

Media Release:

Hua Nan Securities Co. Ltd. Ratings Affirmed At 'twAA-/twA-1+' On Group Support; Outlook Stable

June 27, 2025

Overview

- We assess **Hua Nan Securities Co. Ltd.'s** capitalization has weakened to adequate from strong previously, due to the company's business expansion and heightened market volatility.
- Nevertheless, Hua Nan Securities' overall credit profile remains unchanged. This reflects our view of the likelihood that the parent Hua Nan FHC group would provide financial support, if needed, given Hua Nan Securities' highly strategic group role.
- We affirmed our 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on Hua Nan Securities, as well as the 'twA+' issue rating on the company's unsecured subordinated bond.
- The stable rating outlook continues to mirror the trend of the stand-alone credit profile of the group's core operating unit, **Hua Nan Commercial Bank Ltd.**

Rating Action

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

Rationale

The rating affirmation reflects our view of likely support from Hua Nan FHC group. We believe Hua Nan Securities' parent **Hua Nan Financial Holding Co. Ltd.** (Hua Nan FHC) group will provide timely financial support to the company, if needed. We base this on our assessment of the subsidiary's highly strategic role within the group's long-term business strategy to be a full financial service provider in Taiwan. Hua Nan Securities provides securities brokerage and securities underwriting services to the group's customers. We therefore believe there is a very high possibility that the group would provide Hua Nan Securities with financial support, as required.

We have lowered our capital assessment to adequate from strong due to rapid business expansion. Over the past year, Hua Nan Securities has increased its securities-backed lending business and equity related investment position. This, along with higher volatility in Taiwan's stock market since late 2024 has weakened company's capital strength. We measure this by the risk-adjusted capital ratio, which we assess at 9.7% at the end of 2024, down from 12.0% and 17.0% at the end of 2023 and 2022, respectively.

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We believe the management team will maintain its growth appetite to enhance earnings over the next two years. This will make it difficult for Hua Nan Securities to improve its adjusted capital ratio back to above 10%, which is the level we define as strong capitalization. This is despite the company's good earnings in 2023 and 2024, amid more favorable stock market conditions in Taiwan. In our assessment, the company's use of earnings to enhance its capital has been moderate because of a likely high dividend payout ratio of 70%, albeit in line with the domestic industry practice.

Outlook

The stable rating outlook on Hua Nan Securities mirrors the trend of the stand-alone credit profile of the group's flagship subsidiary, Hua Nan Commercial Bank. The outlook reflects our view that the bank will continue to dominate the group's credit profile over the next one to two years. We also expect Hua Nan Securities to remain a highly strategic unit within the parent group over the same period.

Downward scenario

In addition to downward rating movement connected with changes in the group credit profile, we may lower the long-term rating on Hua Nan Securities if we assess the company's importance to the group weakens significantly over the next one to two years. This could be due to the broker's continually weakening performance or significantly weakened market position.

Upward scenario

In addition to upward rating movement connected with changes in the group credit profile, we may raise the rating on Hua Nan Securities if we were to reclassify the company as a core group entity. This would require Hua Nan Securities to increase its contribution to the group significantly, typically in terms of earnings and shareholders' equity over the next two years.

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, Apr 30 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, Jun 08 2023
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec 09 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec 09 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct 10 2021
- General Criteria: Group Rating Methodology, Jul 01 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, Apr 07 2017
- General Criteria: Principles Of Credit Ratings, Feb 16 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Ratings Affirmed

Hua Nan Securities Co. Ltd.

Issuer Credit Rating	twAA-/Stable/twA-1+
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Unsecured Subordinated Debenture	twA+
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