

Media Release:

SCSB Asset Management Co. Ltd. Assigned 'twA/twA-1' Ratings; Outlook Stable

April 15, 2026

Overview

- We view SCSB Asset Management Co. Ltd. (SCSB AMC) as a strategically important member of The Shanghai Commercial & Savings Bank Ltd. (SCSB) and we believe SCSB will provide timely support to SCSB AMC under most foreseeable circumstances.
- On stand-alone basis, we assess SCSB AMC has very strong capitalization to support strong business growth during its expansionary phase. However, the company's small scale and less-established track record in the cyclical real estate sector somewhat offset this strength.
- We assigned our 'twA' long-term issuer credit rating and 'twA-1' short-term issuer credit rating to SCSB AMC.
- The stable rating outlook reflects our expectation that SCSB AMC will maintain very strong capitalization and remain a strategically important member of the parent banking group over the next one to two years.

Rating Action

Taiwan Ratings Corp. today assigned its 'twA' long-term and 'twA-1' short-term issuer credit ratings to SCSB AMC. The outlook on the long-term rating is stable.

Rationale

The ratings on SCSB AMC reflect our view of support that will be available under most foreseeable circumstances from the company's financially stronger parent bank, SCSB. The ratings also reflect SCSB AMC's very strong capitalization and adequate funding and liquidity. The company's small scale and less-established track record in the highly cyclical property development segment somewhat offset these strengths.

External support: Parent support as a strategically important subsidiary

We expect SCSB AMC to receive timely support from the parent group in most foreseeable circumstances. The company's focus on urban renewal complements SCSB's long-term strategy, allowing access to early-stage development opportunities otherwise restricted by the regulatory ceiling. Continuous regulatory monitoring of key financial metrics and potential reputational risk incentivize SCSB to provide ongoing support to SCSB AMC's operations and performance. The asset management company's growth trajectory and moderate integration with the parent bank

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further solidify its strategic importance to the group, in our view. That's despite a relatively short track record in this business segment.

Anchor: 'bb+' anchor for finance companies operating under banks and with regulatory oversight

SCSB AMC is a finance company in Taiwan which operates under the supervision of the Financial Supervisory Commission through the company's parent bank, SCSB. On a forward-looking basis, about 75% of SCSB AMC's credit exposure is in Taiwan with the remaining 25% in China. Our anchor for such finance companies mainly operating in Taiwan is 'bb+', which is two notches below the Taiwan bank anchor of 'bbb'. The two-notch difference mainly reflects our view that Taiwan finance companies face higher economic and industry risk than banks, including less robust regulatory standards and funding sources with less stability compared with banks.

We also believe finance companies in Taiwan have generally adequate profit margins with stable market shares for leading players, suggesting sufficiently high entry barriers to competition. However, we believe funding risk for these firms is higher than for banks, given the greater reliance of non-bank financial companies on market-sensitive wholesale funding.

Business position: Small operating scale with less established track record

In our view, SCSB AMC's small operating scale and limited track record within the competitive landscape of urban renewal financing business constrain its business stability and diversification. Nonetheless, promising growth initiatives are underway. Since entering the urban renewal financing business in 2022, the company has a far shorter operating record than other local peers. Business referrals from the parent bank are developing amid ongoing discussions and collaborations. These factors expose SCSB AMC to relatively more vulnerabilities in terms of business stability than its competitors.

Our assessment also reflects our view that it takes time to establish track record amid the company's efforts to build a stable and full-function team to manage the company's high growth at its phase of business expansion.

Capital and earnings: Very strong capitalization to absorb capital risks amid high growth

SCSB AMC's capitalization is very strong relative to its risk profile, in our opinion. The company's risk-adjusted capital (RAC) ratio was 31.4% as of 2025 on a consolidated basis, which we expect will remain higher than 15% in 2026-2027, which is our threshold for very strong capital and earnings.

Our major assumptions under our base case scenario for SCSB AMC include average asset growth of around 50% in 2026-2027. We base this on the company's expansion plans for its urban renewal business, which will heavily consume its capital buffer. The forecast also reflects our application of an above-average corporate risk charge associated with SCSB AMC's increasing risk exposure in the real estate sector when we analyze the company's risk-adjusted capitalization. Our consolidated capital analysis also considers the company's credit exposure in China, where it mainly engages in new equipment financing. The risk charge applicable for China-based corporate exposure is also higher than for Taiwan-based corporates due to China's higher economic risk.

SCSB AMC's return on average assets was 1.8% in 2025, which is in the range of other Taiwan-based AMCs for the same period. We anticipate SCSB AMC maintaining its satisfactory profit margin over the next two years.

Risk position: Relatively higher growth appetite in cyclical real estate related business

We consider SCSB AMC's risk position to be moderate, which mainly reflects the company's higher growth appetite in its real estate investment and urban renewal loan business. On the one hand, we believe there will be a relatively higher growth in this business line over the next one to two years, given the management team expects to enlarge its urban renewal business over the period. On the other hand, we believe the company will remain cautious towards its China-based credit exposure to keep growth at a low single digit. We believe SCSB AMC's growth appetite will drive up its total assets, with growth much faster than other domestic finance companies.

Funding and liquidity: Adequate with ample system liquidity in Taiwan

We believe SCSB AMC has an adequate funding profile with sufficient funding sources including commercial papers and bank loans, despite the wholesale funding nature of its business. The subsidiary's close association with the financially stronger parent bank will also continue to support SCSB AMC's funding and liquidity profile. We assess the finance company has adequate funding sources relative to its potential funding needs, supported by its sufficient liquidity management mechanism to manage future cash outflow needs.

In our view, SCSB AMC is unlikely to face significant challenges to maintain sufficient funding over the next two years, given ample liquidity in Taiwan's financial market. We also believe the company's China subsidiary will maintain sufficient funding sources despite its small business scale. It could achieve this by leveraging the name association with SCSB to access steady credit facilities in both Taiwan and China.

Outlook

The stable rating outlook on SCSB AMC reflects our assessment of the company's strategically important status to the parent bank, SCSB. We believe the bank will provide support in most foreseeable circumstances when needed. In addition, the outlook reflects our view that SCSB AMC will maintain very strong capitalization and a cautious growth strategy for its China subsidiary.

Downward scenario

We may lower the ratings on SCSB AMC if:

- More aggressive growth in China leads to a lower anchor for the company or lower capital ratio;
- SCSB AMC's asset quality deteriorates amid unfavorable conditions in the property development segment; or
- We believe the subsidiary's group status has weakened, as indicated by materially weaker earnings over the next one to two years.

Upward scenario

We may raise the ratings if we assess the group status of SCSB AMC has strengthened, such as if its earnings contribution enhances. However, we consider such a scenario as remote over the next one to two years.

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- 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: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

New Ratings

SCSB Asset Management Co. Ltd.

Issuer Credit Rating	twA/Stable/twA-1
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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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