

Media Release:

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

January 23, 2024

## Overview

- We revised today our outlook on **Yulon Finance Corp.'s** parent, **Yulon Motor Co. Ltd.**, to positive from stable. This reflected the parent's improved debt-to-EBITDA ratio after divesting of its car finance subsidiary in China. At the same time, 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 under our rating criteria allows for a one notch uplift to the long-term issuer credit rating on Yulon Finance above the group credit profile.
- We have therefore revised the rating outlook on Yulon Finance and its core subsidiaries **Carplus Auto Leasing Corp.**, **Shinshin Credit Corp.**, and **Yu Rich Financial Services Co. Ltd.** to positive from stable to reflect the rating outlook on the ultimate parent, Yulon Motor.
- At the same time, we affirmed the 'twA-' long-term and 'twA-2' short-term issuer credit ratings on Yulon Finance and the three subsidiaries.

## Rating Action

Taiwan Ratings Corp. today revised the outlook on its 'twA-' long-term issuer credit ratings on Yulon Finance and its core subsidiaries Carplus, Shinshin, and Yu Rich to positive from stable. At the same time, we affirmed the 'twA-' long-term and 'twA-2' short-term issuer credit ratings on the entities (see Ratings List).

## Rationale

**The outlook revision on Yulon Finance follows our similar rating action on its parent Yulon Motor.** This action reflects a certain level of credit linkage and name association with the parent group and the financing company 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 to be insulated with operational separation from the parent group. 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.

### PRIMARY CREDIT ANALYST

**Patty Wang**  
Taipei  
+886-2-2175-6823  
patty.wang  
@spglobal.com  
patty.wang  
@taiwanratings.com.tw

### SECONDARY CONTACT

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

**We anticipate no impact to Yulon Finance's consolidated credit profile following the disposal of the China car finance subsidiary.** Yulon Motor and Yulon Finance together invested in the China subsidiary, with a 51% and 49% stake, respectively. The completion of the transaction divesting the subsidiary, scheduled for 2H 2024, could help Yulon Motor lower its debt-to-EBITDA ratio while Yulon Finance is likely to see its capital buffer improve. We also assess Yulon Finance's consolidated capitalization will remain strong over the next two years. Our forecast assumes that the proceeds of the transaction of around new Taiwan dollar (NT\$) 2.84 billion will remain on Yulon Finance's book to support future growth.

**The outlook revision on Carplus, Shinshin, and Yu Rich follows that on Yulon Finance.** We continue to view these entities as core subsidiaries to Yulon Finance, given that they 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 result, our ratings on them will move in tandem with our assessment of Yulon Finance's consolidated credit profile.

## Outlook

The positive rating outlook on Yulon Finance reflects the outlook on the ultimate parent, Yulon Motor, which in turn reflects our view of the potential for the parent to strengthen its financial metrics and the group credit profile over the next one to two years. We believe Yulon Finance will remain the core subsidiary of the group under Yulon Motor; 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.

### Upward scenario

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

### Downward scenario

We may revise the outlook back to stable if Yulon Motor fails to strengthen its financial metrics as well as the group credit profile over the next one to two years. We may also revise the outlook to stable if Yulon Finance's consolidated credit profile weakens, as indicated by weakening capitalization or deterioration of its asset quality beyond our forecast.

## 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

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

- 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

- Media Release: Outlook On Yulon Motor Revised To Positive From Stable On Deleveraging; 'twBBB+/twA-2' Ratings Affirmed, January 23, 2024
- Taiwan Ratings' Ratings Definitions – November 11, 2021

(Unless otherwise stated, these articles are published on [www.taiwanratings.com](http://www.taiwanratings.com))

## Ratings List

### Ratings Affirmed; Outlook Revision

	To	From
<b>Yulon Finance Corp.</b>		
Issuer Credit Ratings	twA-/Positive/twA-2	twA-/Stable/twA-2
<b>Carplus Auto Leasing Corp.</b>		
Issuer Credit Ratings	twA-/Positive/twA-2	twA-/Stable/twA-2
<b>Shinshin Credit Corp.</b>		
Issuer Credit Ratings	twA-/Positive/twA-2	twA-/Stable/twA-2
<b>Yu Rich Financial Services Co. Ltd.</b>		
Issuer Credit Ratings	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](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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

Copyright © 2024 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](http://www.taiwanratings.com) (free of charge), and [rs.taiwanratings.com.tw](http://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.