

## Media Release

# Shinshin Credit Corp. 'twA-/twA-2' Ratings Affirmed On Core Strategic Role; Outlook Stable

June 18, 2019

## Overview

- We expect Shinshin Credit to sustain its adequate capitalization level and remain a core member of the Yulon Finance group.
- We are therefore affirming our 'twA-' long-term and 'twA-2' short-term issuer credit ratings on Shinshin Credit.
- The rating outlook is stable.

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twA-' long-term and 'twA-2' short-term issuer credit ratings on **Shinshin Credit Corp.** The outlook on the long-term rating is stable.

## Rationale

The ratings on Shinshin Credit reflect our view that the immediate parent, **Yulon Finance Corp.**, would provide timely and sufficient financial support to Shinshin Credit, given the firm's core strategic role within Yulon Finance's business operations. Shinshin Credit's core businesses of commercial vehicle and corporate financing services are also the core business lines of Yulon Finance. We expect the immediate parent to allow Shinshin Credit to fully retain its earnings over the next two years in order to accumulate capital for future business growth. Shinshin Credit had seen high double digit growth from its lending business in 2018 and 2019. We believe the parent's supportive capital policy will help Shinshin Credit to sustain its risk-adjusted capital ratio (RAC) at a little over 9% up to 2021, which could serve as a buffer to partly absorb unexpected operating losses. The ratio was 9.8% in 2018.

The ratings on Shinshin Credit also reflect our view that the company has a good market position in heavy-duty commercial vehicle financing. The company's less comprehensive risk framework than those of local banks tempers this strength.

## Outlook

The stable outlook reflects our expectation that Shinshin Credit will remain an integral part of the wider Yulon Finance group. As a core group entity, the ratings on Shinshin Credit are capped by our long-term issuer credit rating on Yulon Finance.

### PRIMARY CREDIT ANALYST

Jenny Lin  
Taipei  
+886-2-8722-5811  
jenny.lin  
@taiwanratings.com.tw  
jenny.lin  
@spglobal.com

### SECONDARY CREDIT ANALYST

Eunice Fan  
Taipei  
+886-2-8722-5818  
eunice.fan  
@taiwanratings.com.tw  
eunice.fan  
@spglobal.com

### Downward scenario

We could lower the long-term rating on Shinshin Credit if Yulon Finance's credit profile weakens. We could also downgrade Shinshin Credit if its importance to Yulon Finance weakens over the next two years. One sign of such weakening could be if Shinshin Credit does not receive financial support from Yulon Finance in a timely manner, which weakens its capitalization significantly.

### Upward scenario

We believe the chance to raise the long-term rating on Shinshin Credit in the coming two years is remote. We may raise the rating if the credit profile of Yulon Finance improves.

## Related Criteria

- Understanding Taiwan Ratings' Rating Definitions, [www.taiwanratings.com](http://www.taiwanratings.com) - June 26, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009
- General Criteria: Group Rating Methodology - November 19, 2013

(Unless otherwise stated, these articles are published on [www.standardandpoors.com](http://www.standardandpoors.com), access to which requires a registered account)

## Ratings List

Ratings Affirmed

### Shinshin Credit Corp.

Issuer Credit Ratings

twA-/Stable/twA-2

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