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# The Shanghai Commercial & Savings Bank Ltd. Investor Conference 2023Q1

2023.5.22



 上海商業儲蓄銀行



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# Agenda

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- Macro Economic and Financial Condition in 2023Q1
- Overview of 2023Q1 Business Development
- Overview of 2023Q1 Financial Performance
  - Business Strategy Focus in 2023H2
- Appendix: Concise Balance Sheet & Income Statement (Standalone & Consolidated) 2023Q1

# Macro Economic and Financial Condition in 2023Q1





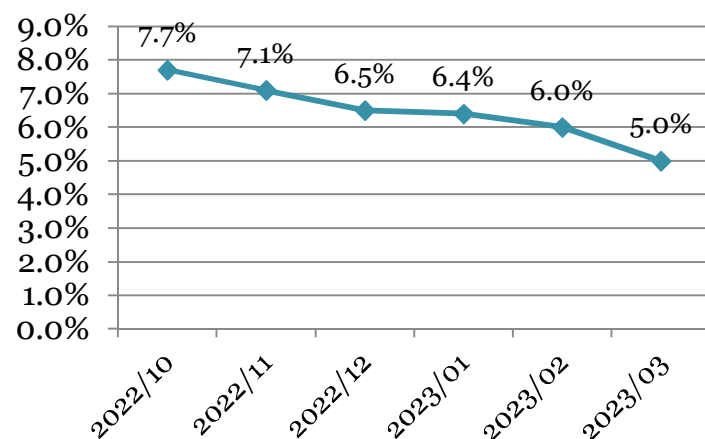


# Macro Economic and Financial Condition in 2023Q1

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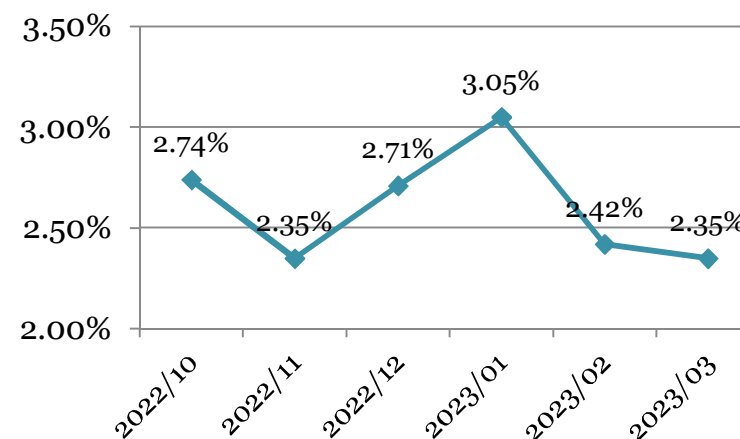
- Global inflation in 2023Q1 is slower than it in 2022, but still higher than the inflation warning line.

**U.S. inflation rate**



The consumer price index eased to 5% in March 2023 on an annual basis, a record low in nearly two years. However, there is still a gap from the target of 2% that the Federal Reserve will raise interest rates to facilitate the return of inflation.

**R.O.C. inflation rate**



In 2023Q1, the average annual growth rate of Taiwan's consumer price index (CPI) was 2.61%, exceeding the 2% inflation warning line for 20 consecutive months.

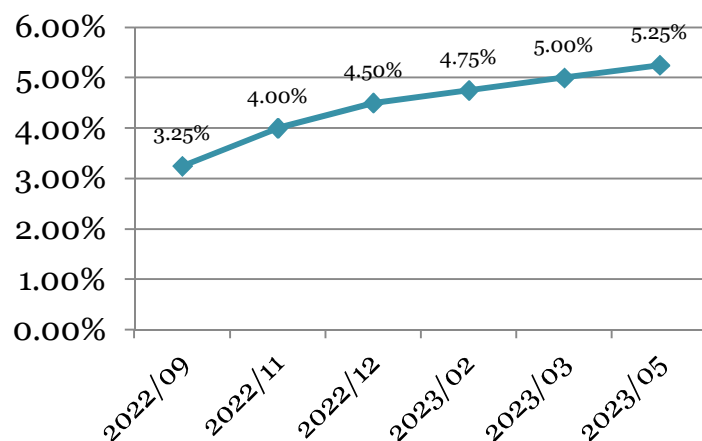


# Macro Economic and Financial Condition in 2023Q1

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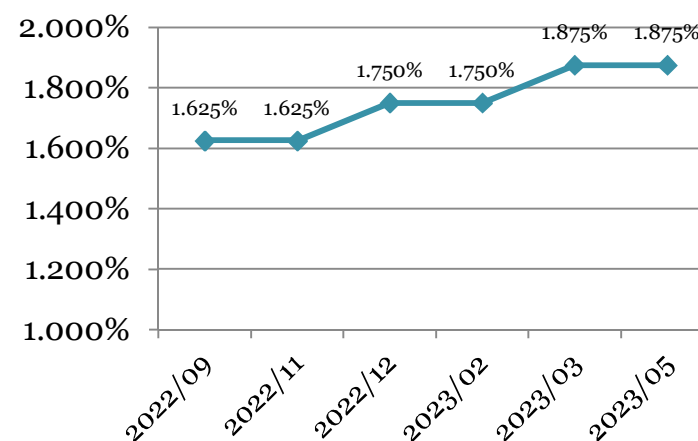
- The Fed and central banks of various countries all lift rates to curb inflation.

**Federal Funds Rate**



The U.S. Fed has raised interest rates by another 25 bps in May 2023, which is the 10th rate hike since the start of the rate hike cycle in March 2022. A total of 20 yards (5%) of interest rate hikes have been raised, the highest level since August 2007.

**R.O.C. rediscount rate**



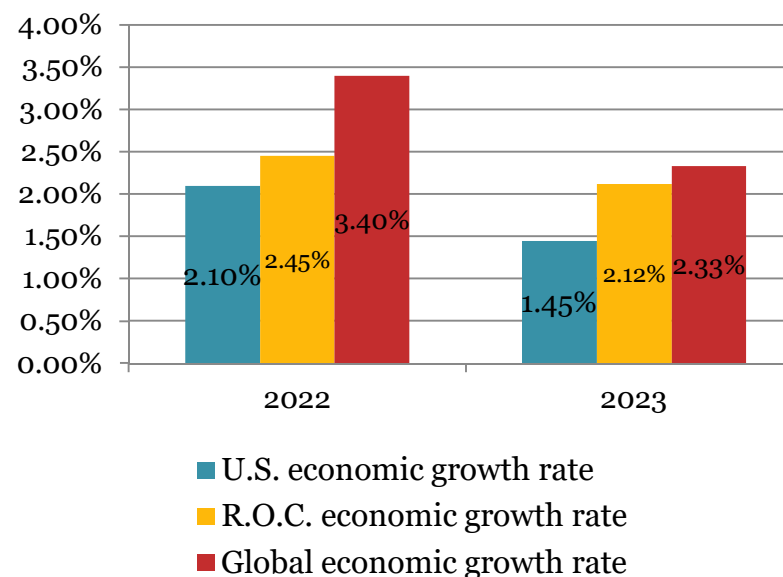
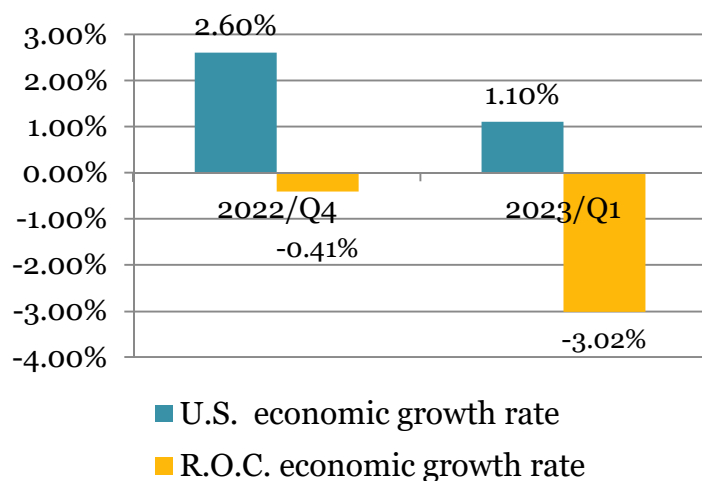
Central Bank of the Republic of China raised interest rates half quarter percent each in December 2022 and March 2023.



# Macro Economic and Financial Condition in 2023Q1

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- Inflation and rate rise inhibit economic growth. Major research institutions downgrade economic growth prediction.



S&P predicted in April that the global economic growth rate in 2023 will be 2.33%, lower than the rate of 3.4% in 2022; the US economic growth rate in 2023 will be 1.45%, lower than the rate of 2.1% in 2022.

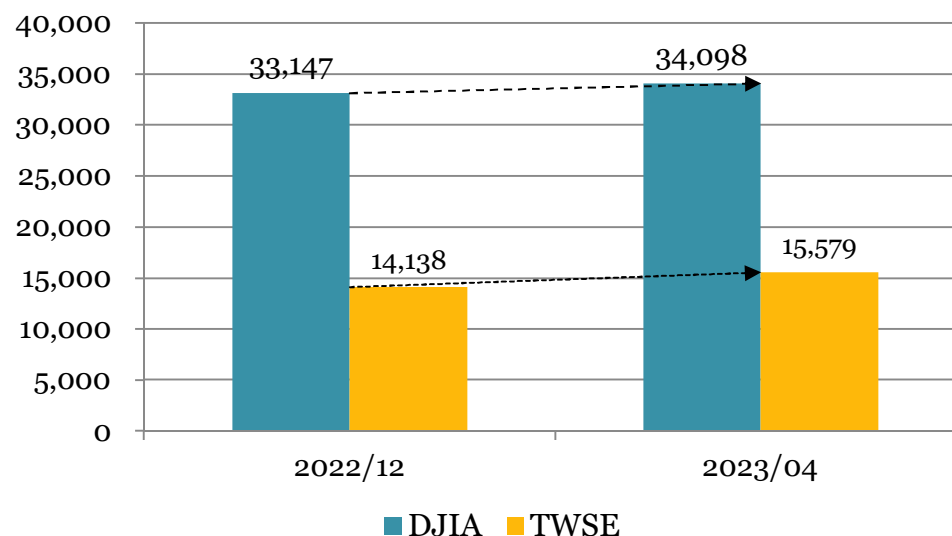
Economic growth rate of R.O.C. was projected to be 2.12% and 2.01% by DGBAS Executive Yuan and Chung-Hua Institution for Economic Research, lower than 2.45% in 2022. In 2023Q1, Taiwan's export trade declined by 19.2% year-on-year, and import trade declined by 15.8%.



# Macro Economic and Financial Condition in 2023Q1

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- As the impact of the epidemic dissipated, U.S. inflation slowed and interest rate hikes came to an end, major stock markets around the world rose slightly.



DJIA rose by 2.87% at the end of April 2023 compared with the end of 2022.

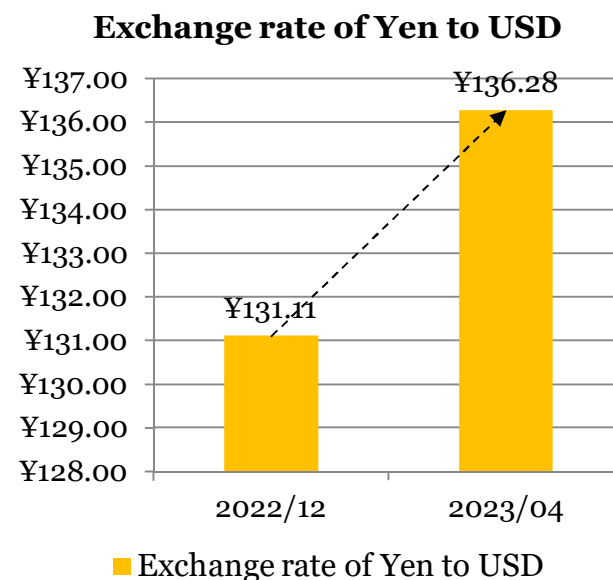
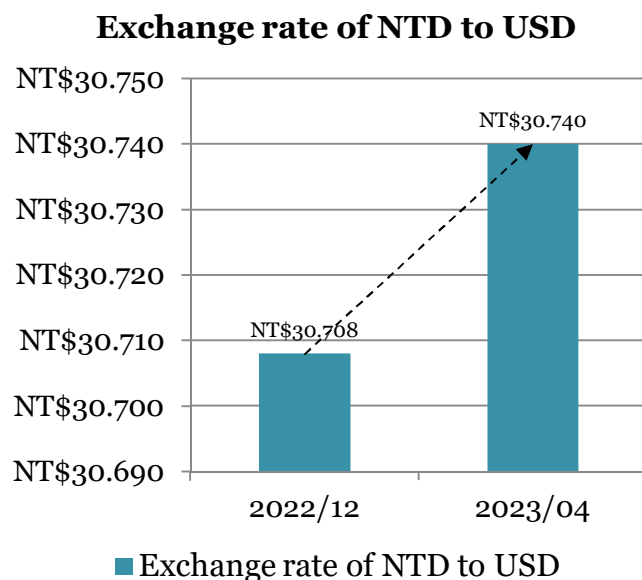
TWSE rose by 10.20% at the end of April 2023 compared with the end of 2022.



# Macro Economic and Financial Condition in 2023Q1

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- The demand for the US dollar slowed down as the Fed stopped raising interest rates, and major currencies depreciated slightly against the US dollar.



In April 2023, the exchange rate of New Taiwan dollars to USD was 30.740, went down by 0.1% compared with it in Dec. 2022.

In April 2023, the exchange rate of Japanese Yen to USD was 136.28, went down by 3.79% compared with it in Dec. 2022.



# Overview of 2023Q1 Business Development



## 2023 Main Strategies

Multiple Core. Digitalization & Sustainable Development.

### 1. Speeding Digital-transformation

#### Organizational Transformation

- Upgrading The Digital Banking Department, expanding staffing and recruiting professionals, strengthening financial technology and data-driven capabilities, and accelerating the research and development and promotion of digital financial services and products through professional division of labor, and comprehensively enhancing the digital capabilities of the entire bank.

#### Intelligent Finance

- Develop artificial intelligence and automated processes, effectively allocate manpower, improve operating speed and accuracy, and improve the identification and data judgment capabilities of automated processes through data analysis and application, thereby optimizing customer experience and developing new business application scenarios.

#### Financial Inclusion

- Build a smart wealth management platform, continue to increase online account opening, expand payment and domestic and overseas collection services, strengthen personal online banking, corporate online banking and mobile banking service functions, and continue to improve the depth and breadth of digital services.

#### Financial Technology

- Actively cooperate with domestic and foreign start-up parks and accelerators, set up the Cloud Space digital technology innovation center, form a cross-function team internally, and cooperate with start-up companies externally to exert synergistic effects and make good use of financial technology to accelerate digital transformation. Looking for alliance partners from different industries, with the goal of one-stop service, to accelerate the establishment of a financial ecosystem.

#### Digital Brand

- Strengthen the operation of the Cloud Bank digital brand, deepen social media, establish a Cloud Bank digital town, and plan to build a digital brand APP, membership system and digital products to meet the diverse financial needs of the digital customer base.



## 2. Motivate Sustainable Development

### Sustainable Finance

- Increase the proportion of Green Finance, reduce investment and financing in high-carbon emission industries and high climate-sensitive areas, and promote sustainable linked loans.

### Green Operation

- Introduce product carbon footprint checks, water resources management systems, and sustainable procurement management systems; replace high-energy-consuming equipment, build self-owned green buildings, introduce green electricity and renewable energy, and promote paperless operations and energy conservation and carbon reduction.

### Climate Change Adaptation

- Set limits on high climate risk assets, monitor high climate risk areas and high carbon emissions industries risk exposure, build a climate change risk management mechanism, prudently respond to the risks and opportunities of climate change, financial disclosure of climate-related risks, and sign the SBTi.

### Social welfare

- Beach cleanup, tree conservation, actively respond to Earth Day, hold and sponsor social charity and environmental protection activities.

### Stakeholder Engagement

- Give full play to the influence of financial sustainability, research and develop climate-friendly financial products, strengthen communication and interaction with invested companies, and work with customers, suppliers and invested companies to create a sustainable development ecosystem.





## 3. Steady Business Development

### Corporate Banking

- Strengthen green credit, six core strategic industries, regional cluster industries, credit guarantees, small and medium-sized enterprises, foreign exchange and international finance.

### Personal Banking

- Mortgage loans, consumer loans, household finance and digital marketing.

### Consumer Finance

- Insurance, fund, structured note, trust 2.0, asset inheritance, high-quality wealth management products, strengthening high-asset wealth management 2.0, and improving the ability to integrate marketing across business departments.

### Deposits Finance

- Optimize deposits structure, increase retail deposits, expand deposit scale.

### Treasury Finance

- Upgrade the financial transaction system, strengthen the development of new customer groups for large customers, develop new financial products, financial operations, and TMU.



## 4. Awards & Honor

- Ranked by the S&P Global Sustainability Yearbook as one of the top 10% outstanding companies in the industry.
- Passed ISO 14067 carbon footprint verification for credit cards and debit cards.
- Passed ISO 14064-1 greenhouse gas inventory verification.
- The Environmental Protection Administration of the Executive Yuan issued two "Certificate for the use of product carbon-footprint label" to the SCSB Credit Card and Debit Card.
- Completed the signing of the Science Based Targets Initiative (SBTi).
- Awarded the Batch Credit Guarantee Gold Quality Award from the Small and Medium Enterprise Credit Guarantee Fund of Taiwan(Taiwan SMEG).
- Awarded the "Outstanding Award for Total Guaranteed Financing Amount", "Excellent Prize for Total Guaranteed Financing Amount for COVID-19 Projects", "Excellent Prize for Growth of Financing Amount from New Southbound Countries", and Dong Nai Branch received the " Outstanding Award" from the Overseas Credit Guarantee Fund.



# Overview of 2023Q1 Financial Performance



# 2023Q1 standalone operating results

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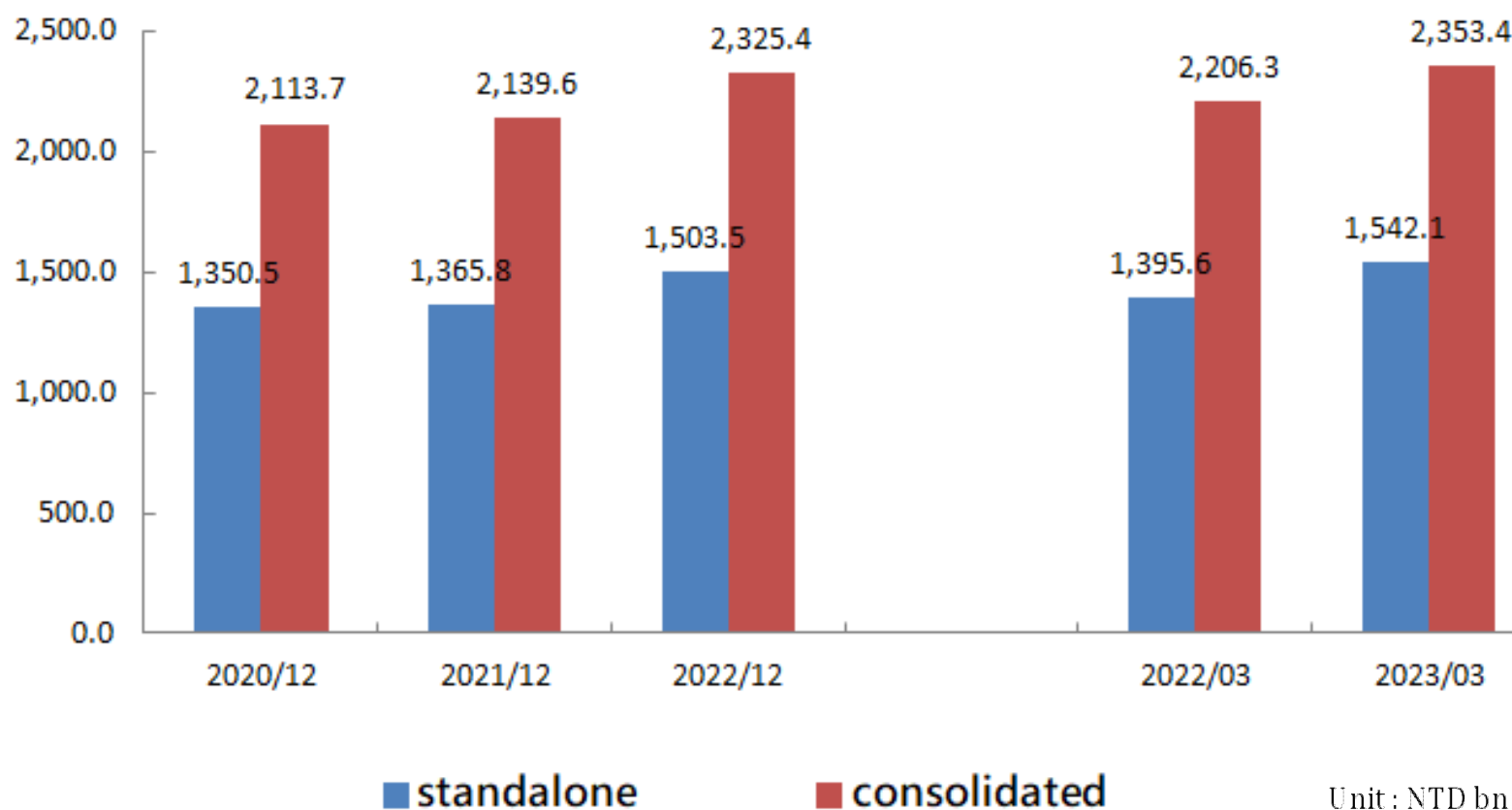
Unit: NTD

		2023Q1	2022Q1	Rate of change
Profitability	Net income	4.26bn	3.64bn	+17.01%
	EPS	0.88	0.81	+8.64%
	Pretax ROA (Annualized)	1.26%	1.20%	+0.06%
	Pretax ROE (Annualized)	11.10%	10.47%	+0.63%
Safety	NPL ratio	0.17%	0.24%	-0.07%
	Coverage ratio	872.84%	539.89%	+332.95%
Liquidity	Liquidity reserve ratio	32.37%	26.23%	+6.14%
	Loan to deposit ratio	68.62%	73.34%	-4.72%
Capital Adequacy	CET 1 capital ratio	12.13%	11.13%	+1.00%
	Tier 1 capital ratio	12.98%	11.88%	+1.10%
	BIS capital adequacy ratio	15.88%	15.23%	+0.65%



# Asset

17



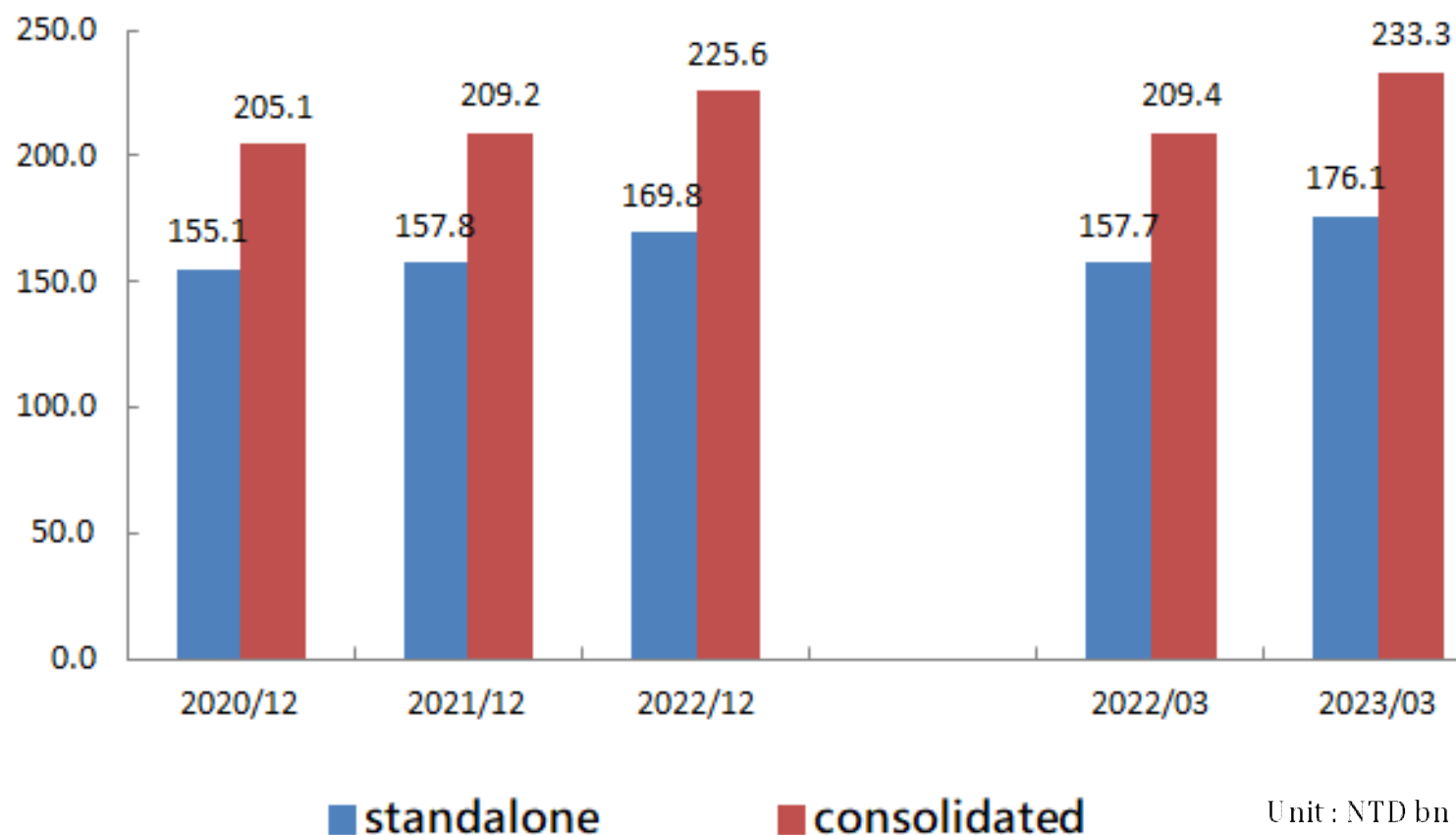
YoY comparison 2023/03 vs. 2022/03

	Amount	Growth rate
Standalone	+146.5bn	+10.5%
Consolidated	+147.1bn	+6.7%



# Equity

18



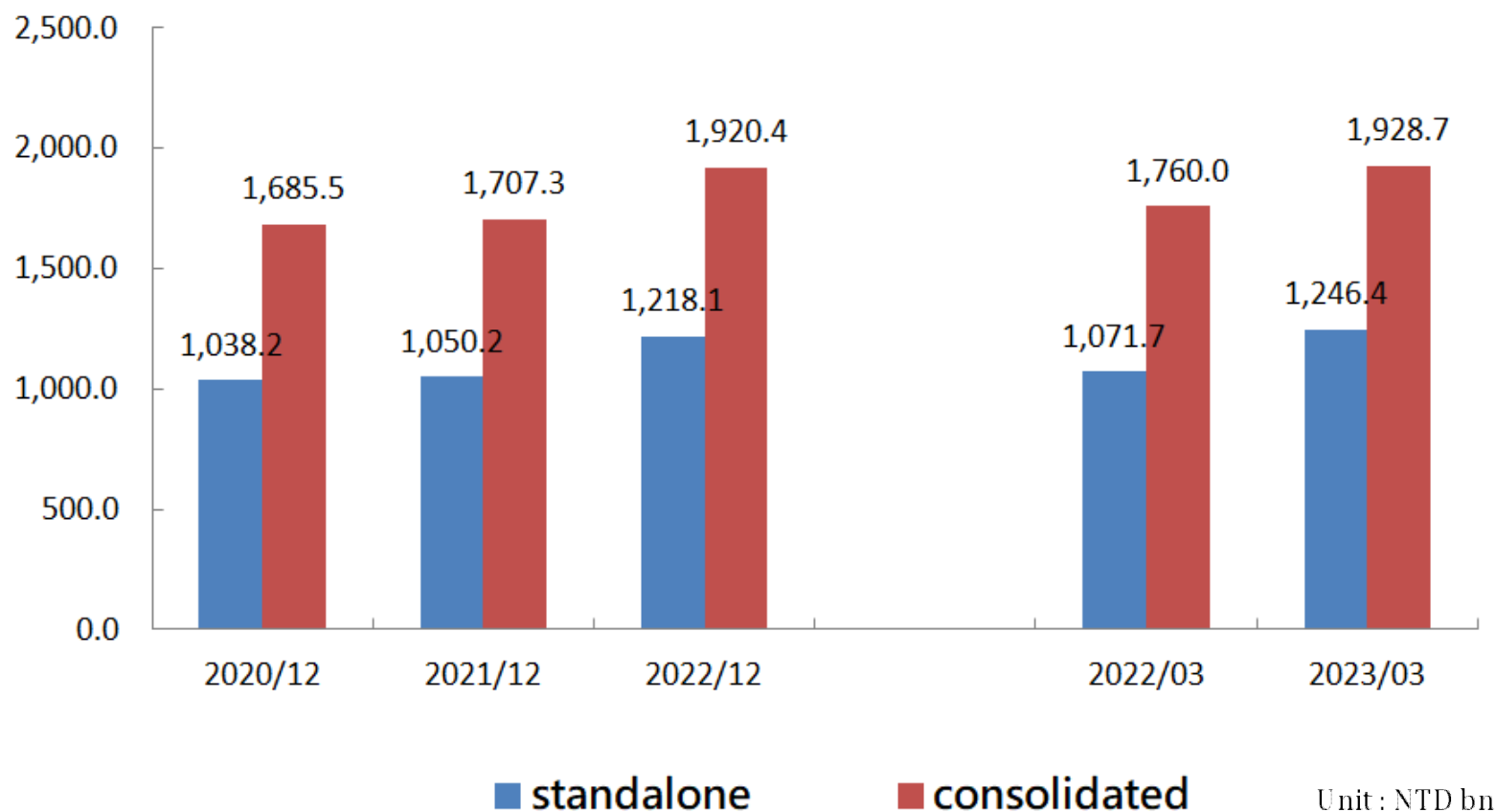
YoY comparison 2023/03 vs. 2022/03

	Amount	Growth rate
Standalone	+18.4bn	+11.6%
Consolidated	+23.9bn	+11.4%



# Deposit

19



YoY comparison 2023/03 vs. 2022/03

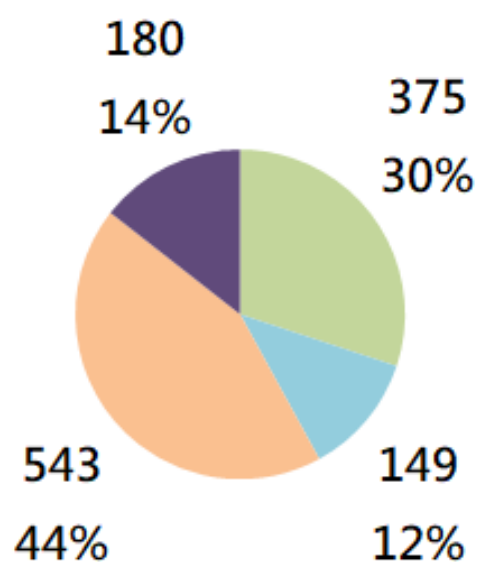
	Amount	Growth rate
Standalone	+174.8bn	+16.3%
Consolidated	+168.6bn	+9.6%



# Deposit breakdown

20

- Standalone



Unit : NTD bn

Total: NTD 1,246 bn

## YoY comparison

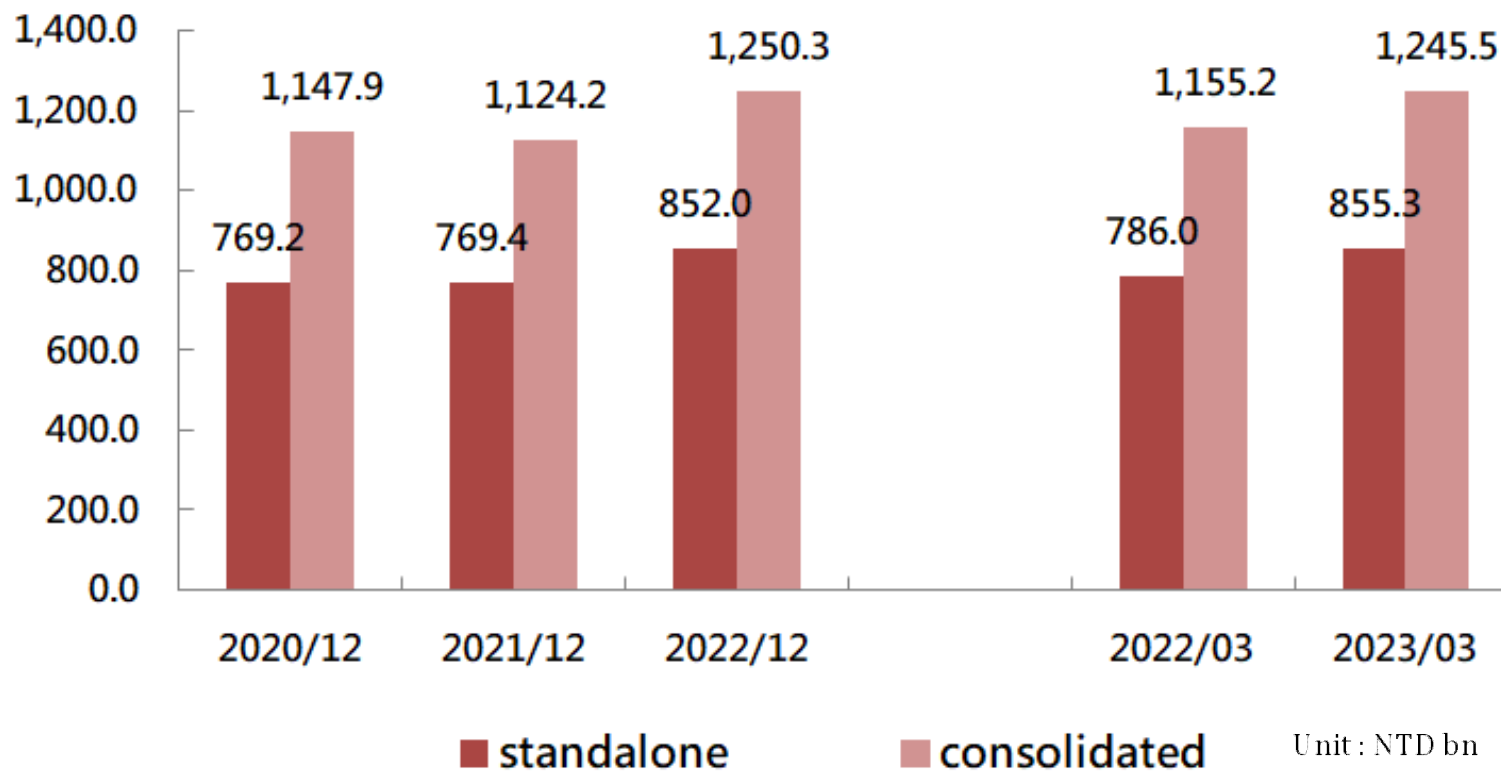
	Amount	Growth rate
TWD Demand	-1.6bn	-0.4%
FCY Demand	-55.4bn	-27.1%
TWD Time	+192.6bn	+55.0%
FCY Time	+39.1bn	+27.8%





# Loan

21



YoY comparison 2023/03 vs. 2022/03

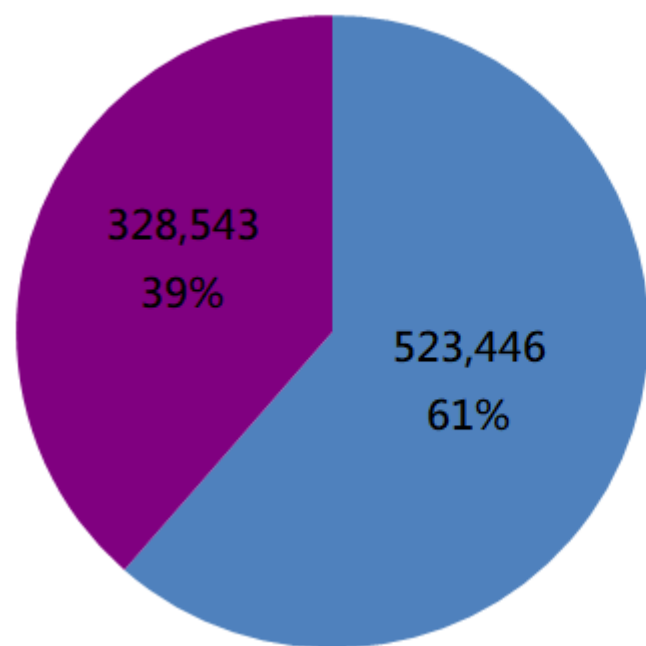
	Amount	Growth rate
Standalone	+69.3bn	+8.8%
Consolidated	+90.4bn	+7.8%



# Loan breakdown by business

22

- Standalone (2023/03)



Unit: NTD mn

■ Corporate banking  
■ Consumer banking

Total: NTD851,989mn\*

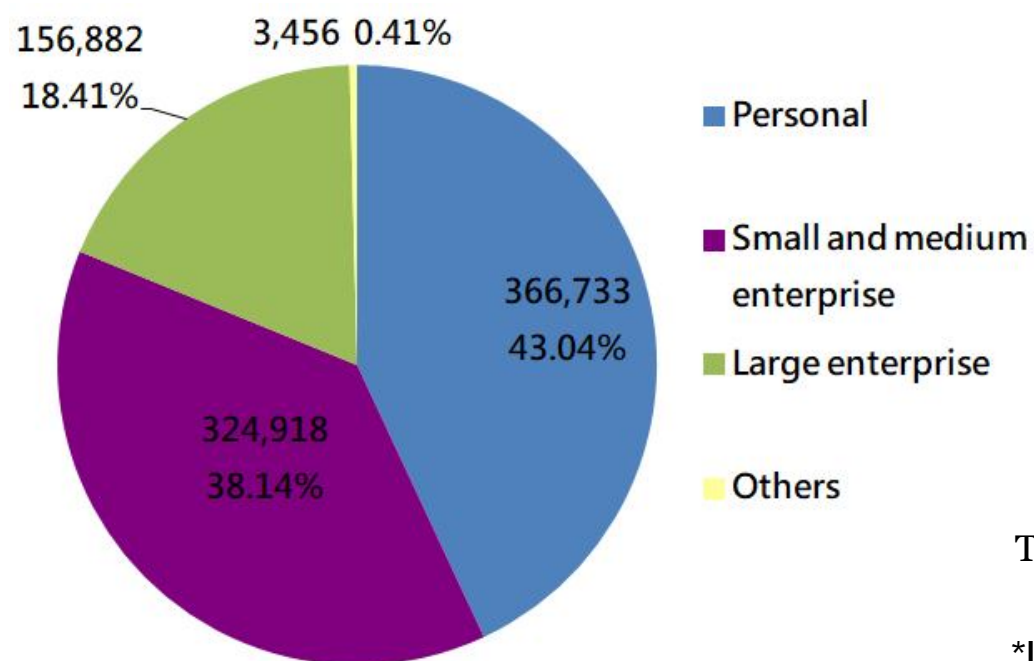
\*Inward/outward documentary bills and Non-performing loans are excluded.

	YoY comparison	
	Amount	Growth rate
Corporate banking	+32,696mn	+6.7%
Consumer banking	+38,021mn	+13.1%



# Loan breakdown by customer profile <sup>23</sup>

- Standalone (2023/03)



Unit: NTD mn

	YoY comparison	
	Amount	Growth rate
Personal	+34,348mn	+10.3%
Small and medium enterprise	+15,485mn	+5.0%
Large enterprise	+21,305mn	+15.7%
Others	-421mn	-10.9%

Total: NTD851,989 mn\*

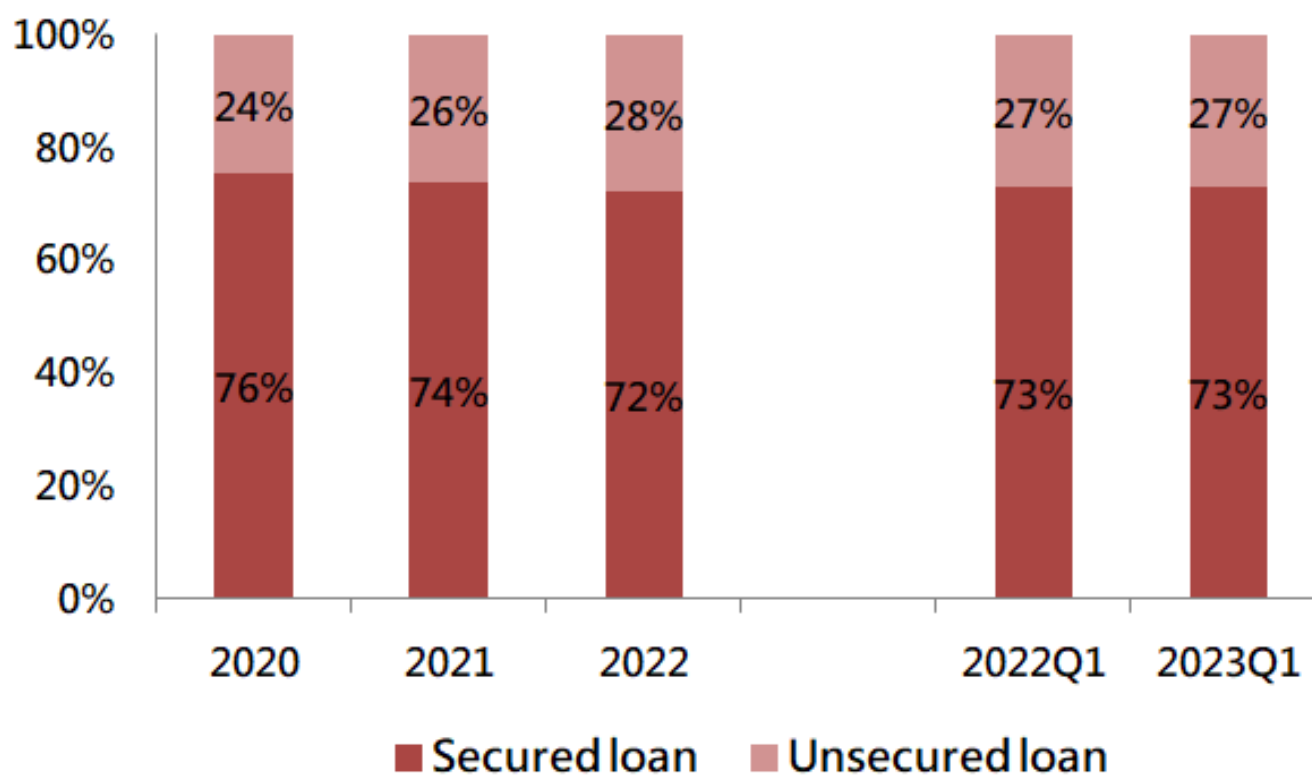
\*Inward/outward documentary bills and Non-performing loans are excluded.



# Loan breakdown by type

24

- Standalone

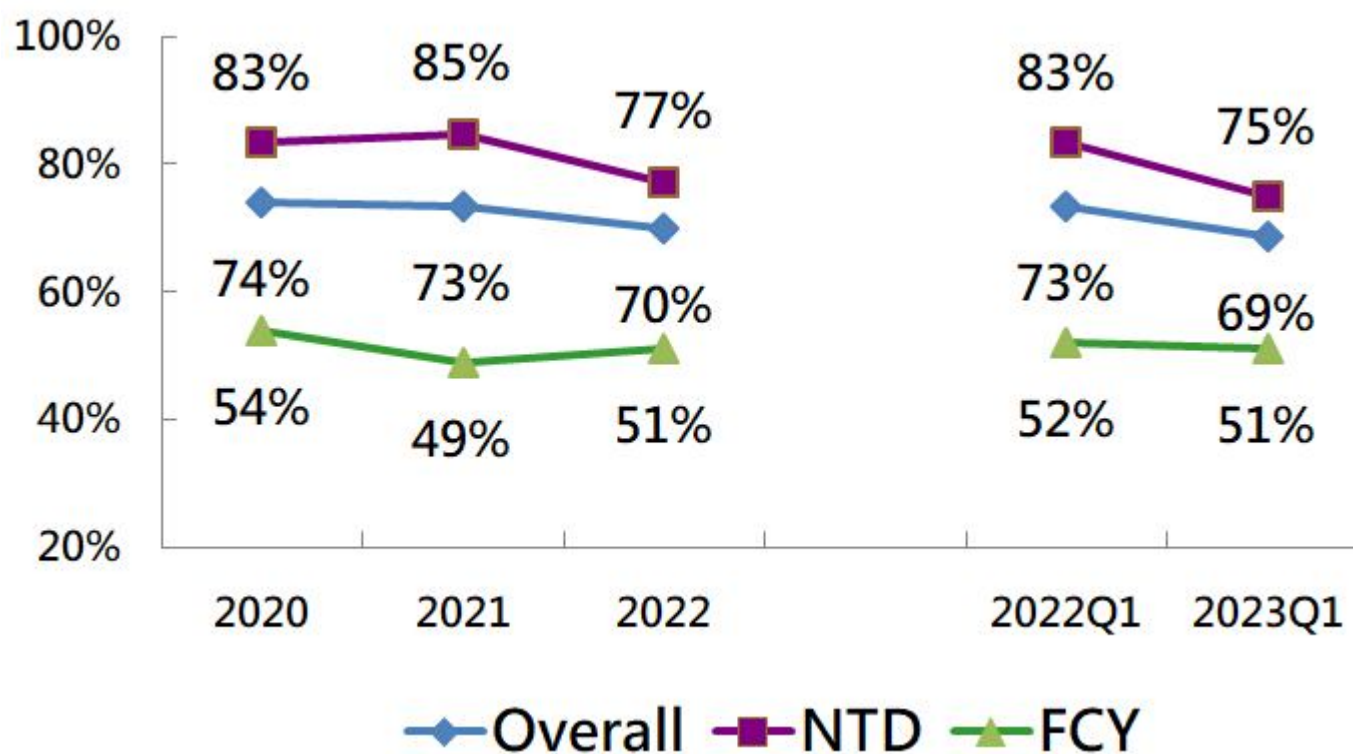




# Loan to deposit ratio

25

- Standalone



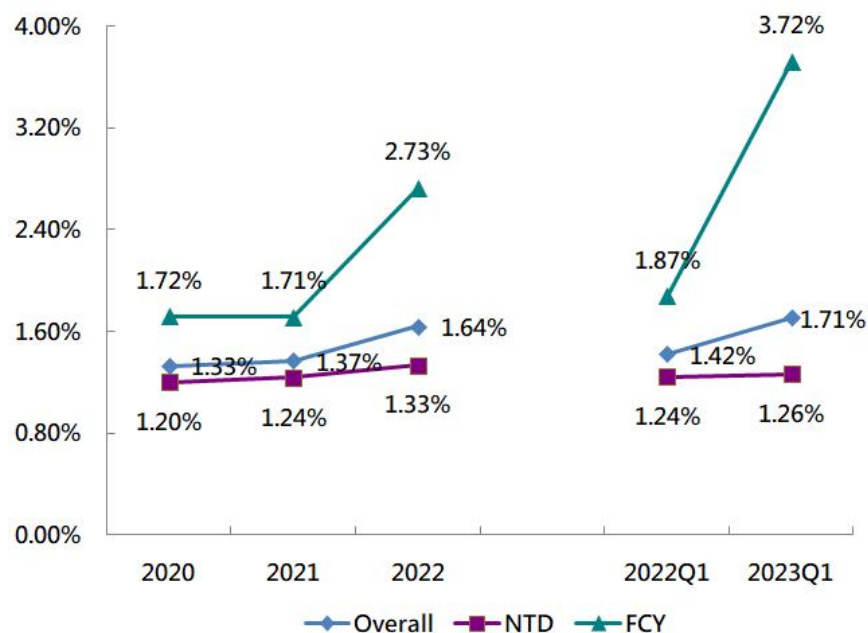


# Interest spread & Net interest margin

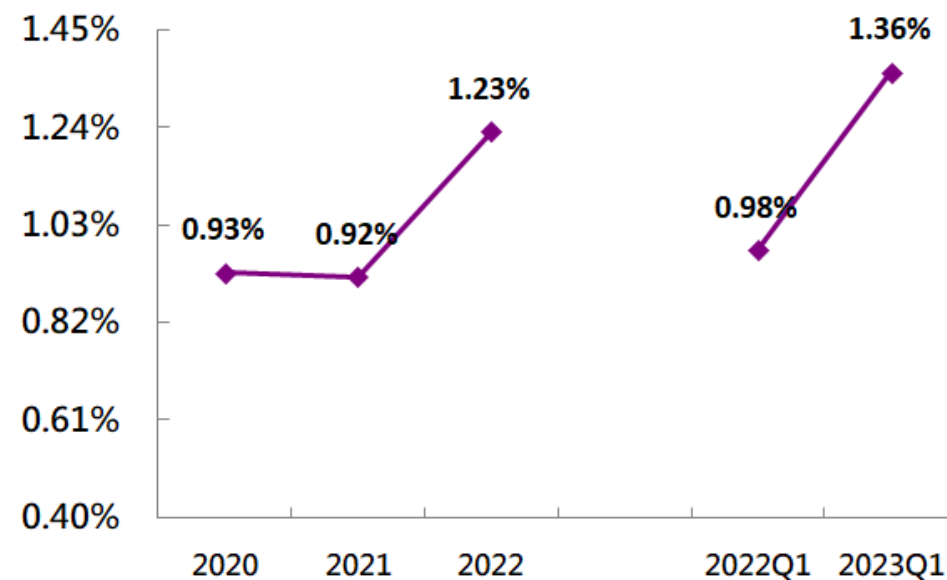
26

- Standalone

## Interest spread



## Net interest margin

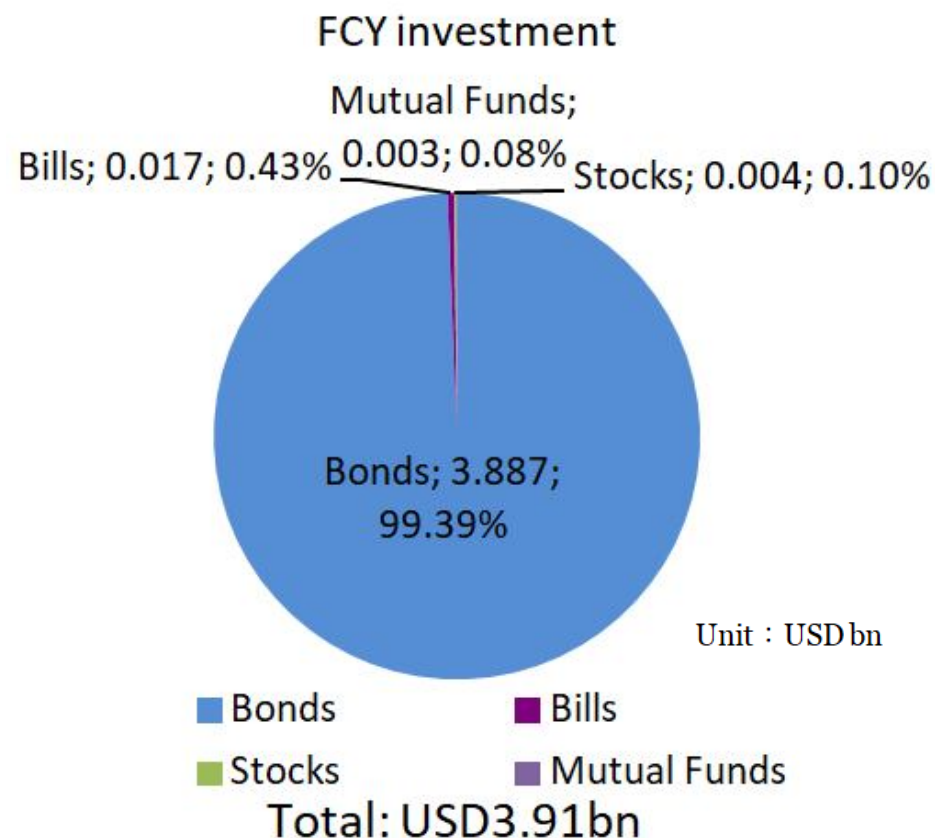
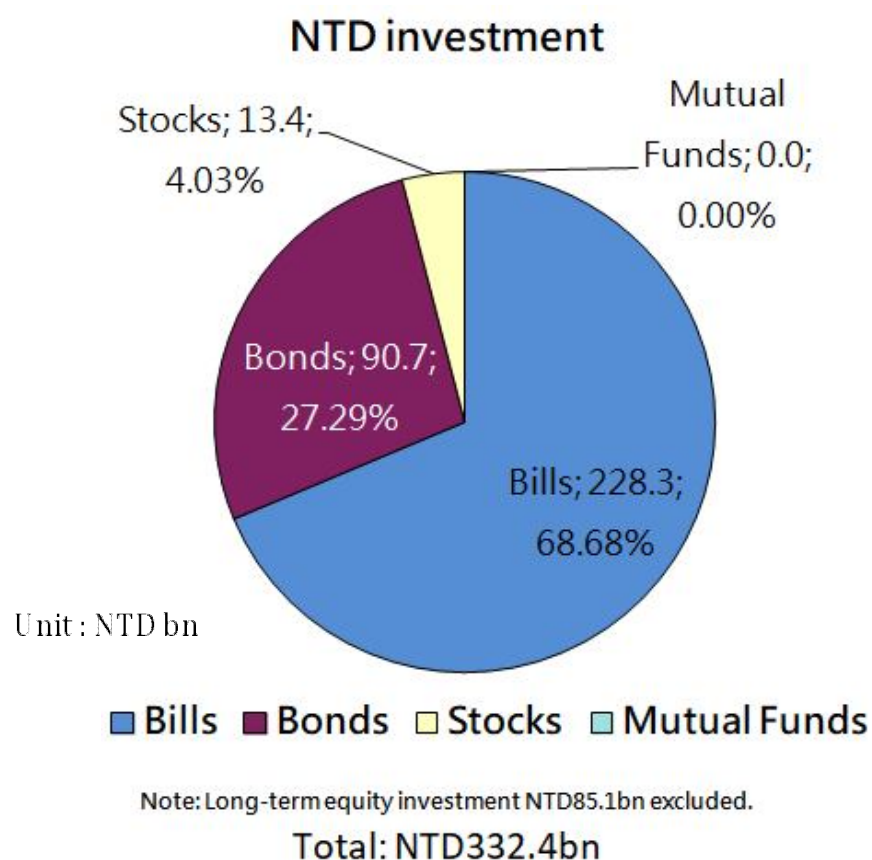




# Investment composition

27

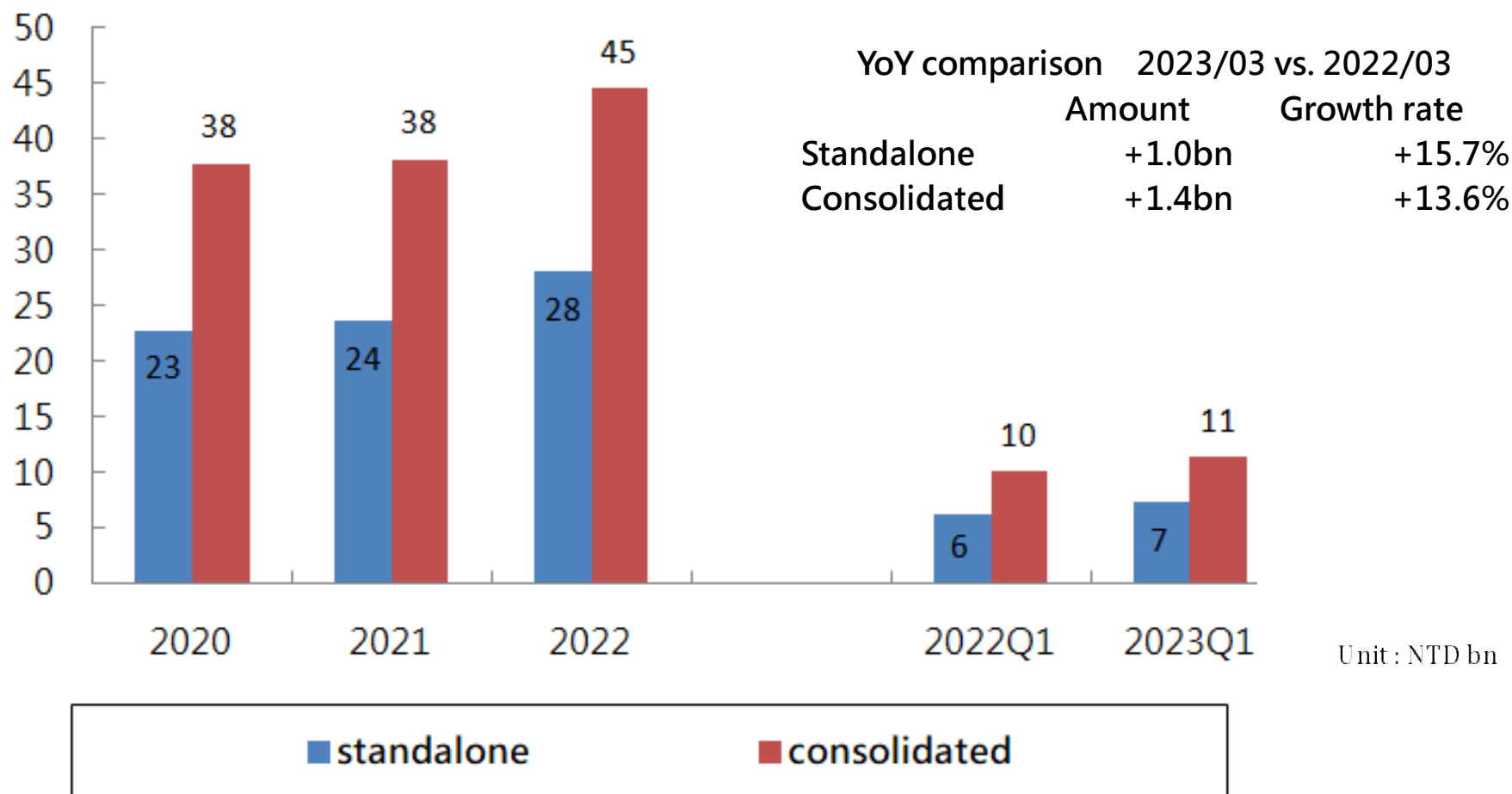
- Standalone(2023/03)





# Net revenue

28



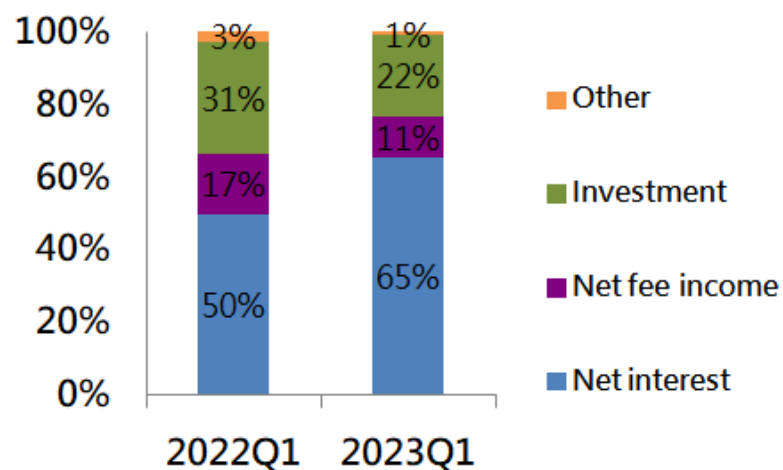




# Net revenue breakdown

29

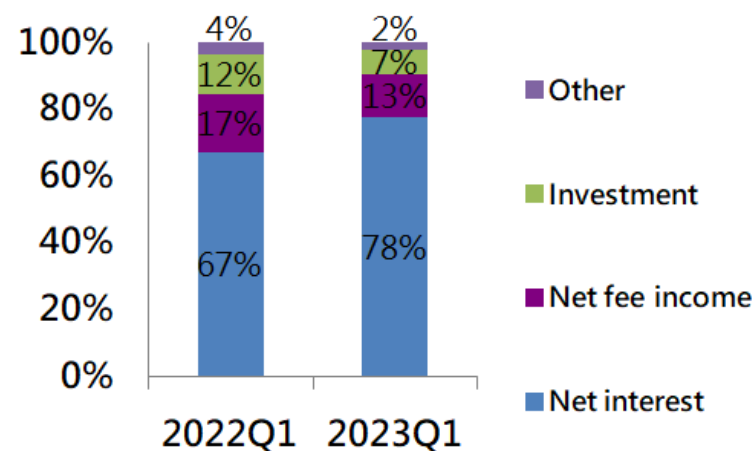
## • Standalone



### YoY comparison

	Amount	Growth rate
Net interest	+1.6bn	+52.6%
Net fee income	-0.2bn	-22.1%
Investment	-0.3bn	-16.0%
Other	-0.1bn	-57.6%

## • Consolidated



### YoY comparison

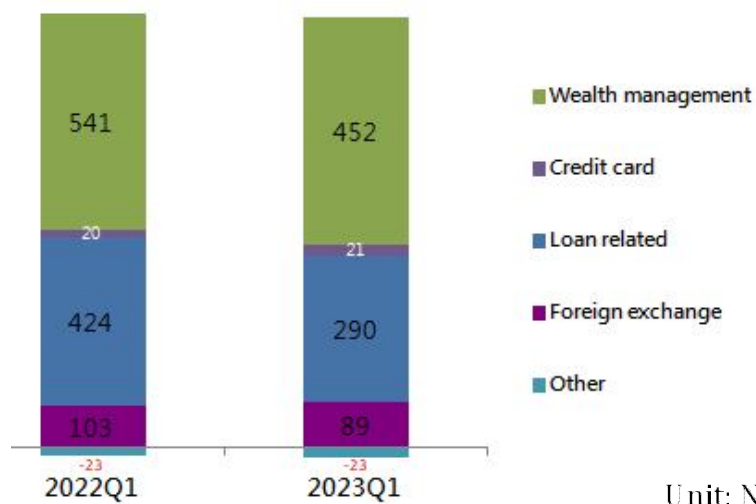
	Amount	Growth rate
Net interest	+2.1bn	+31.2%
Net fee income	-0.3bn	-14.6%
Investment	-0.4bn	-32.6%
Other	-0.1bn	-29.3%



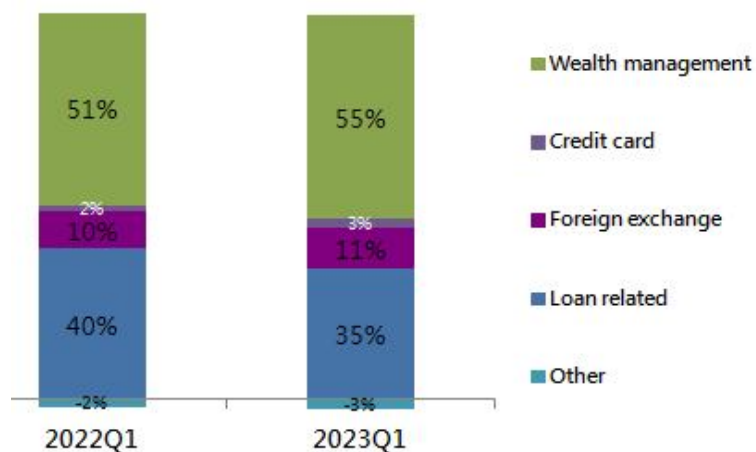
# Net fee income

30

## • Standalone



	YoY comparison	
	Amount	Growth rate
Loan related	-134mn	-31.6%
Foreign exchange	-14mn	-13.6%
Wealth management	-89mn	-16.5%
Credit card	+1mn	+5.0%
Other	+0mn	+0.0%

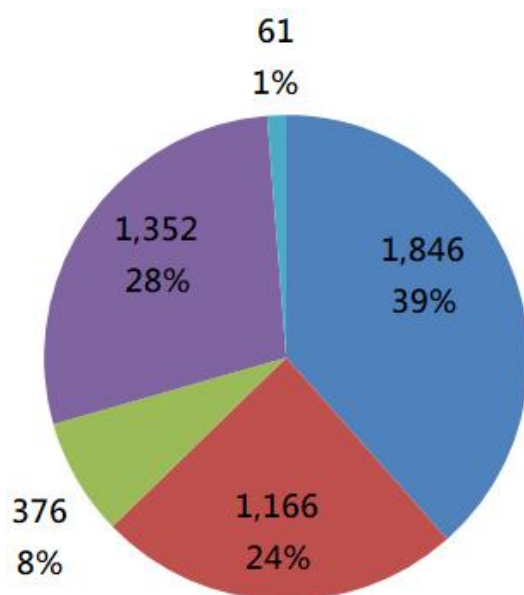




# Pretax net income breakdown by area

31

- Standalone(2023Q1)



Unit: NTD mn

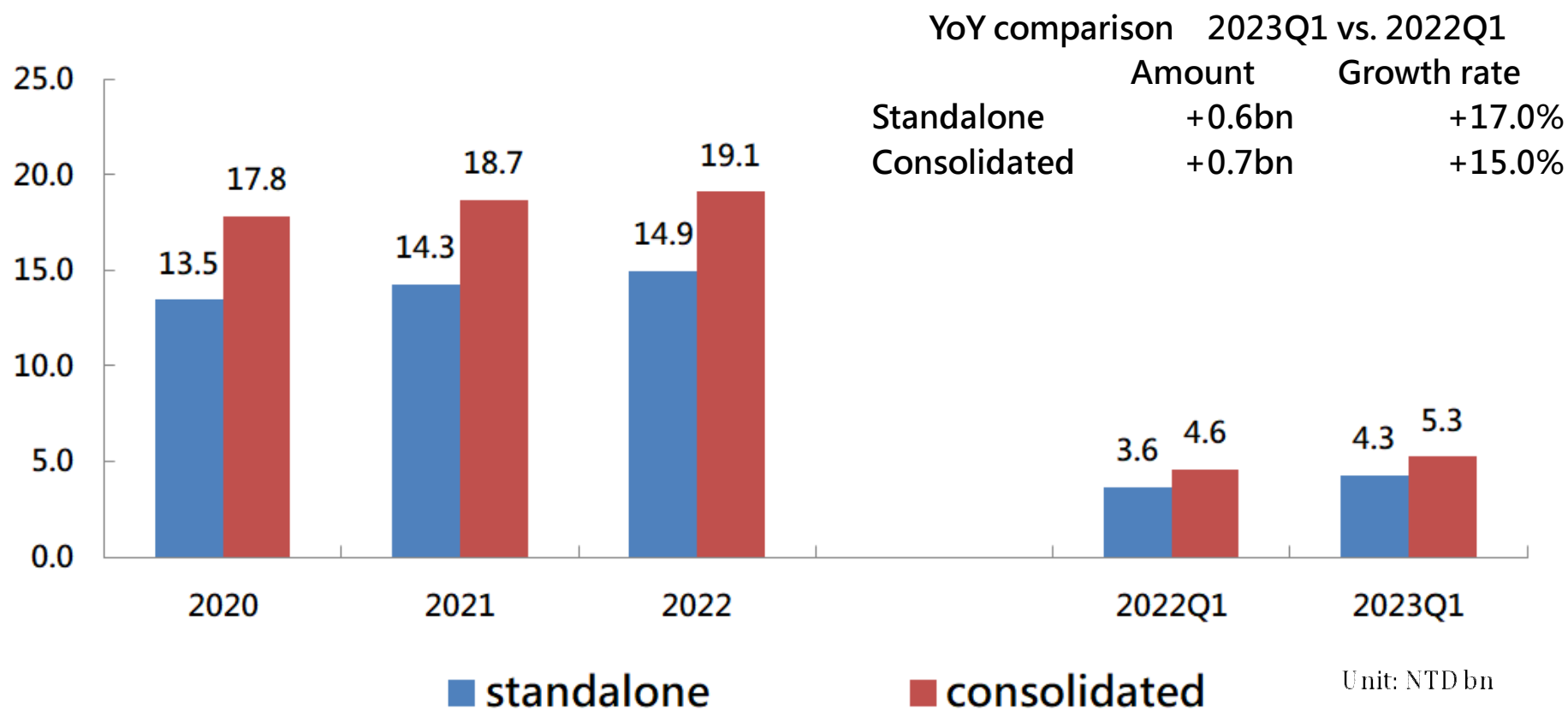
	YoY comparison	
	Amount	Growth rate
DBU	-279mn	-13.1%
OBU	+457mn	+64.5%
Overseas branches	+399mn	+1734.8%
SCB	+92mn	+7.3%
Other overseas subsidiaries	+2mn	+3.0%

Total: NTD4,800mn



# Net income

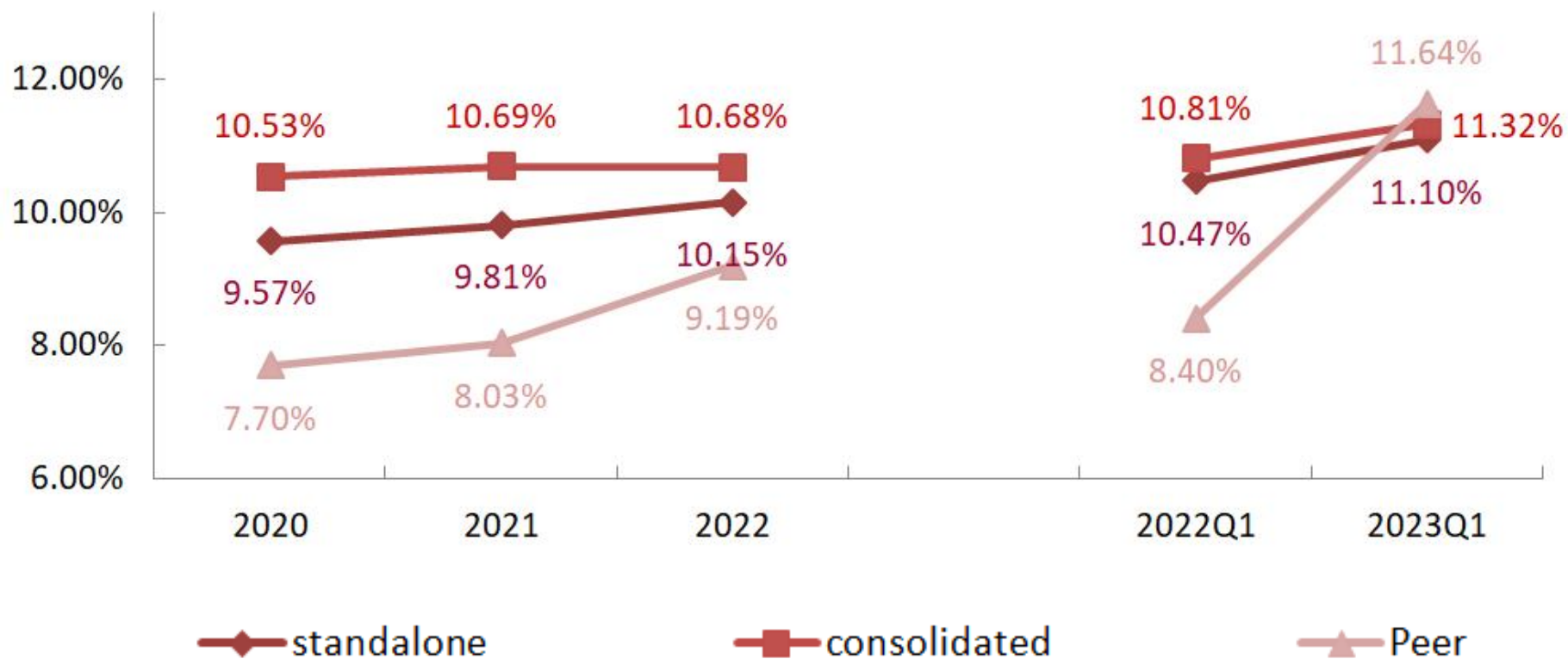
32





# Pretax ROE

33

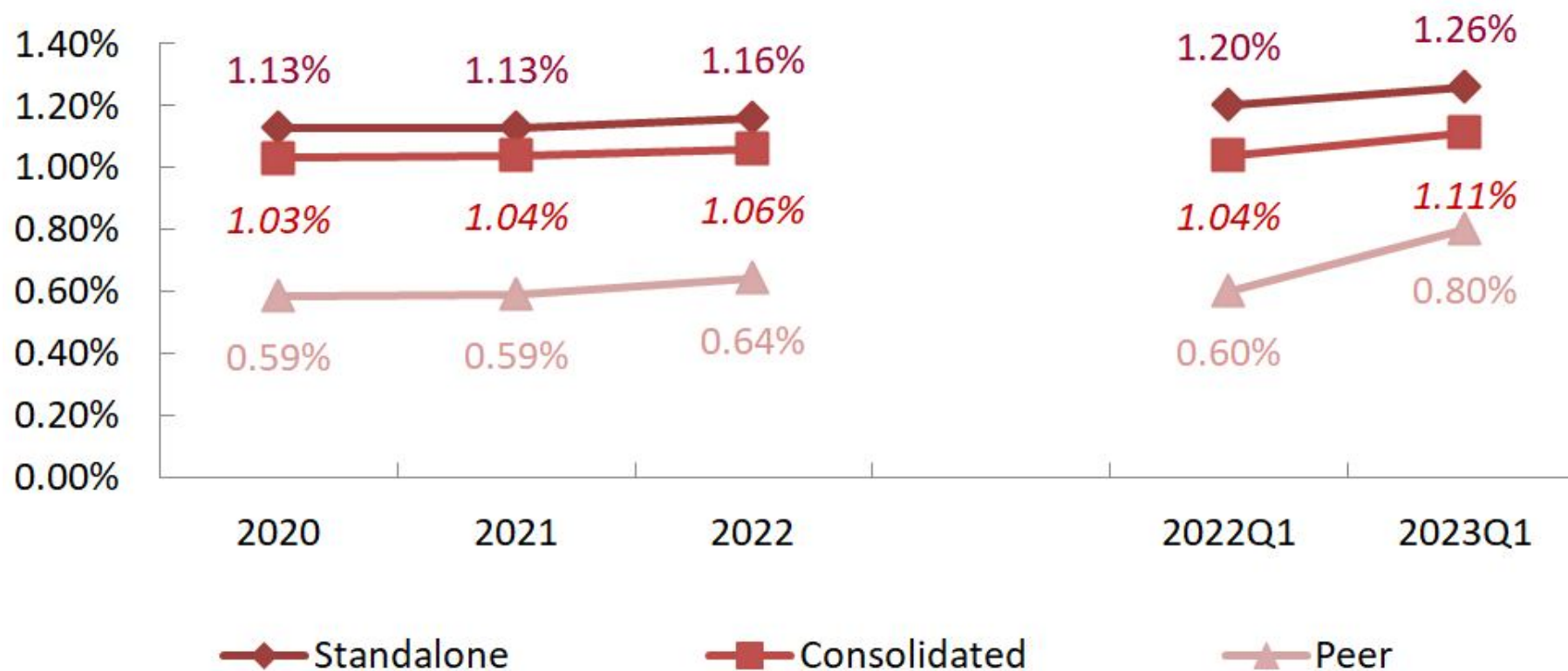


\*2023Q1 vs. 2022Q1 has been annualized.



# Pretax ROA

34



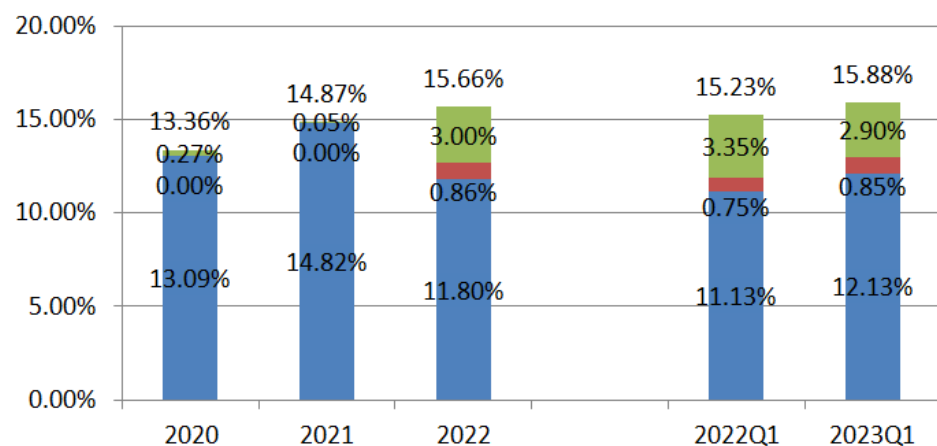
\* 2023Q1 vs. 2022Q1 has been annualized.



# Capital adequacy ratio

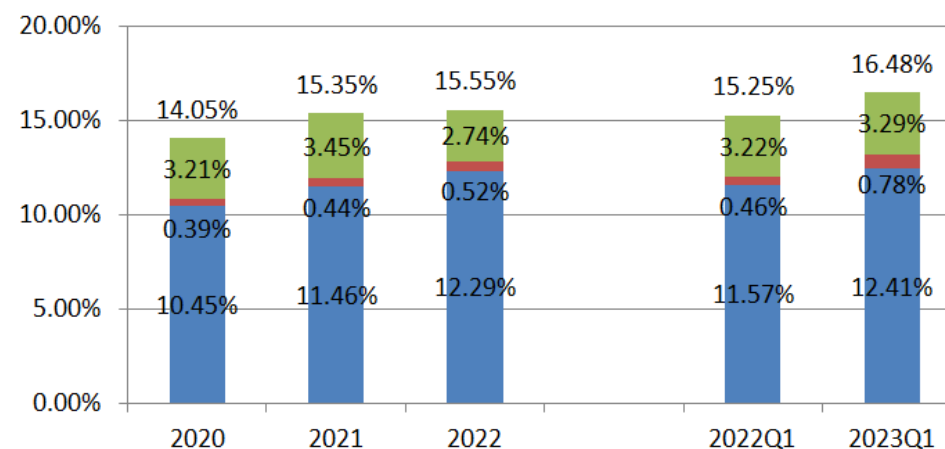
35

- Standalone



■ CET 1 capital ratio ■ Other Tier 1 capital ratio ■ Tier 2 capital ratio

- Consolidated



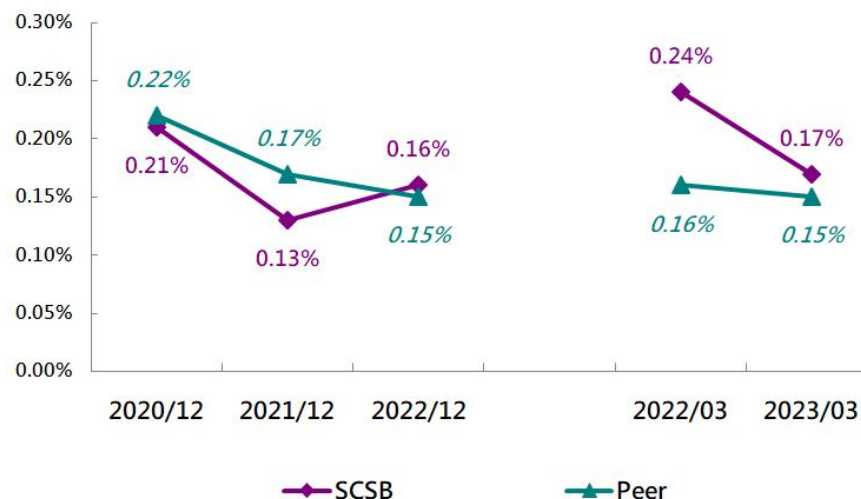
■ CET 1 capital ratio ■ Other Tier 1 capital ratio ■ Tier 2 capital ratio



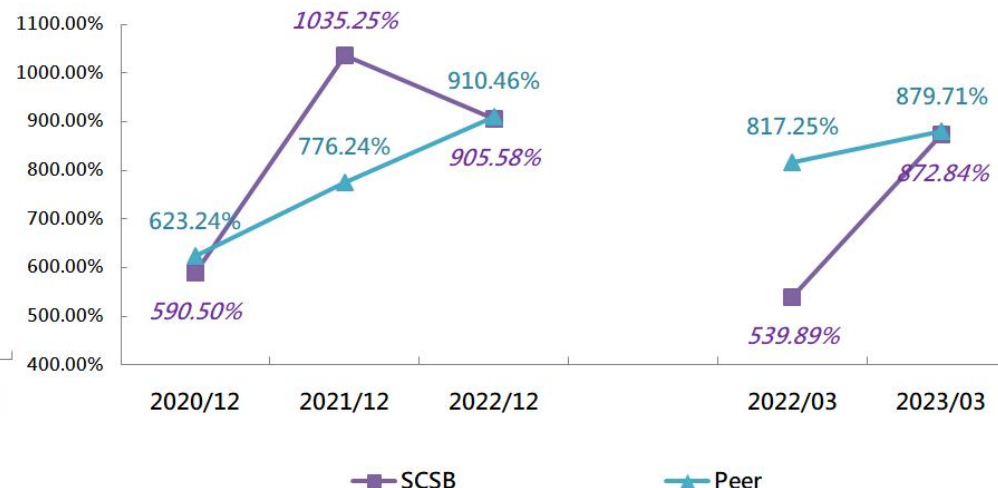
# Non-performing loan ratio & Coverage Ratio

36

- Standalone-Non-performing loan ratio



- Standalone-Coverage Ratio

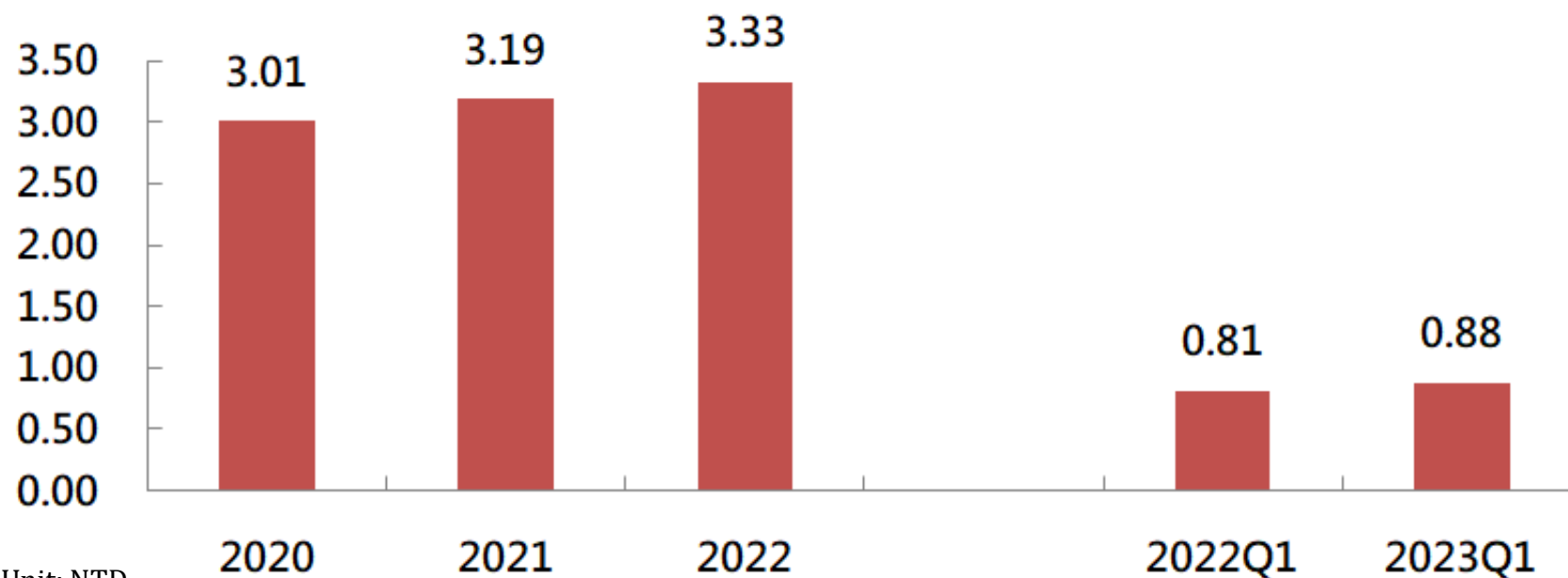






# Earning per share

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	2020	2021	2022	-	2022Q1	2023Q1
Net worth Per Share	34.7	35.3	35.0	-	35.3	36.3
Avg. stock price	43.17	43.48	48.65	-	48.07	46.43



# 2023Q1 standalone financial performance

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Unit: NTD mn

	2023Q1	2022Q1	YoY comparison
Total assets	1,542,145	1,395,619	+146,526(+10.5%)
Net worth	176,052	157,685	+18,367(+11.6%)
Net income	4,260	3,641	+619(+17.0%)
EPS (NTD)	0.88	0.81	+0.07
Pretax ROE (Annualized)	11.10%	10.47%	+0.63%
Pretax ROA (Annualized)	1.26%	1.20%	+0.06%
CAR	15.88%	15.23%	+0.65%
NPL ratio	0.17%	0.24%	-0.07%
Coverage ratio	872.84%	539.89%	+332.95%
Loan coverage ratio	1.47%	1.31%	+0.16%



# Business Strategy Focus in 2023H2



# Business Strategy Focus in 2023H2

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# Business Strategy Focus in 2023H2

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## Create Financial and Sustainable Performance

- Pursue profit growth, improve cost efficiency, and create good financial and sustainable performance.

## Improve Success Wealth and Financial Management Profit

- Renew the high-asset wealth management license, deepen the cultivation of high-quality high-end customer groups, strengthen wealth management and Treasury marketing; strengthen financial operation performance, and increase fee income.

## Establish New Branches

- Prepare for new branches in Tainan City and Miaoli County, expand the coverage of financial services in the metropolitan area, continue to evaluate the establishment of overseas branches, and expand the international financial territory.



# Business Strategy Focus in 2023H2

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## Build Up New Core Banking System

- Grasp the progress of information technology, complete the new core banking system on schedule and quality, and improve the function and quality of information services.

## Recruit Talents

- Strengthen the training of international financial talents; enrich the reserve talents of middle and high-level executives; in response to digital innovation, recruit high-quality internal and external talents, digital finance and information technology talents, and newly establish the Southern Information Development Center and the Southern Digital Technology Innovation Center.

## Implement Digitalization & Sustainable Development

- Optimize the digital financial transaction and service platform; increase the proportion of digital financial transactions; expand the number of digital deposit accounts; continue to promote sustainable development, issue sustainability bonds; introduce ISO 46001 water resources management system and ISO 20400 sustainable procurement management system, low carbon operations transformation.

## Advance Internal Management

- Implement internal control laws and regulations, prevent money laundering, strengthen information security, and optimize risk management.

Thank you





# Appendix:

## Concise Balance Sheet & Income Statement (Standalone & Consolidated) 2023Q1





# Standalone balance sheet

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Unit: NTD bn

	2023.03.31	2022.03.31	YoY comparison	
Cash, CD, interbank deposits and RS	126.77	132.31	-5.54	-4%
Financial assets	536.58	456.74	+79.84	+17%
Discounts and loans, net	843.06	776.25	+66.81	+9%
Properties, net	13.31	12.33	+0.97	+8%
Other assets	22.43	17.98	+4.44	+25%
<b>Total assets</b>	<b>1,542.15</b>	<b>1,395.62</b>	<b>+146.53</b>	<b>+10%</b>
Due to the central bank and banks	10.71	34.13	-23.42	-69%
Deposits and remittances	1,246.54	1,071.91	+174.64	+16%
Bank debentures and financial liabilities	65.03	97.36	-32.33	-33%
Other liabilities	43.81	34.54	+9.27	+27%
<b>Total liabilities</b>	<b>1,366.09</b>	<b>1,237.93</b>	<b>+128.16</b>	<b>+10%</b>
<b>Shareholder's equity</b>	<b>176.05</b>	<b>157.68</b>	<b>+18.37</b>	<b>+12%</b>



# Standalone income statement

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Unit: NTD mn

	2023Q1	2022Q1	YoY comparison	
Net interest	4,769.13	3,125.77	+1,643.36	+53%
Net fee income	829.71	1,065.16	-235.45	-22%
Other income	1,705.77	2,119.98	-414.21	-20%
Net revenue	7,304.61	6,310.91	+993.70	+16%
Operating expense	2,204.48	1,951.59	+252.89	+13%
Profit before bad debt expense	5,100.13	4,359.32	+740.81	+17%
Bad debt expense	300.00	229.33	+70.67	+31%
Pretax profit	4,800.13	4,130.00	+670.14	+16%
Income tax	539.95	489.20	+50.75	+10%
Net income	4,260.19	3,640.80	+619.39	+17%
Earning per share (NTD)	0.88	0.81	0.07	+9%



# Consolidated balance sheet

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Unit: NTD bn

	2023.03.31	2022.03.31	YoY comparison	
Cash, CD, interbank deposits and RS	405.32	337.26	+68.06	+20%
Financial assets	652.46	669.68	-17.22	-3%
Discounts and loans, net	1,229.26	1,142.64	+86.63	+8%
Properties, net	28.84	26.92	+1.92	+7%
Other assets	37.50	29.78	+7.72	+26%
<b>Total assets</b>	<b>2,353.38</b>	<b>2,206.27</b>	<b>+147.10</b>	<b>+7%</b>
Due to the central bank and banks	45.98	72.25	-26.27	-36%
Deposits and remittances	1,928.82	1,760.29	+168.54	+10%
Bank debentures and financial liabilities	89.41	116.44	-27.03	-23%
Other liabilities	55.87	47.93	+7.94	+17%
<b>Total liabilities</b>	<b>2,120.08</b>	<b>1,996.90</b>	<b>+123.18</b>	<b>+6%</b>
<b>Shareholder's equity</b>	<b>233.29</b>	<b>209.38</b>	<b>+23.92</b>	<b>+11%</b>



# Consolidated income statement

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Unit: NTD mn

	2023Q1	2022Q1	YoY comparison	
Net interest	8,856.87	6,749.98	+2,106.89	+31%
Net fee income	1,482.37	1,735.72	-253.35	-15%
Other income	1,051.80	1,542.80	-491.00	-32%
Net revenue	11,391.04	10,028.50	+1,362.54	+14%
Operating expense	4,376.13	3,932.97	+443.16	+11%
Profit before bad debt expense	7,014.91	6,095.53	+919.38	+15%
Bad debt expense	521.20	440.33	+80.87	+18%
Pretax profit	6,493.71	5,655.20	+838.51	+15%
Income tax	1,237.92	1,085.51	+152.41	+14%
Net income	5,255.79	4,569.69	+686.10	+15%