CCXAP assigns first-time long-term credit rating of A_g- to Capital Securities Corporation Limited, with stable outlook.

Hong Kong, 25 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned first-time long-term credit rating of Capital Securities Corporation Limited ("CSC" or the "Company") at A_g-, with stable outlook.

The A_g- long-term credit rating of CSC is underpinned by (1) well-established operating environment in China, where the capital market is more mature and highly efficient; (2) the Company's established franchise in China's securities market; (3) stable and increasing profitability amid market volatility; and (4) relatively strong liquidity and funding position.

However, the rating is constrained by (1) intensified competition in China's securities sector; (2) the Company's relatively small revenue scale; (3) moderate business diversification with relatively concentrated focus on investment and asset management businesses; (4) moderate risk appetite as compared with other peers.

The rating also reflects CSC's ownership and control by the Beijing Municipal Government through Beijing Capital Group Co., Ltd. ("BCG"). We expect the Company will receive solid support from the Beijing Municipal Government through BCG when needed, given its high importance to BCG.

Corporate Profile

Founded in February 2000 and headquartered in Beijing, CSC is a medium-sized securities firm with relatively high strategic importance in Beijing City. The Company was listed on the Shanghai Stock Exchange in December 2022 (Stock code: 601136.SH), and is currently in the process of applying for an H-share listing. As 12 June 2026, the Hong Kong Stock Exchange had reviewed the Company's listing application. Its principal businesses include brokerage, investment banking, asset management, research, private equity investment and proprietary trading. As of 30 June 2026, BCG was the holding shareholder of the Company, directly holding 53.2% of shares in CSC. The State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality ("Beijing SASAC") is the ultimate owner, indirectly holding 82.38% shares in CSC through multiple state-owned enterprises, including the BCG, Beijing Infrastructure Investment Co., Ltd., and Beijing Energy Holding Co., Ltd.

Rating Rationale

Credit Strengths

Well-established operating environment in China. CSC is domiciled in China and derives most of its revenue from China. The Chinese capital market has sustained robust, high-quality development, solidifying its position as the world's second-largest capital market by outstanding debt securities and equity market capitalization after years of steady expansion. Continuous institutional reforms and improved market infrastructure have further optimized the industry ecosystem, driving comprehensive upgrading and sustainable development of domestic financial intermediaries, especially securities firms.

Established franchise in China's securities market. CSC maintains a well-established franchise in China's securities market as a medium-sized securities firm with product portfolio spanning investment business, investment banking, wealth management, and asset management. The firm operates as a national securities company through an extensive network of branches, securities outlets, and wholly owned or controlled subsidiaries across China. As the key capital market service provider in Beijing, CSC possesses a strong strategic position in Beijing. It has strong access to various business opportunities arising from the economic growth of Beijing City and its surrounding areas. CSC will be able to enjoy the extensive network of BCG and leverage resources among the group, which is believed to strengthen the Company's market position in the near future.

Stable and increasing profitability amid market volatility. The Company demonstrated resilience over the past three years. The Company's overall profitability trend is highly correlated with the securities market trend. Benefiting from the Company's prudent investment strategy, the investment income increased over the past three years, especially in 2025. The Company's profitability has maintained steady growth.

Relatively strong liquidity and funding position. CSC has seen a relatively strong liquidity and funding positions over the past years. Short-term funding is a core part of CSC's liability structure, providing flexibility but also introducing refinancing risk. Nevertheless, the large scale of short-term funding can be mitigated by the Company's holding of certain liquid assets. In terms of liquidity risk management metrics of China's regulatory, in 2025, the Company's liquidity coverage ratio was significantly higher than regulatory requirement and remained at a sound level compared to industry average. Meanwhile, we expect that the Company's liquidity is supported by its listed status and proven record in the capital markets.

High likelihood of receiving parental and government support when needed. We expect a high level of support for CSC from the Beijing Municipal Government through BCG when needed. This is based on the high strategic importance of CSC to BCG as a core enterprise in the financial sector, and an important component of Beijing's municipal financial institutions. We believe CSC will continue to receive support BCG and the Beijing SASAC in terms of capital replenishment, business expansion and fund financing in the future.

Credit Challenges

Intensified competition in China's securities sector. The Chinese securities sector is facing a profound transformation of competition patterns amid industry upgrading. The traditional homogenized brokerage business remains oversupplied, and intensified market competition has kept brokerage commission rates at a low and declining level. As traditional brokerage commissions still constitute a basic revenue source for most domestic securities firms, sustained price competition continues to compress gross profit margins of core traditional businesses, bringing persistent pressure on profitability optimization.

Relatively small revenue scale and concentrated focus on investment and asset management businesses. The Company's total revenue rose from RMB1.9 billion in 2023 to RMB2.5 billion in 2025, primarily driven by growth in investment income and wealth management revenue. Affected by market volatility, net fee and commission income fluctuated over the recent years. Affected by the bond market, the excess performance fee of the Company's asset management products declined, and the net fee and commission income of the asset management business decreased significantly at the same time.

Moderate risk appetite as compared with other peers. CSC's risk appetite is moderate as compared with other peers. The Company reported a risk asset to total asset ratio of 41.0% as of 31 December 2025. Risk assets are mainly measured by the financial assets reported as level 2 or level 3 in the hierarchy, whose values are determined based on limited observable inputs or subjective financial models. CSC's investment book contains a proportion of investments in illiquid securities and these investments might entail larger tail risk in extreme market conditions and bring challenges to its risk management ability. CSC intends to control its investment risk and further enhance its risk management framework.

Rating Outlook

The stable outlook on CSC's rating reflects our expectation that the Company will maintain its competitive market position in China's securities market and strategic position in the regional financial industry development. We also expect the support from its parent and the local government is unlikely to change in the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the willingness and ability of BCG and the Beijing Municipal Government to support the Company strengthen; (2) the Company's business profile improves and becomes resilient across market cycles with a stronger market position; and (3) the Company's credit metrics improve, such as leverage ratio and risk to total assets ratio, on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if (1) the willingness and ability of BCG and the Beijing Municipal Government to support the Company weaken; (2) the macroeconomics or capital market environment deteriorates significantly in China that harms the Company's profitability and asset quality; or (3) financial position weakens such as the increase in leverage or eroded liquidity and funding.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Securities Industry (August 2017).

Regulatory Disclosures

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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Christy Liu
Assistant Director of Credit Ratings
+852-2860 7127
christy_liu@ccxap.com

Elle Hu
Executive Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656