

# Shanghai Commercial & Savings Bank (5876.TW/5876 TT)

## Overseas business growth will slow in 2024F

### Neutral · Maintained

Price as of November 22 (NT\$)	45.70
12M target price (NT\$)	49.00
Previous target price (NT\$)	45.00
Revised up (%)	8.9
Upside (%)	7.2

### Key message

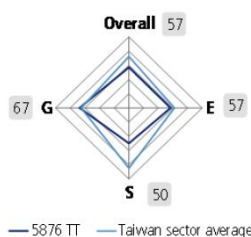
- 3Q23 Taiwan and HK earnings contracted on lower investment income.
- 2024F NIM slowdown on Fed hike nearing an end will affect earnings growth.
- 2023F cash dividend yield of 4.6% higher than financial sector average of 4%.

### Trading data

Mkt cap (NT\$/bn/US\$m)	222.2 / 7,090
Outstanding shares (mn)	4,862
Foreign ownership (mn)	2,734
3M avg. daily trading (mn)	3.06
52-week trading range (NT\$)	42.00 –50.80

Performance	3M	6M	12M
Absolute (%)	8.3	-3.8	1.4
Relative (%)	3	-10.8	-17.6

### ESG score card



Source: Refinitiv, KGI securities

### Event

Shanghai Commercial & Savings Bank's (SCSB) 3Q23 net profit fell 14% YoY, and 11% QoQ, on lower investment income. In 1Q-3Q23, EPS grew 4% YoY to NT\$3.03.

### Impact

**3Q23 earnings down in both Taiwan & HK.** SCSB posted a net profit of NT\$4.91bn in 3Q23, down 14% YoY and 11% QoQ, but beat our forecast by 5%. Earnings of the Taiwan unit declined 17% YoY (investment income down 49%), while those of the HK subsidiary decreased 7% YoY, on lower investment income and higher bad debt provisions. The Hong Kong Monetary Authority followed in the Fed's footsteps, raising interest rates by 25bps in July, to 5.75%, leading to the HK subsidiary's 3Q23 NIM rising 17bps QoQ to 2.2%, compared to a net interest spread decline of 2bps. As US interest rate hikes have ceased, we expect the HK subsidiary's NIM is unlikely to rise in 2024F. In 3Q23, overseas bad debt provisions stayed at NT\$500mn for HK and other overseas businesses, suggesting that overseas asset quality remains poor.

**Stable core Taiwan business in 3Q23.** The Taiwan unit's NIM rose 1bp QoQ in 3Q23 to 1.41%, due to higher yields from bonds and other interest-bearing assets, while net interest spreads decreased by 5bps QoQ, reflecting an increase in funding costs on a larger amount of term deposits. Loan growth slowed to 6.5% YoY in 3Q23, pulled down by lower corporate loan growth of 2.9%, while mortgage loans grew at a pace of 13% YoY. In 1Q-3Q23, fee income declined at a slower pace of 6% YoY, with the growing owed to a pickup in fee income from the wealth management business in 3Q23. The NPL rate rose 0.03% to 0.2% in 3Q23, due to an increase in overdue mortgage loans. The company believes that credit risk is still controllable, expecting bad debt provisions of NT\$300mn in 4Q23F, for a credit cost of 14bps in 2023F.

**Mixed outlook.** SCSB guides a flat NIM QoQ in 4Q23F, but NIM in 2024F will hinge on the Fed fund rate, so it is unlikely to be sustained at the 2023F level if the Fed cuts rates in 2H24F. SCSB guides fee income growth above 10% in 2024F. Despite stable asset quality in Taiwan, management expects the HK subsidiary will increase bad debt provisions in 4Q23F. The CET1 ratio in 3Q23 rose 0.14% QoQ to 11.42%, in 3Q23. SCSB guides the new BIS capital ratio regime, to be implemented in 2025F, will affect the CET1 ratio by about 0.34%, but won't apply to the IRB method.

### Valuation & Action

We expect Fed rate hikes are coming to an end. SCSB's Taiwan and HK units' NIM will both decrease in 2024F, as a result. On this, and potentially higher overseas NPLs, we maintain Neutral on SCSB with a target price of NT\$49, on 2024F BP of 1.15x. We expect SCSB to pay a cash dividend of NT\$2.1 per share, yielding 4.6%.

### Risks

Rapid Taiwan and HK asset quality deterioration; the effect of Renminbi depreciation on HK's Linked Exchange Rate System.

### Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Net revenue (NT\$m)	37,832	38,173	44,599	50,215	51,920
Provision charges (NT\$m)	(1,672)	(1,242)	(4,337)	(2,994)	(3,846)
PPOP (NT\$m)	23,226	23,381	27,569	31,812	33,554
Net profit (NT\$m)	13,463	14,256	14,938	18,940	19,143
EPS (NT\$)	3.01	3.18	3.07	3.90	3.94
BVPS (NT\$)	34.70	35.21	34.92	38.33	42.27
Cash DPS (NT\$)	1.70	1.80	1.80	2.10	2.10
EPS growth (%)	(7.9)	5.6	(3.4)	26.8	1.1
Net profit growth (%)	(8.2)	5.9	4.8	26.8	1.1
PE (x)	15.2	14.4	14.9	11.7	11.6
PB (x)	1.3	1.3	1.3	1.2	1.1
Dividend yield (%)	3.7	3.9	3.9	4.6	4.6
Return on average equity (%)	8.7	9.1	9.1	10.6	9.8
Return on average assets (%)	0.6	0.7	0.7	0.8	0.8

Source: Company data, KGI Research estimates

**Figure 1: Breakdown of 2023 & 2024 earnings forecasts & revisions**

NT\$m	2023F				2024F			
	Revision	Previous	Change (%)	YoY (%)	Revision	Previous	Change (%)	YoY (%)
Net interest income	20,032	19,902	0.7	23.0	21,486	21,013	2.3	7.3
Net fee income	2,970	2,845	4.4	(2.9)	3,149	3,015	4.4	6.0
Trading income	9,131	8,710	4.8	7.8	9,411	8,797	7.0	3.1
Net revenue	32,080	31,542	1.7	14.2	34,106	32,885	3.7	6.3
Net income	18,940	17,926	5.7	26.8	19,143	18,422	3.9	1.1

Note: Unconsolidated financials  
Source: KGI Research

**Figure 2: In 3Q23, net profit fell 14% YoY to NT\$4.9bn on lower investment income**

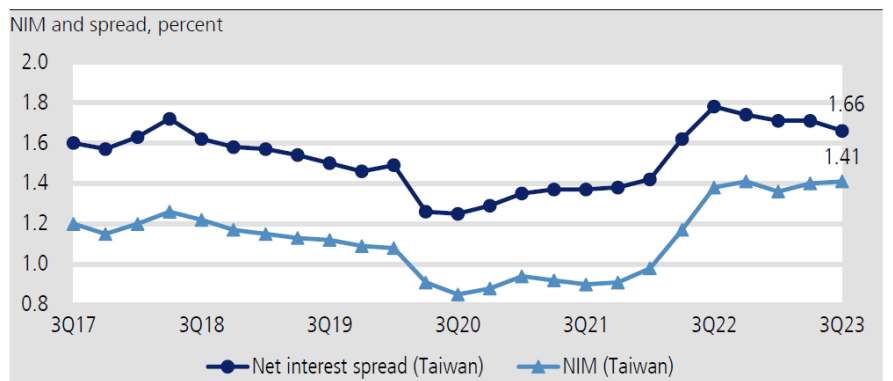
NT\$m	2022	YoY(%)	1Q23	YoY(%)	2Q23	YoY(%)	3Q23	YoY(%)	QoQ(%)	Oct-23	YoY(%)	MoM(%)	Jan-Oct 23	YoY(%)
Net interest income	33,243	25.6	8,857	31.2	9,814	26.0	10,463	14.6	6.6	381	3.3	(5.4)	32,350	22.1
Net fee	5,648	(10.5)	1,482	(14.6)	1,450	(1.1)	1,501	12.9	3.5	381	2.2	(25.3)	5,110	(1.0)
Investment income	4,793	4.6	862	(24.6)	2,108	143.1	1,110	(56.0)	(47.4)	75	(12.8)	(32.7)	4,102	(11.8)
Net revenue	44,599	16.8	11,391	13.6	13,550	31.7	13,131	(0.0)	(3.1)	3,864	4.0	(7.4)	42,090	13.6
Total provision charges	4,337	249.3	521	18.4	854	143.6	807	29.1	(5.5)	N.A.	N.A.	N.A.	N.A.	N.A.
Operating expenses	17,031	15.1	4,376	11.3	4,611	13.1	4,788	10.0	3.8	N.A.	N.A.	N.A.	N.A.	N.A.
Net profit	19,096	2.3	5,256	15.0	6,849	48.0	6,111	(13.1)	(10.8)	N.A.	N.A.	N.A.	N.A.	N.A.
Net profit (attributed to SCSB)	14,938	4.8	4,260	17.0	5,510	52.4	4,912	(14.3)	(10.8)	N.A.	N.A.	N.A.	N.A.	N.A.
Net Loans & Advances	1,234,305	11.0	1,229,263	7.6	1,254,288	7.0	1,271,877	3.5	1.4					
Total Assets	2,325,355	8.7	2,353,375	6.7	2,424,580	9.8	2,466,677	6.5	1.7					
Deposits from mutual loans accounts	1,920,666	12.5	1,928,825	9.6	1,984,846	9.7	2,022,948	6.2	1.9					
Total Liabilities	2,099,712	8.8	2,120,083	6.2	2,191,785	9.2	2,221,997	5.5	1.4					
Total Equity	169,781	7.6	176,052	11.6	173,985	16.8	181,588	18.6	4.4					

Note: Consolidated financials  
Source: Company data; KGI Research

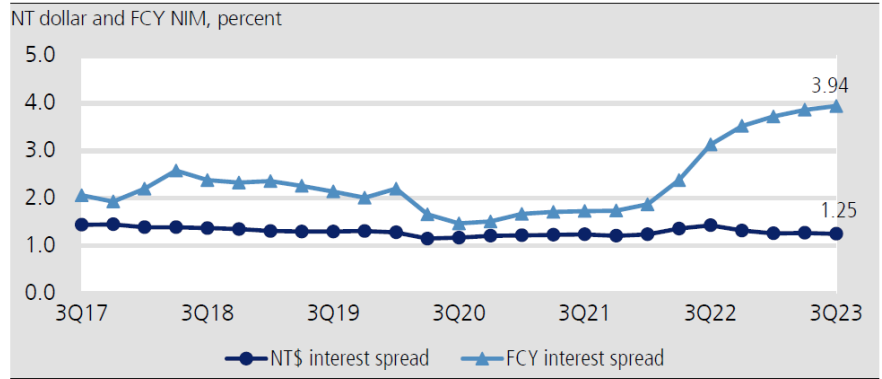
**Figure 3: 3Q23 HK earnings fell 7% YoY & 10% QoQ**

NT\$m	2022	YoY(%)	1Q23	YoY(%)	2Q23	YoY(%)	3Q23	YoY(%)	QoQ(%)
Net interest income	16,958	14.4	4,088	12.8	4,809	20.4	5,369	17.3	11.6
Net fee	2,588	(10.6)	653	(2.7)	687	8.9	665	1.8	(3.1)
Net revenue	16,498	13.2	4,086	9.9	4,970	28.9	4,812	8.4	(3.2)
Total provision charges	1,537	349.9	221	4.8	554	326.0	506	34.8	(8.7)
Net profit (HK subsidiary)*	9,827	(5.8)	2,354	7.3	3,160	32.1	2,835	(7.2)	(10.3)
Net profit (attributed to SCSB)*	5,650	(5.7)	1,352	7.1	1,817	32.2	1,631	(7.5)	(10.3)
Total Assets (HK subsidiary)*	880,163	6.0	870,514	0.4	980,667	11.1	927,656	(0.6)	(5.4)
Total Liabilities (HK subsidiary)*	748,359	5.5	735,477	(1.3)	769,957	1.6	779,039	(2.8)	1.2
Total Equity (HK subsidiary)*	75,689	8.6	77,552	10.7	79,659	11.0	85,354	12.6	7.1

Note: \*refers to consolidated figures; otherwise consolidated figures minus standalone figures  
Source: Company data; KGI Research

**Figure 4: 3Q23 Taiwan NIM rose 1bp QoQ in 3Q23 to 1.41% due to higher yields on bond or other interest-bearing assets**


Source: Company data; KGI Research

**Figure 5: 3Q23 Taiwan FCY spread up 8bps & NT dollar spread down 2bp QoQ**


Source: Company data; KGI Research

**Figure 6: 3Q23 Taiwan loan growth slowed to 6.5% YoY; consumer lending still higher than corporate lending**

NT\$bn	2015	2016	2017	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23	Weighting(%)
Large corporate loans	187	187	207	216	255	252	234	261	255	259	260	29.3
SME loans	173	183	200	206	216	237	250	273	273	278	282	31.6
Mortgages	120	109	114	139	231	247	249	281	288	299	308	34.6
Unsecured individual loans	7	8	6	8	2	3	3	4	4	4	4	0.5
Secured individual loans	106	105	113	122	28	31	33	34	34	35	36	4.0
Total loans(net)	593	591	639	692	732	769	769	852	855	875	890	100.0
YoY(%)	2015	2016	2017	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23	QoQ(%)
Large corporate loans	0.0	0.0	10.8	4.6	17.9	(1.3)	(6.9)	11.2	4.1	5.5	0.2	0.7
SME loans	10.6	5.8	9.5	3.1	4.5	9.8	5.4	9.2	8.9	8.9	5.5	1.3
Mortgages	(4.2)	(8.8)	4.2	21.9	66.7	7.0	0.9	12.6	13.6	13.8	13.7	3.1
Unsecured individual loans	16.1	9.2	(22.0)	26.2	(67.9)	5.7	22.4	39.7	30.9	13.9	7.4	(0.8)
Secured individual loans	6.1	(1.7)	7.6	8.8	(77.5)	12.0	6.2	3.0	4.3	6.0	5.8	0.8
Total loans(net)	3.2	(0.3)	8.2	8.1	5.8	5.1	0.0	10.7	8.8	9.4	6.5	1.7

Source: Company data; KGI Research

**Figure 7: 3Q23 Taiwan deposit growth down to 11.5% YoY, with higher term deposits QoQ & lower demand deposit rate QoQ**

NT\$bn	2015	2016	2017	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23	Weighting(%)
NT\$ demand deposit	211	219	217	235	258	318	371	380	375	377	366	28.2
NT\$ term deposit	321	302	354	396	427	390	341	498	543	575	603	46.5
FCY demand deposit	141	154	148	128	142	181	197	169	149	144	142	11.0
FCY term deposit	124	114	131	151	160	149	142	171	180	176	187	14.4
Total deposit	798	789	850	911	988	1038	1,050	1,218	1,247	1,272	1,298	100.0
YoY(%)	2015	2016	2017	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23	QoQ(%)
NT\$ demand deposit	7.9	3.5	(0.8)	8.4	9.9	23.0	16.8	2.3	(0.4)	1.3	(2.7)	(2.9)
NT\$ term deposit	(2.1)	(5.9)	17.2	11.8	7.9	(8.6)	(12.7)	46.1	55.0	52.1	42.4	4.8
FCY demand deposit	27.1	8.9	(3.8)	(13.1)	10.6	27.4	8.7	(13.8)	(27.1)	(28.0)	(25.7)	(1.4)
FCY term deposit	(11.4)	(8.2)	14.4	15.9	5.7	(7.0)	(4.9)	20.7	27.8	13.5	7.7	6.1
Total deposit	2.9	(1.1)	7.7	7.2	8.4	5.1	1.2	16.0	16.3	15.1	11.5	2.0

Source: TEJ; Company data; KGI Research

**Figure 8: 1Q-3Q23 Taiwan fee income fell at a slower pace to 6% YoY**

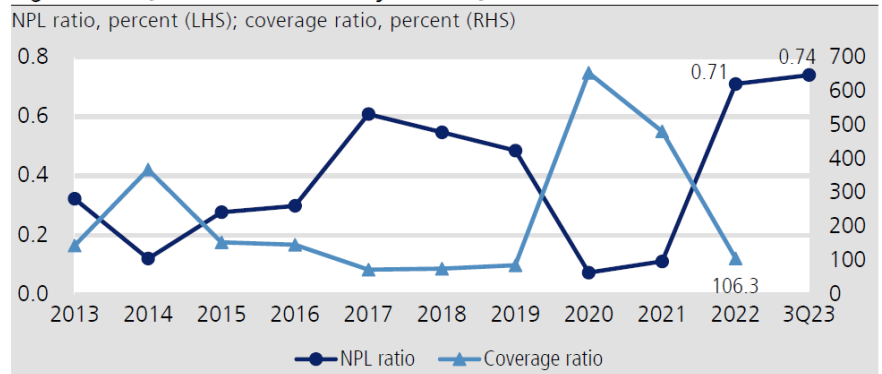
NT\$mnn	1-3Q22	Weighting (%)	1-3Q23	YoY (%)	Weighting (%)
Wealth management	1,294	50.2	1,326	2.5	54.6
Loan related	1,004	39.0	818	(18.5)	33.7
Foreign exchange	314	12.2	273	(13.1)	11.2
Credit card and Others	(35)	1.4	12	N.A.	0.5
Net fee income	2,577	100	2,429	(5.7)	100

Source: Company data; KGI Research

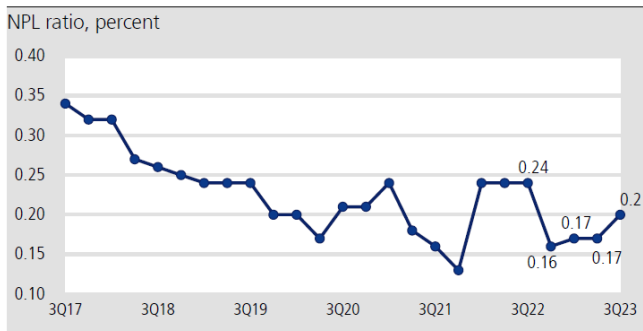
**Figure 9: HK 1Q-3Q23 NIM down from 1H23; bond investment income fell**

	2022	YoY(ppts)	QoQ(ppts)	1Q23	YoY(ppts)	QoQ(ppts)	1H23	YoY(ppts)	QoQ(ppts)	1-3Q23	YoY(ppts)	QoQ(ppts)
<b>Interest-bearing asset</b>												
Due from banks & call loans	1.45	1.13	0.50	2.92	2.53	1.47	3.31	2.71	0.39	3.73	2.78	0.42
Net Loans & Advances	4.24	0.84	0.41	5.90	2.48	1.66	6.05	2.51	0.15	6.20	2.37	0.15
Credit card	29.93	0.52	0.08	29.32	(1.38)	(0.61)	29.39	(0.61)	0.07	29.19	(0.66)	(0.20)
Bond investment	1.62	0.01	0.05	2.03	0.54	0.41	2.70	1.17	0.67	2.13	0.56	(0.57)
Average rate for interest-bearing asset	2.72	0.56	0.32	4.05	1.94	1.33	4.40	2.21	0.35	4.46	2.06	0.07
<b>Interest-bearing liabilities</b>												
Due to banks and call loans from banks	1.84	1.10	0.38	3.68	2.73	1.84	3.89	2.73	0.21	4.02	2.56	0.13
Demand deposit	0.05	0.03	0.03	0.26	0.24	0.21	0.28	0.26	0.02	0.30	0.28	0.02
Term deposit	1.59	0.84	0.47	3.73	2.94	2.14	3.71	2.84	(0.02)	3.84	2.72	0.13
Bank Debentures Issued	4.70	0.17	0.10	4.53	0.00	(0.17)	5.74	1.51	1.21	5.87	1.27	0.13
Average rate for interest-bearing liabilities	1.09	0.54	0.30	2.62	2.04	1.53	2.69	2.06	0.06	2.81	2.03	0.13
NIM (KGI estimate)	1.75	0.08	0.05	1.74	0.15	(0.01)	2.04	0.41	0.30	2.00	0.29	(0.04)

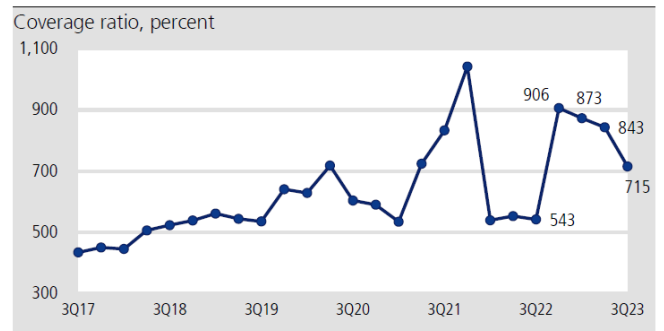
Source: Company data; KGI Research

**Figure 10: 3Q23 HK NPL ratio stayed at 2Q23 level**


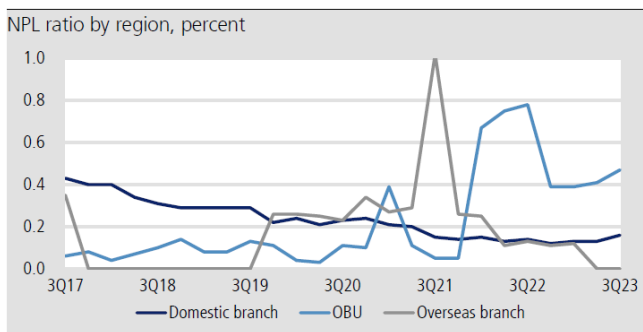
Source: Company data; KGI Research

**Figure 11: 3Q23 Taiwan NPL ratio inched up to 0.2%**


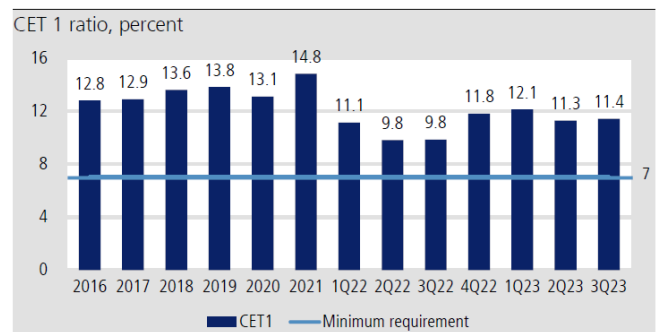
Source: TEJ; KGI Research

**Figure 12: 3Q23 Taiwan coverage ratio at 715%**


Source: TEJ; KGI Research

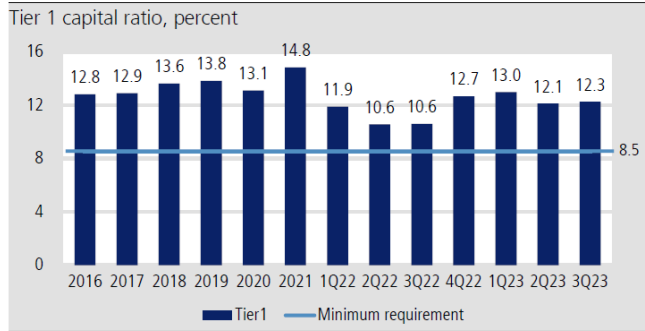
**Figure 13: NPL ratio by region**


Source: TEJ; KGI Research

**Figure 14: CET 1 ratio (standalone financials)**


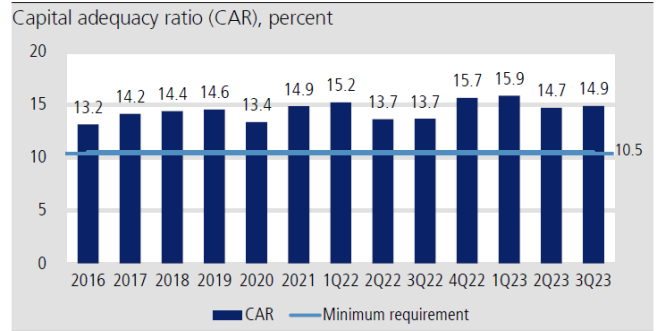
Source: TEJ; KGI Research

**Figure 15: Tier 1 capital ratio (standalone financials)**



Source: TEJ; KGI Research

**Figure 16: Capital adequacy ratio (standalone financials)**



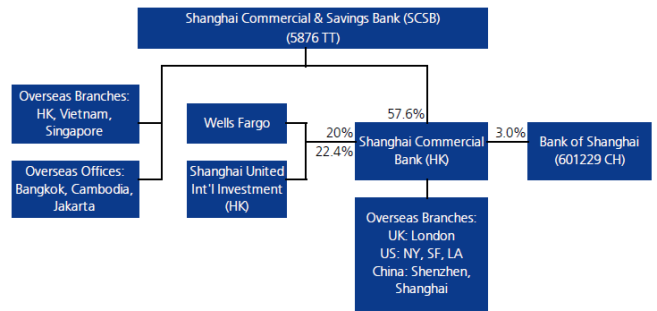
Source: TEJ; KGI Research

**Figure 17: Company profile**

Established in 1915 in Shanghai, Shanghai Commercial & Savings Bank (SCSB) had assets valued at NT\$1.02tn (US\$33.87bn) as of 2Q17, making it a mid-sized bank, ranking fifteenth of thirty-nine Taiwan banks by outstanding loans. It has sixty-nine branches in Taiwan, with overseas branches in Hong Kong, Vietnam, and Singapore. SCSB holds a 57.6% stake in the Hong Kong subsidiary, Shanghai Commercial Bank, which has a 3% stake in Bank of Shanghai (601229 CH, Rmb8.03, NR). SCSB in Taiwan, Shanghai Commercial Bank in Hong Kong, and Bank of Shanghai in China have formed a strategic alliance to jointly offer banking services. SCSB listed on the Emerging Market in May 2014, with the IPO plan approved at a shareholder meeting in June 2018. The firm was listed on the TaieX in October 19, 2018.

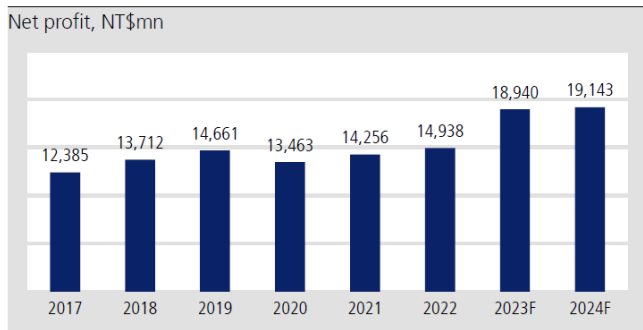
Source: KGI Research

**Figure 18: Organization chart**



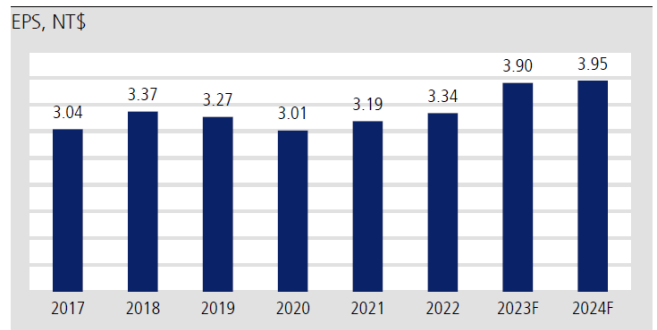
Source: Company data; KGI Research

**Figure 19: Net profit**



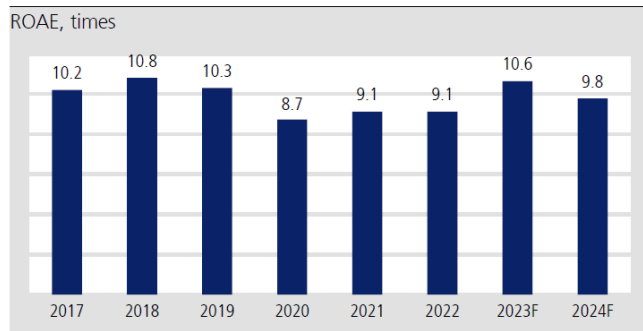
Source: KGI Research

**Figure 20: EPS**



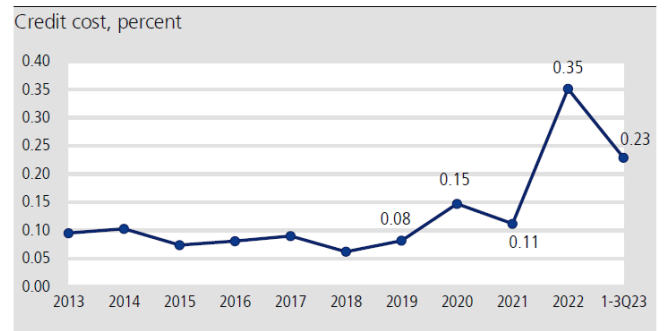
Source: KGI Research

**Figure 21: ROAE**



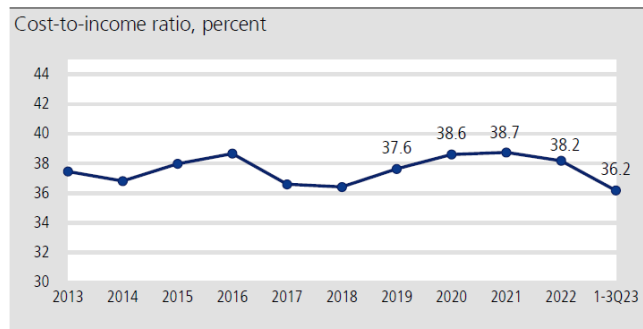
Source: KGI Research

**Figure 22: 1Q-3Q23 consolidated credit cost rose to 23bps**



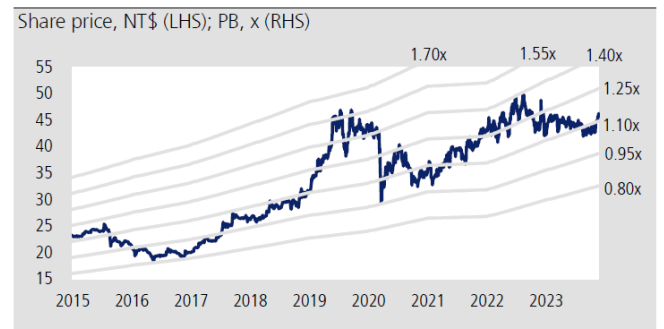
Source: Company data; KGI Research

**Figure 23: 1Q-3Q23 cost-to-income ratio (consolidated)**



Source: Company data; KGI Research

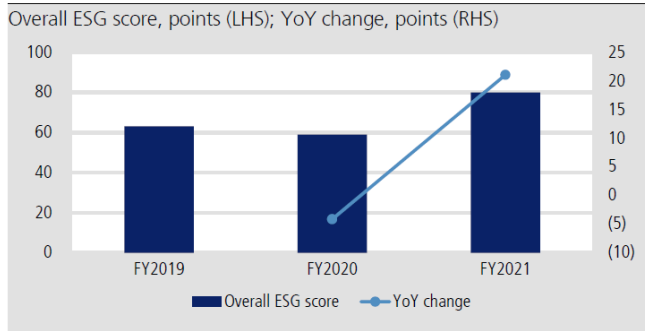
**Figure 24: Forward PB**



Source: TEJ; KGI Research

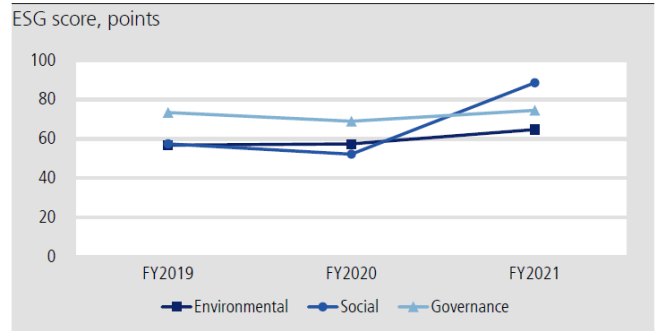


**Figure 25: Overall ESG score**



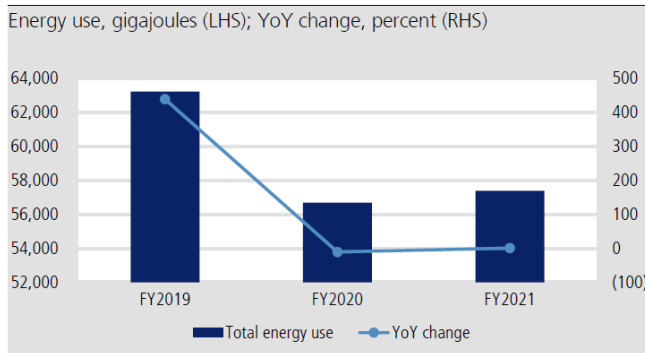
Source: Refinitiv; KGI Research; Company data

**Figure 26: ESG score by category**



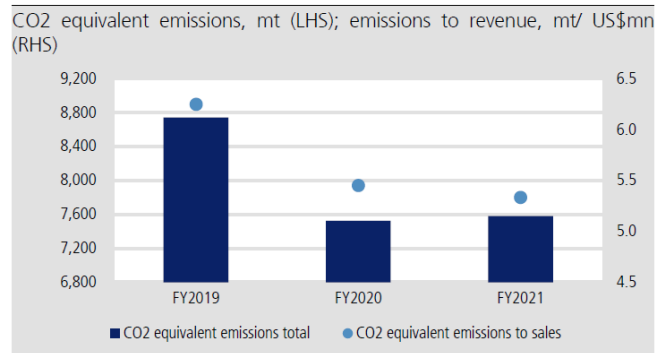
Source: Refinitiv; KGI Research; Company data

**Figure 27: Energy use**



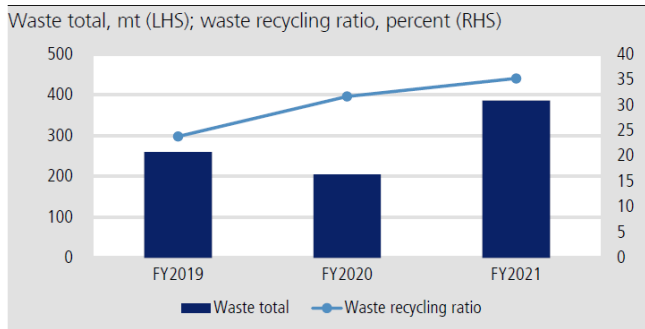
Source: Refinitiv; KGI Research; Company data

**Figure 28: CO2 equivalent emissions**



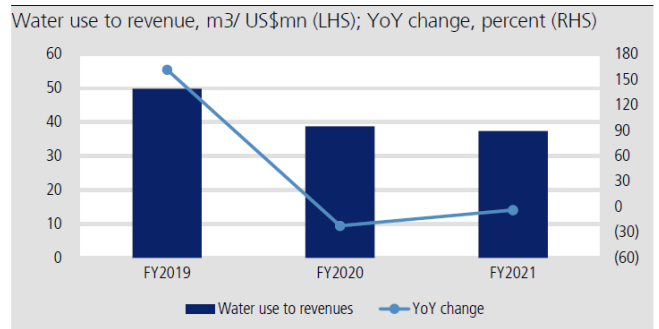
Source: Refinitiv; KGI Research; Company data

**Figure 29: Waste total**



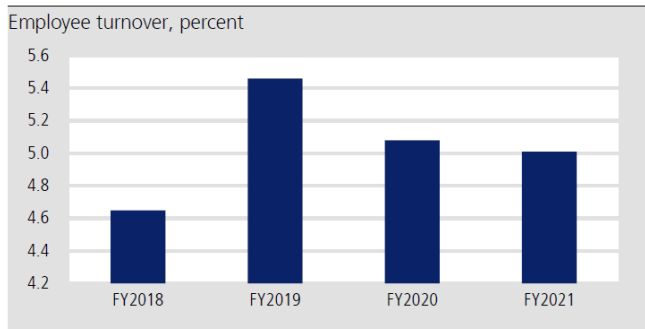
Source: Refinitiv; KGI Research; Company data

**Figure 30: Water use to revenue**



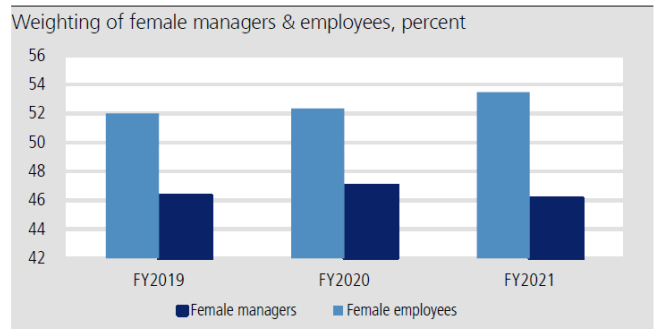
Source: Refinitiv; KGI Research; Company data

**Figure 31: Employee turnover**



Source: Refinitiv; KGI Research; Company data

**Figure 32: Gender diversification**



Source: Refinitiv; KGI Research; Company data

**ESG chart definition**

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> <li>- the total amount of energy that has been consumed within the boundaries of the company's operations</li> <li>- total energy use = total direct energy consumption + indirect energy consumption</li> <li>- purchased energy and produced energy are included in total energy use</li> <li>- for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell)</li> <li>- for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'</li> </ul>	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> <li>- energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope</li> <li>- if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased</li> </ul>	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	2020 total energy consumption (56,690 GJ) was around 10% lower than in 2019 (63,244 GJ) due to lower use of purchased electricity and natural gas.
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> <li>- total waste = non-hazardous waste + hazardous waste</li> <li>- only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste</li> <li>- for sectors like mining, oil &amp; gas, waste generation like tailings, waste rock, coal and fly ash are also considered</li> </ul>	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> <li>- waste recycling ratio = waste recycled/total waste*100</li> <li>- waste to energy or waste incinerated with energy recovery are considered as waste recycled</li> <li>- waste recovered via composting is considered as recycled waste</li> </ul>	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> <li>- the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities</li> <li>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered</li> </ul>	Taiwan Water Corp. is the sole water source. Water at office buildings and service outlets is for staff and customers use. Operations have no direct effect on water source.
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> <li>- all environmental investment &amp; expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures</li> </ul>	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> <li>- includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract</li> <li>- employees turnover rate = (employees leaving/average number of employees)*100</li> <li>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2</li> <li>- employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving</li> </ul>	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> <li>- percentage of women managers among total managers of the company</li> <li>- if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers</li> <li>- percentage of women managers = number of women managers/total number of managers*100</li> </ul>	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> <li>- percentage of women employees to the total number of employees of the company</li> <li>- percentage of women employees = number of women/total number of employees*100</li> </ul>	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> <li>- consider only employee training hours</li> <li>- includes all types of training given to general employees (such as health &amp; safety, environmental, emergency response, skills &amp; career development training)</li> <li>- if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked</li> </ul>	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research



Balance Sheet - Shanghai Commercial & Saving Bank (Unconsolidated Financial Statements)					
NTSmn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Net Loans & Advances	760,036	759,956	840,002	886,593	942,834
Due from banks & call loans	107,088	79,087	119,437	84,791	86,500
Investments FVTOCI and AC	343,431	385,917	396,433	486,654	496,461
Other Interest Earning Assets	8,080	7,880	8,790	14,756	15,053
Cash and equivalents	37,427	35,872	30,625	25,377	25,889
Long-term equity investments	75,632	75,997	83,600	93,588	93,588
Property investments					
Net Fixed Assets	12,087	12,356	12,995	14,058	14,058
Other Non-Interest Earning Assets	6,735	8,705	11,623	13,763	13,763
Total Non-Interest Earning Assets	94,453	97,058	108,218	121,409	121,409
Total Assets	1,350,517	1,365,772	1,503,506	1,619,581	1,688,145
Due to banks and call loans from banks	15,948	33,892	12,109	15,501	13,956
Deposits from mutual loans accounts	1,038,554	1,050,440	1,218,396	1,305,063	1,364,988
Other Interest Bearing Liabilities	119,033	108,099	86,001	89,904	80,945
Total Interest-Bearing Liabilities	1,173,535	1,192,430	1,316,505	1,410,468	1,459,889
Reserve for operation					
Other Non-Interest Bearing Liabilities	21,879	15,540	17,219	22,766	22,766
Total Non-Interest Bearing Liabilities	21,879	15,540	17,219	22,766	22,766
Total Liabilities	1,195,413	1,207,970	1,333,725	1,433,234	1,482,655
Common Stocks	44,816	44,816	48,616	48,616	48,616
Retained earnings reserve	81,258	87,811	93,013	97,808	116,951
Capital Reserve	16,551	16,666	27,406	27,548	27,548
Other Reserves	12,479	8,509	746	12,374	12,374
Shareholders' Funds	155,103	157,802	169,781	186,347	205,490
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	-	-	-	-
Total Equity	155,103	157,802	169,781	186,347	205,490
Total Liabilities & Equity	1,350,517	1,365,772	1,503,506	1,619,581	1,688,145

Profit & Loss - Shanghai Commercial & Saving Bank (Unconsolidated Financial Statements)					
NTSmn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Interest Income	18,514	16,022	24,028	38,716	41,526
Interest Expense	6,892	4,381	7,743	18,684	20,040
Interest Net Revenue	11,622	11,641	16,285	20,032	21,486
Commissions & Fees	3,079	3,420	3,060	2,970	3,149
Trading Income	8,048	8,487	8,474	9,131	9,411
Other non-interest income	62	46	283	(53)	60
Non Interest Income	11,189	11,953	11,816	12,049	12,620
Net revenue	22,811	23,594	28,102	32,080	34,106
Operating Expenses	7,138	7,344	8,681	9,625	10,308
PPOP	15,673	16,250	19,421	22,456	23,797
Total Provision Charges	900	900	2,800	1,206	1,924
Pre-tax Profit	14,773	15,349	16,621	21,250	21,873
Current taxation	1,310	1,094	1,683	2,310	2,730
Ordinary Income	13,463	14,256	14,938	18,940	19,143
Consolidated net income	13,463	14,256	14,938	18,940	19,143
Minorities	-	-	-	-	-
<b>Net Profit</b>	<b>13,463</b>	<b>14,256</b>	<b>14,938</b>	<b>18,940</b>	<b>19,143</b>
Dividends	7,619	8,067	8,751	10,185	10,185
Retained earning reserve	5,844	6,189	6,187	8,755	8,958
EPS	3.01	3.19	3.34	3.90	3.95
Cash dividends per share	1.70	1.80	1.80	2.10	2.10
ROAE	8.7%	9.1%	9.1%	10.6%	9.8%
ROA	1.0%	1.0%	1.0%	1.2%	1.2%
NPL Ratio	0.21%	0.13%	0.16%	0.17%	0.17%
Coverage Ratio	591%	1035%	906%	867%	852%
Credit cost	0.12%	0.12%	0.35%	0.14%	0.21%
Cost-income Ratio	31.3%	31.1%	30.9%	30.0%	30.2%
NIM	0.93%	0.92%	1.24%	1.39%	1.42%
Loan to Deposit Ratio	74.1%	73.3%	70.0%	68.9%	70.1%
Fee Growth	-2.3%	11.1%	-10.5%	-2.9%	6.0%
PPOP Growth	-8.7%	3.7%	19.5%	15.6%	6.0%
Net Profit Growth	-8.2%	5.9%	4.8%	26.8%	1.1%
Loan Growth	5.1%	0.0%	10.5%	5.5%	6.3%

Ratio - Shanghai Commercial & Saving Bank (Unconsolidated Financial Statements)					
	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Other Ratio					
NPL Ratio	0.21%	0.13%	0.16%	0.17%	0.17%
Coverage Ratio	591%	1035%	906%	867%	852%
Credit cost	0.12%	0.12%	0.35%	0.14%	0.21%
Cost-income Ratio	31.29%	31.13%	30.89%	30.00%	30.22%
NIM	0.93%	0.92%	1.24%	1.39%	1.42%
Loan to Deposit Ratio	74.1%	73.3%	70.0%	68.9%	70.1%
Fee Growth	-2.3%	11.1%	-10.5%	-2.9%	6.0%

Source: KGI Research; Company data

Balance Sheet - Shanghai Commercial Bank (HK)					
HKSmn	Dec-20F	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Net Loans & Advances	274,038	274,038	270,043	270,043	338,637
Due from banks & call loans	96,775	96,775	111,177	111,177	33,751
Investments FVTOCI and AC	114,888	114,888	203,011	203,011	264,237
Other Interest Earning Assets					
Cash and equivalents	118,739	118,739	103,047	103,047	111,707
Long-term equity investments	1,059	1,059	1,271	1,271	1,517
Property investments					
Net Fixed Assets	21	21	4,302	4,302	4,006
Other Non-Interest Earning Assets	417	417	1,001	1,001	1,223
Total Non-Interest Earning Assets	5,266	5,266	3,748	3,748	5,832
Total Assets	622,048	622,048	708,881	708,881	771,645
Due to banks and call loans from banks	29,860	29,860	24,699	24,699	40,394
Deposits from mutual loans accounts	495,266	495,266	572,918	572,918	603,723
Other Interest Bearing Liabilities					
Total Interest-Bearing Liabilities	8,160	8,160	8,371	8,371	7,809
Reserve for operation	388	388	396	396	584
Other Non-Interest Bearing Liabilities	7,823	7,823	8,829	8,829	17,996
Total Non-Interest Bearing Liabilities	8,211	8,211	9,225	9,225	18,580
Total Liabilities	533,337	533,337	606,842	606,842	662,697
Common Stocks	8,160	8,160	8,371	8,371	7,809
Retained earnings reserve	41,038	41,038	50,019	50,019	59,810
Capital Reserve					
Other Reserves	39,250	39,250	43,351	43,351	41,013
Shareholders' Funds	88,448	88,448	101,741	101,741	108,633
Minority interests	263	263	298	298	316
Preferred shareholders funds					
Total Equity	622,048	622,048	708,881	708,881	771,645
Total Liabilities & Equity	622,048	622,048	708,881	708,881	771,645

Profit & Loss - Shanghai Commercial Bank (HK)					
HKSmn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Interest Income	5,680	4,757	6,023	9,307	9,601
Interest Expense	2,128	1,104	2,136	5,205	5,448
Interest Net Revenue	3,552	3,653	3,887	4,102	4,153
Commissions & Fees	834	798	657	645	657
Trading Income	536	623	477	951	919
Other non-interest income	194	195	247	235	223
Non Interest Income	1,564	1,617	1,381	1,831	1,799
Net revenue	5,116	5,269	5,268	5,933	5,952
Operating Expenses	1,621	1,697	1,790	1,877	1,964
PPOP	3,494	3,573	3,478	4,055	3,988
Total Provision Charges	125	29	277	368	481
Pre-tax Profit	3,369	3,543	3,202	3,688	3,507
Current taxation	627	638	616	728	666
Ordinary Income	2,742	2,906	2,586	2,960	2,841
Consolidated net income	2,742	2,906	2,586	2,960	2,841
Minorities	6	6	5	5	5
<b>Net Profit</b>	<b>2,736</b>	<b>2,900</b>	<b>2,581</b>	<b>2,955</b>	<b>2,836</b>
Dividends	1,620	1,706	1,668	1,812	1,954
Retained earning reserve	1,116	1,194	913	1,142	882
EPS	136.8	145.0	129.1	147.7	141.8
Cash dividends per share	15.7	15.7	13.8	16.3	15.6
ROAE	8.70%	8.72%	7.65%	9.25%	8.26%
ROA	1.22%	1.26%	1.13%	1.33%	1.22%
NPL Ratio	0.1%	0.1%	0.7%	0.8%	0.7%
Coverage Ratio	653.7%	481.3%	106.3%	93.6%	114.6%
Credit cost	0.19%	0.03%	0.29%	0.36%	0.44%
Cost-income Ratio	31.9%	32.2%	34.0%	31.6%	33.0%
NIM	1.70%	1.67%	1.68%	2.03%	1.94%
Loan to Deposit Ratio	56.9%	52.2%	54.4%	55.1%	55.5%
Fee Growth	-12.4%	-4.3%	-17.8%	-1.8%	2.0%
PPOP Growth	-17.4%	2.2%	-2.6%	16.6%	-1.7%
Net Profit Growth	-21.5%	6.0%	-11.0%	14.5%	-4.0%
Loan Growth	2.5%	-5.3%	0.1%	5.8%	6.9%

Source: KGI Research; Company data

**Balance sheet**

NTSmn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24f
Gross loans to customers	1,148,216	1,124,436	1,250,289	1,302,021	1,386,792
Net loans & advances	1,136,430	1,112,235	1,234,305	1,288,992	1,372,801
Due from banks & call loans	208,800	211,566	336,554	185,205	190,970
<b>FVOCI and DAC</b>	<b>629,666</b>	<b>688,474</b>	<b>622,675</b>	<b>688,132</b>	<b>710,209</b>
Other interest earning assets	-	0	-	0	0
Cash and equivalents	80,572	70,382	63,757	234,888	243,863
Long-term equity investments	1,880	1,922	1,937	2,180	2,180
Net fixed assets	26,430	26,578	28,802	30,718	30,718
Total intangible assets	1,298	5	-	11	11
Other non-interest earning assets	-	-	-	-	-
Total non-interest earning assets	138,845	127,357	131,822	302,285	311,558
<b>Total assets</b>	<b>2,113,742</b>	<b>2,139,633</b>	<b>2,325,355</b>	<b>2,464,614</b>	<b>2,585,538</b>
Due to banks and call loans from banks	46,818	70,443	50,193	45,530	44,588
Deposits from mutual loans accounts	1,685,897	1,707,603	1,920,666	2,035,301	2,139,624
Other interest bearing liabilities	146,049	129,696	104,889	89,904	80,945
<b>Total interest-bearing liabilities</b>	<b>1,878,763</b>	<b>1,907,742</b>	<b>2,075,748</b>	<b>2,170,734</b>	<b>2,265,158</b>
Reserve for operation	-	-	-	-	-
Other non-interest bearing liabilities	29,880	22,653	23,964	63,840	59,965
<b>Total non-interest bearing liabilities</b>	<b>29,880</b>	<b>22,653</b>	<b>23,964</b>	<b>63,840</b>	<b>59,965</b>
<b>Total liabilities</b>	<b>1,908,643</b>	<b>1,930,395</b>	<b>2,099,712</b>	<b>2,234,574</b>	<b>2,325,123</b>
Common stocks	44,816	44,816	48,616	48,616	48,616
Proceeds - new issued	-	-	-	-	-
Share capital	44,816	44,816	48,616	48,616	48,616
Retained earnings reserve	81,258	87,811	93,013	97,808	116,951
Capital and other reserves	29,029	25,175	28,152	39,923	39,923
<b>Shareholders' funds</b>	<b>155,103</b>	<b>157,802</b>	<b>169,781</b>	<b>186,347</b>	<b>205,490</b>
Minority interests	49,996	51,436	55,862	43,694	54,925
Preferred shareholders funds	-	-	-	-	-
<b>Total equity</b>	<b>205,099</b>	<b>209,238</b>	<b>225,643</b>	<b>230,040</b>	<b>260,415</b>
<b>Total liabilities &amp; equity</b>	<b>2,113,742</b>	<b>2,139,633</b>	<b>2,325,355</b>	<b>2,464,614</b>	<b>2,585,538</b>

**Key ratios**

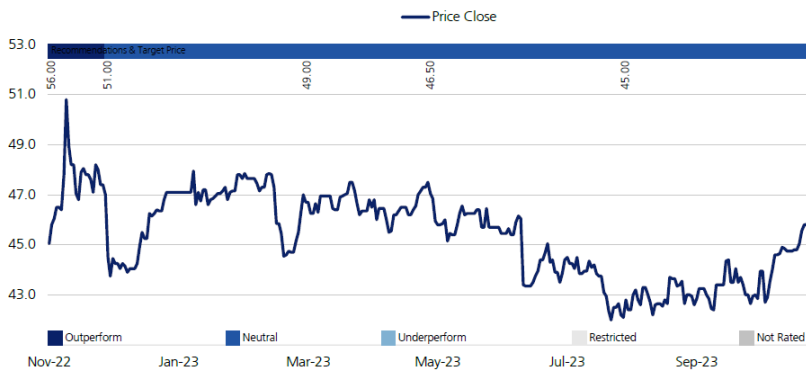
	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24f
<b>Growth</b>					
Net interest income growth	(11.9%)	0.3%	25.6%	15.8%	(1.0%)
Operating profit growth	(9.1%)	0.7%	17.9%	15.4%	5.5%
Net profit growth	(8.2%)	5.9%	4.8%	26.8%	1.1%
EPS growth	(7.9%)	5.6%	(3.4%)	26.8%	1.1%
<b>Profitability</b>					
Return on average assets	0.6%	0.7%	0.7%	0.8%	0.8%
Return on average equity	8.7%	9.1%	9.1%	10.6%	9.8%
<b>Per share data</b>					
EPS (NT\$)	3.01	3.18	3.07	3.90	3.94
BVPS (NT\$)	34.70	35.21	34.92	38.33	42.27
Cash DPS (NT\$)	1.70	1.80	1.80	2.10	2.10

Source: Company data, KGI Research estimates

**Profit & loss**

NTSmn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24f
Interest income	41,987	35,519	50,044	79,038	79,934
Interest expense	(15,598)	(9,049)	(16,801)	(40,554)	(41,835)
<b>Net interest revenue</b>	<b>26,389</b>	<b>26,470</b>	<b>33,243</b>	<b>38,484</b>	<b>38,099</b>
Commissions & fees [net]	6,604	6,313	5,648	5,614	5,779
Net insurance income	-	-	-	-	-
<b>Trading income</b>	<b>4,036</b>	<b>4,580</b>	<b>4,793</b>	<b>5,398</b>	<b>7,089</b>
Other non-interest income	804	808	916	720	953
<b>Non interest income</b>	<b>11,443</b>	<b>11,702</b>	<b>11,356</b>	<b>11,731</b>	<b>13,821</b>
<b>Net revenue</b>	<b>37,832</b>	<b>38,173</b>	<b>44,599</b>	<b>50,215</b>	<b>51,920</b>
Operating expenses	(14,606)	(14,791)	(17,031)	(18,404)	(18,366)
<b>Operating profit</b>	<b>23,226</b>	<b>23,381</b>	<b>27,569</b>	<b>31,812</b>	<b>33,554</b>
Charge for bad debts	(1,672)	(1,242)	(4,337)	(2,994)	(3,846)
Provision bad debts on credit card	-	-	-	-	-
Provision of insurance duty	-	-	-	-	-
Provision charges	(1,672)	(1,242)	(4,337)	(2,994)	(3,846)
<b>Pre-tax profit</b>	<b>21,554</b>	<b>22,139</b>	<b>23,232</b>	<b>28,817</b>	<b>29,707</b>
Current taxation	(3,739)	(3,469)	(4,136)	(5,240)	(5,396)
<b>Ordinary income</b>	<b>17,815</b>	<b>18,671</b>	<b>19,096</b>	<b>23,577</b>	<b>24,311</b>
<b>Consolidated net income</b>	<b>17,815</b>	<b>18,671</b>	<b>19,096</b>	<b>23,577</b>	<b>24,311</b>
Minorities	(4,352)	(4,415)	(4,158)	(4,637)	(5,168)
<b>Net profit</b>	<b>13,463</b>	<b>14,256</b>	<b>14,938</b>	<b>18,940</b>	<b>19,143</b>
Dividends	(7,619)	(8,067)	(8,751)	(10,185)	(10,185)
<b>Retained earnings reserve</b>	<b>5,844</b>	<b>6,189</b>	<b>6,187</b>	<b>8,755</b>	<b>8,958</b>
<b>Normalised net profit</b>	<b>13,463</b>	<b>14,256</b>	<b>14,938</b>	<b>18,940</b>	<b>19,143</b>

Source: Company data, KGI Research estimates

**Shanghai Commercial – Recommendation & target price history**


Date	Rating	Target	Price
2023-08-23	Neutral	45.00	42.10
2023-05-22	Neutral	46.50	47.50
2023-03-24	Neutral	49.00	46.70
2022-12-19	Neutral	51.00	47.00
2022-08-23	Outperform	56.00	50.60
2022-05-17	Outperform	55.00	46.40
2022-04-01	Outperform	57.00	49.95
2021-11-23	Outperform	55.00	46.95
2021-04-12	Neutral	45.00	41.90
2020-12-09	Neutral	42.00	39.15

Source: TEJ, KGI Research

**All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevant regulated activities. Each of them and/or his/her associate(s) does not have any financial interest in the respectively covered stock, issuer and/or new listing applicant.**

**Disclaimer**

All the information contained in this report is not intended for use by persons or entities located in or residing in jurisdictions which restrict the distribution of this information by KGI Asia Limited ("KGI") or an affiliate of KGI. Such information shall not constitute investment advice, or an offer to sell, or an invitation, solicitation or recommendation to subscribe for or invest in any securities or investment products or services nor a distribution of information for any such purpose in any jurisdiction. In particular, the information herein is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America, or to or for the benefit of United States persons (being residents of the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof). All the information contained in this report is for general information and reference purpose only without taking into account of any particular investor's objectives, financial situation or needs. Such information is not intended to provide professional advice and should not be relied upon in that regard.

Some of KGI equity research and earnings estimates are available electronically on [www.kgi.com.hk](http://www.kgi.com.hk). Please contact your KGI representative for information. The information and opinions in this report are those of KGI internal research activity. KGI does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be redistributed, reproduced or published (in whole or in part) by any means for any purpose without the prior written consent of KGI. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.