Credit Opinion

25 August 2026

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Solicited Rating
Long-term Credit Rating	A_g-
Outlook	Stable

Analyst Contacts

Christy Liu +852-2860 7127

Assistant Director of Credit Ratings

christy_liu@ccxap.com

Jessica Cao +852-2860 7128

Credit Analyst

jessica_cao@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

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

Client Services

Hong Kong +852-2860 7111

Capital Securities Corporation Limited

Initial credit rating report

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

Summary

The A_g- long-term credit rating of Capital Securities Corporation Limited ("CSC" or the "Company") 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.

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.

Rating Drivers

- Established franchise in China's securities market
- Stable and increasing profitability amid market volatility
- Relatively strong liquidity and funding position
- Moderate risk appetite as compared with other peers
- High likelihood of receiving parental and government support when needed

Rating Sensitivities

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.

Key Indicators

	2023FY	2024FY	2025FY
Total Assets (RMB billion)	43.2	46.9	52.4
Total Equity (RMB billion)	12.4	13.2	13.8
Total Revenue (RMB billion)	1.9	2.4	2.5
Net Profit (RMB billion)	0.7	1.0	1.1
Pre-tax Margin (%)	41.1	47.1	50.1
Return on Assets (%)	2.0	2.6	2.5
Net Assets/Total Assets (%)	28.6	28.3	26.3
Risk Assets/Total Assets (%)	45.2	41.8	41.0
Liquidity Ratio (%)	136.0	144.0	159.9
Funding Ratio (%)	179.5	204.4	217.8

All ratios and figures are calculated using CCXAP's adjustments.

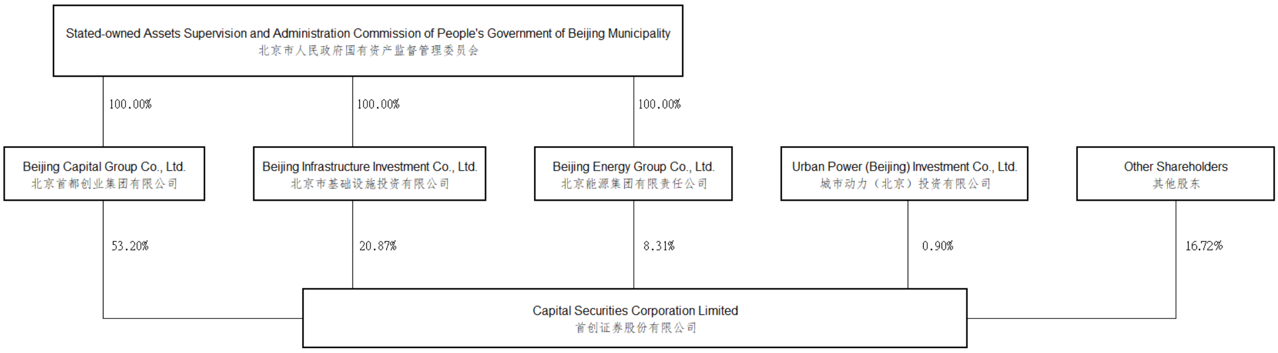
Source: Company data, CCXAP research

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.

Exhibit 1. CSC’s shareholding chart as of 30 June 2026



Source: Company information, CCXAP research

Rating Considerations

Mature capital market in China but with intensified competition in securities sector

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.

Chinese regulators adhere to the logic of functional supervision and high-quality market construction, rolling out a series of deepening reform policies to enhance market efficiency, stability and service capabilities for the real economy. In 2025-2026, the capital market reform system centered on the new “National Nine Articles” has been fully implemented, forming a complete “1+N” policy framework for the securities industry. The China Securities Regulatory Commission (“CSRC”) launched the STAR Market’s “1+6” reform package and optimized the third listing standard for the ChiNext Board, further lowering inclusive financing thresholds for technological and innovative enterprises and injecting sustained momentum into securities firms’ investment banking business.

Meanwhile, regulators have intensified efforts to guide long-term capital inflows into the equity market, with social security funds, commercial insurance funds, pension funds and other institutional funds steadily increasing their market participation. The systematic implementation of long-term capital entry policies has effectively stabilized market volatility, consolidated the fundamental upward trend of the capital market, and created a sound policy environment for securities institutions’ asset management and institutional service businesses.

Nevertheless, 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.

Against the backdrop of industry reshuffling, industry consolidation has accelerated notably since 2025. Leading securities firms have launched cross-institutional merger and acquisition integration, further raising industry concentration. Small and medium-sized institutions are facing intensified survival pressure due to limited capital strength and single business structure, making differentiated transformation imperative. At the same time, the industry’s profit structure is undergoing profound changes: relying solely on traditional brokerage and proprietary trading can no longer support growth, and the industry is comprehensively shifting toward wealth management, institutional comprehensive services, investment banking and derivative businesses.

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.

CSC’s investment business makes the most contribution to the total revenue, accounting for around 61.5% of the Company’s total revenue in 2025, including fixed income investment, equity securities investment, NEEQ market making and alternative investment. The company adheres to a prudent investment approach and adopts a “fixed income+” strategy, mainly invests in bond and equity securities with high dividend. The Company’s outstanding investment portfolio amounted to RMB33.7 billion, with bond and equity security investment accounting for 82.8% of the total portfolio. The amount and proportion of equity security investment have increased over the past three years, reaching RMB7.0 billion and 20.7% of the total investment as of the same date.

The Company’s wealth management business includes securities brokerage services, securities investment consulting services, distribution of financial products, margin trading and securities lending, and futures trading. In terms of securities brokerage business, based on market changes and customer needs, the company focuses on building a financial product system with "fixed income" and "fixed income+" as its core advantages to meet the diversified investment needs of investors. As of end-2025, the Company’s total client number reached over 870,000. The total transaction volume of stocks and funds traded on behalf of clients in 2025 was RMB 1,071.9 billion, a year-on-year (“YoY”) increase of 61.5%. In terms of futures brokerage business, the transaction volume of the brokerage business reached RMB934.6 billion in 2025, representing a YoY increase of 53.0%. CSC maintains prudent risk controls in these areas amid a generally supportive regulatory environment.

CSC also provides various investment banking services, such as IPO service, debt and equity financing, asset securitization, and corporate advisory to its clients. The Company mainly targets to national-level specialized, refined, and innovative enterprises in Beijing-Tianjin-Hebei region for equity financing services. As of the end-2025, CSC had completed 125 recommended listing projects and provided ongoing supervision services for 106 listed companies. However, affected by intense market competition, the Company had no IPO or equity refinancing project in 2025. Apart from that, CSC has maintained a relatively competitive market position in debt capital markets. The scale of bond underwriting has been increasing over the past three years. In 2025, the

Company completed 138 bond underwriting projects, with underwriting amount of RMB26.8 billion. CSC also issued 64 ABS products with an issuance amount of RMB37.4 billion, and sold 77 ABS products with a sales volume of RMB32.4 billion. The company's asset securitization business ranked among the top 15 in the industry in terms of both issuance and sales scale.

CSC also engages in the asset management business, primarily in collective asset management, single asset management, and special asset management. Benefiting from strong investment performance and a large client base, the Company's assets under management have grown steadily in recent years, giving it a strong competitive advantage. As of end-2025, the total assets under management increased by 18.9% YoY to RMB171.1 billion, and the scale of investment advisory business reached RMB43.7 billion, an YoY increase of 299.4%.

Stable and increasing profitability amid market volatility

The Company demonstrated resilience over the past three years. Its 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. In 2025, the Company's net fee and commission income decreased by 28.6% YoY. 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 by 54.5% YoY.

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, when CSC's investment income (including gains or losses from changes in fair value) increased significantly by 66.8% YoY to RMB1.9 billion. However, the fair value changes remained sensitive to equity prices, interest rates, credit spreads, and the Company’s positioning. The Company recorded a fair value change loss of RMB181.4 million in 2025, a significant decrease compared to gains of RMB19.1 million in the previous year. The Company's profitability has maintained steady growth. CSC’s net profit increased from RMB701.1 million in 2023 to RMB1.1 billion in 2025, mainly attributable to increase in investment income. The Company recorded a 3-year average ROA of 2.3%, and the pre-tax profit margin stayed high at around 50% over the same period.

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.

Partially offsetting that risk is the Company's low leverage and relatively high capital adequacy. Benefiting from the 2022 A-share listing, the Company’s capital strength has improved. Its leverage, measured as total equity/total assets was 26.3% as of end-2025. Furthermore, CSC announced its plan for a public offering of H-shares in 2025, which is expected to further enhance its capital strength upon completion. CSC intends to control its investment risk and further enhance its risk management framework.

Relatively strong liquidity and funding position

CSC has seen a relatively strong liquidity and funding positions over the past years. The Company reported liquidity ratio of over 150% in 2025. The funding ratio has increased to 217.8% as of 31 December 2025. Short-term funding is a core part of CSC's liability structure, providing flexibility but also introducing refinancing risk. The Company had around RMB15.9 billion outstanding short-term debts maturing within 2026. Moreover, CSC's refinancing may face volatility when the capital market is under stress. The Company's short-term funding mainly consisted of financial asset repurchases and short-term debts from other financial institutions that are highly market-sensitive. Nevertheless, the large scale of short-term funding can be mitigated by the Company's holding of certain liquid assets. For example, CSC held RMB6.7 billion in unrestricted cash, or 12.7% of its total assets as of 31 December 2025. 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.

We expect that the Company's liquidity is supported by its listed status and proven record in the capital markets. In March 2026, CSC issued RMB2 billion in perpetual subordinated bonds, which will improve CSC liquidity profile and funding ratio in the near-term. Apart from that, the Company is currently in the process of H-share listing application. As of 12 June 2026, the Company has received the notification of filing for H-share issuance from CSRC, and the Hong Kong Stock Exchange had reviewed the Company's listing application. We expect CSC's liquidity profile will further enhanced after the H-share listing. As of end-2025, the Company had total credit facilities of RMB76.5 billion, with unused portion of RMB62.3 billion, showing sufficient standby liquidity buffer.

External Support

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.

CSC is the only securities firm under BCG's development blueprint and has a significant strategic position in regional financial development. As a key component of BCG's financial segment and a future engine for the Group, the Company has received significant support from BCG in terms of business coordination and management. This includes the appointment of directors to the Company by the Group to participate in management, as well as support for the Company's future H-share issuance and its engagement with state-owned enterprises within the region. Meanwhile, as the Company contributes a relatively high proportion of BCG's profits, and BCG provides some priority support to the Company in terms of equity financing and leverage ratio. Pursuant to BCG's strategic arrangements, it will endeavor to expand the Company's equity capital scale, subject to compliance with regulatory requirements, while prioritizing the allocation of debt growth capacity to the securities segment. This is conducive to the Company's expansion of business scale and realization of performance growth.

CSC is an important listed securities firm under the control of the Beijing SASAC. It has a high strategic position in the regional financial industry development. CSC plays an important role in supporting major policy initiatives of Beijing Municipality, including the development of the Beijing Stock Exchange and coordination of the integrated development of the Beijing-Tianjin-Hebei region. 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.

ESG Considerations

CSC faces environmental risks primarily through its investment banking, asset management, and proprietary trading activities, where portfolio exposure to carbon-intensive sectors could lead to transition risks amid China's "dual carbon" goals. Such risks are moderated by the Company's green finance initiatives, including underwriting of green bonds and green ABS, and increasing the strength of green financial services

CSC supports social objectives through rural revitalization efforts (such as targeted financing and bond underwriting for agriculture-related projects), investor education and protection programs, inclusive finance products, pension finance, and strong employee development initiatives. As a financial services provider, the Company is exposed to social risks related to client suitability, data privacy, and demographic shifts influencing retail and institutional demand, but these are addressed via comprehensive compliance and community engagement in Beijing Province and beyond.

CSC's governance considerations are material given its listed status, state-linked ownership, and regulatory oversight by CSRC and Shanghai Stock Exchange. The Company integrates ESG through a Board-level Development Strategy and ESG Committee, robust compliance and risk management frameworks (including anti-corruption and AML systems), and adherence to double materiality assessments and sustainability reporting standards.

Rating Methodology

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

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

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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