

Research Update:

Hua Nan Financial Holdings Co. Ltd. Ratings Affirmed At 'twAA-/ twA-1+; Outlook Stable

May 30, 2024

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on **Hua Nan Financial Holdings Co. Ltd.** (Hua Nan FHC).

Our assessment of the Hua Nan FHC group reflects **Hua Nan Commercial Bank Ltd.**'s stand-alone credit profile which dominates the group's credit profile and accounts over 90% of the group's consolidated financials. We view Hua Nan Bank's capitalization as strong, albeit declining, good domestic presence with established franchise, and satisfactory funding and liquidity profile. Counterbalancing factors include competitive pressure on Hua Nan Bank and the FHC group's profitability and the group's relatively concentrated revenue stream compared with global peers' given that main contribution comes from Hua Nan Bank.

The ratings on Hua Nan FHC reflect a notch of subordination to its core operating entities or the aggregated group credit profile. We believe the potential government support for Hua Nan Bank is unlikely to extend to other group entities including the parent FHC. Moreover, the notching of Hua Nan FHC from the aggregated group credit profile is also sensitive to the group's control over its double leverage ratio not to deviate much from the industry average.

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Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions - March 02, 2022
- 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 – Nov.11, 2021

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

Ratings List

Ratings Affirmed

Hua Nan Financial Holdings 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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