

Media Release:

Outlook On Yulon Finance Corp. And Subsidiaries Revised To Positive From Stable After Similar Parent Action; Ratings Affirmed

September 8, 2021

Overview

- We recently revised the rating outlook on **Yulon Finance Corp.'s** parent, **Yulon Motor Co. Ltd.** to positive from stable in view of its improving financials. The long-term issuer credit rating on Yulon Motor was affirmed at 'twBBB+.'
- We continue to view Yulon Finance's stand-alone credit characteristics to be superior to those of the parent Yulon Motor group. We assess Yulon Finance to be an insulated entity within the Yulon Motor group with issuer credit rating capped at one notch above the group credit profile.
- We have revised the outlook on Yulon Finance's long-term issuer credit rating to positive from stable following a similar outlook change on the parent rating. At the same time, we revised the rating outlook on **Carplus Auto Leasing Corp., Shinshin Credit Corp., and Yu Rich Financial Services Co. Ltd.** to positive from stable, given their core group status to Yulon Finance.
- We affirmed all the long- and short-term issuer credit ratings on Yulon Finance and its subsidiaries.

Rating Action

Taiwan Ratings Corp. today revised the rating outlook on Yulon Finance Corp., Carplus Auto Leasing Corp., Shinshin Credit Corp. and Yu Rich Financial Services Co. Ltd. to positive from stable. We also affirmed the 'twA-' long-term and 'twA-2' short-term issuer credit ratings on the four entities.

Rationale

The rating outlook revision on Yulon Finance follows similar rating action that we recently took on the parent company, Yulon Motor Co. Ltd. This reflects our view of Yulon Finance as the core group member of the Yulon Motor group with a certain level of credit linkage and name association. However, we continue to view Yulon Finance's stand-alone credit profile as superior to the group credit profile, and we believe that Yulon Finance remains an insulated entity of the parent group with operational separation from the parent. Based on our

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assessment of the extent of this credit insulation, the issuer credit rating on Yulon Finance can be one-notch higher than the group credit profile.

The rating outlook revision on Carplus Auto Leasing, Shinshin Credit, and Yu Rich Financial Services follows that on Yulon Finance. We assess these subsidiaries as core to Yulon Finance; therefore, we believe Yulon Finance will provide timely financial support to its core subsidiaries as needed, and our ratings on these subsidiaries will move in tandem with our assessment of Yulon Finance's consolidated credit profile.

Outlook

Yulon Finance, Carplus Auto Leasing, Shinshin Credit, and Yu Rich Financial Services.

The positive outlook reflects the outlook on the ultimate parent, Yulon Motor, to further strengthen its financials and the group credit profile. We also anticipate Yulon Finance will maintain its strong market position in Taiwan's car financing and leasing sectors as well as strong capitalization over the next one to two years. We are unlikely to change our view of the core group status of Carplus Auto Leasing, Shinshin Credit, and Yu Rich Financial Services over the next one to two years.

Upward scenario

We may upgrade Yulon Finance and its core subsidiaries if Yulon Motor improves its credit profile.

Downward scenario

We may revise the outlook back to stable if Yulon Motor fails to further strengthen its financials as well as the group credit profile. We may also revise the outlook back to stable if Yulon Finance's consolidated credit profile weakens, as indicated by a consolidated risk-adjusted capital ratio below 10%, or if the company's asset quality deteriorates substantially.

Related Criteria & Research

Related Criteria

- 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: Hybrid Capital: Methodology And Assumptions - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

– Taiwan Ratings' Ratings Definitions – August 10, 2020

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

Ratings List

Ratings Affirmed; Outlook Revision

	To	From
Yulon Finance Corp.		
Issuer Credit Rating	twA-/Positive/twA-2	twA-/Stable/twA-2
Carplus Auto Leasing Corp.		
Issuer Credit Rating	twA-/Positive/twA-2	twA-/Stable/twA-2
Shinshin Credit Corp.		
Issuer Credit Rating	twA-/Positive/twA-2	twA-/Stable/twA-2
Yu Rich Financial Services Co. Ltd.		
Issuer Credit Rating	twA-/Positive/twA-2	twA-/Stable/twA-2

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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