

Bulletin:

Taipei Fubon Bank Has Less Capital Buffer After Line Bank Investment

April 29, 2025

This report does not constitute a rating action.

Taipei Fubon Commercial Bank Co. Ltd. (Taipei Fubon Bank) could have a smaller buffer to maintain its strong capitalization under the bank's plan to increase its equity stake in virtual bank Line Bank Taiwan Ltd.

Taipei Fubon Bank (twAA+/Stable/twA-1+) has announced it will increase its equity investment in Line Bank by up to new Taiwan dollar (NT\$) 1.76 billion. Line Bank is one of three virtual banks in Taiwan. We estimate the investment will erode Taipei Fubon Bank's risk adjusted capital (RAC) ratio by 5 basis points (bps)-7bps which would reduce the buffer for the bank to maintain its strong capitalization over the next two years.

Taipei Fubon Bank continues to perform in line with our previous forecasts. The bank had net income of NT\$ 30.41 billion in 2024, supported by the good performance of its fee income business and trading gains. The bank's non-performing loan ratio held stable at 12 bps at the end of 2024, which is slightly superior to the domestic banking average of around 16 bps at the same time. Taipei Fubon Bank also controlled its equity portfolio in the banking book in line with our forecast in the second half of 2024. After considering the bank's cash dividend payout for 2024, we estimate its RAC ratio was 10.04% at the end of 2024, which is close to our 10% threshold for strong capitalization.

PRIMARY CREDIT ANALYST

Eric Lin
Taipei
+886-2-2175-6830
eric.lin
@spglobal.com
eric.lin
@taiwanratings.com.tw

SECONDARY CONTACT

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

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.