

Media Release:

The Shanghai Commercial & Savings Bank Ltd. Ratings Affirmed At 'twAA/twA-1+' Under Revised Criteria; Outlook Stable

December 15, 2021

Overview

- We reviewed Shanghai Commercial & Savings Bank under our revised criteria.
- We have affirmed the issuer ratings on the bank and the issue ratings on the bank's various debentures.
- The rating outlook remains stable.

Rating Action

Taiwan Ratings Corp today affirmed its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on **The Shanghai Commercial & Savings Bank Ltd.** The outlook on the long-term rating is stable. At the same time, we affirmed our ratings on the bank's various subordinated unsecured debentures (see Ratings List).

Rationale

The affirmation follows a revision to our criteria for rating banks and nonbank financial institutions and for determining a Banking Industry Country Risk Assessment (BICRA; see "Financial Institutions Ratings Methodology" and "Banking Industry Country Risk Assessment Methodology And Assumptions," both published Dec. 9, 2021).

The ratings on Shanghai Commercial & Savings Bank continue to reflect the bank's strong capitalization on a consolidated basis, satisfactory risk management with good record of credit loss experience for its Taiwan operation. The ratings also reflect the bank's established franchise in trade finance and cross-strait corporate banking business in Taiwan, as well as adequate funding and liquidity. These strengths are tempered by the bank's relatively small scale by domestic standards, given that keen competition somewhat constrains its profitability in Taiwan.

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Outlook

The stable rating outlook reflects our expectation that Shanghai Commercial & Savings Bank's strong capitalization, satisfactory risk controls, and adequate liquidity will help the bank to maintain its credit metrics over the coming two years. We also forecast Shanghai Commercial & Savings Bank will sustain its good franchise in trade finance and cross-strait corporate banking as well as stable retail banking presence. This should ensure stable business flow and adequate funding capacity at the bank's Taiwan and Hong Kong operations.

Downward scenario

We may lower the rating if the bank pursues aggressive growth that hurts its asset quality and weakens its capitalization over the coming two years, as indicated by a sustained risk-adjusted capital (RAC) ratio below 10%.

Upward scenario

We may raise the long-term rating on the bank if it further strengthens its capitalization and sustains its RAC ratio above 15% through higher retained earnings with improving earnings capacity and prudent business expansion over the coming two years. We may also raise the rating if the bank demonstrates significantly superior asset quality and credit diversification than its peers on a consolidated basis, despite the growth strategies at its Taiwan and Hong Kong operations.

Rating Score Snapshot:

Issuer Credit Rating: twAA/Stable/twA-1+

Stand-alone credit profile: bbb+

- Anchor: bbb
- Business position: Adequate (0)
- Capital and earnings: Strong (+1)
- Risk position: Adequate (0)
- Funding and liquidity: Adequate and adequate (0)
- Comparable rating analysis: 0

Support: 0

- ALAC support: 0
- GRE support: 0
- Group support: 0
- Sovereign support: 0

Additional factors: 0

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- TRC Financial Services Issue Credit Rating Criteria - July 31, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

The Shanghai Commercial & Savings Bank Ltd.

Issuer Credit Rating	twAA/Stable/twA-1+
Unsecured Subordinated Debenture (NDSD)	twAA-
Unsecured Subordinated Debenture (with NVCC)	twA+

NDSD--Non-deferrable subordinated debt; NVCC-Non viability contingent capital.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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