

Media Release

Taishin D.A. Finance Co. Ltd. Ratings Affirmed At 'twA/twA-1' On Group Financial Support; Outlook Positive

July 29, 2019

Overview

- We expect Taishin D.A. Finance to sustain very strong capitalization supported by the parent group's timely financial support.
- We are therefore affirming our 'twA' long-term and 'twA-1' short-term issuer credit ratings on Taishin D.A. Finance.
- The rating outlook is positive to reflect the outlook on its parent Taishin FHC.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twA' long-term and 'twA-1' short-term issuer credit ratings on **Taishin D.A. Finance Co. Ltd.** The outlook on the long-term rating is positive.

Rationale

The ratings on Taishin D.A. Finance reflect our view that **Taishin Financial Holding Co. Ltd.** (Taishin FHC) group would provide timely and sufficient capital to the leasing subsidiary to help support its business growth.

We expect Taishin D.A. Finance to report high double-digit business growth throughout 2019-2020, while sending all its distributable earnings upstream to the parent during the same period. This will likely erode Taishin D.A. Finance's capital strength somewhat over next 18 months as reflected in a decline in the company's risk-adjusted capital ratio (RAC) to below 15% by end-2020, down from 16.9% at end-2018. However, we believe the parent group is committed to provide at least an intermediate level of timely financial support to help Taishin D.A. Finance maintain very strong capitalization with the RAC ratio above 15% by end-2021. This reflects the parent group's track record of capital injections of each New Taiwan dollar (NT\$) 600 million in 2014 and the first half of 2018 to support the leasing subsidiary's growth plan. We expect Taishin D.A. Finance to continue to receive timely capital injections from the group over the next two years that allow it to maintain very strong capitalization.

In addition, the ratings continue to reflect Taishin D.A. Finance's adequate funding and liquidity for its business needs, given the support from its parent. However, these strengths are tempered by the company's weaker business position due to its relatively small market share compared with leading players and less comprehensive risk framework than those of local banks.

PRIMARY CREDIT ANALYST

Jenny Lin
Taipei
+886-2-8722-5811
jenny.lin
@taiwanratings.com.tw
jenny.lin
@spglobal.com

SECONDARY CREDIT ANALYST

Yuhan Lan
Taipei
+886-2-8722-5810
yuhan.lan
@taiwanratings.com.tw
yuhan.lan
@spglobal.com

Outlook

The positive outlook on Taishin D.A. Finance reflects our view that the ratings on the company will move in tandem with the direction of the group credit profile. We expect Taishin D.A. Finance to maintain very strong capitalization over the next two years as well as its strategically important role within the group's business development plan.

Upward scenario

We could raise the rating on Taishin D.A. Finance if the parent group's overall credit profile improves because the group's capitalization reaches a strong level.

Downward scenario

We may revise the outlook back to stable if either of the following occurs: (1) we revise the outlook on the parent back to stable, or (2) Taishin D.A. Finance's RAC ratio falls consistently below 15% or its asset quality deteriorates to below the industry average. This is because the ratings on the company are capped at one notch below the level of the group overall credit profile.

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

(Unless otherwise stated, these articles are published on www.standardandpoors.com, access to which requires a registered account)

Ratings List

Ratings Affirmed

Taishin D.A. Finance Co. Ltd.

Issuer Credit Rating	twA/Positive/twA-1
----------------------	--------------------

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.

Copyright © by Taiwan Ratings Corp. All rights reserved.

Copyright © 2019 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.