

Media Release:

# Chailease Auto Rental Co. Ltd. Assigned 'twA+/twA-1' Ratings; Outlook Stable

March 29, 2024

## Overview

- We view Chailease Auto Rental as a core entity to Chailease Holding group, hence the ratings are equivalent to the group credit profile.
- We assigned our 'twA+' long-term and 'twA-1' short-term issuer credit ratings to Chailease Auto Rental.
- The stable rating outlook is in line with our expectation for the parent Chailease Holding group, which we view will maintain its good market presence locally and strong capitalization on a consolidated basis.

## Rating Action

Taiwan Ratings Corp. today assigned its 'twA+' long-term and 'twA-1' short-term issuer credit ratings to Chailease Auto Rental Co. Ltd. The outlook on the long-term rating is stable.

## Rationale

We derived the ratings on Chailease Auto Rental based on our view of its core group status to the parent Chailease Holding Co. Ltd. group, hence the ratings on Chailease Auto Rental are equal to our assessment of the consolidated group credit profile. The ratings reflect the group's strong capitalization relative to its risk profile and good market presence in Taiwan's financial leasing market. Counterbalancing factors include the group's pursuit of high growth, especially in higher-risk overseas countries, and reliance on wholesale funding, which is similar to other Taiwan-based finance companies.

We view Chailease Auto Rental as a core subsidiary to the group, given its full integration with Chailease Finance and operation as a department under the group's Taiwan operations. Chailease Auto Rental specializes in auto leasing businesses and has recently ventured into the car-sharing business segment via the group "URiDE" brand name. The company's business scope is in line with the group's target to deepen its presence in Taiwan's auto leasing market and provide more comprehensive financial services to the group's corporate clients. Chailease group injected new Taiwan dollar (NT\$) 5.6 billion capital to Chailease Auto Rental in 2023 to support its business growth needs. While Chailease Auto Rental's weighting to the group remains small at about 2% of Chailease Holding's consolidated assets and 5.2% equities in 2023, we expect the

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company will gradually increase in size, backed by the group's ongoing resource support over the coming two to three years.

## Outlook

The stable rating outlook reflects our view that Chailease Auto Rental will remain a core entity within the Chailease Holdings group, and hence the ratings on Chailease Auto will move in tandem with the direction of the parent group credit profile.

The outlook reflects our view that parent company, Chailease Holding, will maintain its asset quality on a consolidated basis, especially in overseas markets, as it continues to pursue growth over the next two years. We also anticipate the group's capitalization will remain strong over the period, with growth funded by adequate retained earnings and supported by active capital planning as needed. In addition, we see the group maintaining its leading market position in the domestic finance and leasing sectors and continue to build its niche in overseas markets.

### Downward scenario

We may lower the ratings on Chailease Auto Rental if we lower our assessment of the parent group credit profile. This could occur if:

- Chailease Holding's capitalization deteriorates through the fast accumulation of risky assets without adequate support from retained earnings or capital planning, or
- The group's asset quality deteriorates due to prolong unexpected losses from fast expansion over the coming two years.

### Upward scenario

We may raise the ratings on Chailease Auto Rental if the group improves its capital and earnings to our assessment of very strong, as indicated by our risk-adjusted capital ratio rising sustainably above 15%. However, we view upside rating potential as remote over the coming two years as the group continues to pursue growth.

## Related Criteria & Research

### Related Criteria

- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- General Criteria: Hybrid Capital: Methodology And Assumptions - March 02, 2022
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021

### Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

- Chailease Finance, Fina Finance & Trading, And Chailease Consumer Finance Ratings Affirmed At 'twA+/twA-1'; Outlook Stable - March 27, 2024

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## Ratings List

### Ratings Assigned

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#### Chailease Auto Rental Co. Ltd.

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Issuer Credit Rating	twA+/Stable/twA-1
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