

Media Release:

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

December 20, 2023

## Overview

- In our view, **The Shanghai Commercial & Savings Bank Ltd.** (SCSB) has strong capitalization and manageable credit costs that it is likely to maintain over the next one to two years.
- We have revised our upside rating trigger to reflect our view that SCSB will maintain adequate asset quality on a consolidated basis on par with the peer average over the next two years.
- We have affirmed our 'twAA/twA-1+' issuer credit ratings on SCSB.
- The stable rating outlook reflects our view that SCSB will keep its capitalization at a strong level over the next two years, along with satisfactory risk controls and adequate liquidity.

## Rating Action

Taiwan Ratings Corp today affirmed its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on SCSB. The outlook remains stable. At the same time, we affirmed our 'twA+' issue credit rating on the bank's subordinated unsecured debenture.

## Rationale

**The global economic downturn has slightly weakened the asset quality of SCSB's overseas operation, albeit still comparable to the asset quality of its local peers in Taiwan and Hong Kong.** The bank's consolidated nonperforming loan ratio was around 0.37%, with a stand-alone nonperforming loan ratio of 0.17% at the end of June 2023. SCSB's impaired assets, including other substandard loans, have increased over the past two years on a consolidated basis under the weakening global economy. We view the bank's asset quality to be roughly on par with the other local peers operating in the Taiwan and Hong Kong banking segments. Nonetheless, SCSB's prudent underwriting policy, adequate risk controls with high-quality collateral, and focus on transactional-based lending will continue to support its adequate risk position over the next two years.

**We see SCSB maintaining strong capitalization over the next two years.** We forecast the bank's consolidated risk-adjusted capital (RAC) ratio will remain above 10% over the next two years. Strong earnings amid the current high interest rate environment as well as the bank's proactive capital management support this view. That's despite the potential for a slight increase in the bank's credit provisions over the next two years compared with its historical level up to 2021.

### PRIMARY CREDIT ANALYST

**Jason Fu**  
Taipei  
+886-2-2175-6831  
jason.fu  
@spglobal.com  
jason.fu  
@taiwanratings.com.tw

### SECONDARY CONTACT

**Patty Wang**  
Taipei  
+886-2-2175-6823  
patty.wang  
@spglobal.com  
patty.wang  
@taiwanratings.com.tw

**The bank's business position will remain adequate supported by its niche operating model.** The ratings on SCSB continue to reflect our view of the bank's better geographical diversification compared with its domestic banking peers. This is because of the stable profit contribution from SCSB's Hong Kong subsidiary, and from SCSB's established niche position in the offshore banking business.

## Outlook

The stable rating outlook reflects our expectation that SCSB will retain strong capitalization, satisfactory risk controls, and adequate liquidity over the next two years. We also forecast the bank will maintain its good franchise in trade finance and cross-strait corporate banking, and a stable retail banking presence that ensures stable business flow and adequate funding capacity at its Taiwan and Hong Kong operations.

### Downward scenario

We may lower the ratings on SCSB if the bank pursues aggressive growth that hurts its asset quality and weakens its capitalization over the next two years. A RAC ratio continuously below 10% would indicate a deterioration in capitalization.

### Upward scenario

We could raise the ratings on SCSB if the bank strengthens its capitalization while at the same time, maintains its RAC ratio above 15% over the next two years. Possible sources of this improvement include higher retained earnings with improving earnings capacity and prudent business expansion.

## Ratings 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

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions - March 02, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011

### Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

(Unless otherwise stated, these articles are published on [www.taiwanratings.com](http://www.taiwanratings.com))

## Ratings List

### Ratings Affirmed

---

#### The Shanghai Commercial & Savings Bank Ltd.

---

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

---

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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

Copyright © 2023 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, [www.taiwanratings.com](http://www.taiwanratings.com) (free of charge), and [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw) (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.