

Media Release:

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

September 15, 2023

Overview

- We recently revised the outlook on Yulon Finance's parent, Yulon Motor, to stable from positive to reflect the longer timeframe needed for the parent to improve its financials. We affirmed the 'twBBB+/twA-2' issuer credit ratings on Yulon Motor.
- We continue to view Yulon Finance's stand-alone credit characteristics to be superior to those of the parent group. We also assess Yulon Finance to be an insulated entity within the group, which allows for a one notch uplift to the long-term issuer credit rating on Yulon Finance above the group credit profile.
- We have revised the rating outlook on Yulon Finance and its subsidiaries to stable from positive to reflect the rating outlook on the parent, Yulon Motor.
- At the same time, we affirmed the 'twA-/twA-2' issuer credit ratings on Yulon Finance and its core subsidiaries.

Rating Action

Taiwan Ratings Corp. today revised the outlook to stable from positive on its 'twA-' long-term issuer credit rating on **Yulon Finance Corp.** and its core subsidiaries **Carplus Auto Leasing Corp.**, **Shinshin Credit Corp.**, and **Yu Rich Financial Services Co. Ltd.** At the same time, we affirmed the issuer credit ratings on the entities at 'twA-/twA-2' (see Ratings List).

Rationale

The outlook revision on Yulon Finance follows similar rating action that we recently took on the parent company, Yulon Motor Co. Ltd. This action reflects a certain level of credit linkage and name association with the parent group in the local financial market. However, we continue to view Yulon Finance's stand-alone credit profile as superior to the group credit profile, and we assess Yulon Finance is an insulated entity of the parent group with operational separation from the parent. Based on our assessment of the extent of this credit insulation, the issuer credit rating on Yulon Finance can be no more than one-notch higher than the group credit profile.

The outlook revision on Carplus, Shinshin, and Yu Rich follows that on Yulon Finance. We continued to view these entities as core subsidiaries to Yulon Finance and make a stable contribution to the parent's consolidated profile and business strategies. We therefore believe Yulon Finance will provide timely financial support to these subsidiaries when needed, and as a

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result the ratings on them move in tandem with our assessment of Yulon Finance's consolidated credit profile.

Outlook

The stable rating outlook on Yulon Finance reflects the outlook on the ultimate parent, Yulon Motor. We believe Yulon Finance will remain the core subsidiary of the Yulon Motor group; therefore, the rating outlook on Yulon Finance will follow the outlook on its parent. 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.

Downward scenario

We may lower the long-term rating on Yulon Finance and its core subsidiaries if Yulon Finance's stand-alone credit profile weakens, as indicated by a consolidated risk-adjusted capital ratio below 10%. This may occur if Yulon Finance pursues aggressive growth, especially in higher economic risk countries or if deterioration in its asset quality hurts Yulon Finance's overall capitalization. We may also lower the long-term rating if Yulon Motor's credit profile deteriorates, which leads us to lower our assessment of the overall Yulon group credit profile.

Upward scenario

We may upgrade Yulon Finance and its core subsidiaries if Yulon Motor improves its stand-alone credit profile and accordingly the group credit profile.

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- 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
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions - November 11, 2021

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

Ratings List

Ratings Affirmed; Outlook Revision

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