

Media Release:

The Shanghai Commercial & Savings Bank Ltd. Downgraded To 'twAA-/twA-1+' On Diminished Diversification Benefits, Outlook Stable

December 11, 2025

Overview

- We assess **The Shanghai Commercial & Savings Bank Ltd.'s** (SCSB's) revenue diversification and earnings resilience have weakened as a result of the deteriorating asset quality of its Hong Kong subsidiary. The bank's past niche in cross-strait corporate banking may not generate a better performance relative to mid-size Taiwan banks over the next two years.
- The bank's prudent capital management and efforts to diversify its Hong Kong business concentration away from property lending underpin SCSB's consolidated capital and earnings.
- We have therefore lowered our long-term issuer credit rating on SCSB to 'twAA-' from 'twAA' and affirmed the 'twA-1+' short-term rating.
- The stable rating outlook reflects our view of the bank's strong capital buffer against potential credit losses.

Rating Action

Taiwan Ratings Corp today lowered its long-term issuer credit rating on SCSB to 'twAA-' from 'twAA' and affirmed the 'twA-1+' short-term rating. The outlook on the long-term ratings is stable.

Rationale

SCSB's overall asset quality has weakened due to the bank's concentrated overseas property loan portfolio in distressed real estate markets in Hong Kong and the U.S. In particular, the asset quality of SCSB's 57.6%-owned Hong Kong-based subsidiary, Shanghai Commercial Bank Ltd. (SCB-HK) has deteriorated rapidly over the past few quarters and is below the average of its Hong Kong peers. SCSB's consolidated nonperforming asset (NPA) ratio was around 2% at the end of June 2025. This includes property loans in Hong Kong and the U.S. underwritten before the recent pandemic which have become delinquent due to the unfavorable commercial real estate market in these regions. We anticipate SCSB's credit costs will remain higher than the historical norm over the next two years and weigh on the bank's profitability.

PRIMARY CREDIT ANALYST

Jason Fu, CFA
Taipei
+886-2-7724-6592
jason.fu
@spglobal.com
jason.fu
@taiwanratings.com.tw

SECONDARY CONTACT

Patty Wang
Taipei
+886-2-7724-8651
patty.wang
@spglobal.com
patty.wang
@taiwanratings.com.tw

We see SCSB maintaining strong capitalization with a satisfactory buffer for credit losses in 2025-2027. We forecast the bank's consolidated risk-adjusted capital (RAC) ratio will remain above 10% over the next two years. SCSB has tightened its real estate lending in Hong Kong over the past few years and has maintained an above-average capital adequacy ratio. We also believe the bank's strategy to diversify its Hong Kong business away from property lending and into underwriting more trade finance, utilities, or blue-chip companies will gradually soften the bank's concentration risk. In our view, SCSB's strong capital buffer and moderate risk appetite can somewhat offset the impact of potential credit losses in Hong Kong and U.S. property sectors.

Diversification benefits and earnings performance trend close to those of local mid-sized banks despite SCSB's better geographic presence. In our view, SCSB has an established franchise in trade finance and cross-strait corporate banking, with a better geographical presence than local banking peers in Taiwan. However, we believe such diversification will likely generate limited benefit for SCSB over the next few years. We forecast the bank's operating performance will be similar to other mid-sized banks in Taiwan over the same period.

Outlook

The stable rating outlook reflects our view that SCSB's consolidated risk profile remains comparable to similar rated local peers. The bank's asset quality has been on a deteriorating trend due to the above-average concentration of SCB-HK in the property sector over the past few quarters. However, we believe SCSB's sufficient capital buffer can absorb potential credit losses and sustain its strong capital and earnings over the next two years. We also expect the bank's credit costs will not increase beyond the recent high level recorded in 2024-2025.

Downward scenario

We may lower the rating on SCSB if:

- The bank's consolidated asset quality deteriorates to become much worse than similarly rated peers in Taiwan and Hong Kong; or
- The bank's credit costs remain high and weaken its capitalization over the next two years. A RAC ratio consistently below 10% would indicate such deterioration.

Upward scenario

We could upgrade SCSB if the bank strengthens its capitalization over the next two years as demonstrated by the RAC ratio consistently above 15%. Possible sources for such 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

Media Release: The Shanghai Commercial & Savings Bank Ltd. Downgraded To 'twAA-/twA-1+' On Diminished Diversification Benefits, Outlook Stable

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 - October 13, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- 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
- 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)

Ratings List

Downgraded

| | To | From |
|--|---------------------|--------------------|
| The Shanghai Commercial & Savings Bank Ltd. | | |
| Issuer Credit Rating | twAA-/Stable/twA-1+ | twAA/Stable/twA-1+ |

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.

Media Release: The Shanghai Commercial & Savings Bank Ltd. Downgraded To 'twAA-/twA-1+' On Diminished Diversification Benefits, Outlook Stable

Copyright © 2025 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 (free of charge), and 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.