

CCXAP assigns first-time long-term credit rating of BBB_g+ to Mianyang City Commercial Bank Co., Ltd., with stable outlook.

Hong Kong, 15 December 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g+ to Mianyang City Commercial Bank Co., Ltd. (“MCCB” or the “Bank”), with stable outlook.

The BBB_g+ long-term credit rating of MCCB is underpinned by the Bank’s (1) strong market franchise in Mianyang City with leading shares of local deposits and loans; (2) sound funding profile, characterized by a declining reliance on market funds and a stable customer deposit base; (3) reasonable profitability and operating efficiency, despite pressure on net interest margins; and (4) track record of receiving support from the Mianyang Municipal Government and China Minmetals Corporation (“China Minmetals”), in terms of business cooperation and capital replenishment.

However, the rating is constrained by the Bank’s (1) heightened credit costs and asset quality vulnerabilities, driven by loan portfolio concentrations in geographic regions, industries, and borrowers; and (2) certain capital replenishment pressure with continuous asset growth.

The rating also incorporates our assumption that the Bank is likely to receive extraordinary support from the Mianyang Municipal Government and China Minmetals in times of need, given its (1) status as a key regional bank partially owned by the Mianyang Municipal Government and its systemically important role in the local financial system; (2) high strategic importance and strong synergistic alignment as the sole banking arm within the China Minmetals; and (3) track record of receiving support.

Corporate Profile

Established in September 2000, MCCB is a state-capital-controlled bank under the leadership of the Mianyang Municipal Government, with strategic holdings by China Minmetals through Minmetals Capital Holdings Co., Ltd. (“MCH”). It is positioned to serve the local economy, small and medium-sized enterprises (“SMEs”), and urban and rural residents. MCCB has a strong market position and extensive branch network in Mianyang City, Sichuan Province. It has ranked among the top for years in the local banking market, with a market share of 15.1% in deposits and 11.6% in loans as of the end of 2024. MCCB also promotes regional expansion through the establishment and development of 7 off-site sub-branches in other prefecture-level cities in Sichuan Province. As of 31 December 2024, MCCB reported total assets of RMB251.5 billion and net assets of RMB14.9 billion.

Rating Rationale

Credit Strengths

Strong regional market franchise in Mianyang City. MCCB has a strong market franchise in Mianyang City, with an extensive network of more than 60 sub-branches, covering most of the areas in Mianyang City and having close ties with local community. It has ranked among the

top for years in the local banking market, with a market share of 15.1% in deposit and 11.6% in loan, as of the end of 2024. The Bank also expands its branch networks to other areas within Sichuan Province, totaling 7 cross-city sub-branches. MCCB's strong market franchise can help partially mitigate the negative impact of the increasing competition in the banking sector.

Solid deposit base with moderate reliance on market funds. MCCB's reliance on market funds is moderate, and has continued to decline over the past three years, driven by the robust growth in customer deposits. This strong and stable deposit franchise supports a resilient funding profile and provides a meaningful buffer against market volatility.

Good profitability and operating efficiency. MCCB has sustained steady net profit growth, supported by its continued expansion of interest-earning assets, rising non-interest income and outstanding operating expense control. In addition, MCCB maintained a relatively low cost-to-income ratio, reflecting solid operating efficiency.

Likely to receive extraordinary support from the Mianyang Municipal Government and China Minmetals in times of need. We believe the Bank is likely to receive extraordinary support from the Mianyang Municipal Government and China Minmetals in times of need, given its (1) status as a key regional bank partially owned by the Mianyang Municipal Government and its systemically important role in the local financial system; (2) high strategic importance and strong synergistic alignment as the sole banking arm within the China Minmetals; and (3) track record of receiving support.

Credit Challenges

Profitability challenged by the narrowing net interest margin and higher credit cost. The Bank's profitability is challenged by the narrowing net interest margin and higher credit costs. Its net interest margin is likely to trend slightly lower because of the loan prime rate reform and lowering loan pricing yields to support the real economy. In addition, credit costs have been a moderate drag on profitability especially amid pressure on asset quality. In 2024, the Bank adopted further conservative approach to enhance risk resilience, with loan loss provisions rising significantly.

High concentration in loan portfolio increases asset quality vulnerability. MCCB exhibits relatively high geographic and industry concentration risks, which represent a credit constraint and render its asset quality vulnerable to economic and industry conditions in its core operation region. As of end-2024, the majority of the Bank's lending business comes from Mianyang City and its customer base is dominated by leasing & business services, wholesale & retail and construction enterprises. In addition, special-mentioned loan and extended loans may incur higher credit costs and potentially convert into non-performing loans in the future.

Certain capital replenishment pressure with continuous asset growth. MCCB's capital adequacy ratio is primarily supported through retained earnings, share expansions and the issuance of capital bonds. Over the past three years, ongoing business expansion has continuously depleted the Bank's capital reserves, placing certain pressure on its capital

adequacy ratio. The Bank strengthens its capital adequacy by issuing capital instruments and optimizing its business structure.

Rating Outlook

The stable outlook on MCCB's rating reflects our expectation that the business and financial profile of the Bank will be stable, and the Bank will maintain its important market position in Mianyang City over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving extraordinary support increases; (2) the Bank's macro profile strengthens, such as higher sovereign rating for China, significant improvement in corporate debt leverage, or better credit condition in China; and (3) the Bank's financial profile improves constantly, such as improved profitability and sustainability or enhanced funding access.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving extraordinary support declines; (2) the Bank's macro profile weakens, such as lower sovereign rating for China, heightened corporate debt level, or worsened credit condition in China; or (3) the Bank's financial profile deteriorates significantly, such as declined asset quality or severely weakened liquidity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Banks \(November 2021\)](#).

Regulatory Disclosures

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http://www.ccxap.com/en/rating_services/category/6/

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