Bulletin:

Chailease Holding Faces Slower Improvement In China Asset Quality

May 19, 2025

This report does not constitute a rating action.

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

SECONDARY CONTACT
Eunice Fan
Taipei
+886-2-2175-6818
eunice.fan
@spglobal.com
eunice.fan
@taiwanratings.com.tw

Taiwan Ratings Corp. anticipates a longer timeframe for Chailease Holding Co. Ltd. to restore its profitability and asset quality. The reported delinquencies remain upward trending in the first quarter of 2025. However, this slower timeframe for improvement will not weigh on the credit profiles of the group's rated finance and leasing units, given the ability of operating profits to absorb the associated high credit costs. We derive our ratings on the four subsidiaries based on the consolidated parent group credit profile.

Chailease Holding is parent of **Chailease Finance Co. Ltd., Fina Finance & Trading Co. Ltd., Chailease Consumer Finance Co. Ltd.,** and **Chailease Auto Rental Co. Ltd.** (all rated twA+/Stable/twA-1). Chailease Holding recently announced its operating performance and asset quality metrics as of March 31, 2025. The group continues to face pressured spreads from the reduction of its high-margin used-car finance business in Taiwan.

Growth in the group's profits remained stagnant in the first quarter of 2025, because slower business momentum resulted in less operating revenue and given the still-high credit costs. Chailease Holding's delinquency ratio remained on an upward trend during the same quarter, due to the slow macroeconomy, especially in China, which delayed the recovery of non-performing assets, along with flat asset growth quarter to quarter.

We believe the group's strong capitalization relative to its risk profile will continue to support the consolidated credit profile. The group's annualized credit cost of 2.7% in the first quarter of 2025 is somewhat higher than our earlier forecast and similar to the peak seen in 2024. Nonetheless, Chailease Holding reported satisfactory return on assets of 2.3% for the same quarter on an annualized basis, which we believe is sufficient to cover any additional credit cost if asset quality faces additional stress. In addition, we believe the group's reduced growth pace for 2025-2026 under tightened risk controls, particularly for its China business, can support the group to maintain its strong capitalization over the period.