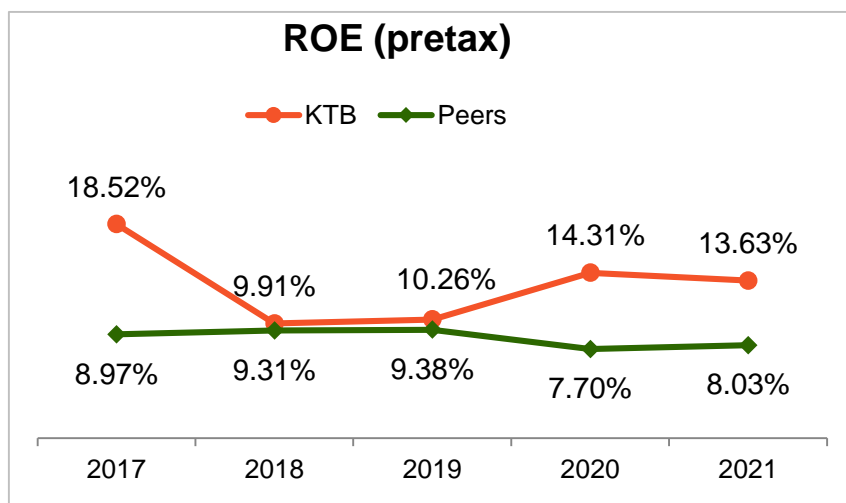
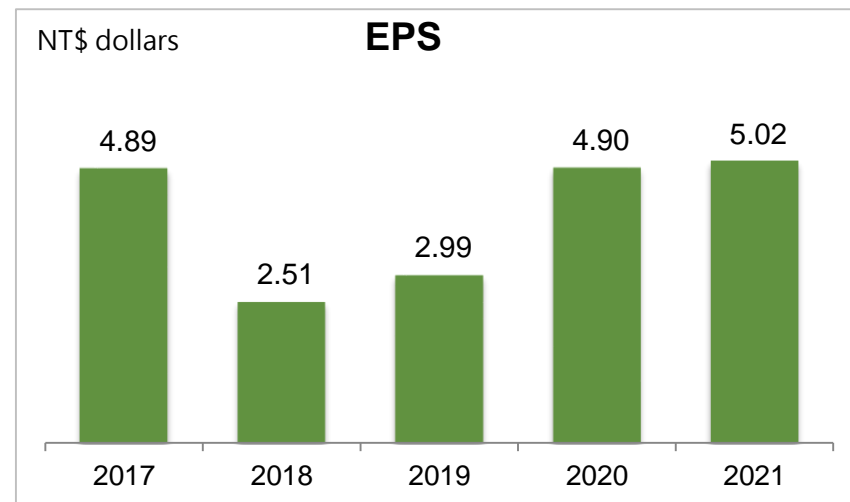
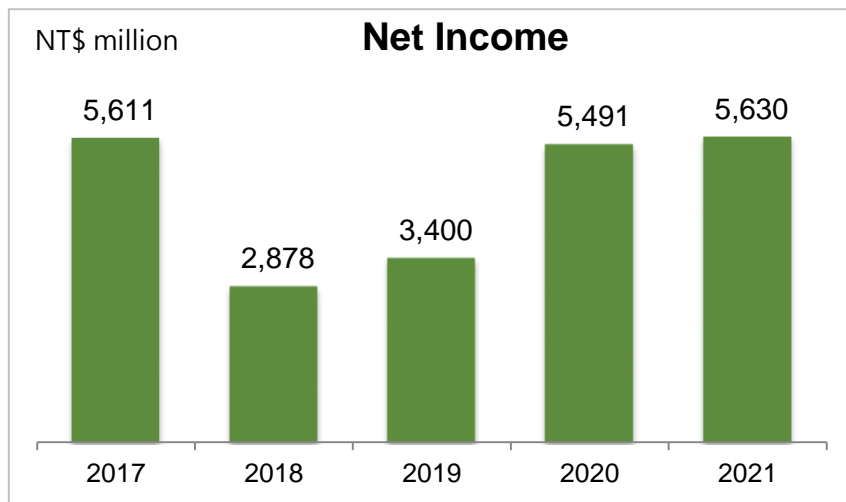


Quarterly Revenue and Expenses





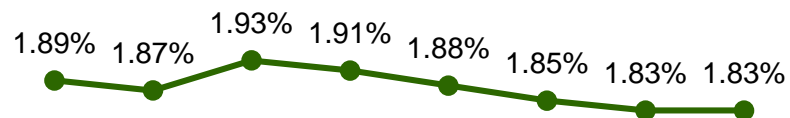
Profitability





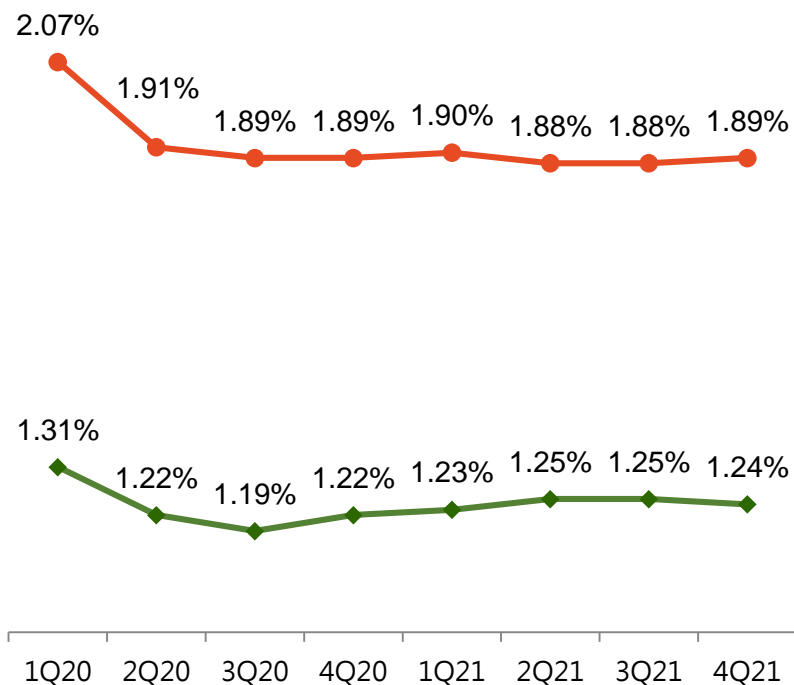
NIM and Spreads

NIM



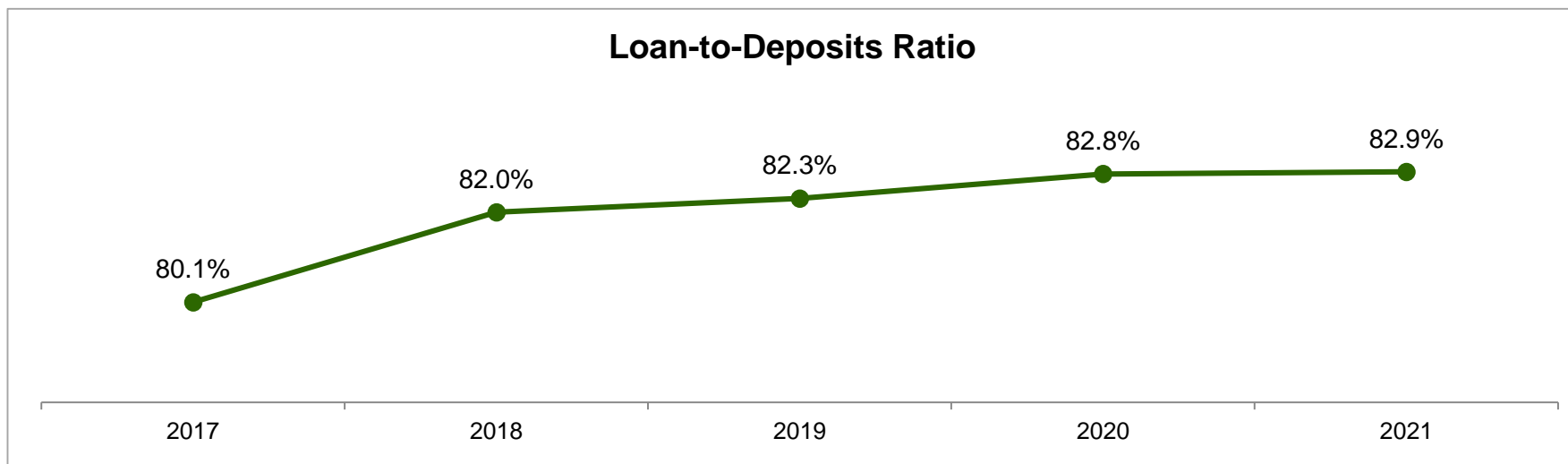
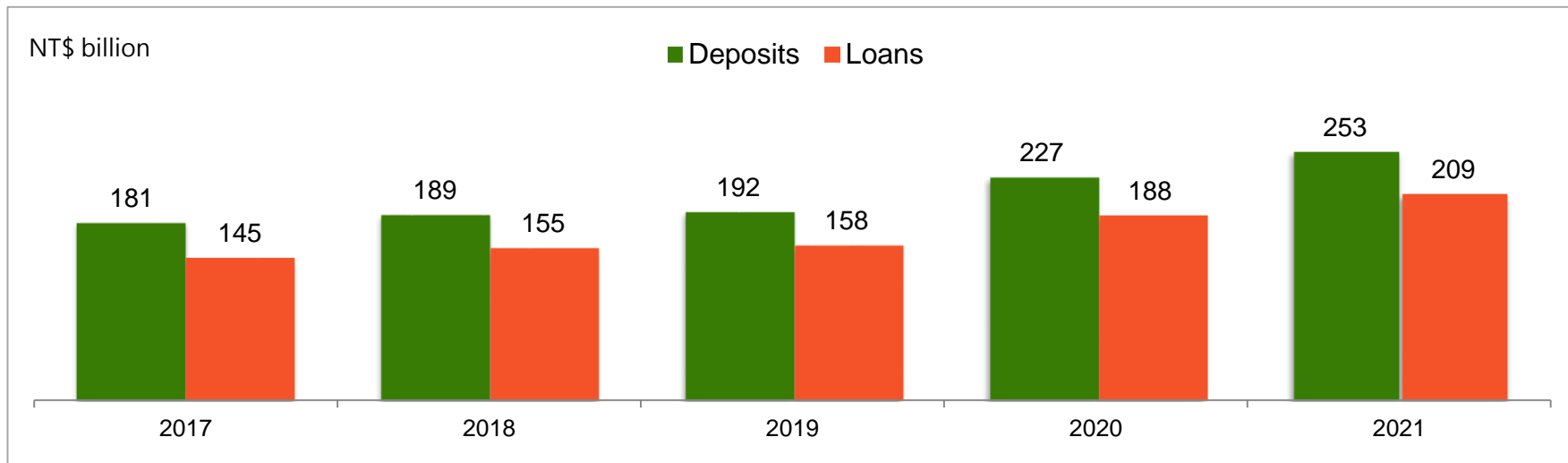
Loan-to-Deposit Spread

● KTB
 ◆ Peers



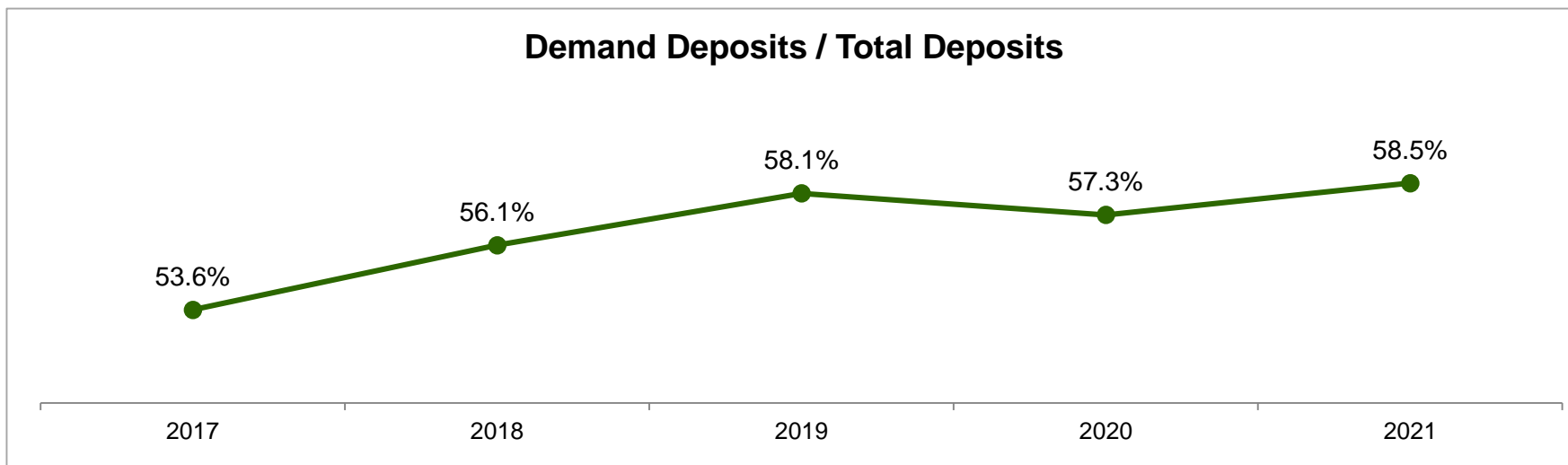
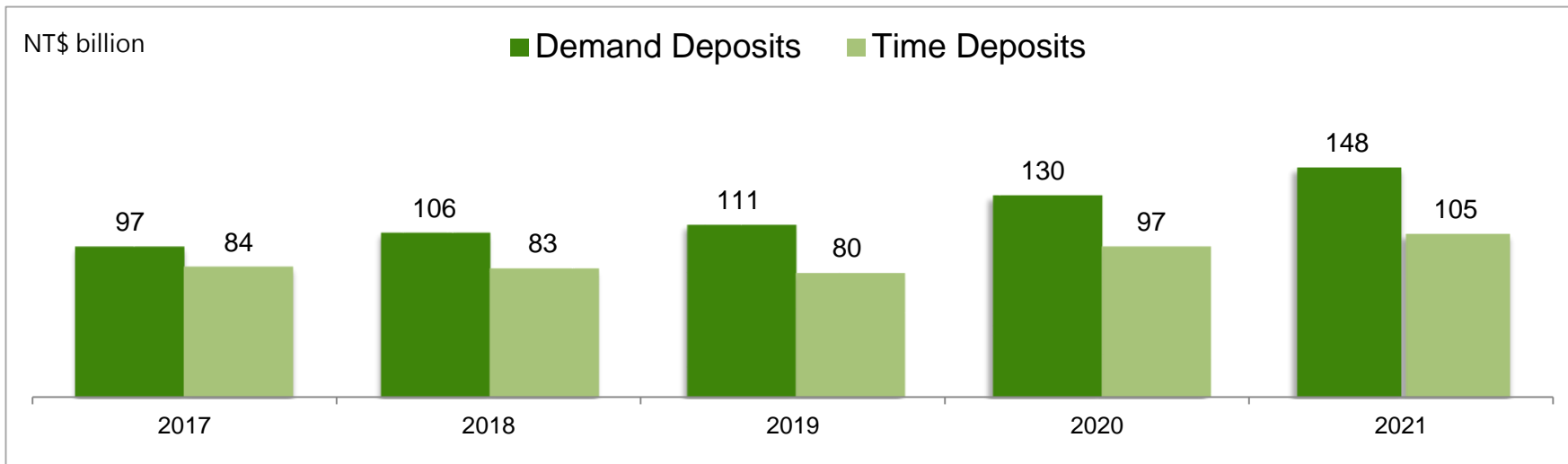


Loans and Deposits





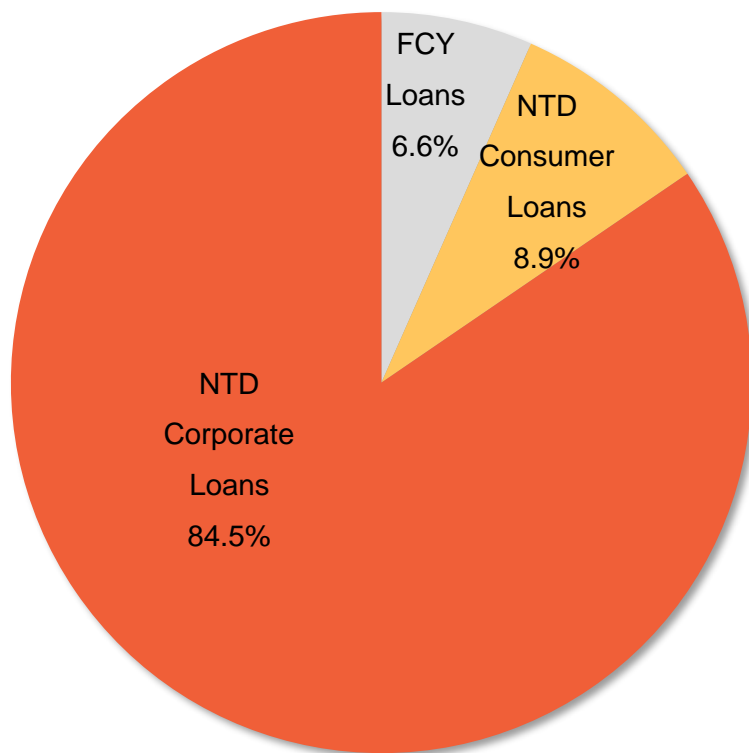
Deposits Breakdown



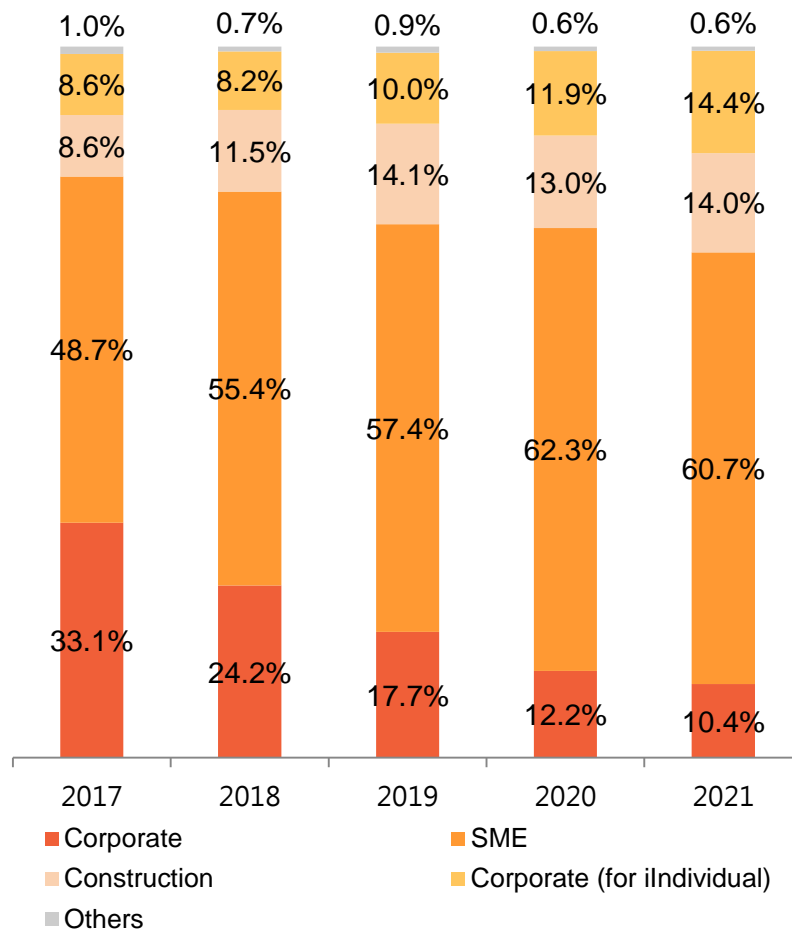


Loan Breakdown

Loan Composition FY21

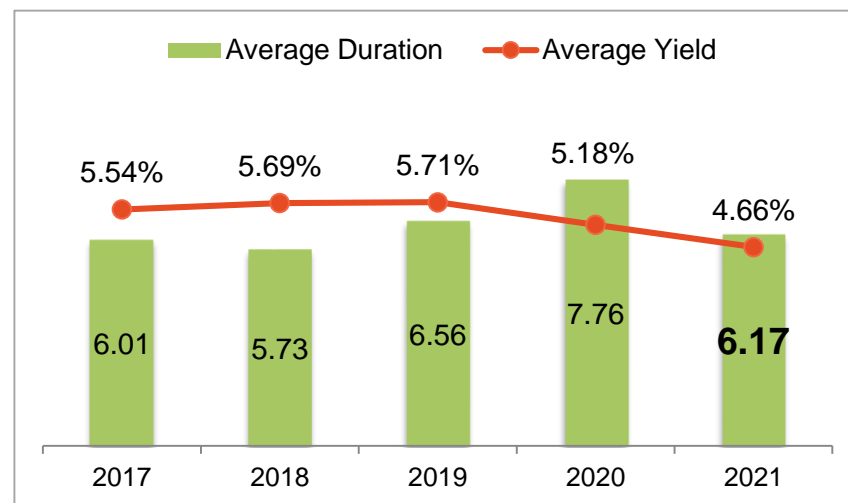
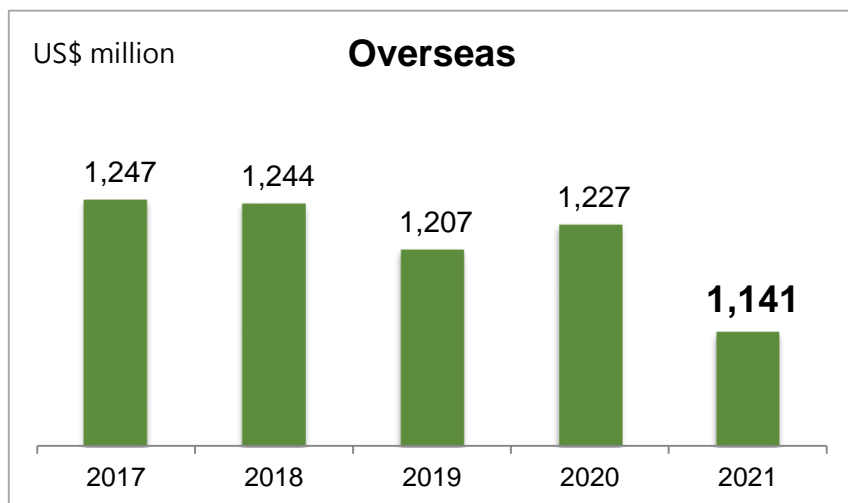
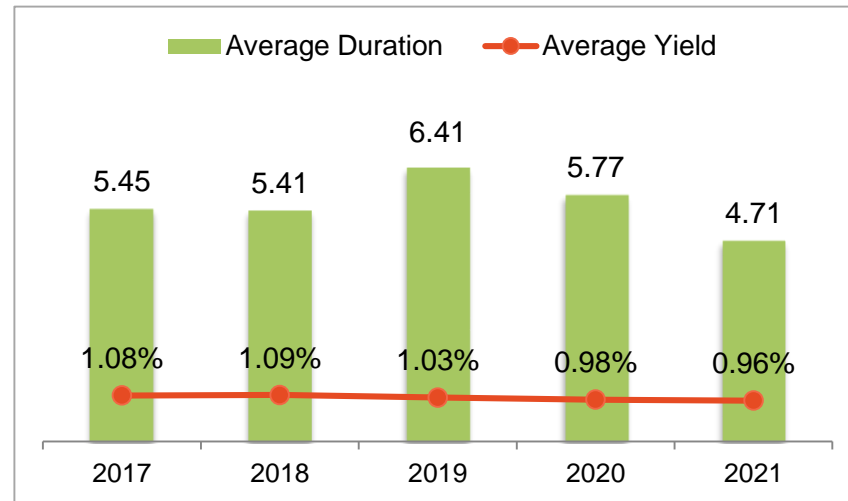
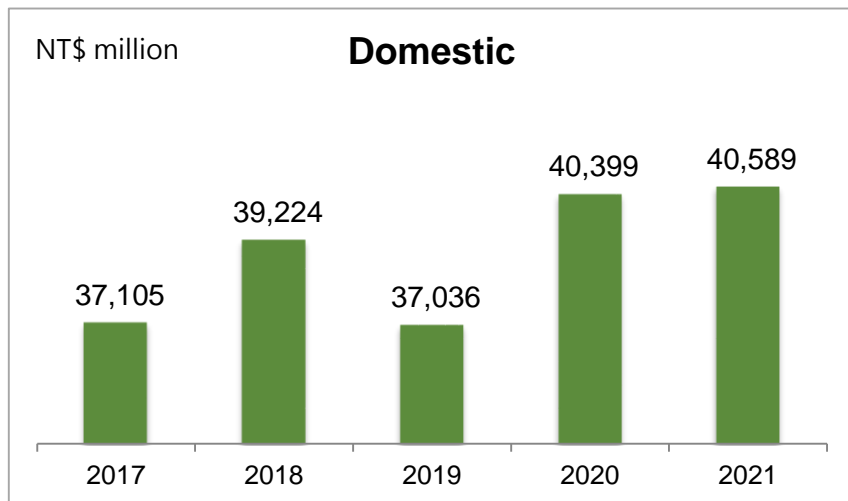


Corporate Loan by Type





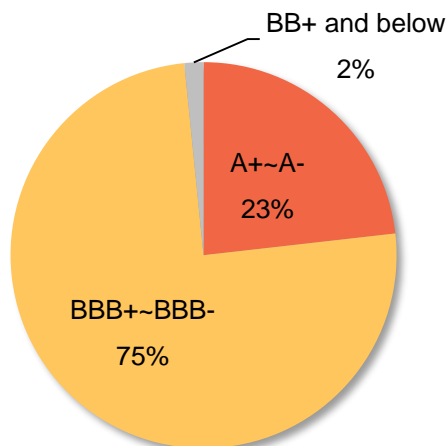
Financial Assets - Fixed Income Investments



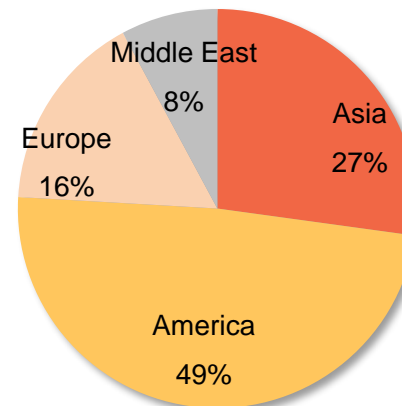


Financial Assets – Overseas Fixed Income Portfolio (FY21)

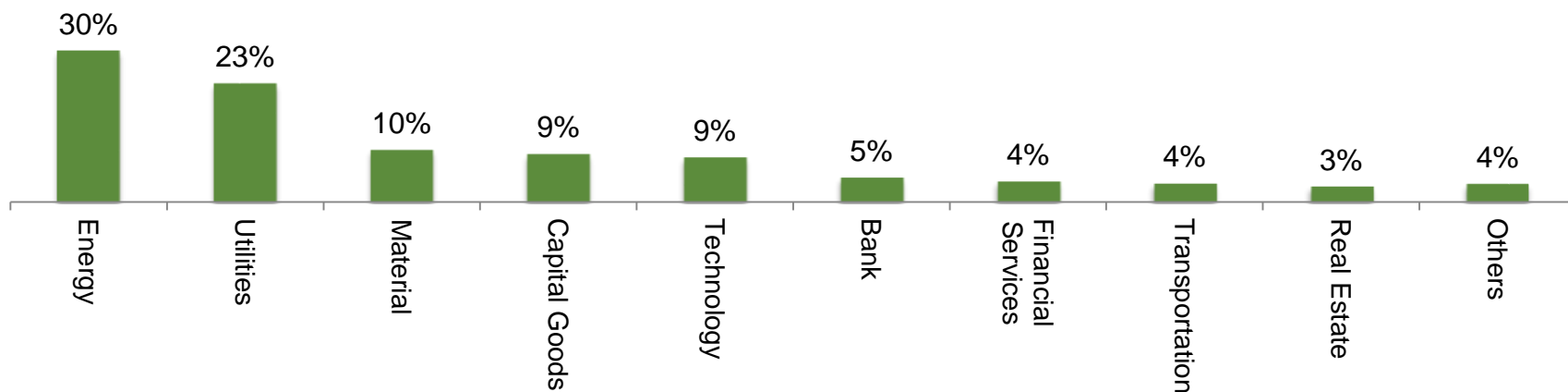
By Rating



By Area

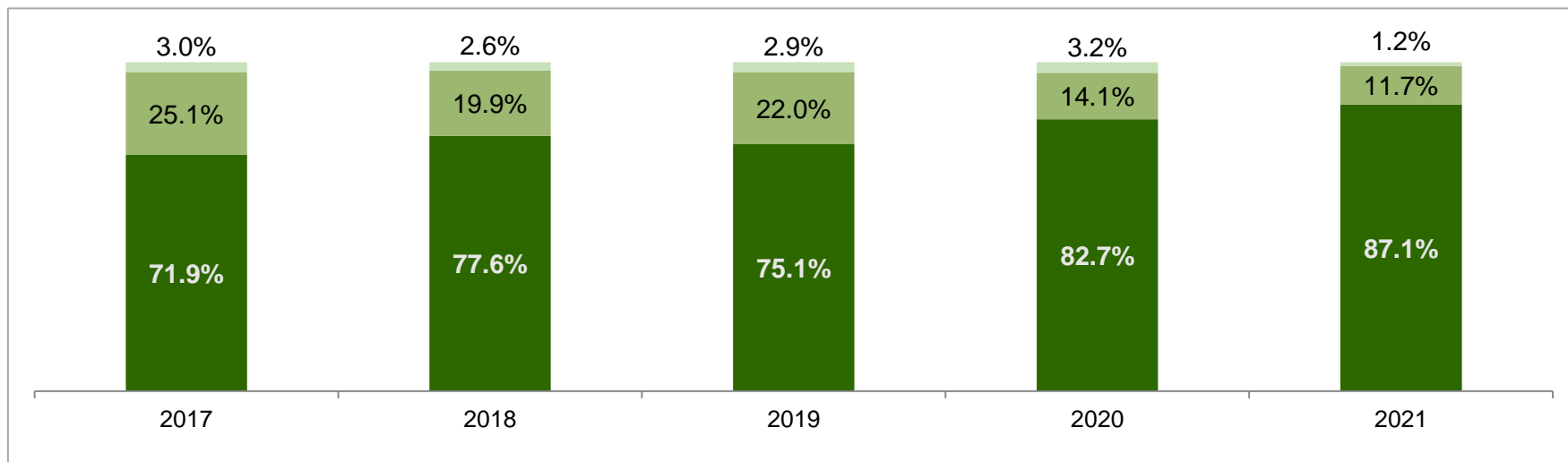
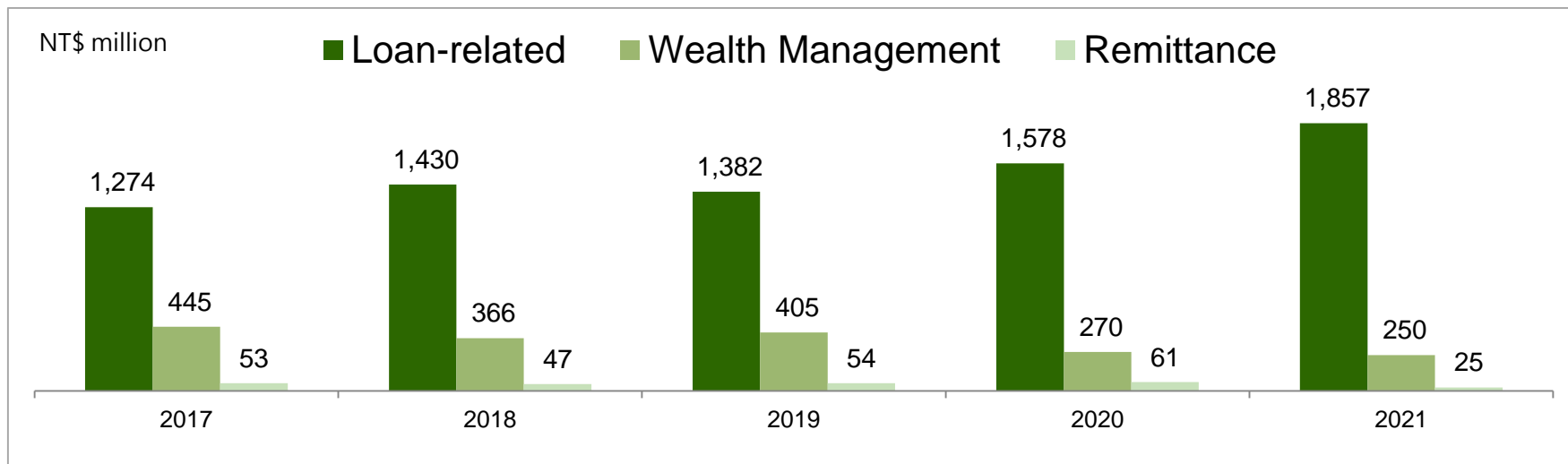


By sector





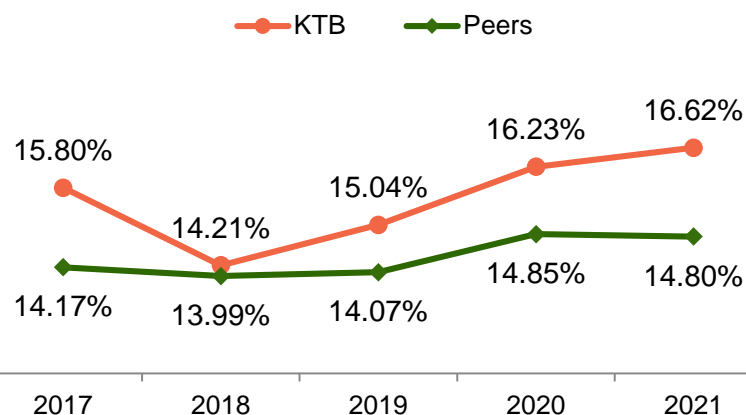
Fee Income



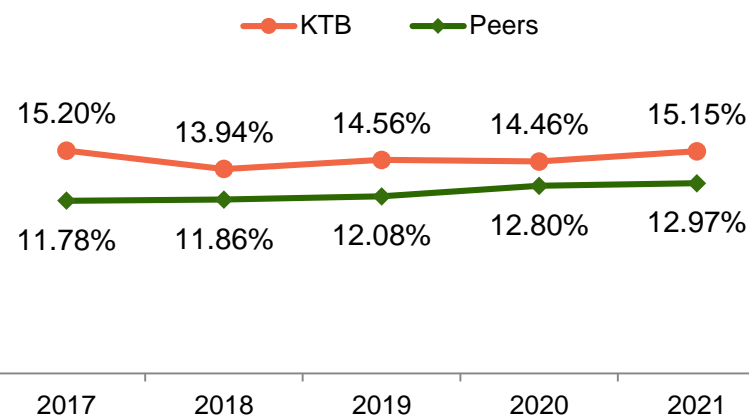


Capital Adequacy and Asset Quality

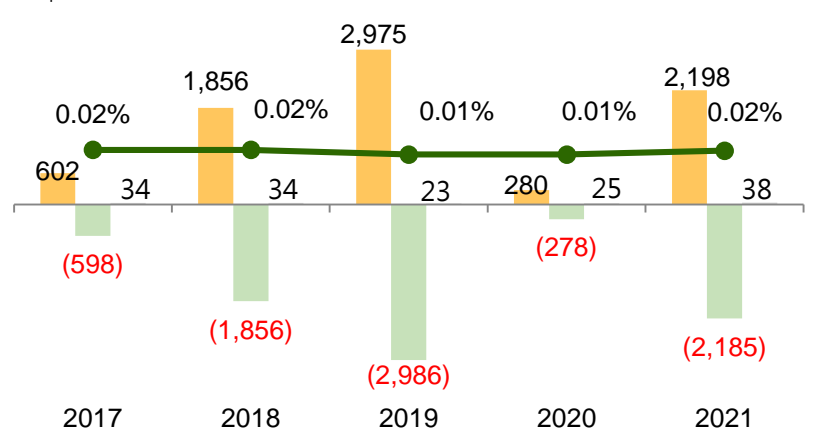
BIS Ratio



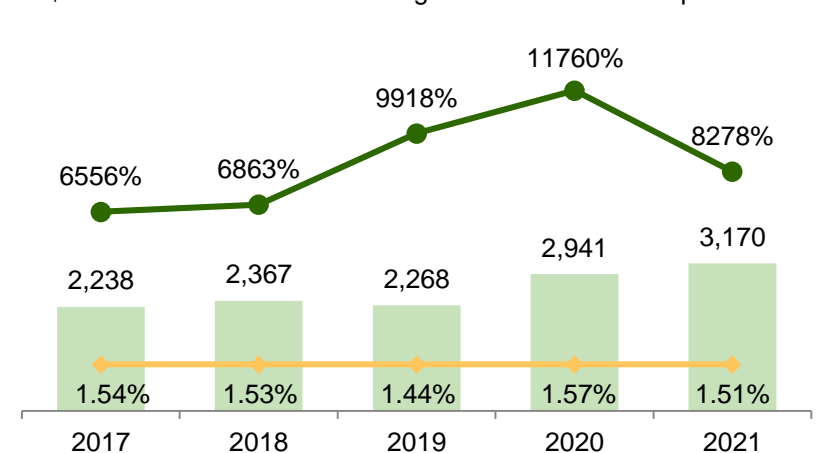
Tier 1 Capital



NT\$ million



NT\$ million





Income Statement

NT\$ million

Items	2021	2020	YoY
Net Interest Income	5,593	5,246	7%
Net Fee Income	2,131	1,909	12%
Other Income	2,538	1,752	45%
Revenue	10,262	8,907	15%
Operating Expense	(2,025)	(1,900)	7%
PPOP	8,237	7,007	18%
Provision for Loan Loss	(1,732)	(745)	132%
Earnings Before Tax	6,505	6,262	4%
Net Income	5,630	5,491	3%
EPS (Cumulative) (NT\$)	5.02	4.90	2%

Note: Unaudited data.



Balance Sheet

NT\$ billion

Items	2021	2020	YoY	Items	2021	2020	YoY
Cash, CDs, Interbank Deposits, and R/S	17.6	16.7	5%	Interbank Deposits , Interbank Borrowings	23.2	25.7	-10%
Securities	104.7	112.7	-7%	Deposits	251.0	226.9	11%
Loans	206.4	184.9	12%	R/P	12.1	22.0	-45%
Property and Equipment	3.6	3.4	6%	Other Liabilities	7.9	4.2	88%
Other Assets	10.9	7.7	42%	Total Liabilities	294.2	278.8	6%
Total Assets	343.2	325.4	5%	Shareholder's Equity	48.9	46.6	5%

Note: Unaudited data.



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 !