

Media Release:

China Development Financial Holding 'twAA-/twA-1+' Ratings Affirmed Following Similar Action On Core Life Unit; Outlook Stable

March 13, 2024

Overview

- On Nov. 15, 2023, we published our revised criteria for analyzing insurers' risk-based capital (see "Insurer Risk-Based Capital Adequacy--Methodology And Assumptions").
- The implementation of the revised criteria has minimum impact on the strong financial strength of **KGI Life Insurance Co. Ltd.**, a core unit the **China Development Financial Holding Corp.** (CDFHC) group and the main driver behind the group credit profile.
- We affirmed our 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on CDFHC and the 'twA' issue credit rating on the holding company's subordinated bond.
- The stable rating outlook reflects our view that KGI Life will continue to drive the group credit profile and maintain our assessment of its stand-alone credit profile over the next two years.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twAA-' long-term and 'twA-1+' short-term issuer credit ratings on CDFHC, as well as the 'twA' long-term issue credit rating on the holding company's subordinated corporate bond. The outlook on the long-term ratings is stable.

Outlook

The stable rating outlook on CDFHC reflects our view that the group's core operating unit, KGI Life, will continue to drive the overall group credit profile over the next one to two years. Therefore, the ratings on the various key group units will move in tandem with our assessment on KGI Life's stand-alone credit profile.

The outlook also reflects our view that CDFHC will continue to lower its double leverage ratio to a manageable level over the next one to two years. We do not expect the non-operating holding company to face a liquidity crunch over the same period, given a stable upstream of cash dividends from subsidiaries and active capital management as needed.

Downward scenario

We could lower the ratings on CDFHC if we revise downward our assessment of the stand-alone credit profile of KGI Life. We could also downgrade CDFHC if the group's operating performance weakens to materially below that of similarly rated peer financial holding groups in Taiwan over the next one to two years.

PRIMARY CREDIT ANALYST

Eunice Fan

Taipei

+886-2-2175-6818

eunice.fan

@taiwanratings.com.tw

eunice.fan

@spglobal.com

SECONDARY CONTACT

Yuhan Lan

Taipei

+886-2-2175-6810

yuhan.lan

@taiwanratings.com.tw

yuhan.lan

@spglobal.com

Upward scenario

We consider the likelihood of an upgrade of CDFHC to be limited over the next one to two years because an upgrade will require substantial enhancement of the group credit profile with scale and financials comparable to other leading insurance holding groups.

Rationale

Our assessment of the CDFHC group credit profile largely reflects our assessment of the stand-alone credit profile of KGI Life, which shows no change following the implementation of our new risk-based capital model for insurers. KGI Life has accounted for an average 66% of the group's assets and over 54% of its profits over the past five years. We anticipate the insurer's overall credit profile will remain stable with strong capital and earnings over the next one to two years.

The long-term rating on the holding company is one notch below the ratings on the group's core entities on a global rating scale and reflects the holding company's relative subordination. This compares favorably with generally a two-to-three notch gap between an insurance group holding company and its core units. In addition to insurance business, CDFHC directly controls multiple key operating units including banking and securities, which consistently contribute over 40% of the group's consolidated equity. We consider these operating entities as sufficiently diverse and independent, such that suspension of cash flows from any of them would not substantially weaken the holding company's financial position.

The ratings on CDFHC also take into consideration the limited regulatory restrictions on cash flows between group members and between operating units and holding companies in Taiwan.

Related Criteria & Research

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions - November 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions - March 02, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology - July 01, 2019
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023

Related Research

- Taiwan Ratings' Ratings Definitions – Nov. 11, 2021

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

Ratings List

Ratings Affirmed

China Development Financial Holding Corp.

Issuer Credit Rating	twAA-/Stable/twA-1+
Series 109-2 (A) Unsecured Subordinated Corporate Bond	twA

Media Release: China Development Financial Holding 'twAA-/twA-1+' Ratings Affirmed Following Similar Action On Core Life Unit; Outlook Stable

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.

Media Release: China Development Financial Holding 'twAA-/twA-1+' Ratings Affirmed Following Similar Action On Core Life Unit; Outlook Stable

Copyright © 2024 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.