

Media Release:

Yu Rich Financial Services Co. Ltd. 'twA-/twA-2' Ratings Affirmed On Strong Capitalization; Outlook Stable

October 18, 2023

Overview

- A recent capital injection from **Yu Rich Financial Services Co. Ltd.'s** parent has strengthened Yu Rich's risk adjusted capital (RAC) ratio. We now expect the company to maintain at least strong capitalization over the next three to five years.
- We have affirmed the 'twA-/twA-2' issuer credit ratings on Yu Rich Financial Services.
- The outlook remains stable to reflect outlook on the parent, Yulon Finance Corp.

Rating Action

Taiwan Ratings Corp. today affirm its 'twA-' long-term and 'twA-2' short-term issuer credit ratings on Yu Rich. The outlook on the long-term rating is stable.

Rationale

Yu Rich's capitalization has improved supported by a capital injection, along with good profitability, and high earnings retention. Following a new Taiwan dollar (NT\$) 2 billion capital injection in April 2023, we forecast Yu Rich's RAC ratio will remain above 15% over the next two years. At the same time, we estimate the company will keep its return on assets ratio at 4.5%-5.0% in 2023, despite higher credit provision costs. Yu Rich is controlling its business growth with more emphasis on quality after reporting deteriorating asset quality in 2022, as with most of its non-banking financial peers.

We now see the company maintaining the RAC ratio above 15% over the next two years amid more prudent growth. Over a slightly longer timeframe, we believe the company will return to its previous double-digit growth strategy with a target leverage ratio at 6x-7x in the future. This ratio measures the ratio of liability to net worth. We also see potential downside risk for the company's capitalization from worse asset quality deterioration than we currently expect, which would bring additional uncertainty for the company to maintain its RAC ratio above 15%. We therefore assess Yu Rich's capital and earnings will likely remain strong over the long term.

Yu Rich plays a core strategic role in the Yulon Finance group's overall business strategy. Yu Rich remains the core operating subsidiary under Yulon Finance and hence the ratings on Yu Rich will move in tandem with the group credit profile. The ratings also continue to reflect Yu Rich's strong capitalization. The company's small business scale and less comprehensive risk framework than those of local banks temper these strengths.

PRIMARY CREDIT ANALYST

Jason Fu
Taipei
+886-2-2175-6831
jason.fu
@spglobal.com
jason.fu
@taiwanratings.com.tw

SECONDARY CONTACT

Yuhan Lan
Taipei
+886-2-2175-6810
yuhan.lan
@spglobal.com
yuhan.lan
@taiwanratings.com.tw

Outlook

The stable rating outlook on Yu Rich reflects the outlook on the parent, **Yulon Finance Corp.** whose credit profile is linked to its ultimate parent **Yulon Motor Co. Ltd.** Given its core group role, the ratings on Yu Rich will move in tandem with its immediate parent.

Downward scenario

We may lower the long-term rating on Yu Rich if Yulon Finance's stand-alone credit profile weakens, as indicated by a consolidated RAC ratio below 10%. This may occur if Yulon Finance exert 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, leading us to lower our assessment of the overall Yulon group credit profile.

Upward scenario

We may upgrade Yu Rich if Yulon Motor improves its stand-alone credit profile and 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
- 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

Yu Rich Financial Services Co. Ltd.

Issuer Credit Ratings	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.

Media Release: Yu Rich Financial Services Co. Ltd. 'twA-/twA-2' Ratings Affirmed On Strong Capitalization; Outlook Stable

Copyright © 2023 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 rs.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.