

Bulletin:

## SCSB To Keep Strong Capitalization

January 10, 2024

Taiwan Ratings Corp. believes an additional credit provision by **The Shanghai Commercial & Savings Bank Ltd.** (SCSB) is unlikely to weaken the bank's strong capitalization over the next one to two years.

SCSB (twAA/Stable/twA-1+) recently announced an additional credit provision of approximately Hong Kong dollar (HK\$) 1.35 billion (about new Taiwan dollar (NT\$) 5.3 billion) for potential substandard loans at its 57.6%-owned Hong Kong subsidiary, Shanghai Commercial Bank Ltd. While the increased credit provision will negatively affect SCSB's 2023 profits, we see no impact on the bank's capitalization over the next two years. We see SCSB's consolidated risk-adjusted capital ratio remaining above 10% during 2024-2025 after factoring in the additional credit provision. This is because we forecast the bank will generate consolidated preprovision operating income of NT\$28 billion-NT\$32 billion annually in 2023-2025 to support its growth, potential credit losses, and capitalization.

This report does not constitute a rating action

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