

## Media Release

# Yu Rich Financial Services Co. Ltd. 'twA-/twA-2' Ratings Affirmed On Core Strategic Role; Outlook Stable

October 30, 2019

## Overview

- We expect Yu Rich Financial to sustain its strong capitalization level and remain a core member of the Yulon Finance group.
- We are therefore affirming our 'twA-' long-term and 'twA-2' short-term issuer credit ratings on Yu Rich Financial Services.
- The rating outlook is stable.

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twA-' long-term and 'twA-2' short-term issuer credit ratings on **Yu Rich Financial Services Co. Ltd.** The outlook on the long-term rating is stable.

## Rationale

The ratings on Yu Rich Financial Services reflect our view that the parent group would provide timely and sufficient liquidity support should the subsidiary be in financial stress, given the firm's core strategic role within Yulon Finance's business operations. Yu Rich Financial Services' core businesses of providing installment loans to retail customers purchasing scooters and consumer products is also a key business strategy of Yulon Finance group.

In addition to a likely capital injection by end-2019, we expect the parent will allow Yu Rich Financial Services to fully retain its earnings over the next two years, to accumulate capital for growth. Yu Rich Financial Services' credit asset portfolio grew 1.5x in 2018 and 2.2x in 2017. We believe the company's capital policy will help Yu Rich Financial Services to sustain its risk-adjusted capital ratio (RAC) above the 10% threshold for a strong capital assessment, up from 9.4% in 2018, providing the company a buffer to partly absorb unexpected operating losses. However, Yu Rich Financial Services lacks business scale and its risk framework is less comprehensive than local banks', and those disadvantages temper the aforementioned credit strength.

## Outlook

The stable outlook reflects our expectation that Yu Rich Financial Services will remain an integral part of the wider Yulon Finance group. As a core group entity, the ratings on Yu Rich Financial Services will move in tandem with the issuer credit rating on Yulon Finance Corp.

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We also expect the retail consumer finance business will remain one of parent group's business focuses in the coming two years.

#### **Downward scenario**

We could lower the long-term rating on Yu Rich Financial Services if Yulon Finance's credit profile weakens. We could also downgrade Yu Rich Financial Services if its importance to Yulon Finance weakens over the next two years. We would see signs of such weakening if Yu Rich Financial Services' profitability deteriorated significantly, or if its capital strength compared with group members weakened substantially, and did not receive timely and sufficient financial support from the parent.

#### **Upward scenario**

We believe the likelihood we will raise the long-term rating on Yu Rich Financial Services in the coming two years is remote. We may raise the rating if the credit profile of Yulon Finance improves.

## **Related Criteria**

- General Criteria: Group Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions - 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

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## **Ratings List**

#### **Ratings Affirmed**

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#### **Yu Rich Financial Services Co. Ltd.**

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Issuer Credit Rating	twA-/Stable/twA-2
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