

Research Update:

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

October 22, 2020

Rating Action

Taiwan Ratings Corp. today affirmed its long- and short-term issuer credit ratings on **China Development Financial Holding Corp. (CDFHC), KGI Bank, KGI Securities Co. Ltd.** and **CDC Finance & Leasing Corp.** 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. Our assessment of the CDFHC group credit profile reflects the consolidated credit profile of KGI Bank and KGI Securities. We expect the group's life insurance subsidiary, **China Life Insurance Co. Ltd.**, will remain largely operationally and financially independent from CDFHC group and that our ratings in the insurer will remain insulated from the movements in the group credit profile over the next year.

The ratings on CDFHC and its core subsidiaries, KGI bank and KGI Securities, reflect the solid capitalization of the bank and securities subsidiaries, 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 risk 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 CDC Finance reflect our view of implicit support from the company's financially stronger parent group, based on our view that CDC Finance is a strategically important member of the group. The ratings also reflect the company's very strong capitalization relative to its risk profile. CDC Finance's small market position in Taiwan's finance and leasing industry partly offsets these strengths. In addition, CDC Finance's small capital base could increase the volatility of its financial profile.

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions - November 09, 2011
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology - December 09, 2014

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- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- 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
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- TRC Financial Services Issue Credit Rating Criteria - July 31, 2019

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

China Development Financial Holding Corp.

Issuer Credit Rating	twA+/Stable/twA-1
Unsecured subordinated corporate bond	twA-

KGI Bank

Issuer Credit Rating	twAA-/Stable/twA-1+
Unsecured senior debenture	twAA-

KGI Securities

Issuer Credit Rating	twAA-/Stable/twA-1+
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CDC Finance & Leasing Corp

Issuer Credit Rating	twA/Stable/twA-1
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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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