

Media Release:

Hua Nan Financial Holding And Hua Nan Commercial Bank Ratings Affirmed On Sustained Capital Strength; Outlooks Stable

May 27, 2026

Overview

- **Hua Nan Commercial Bank Ltd.'s** (Hua Nan Bank's) capital strength remains strong, in our view. However, the bank's risk adjusted capital (RAC) ratio could dip slightly below 10% over the next two to three years.
- We believe several factors will continue to support Hua Nan Bank's overall strong capital and earnings position in 2026-2027. These include the bank's management of its capital stability, a track record of adjusting its holdings of higher risk weighted assets, and satisfactory loan loss reserve with stable earnings structure.
- We have affirmed our 'twAA+' long-term and 'twA-1+' short-term issuer credit ratings on Hua Nan Bank. At the same time, we affirmed our 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on **Hua Nan Financial Holding Co. Ltd.** (Hua Nan FHC).
- The outlooks on the long-term ratings on Hua Nan FHC and Hua Nan Bank remain stable to reflect our view that as the Hua Nan FHC group's core operating unit, Hua Nan Bank will maintain its good business franchise and strong capitalization over the next two years. The outlook also reflects our view that the group will maintain a stable consolidated credit profile and will not engage in overly aggressive mergers or acquisitions over the same period.

PRIMARY CREDIT ANALYST

Serene Hsieh, CPA, FRM
Taipei
+886-2-7724-8657
serene.hsieh
@spglobal.com
serene.hsieh
@taiwanratings.com.tw

SECONDARY CONTACT

Josephine Ho
Taipei
+886-2-7724-6599
josephine.ho
@spglobal.com
josephine.ho
@taiwanratings.com.tw

Rating Action

Taiwan Ratings Corp. today affirmed its long- and short-term issuer credit ratings on Hua Nan Commercial Bank Ltd. and Hua Nan Financial Holding Ltd. (see Ratings List). The outlook on the long-term ratings remains stable.

Rationale

The rating affirmations reflect our view that Hua Nan Bank, as the group's core banking entity, will maintain strong capitalization over the next two years. That's despite strong growth in the bank's equity stock investments during 2025 coupled with very limited capital retention materially weakened the bank's capital buffer. This was demonstrated by a drop in the RAC ratio to 10.5% at the end of 2025, from 12% at the end of 2024 when the bank's equity investment portfolio was at its most recent low.

We forecast the RAC ratio is likely to dip slightly below our typical reference point of 10% for an assessment of strong capital and earnings. We base this forecast on our view of the bank's likely moderate loan growth appetite, consistent cash dividend policy to distribute around 70% of the annual profits, and commitment to control its equity investment level over the next two to three years. Nonetheless, we continue to view Hua Nan Bank has a prudent capital policy to maintain capital stability, along with a track record of carefully managing the level of higher risk-weighted assets, and satisfactory loan loss reserve with stable earnings. We believe these factors should help the bank sustain its overall capitalization at a strong level.

The ratings on Hua Nan Bank also reflect our assessment of the bank's good domestic market positions supported by an established franchise, and satisfactory funding and liquidity profile. Counterbalancing factors include moderate profitability by international standards and the bank's relatively concentrated revenue stream compared with global peers. In addition, the ratings reflect the bank's moderate systemic importance in Taiwan's banking industry with government support.

Outlook

For Hua Nan FHC

The stable rating outlook reflects our view that Hua Nan FHC group will maintain a stable consolidated credit profile and is unlikely to engage in aggressive mergers or acquisitions over the next two years. We also believe the nonoperating holding company will continue to manage the gap between its cash dividend payout and cash dividends received from its subsidiaries to control the holding company's double leverage ratio. The ratio measures the parent's equity investment in its subsidiaries against total shareholders' equity.

Downward scenario

We may lower the long-term rating on Hua Nan FHC if:

- We lower our assessment of the group credit profile due to a weakened credit profile for the group's core operating unit, Hua Nan Bank. This could occur due to several factors, including: (1) the bank's failure to sustain strong capitalization due to a failure to execute its capital policy of capital stability as reflected in a consistently lower RAC ratio that we had forecasted or lack of adequate control over market risk and loan loss reserving, or (2) the bank's risk position weakens due to overly aggressive business growth or above-average operating losses; or
- The double-leverage ratio rises both consistently above the industry average and above 125%.

Upward scenario

We view the likelihood of an upgrade as remote over the next one to two years.

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For Hua Nan Bank

The stable rating outlook on Hua Nan Bank reflects our view of a moderately high likelihood of government support should the bank face financial distress. On a stand-alone basis, we believe Hua Nan Bank will maintain strong capitalization and a good business franchise over the next one to two years.

Downward scenario

We view the likelihood of a downgrade to be remote over the next two years.

Upward scenario

Similarly, we view the likelihood of an upgrade as remote over the same period considering the bank's business strategy and capital policy.

Related Criteria & Research

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions - October 13, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - May 05, 2026
- 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: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023

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 Commercial Bank Ltd.

Issuer Credit Rating	twAA+/Stable/twA-1+
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Hua Nan Financial Holding Co. Ltd.

Issuer Credit Rating	twAA-/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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