

Research Update

China Development Financial Holding Corp. And Subsidiaries Ratings Affirmed; Outlook Stable

October 29, 2019

Rationale

Taiwan Ratings Corp. today affirmed its long- and short-term issuer credit ratings on the various entities of the China Development FHC group: **China Development Financial Holding Corp.** (CDFHC), **KGI Bank**, and **KGI Securities Co. Ltd.** At the same time, we affirmed our issue credit ratings on the companies' various debts (see Ratings List). The outlook on the long-term ratings is stable.

The ratings on CDFHC reflect the CDFHC group's strong capitalization, established franchise in Taiwan's corporate banking and securities market, and adequate business diversification. The group's modest earnings capacity at its core banking entity and above-average growth appetite temper these strengths. The ratings on CDFHC also reflect a degree of subordination to its operating subsidiaries because the company is a non-operating holding company.

The ratings on KGI Bank reflect the bank's strong capitalization that acts as a buffer against potential economic volatility, good funding and liquidity profile, and established franchise in Taiwan's corporate banking business. However, the bank's moderate level of retained earnings as well as above-average growth appetite may partially temper these strengths. We view KGI Bank as the core entity of the CDFHC group, and the bank's credit profile anchors the overall group credit profile.

The ratings on KGI Securities reflect our assessment that the company will remain highly integrated with the CDFHC group and maintain its core group status over the next 12 months. We expect KGI Securities, on a stand-alone basis, to maintain its strong capitalization and satisfactory business stability over the same period.

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Related Criteria

- TRC Financial Services Issue Credit Rating Criteria, www.taiwanratings.com - July 31, 2019
- General Criteria: Group Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions - November 09, 2011
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- Criteria | Financial Institutions | General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies - December 09, 2014
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011

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Ratings List

Ratings Affirmed

China Development Financial Holding Corp.

Issuer Credit Ratings	twA+/Stable/twA-1
Unsecured common corporate bonds	twA+

KGI Bank

Issuer Credit Ratings	twAA-/Stable/twA-1+
Unsecured senior debentures	twAA-

KGI Securities Co. Ltd.

Issuer Credit Ratings	twAA-/Stable/twA-1+
Senior unsecured corporate bond	twAA-

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.

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