

## Credit Opinion

16 October 2025

| Ratings                 |                       |
|-------------------------|-----------------------|
| Category                | Financial Institution |
| Domicile                | China                 |
| Rating Type             | Solicited Rating      |
| Long-Term Credit Rating | A <sub>g</sub> +      |
| Outlook                 | Stable                |

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## Sichuan Jinyu Financing Guarantee Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Sichuan Jinyu Financing Guarantee Co., Ltd.'s long-term credit rating at A<sub>g</sub>+, with stable outlook.**

### Summary

The A<sub>g</sub>+ long-term credit rating of Sichuan Jinyu Financing Guarantee Co., Ltd. ("JYFG" or the "Company") is underpinned by the Company's (1) solid market position in guarantee business in Sichuan Province; (2) sufficient capital adequacy supported by its state-owned enterprise ("SOE") background; and (3) high level of liquidity resources.

However, the rating is constrained by the Company's (1) industry and geographic concentration of guarantee portfolio; (2) relatively large historical claims with long recovery period; and (3) business growth and profitability pressure due to intensive market competition and lowering interest rate.

The rating also incorporates our expectation that the Company has a high likelihood of support from the local government and its parent company, given its (1) ultimate control by the Sichuan Provincial Government; (2) strategic importance in further optimizing financial environment in Sichuan Province; and (3) solid track record of business and financial support.

The stable outlook on JYFG's rating reflects our expectation that the willingness and ability of Sichuan Provincial Government to provide support is unlikely to change. We also expect the Company to sustain its competitive market position and solid financial profile in the next 12 to 18 months.

## Rating Drivers

- Solid market position in guarantee business in Sichuan Province
- Relatively large historical claims with long recovery period
- Stable profitability but pressured by market competition and lowering interest rate
- Sufficient capital adequacy and high level of liquidity resources
- High likelihood of support from the parent company and the Sichuan Provincial Government

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving government or parental support increases such as higher policy roles or greater strategic importance in Sichuan Province; and (2) the Company's institution profile has significantly strengthened such as improved profitability or asset quality.

### What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving government or parental support decreases such as weakened strategic importance in Sichuan Province; or (2) the Company's institution profile deteriorates, such as lower coverage in potential claims or a sharp decrease in liquid assets.

### Key Indicators

|                                         | 2022FY | 2023FY | 2024FY |
|-----------------------------------------|--------|--------|--------|
| Total Assets (RMB billion)              | 6.9    | 7.2    | 7.1    |
| Total Equity (RMB billion)              | 5.4    | 5.6    | 5.3    |
| Net Profit (RMB billion)                | 0.2    | 0.2    | 0.3    |
| Return on Equity (%)                    | 4.1    | 4.4    | 4.7    |
| Accumulated Claim Ratio (%)             | 3.1    | 2.7    | 2.0    |
| Risk Reserve/Outstanding Guarantees (%) | 4.1    | 4.9    | 6.1    |
| High Liquid Assets/Total Assets (%)     | 59.7   | 64.1   | 61.8   |

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

Source: Company data, CCXAP research

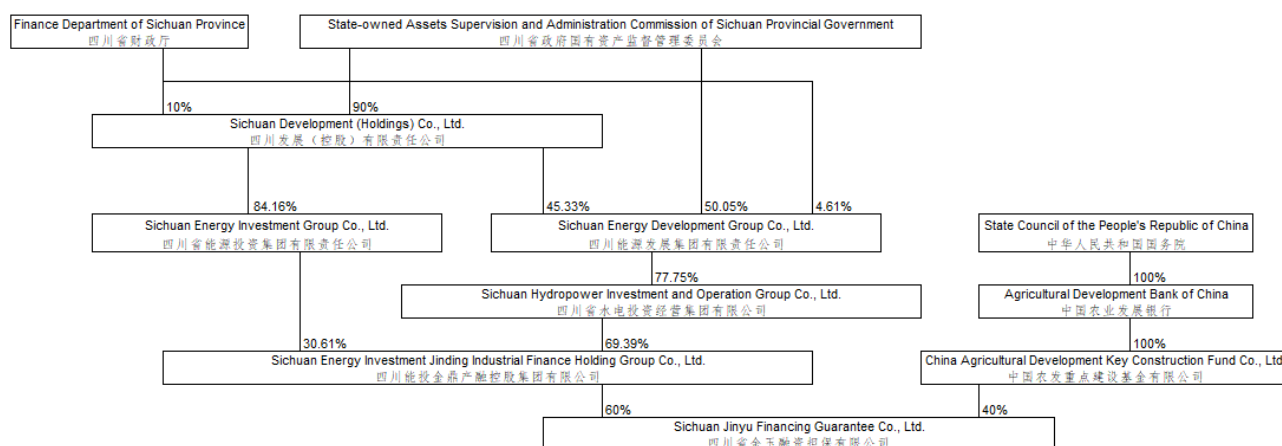
## Corporate Profile

Founded in 2007, JYFG is one of the major guarantee companies in Sichuan Province. It has an important role in facilitating the development of regional direct finance, enhancing the financing abilities of local enterprises, and optimizing the financial environment of Sichuan Province. JYFG mainly provides traditional guarantee services to standardized bond market products, such as Medium-term Notes (MTNs) and Corporate Bonds. The Company also offers loan financing and non-financing guarantee services. As of 30 June 2025, the Company had a total asset of RMB7.2 billion and a net asset of RMB5.5 billion.

JYFG is 60% owned by Sichuan Energy Investment Jinding Industrial Finance Holding Group Co., Ltd. ("Jinding Group") and 40% owned by China Agricultural Development Key Construction Fund Co., Ltd. ("Agricultural Development Fund"). Pursuant to the approval of the State-owned Assets Supervision and Administration Commission of Sichuan Provincial Government ("Sichuan SASAC"), Sichuan Investment Group Co., Ltd. ("SCIG") consolidated with Sichuan Energy Investment Group Co., Ltd. ("SCEI") to establish Sichuan Energy Development Group Co., Ltd. ("SCED") in February 2025, a provincial-level state-owned capital investment

company. Jinding Group, the Company's holding shareholder, is the financial arm of SCED, which is ultimately controlled by Sichuan SASAC.

### Exhibit 1. Shareholding chart as of 30 June 2025



Source: Company information, CCXAP research

## Rating Considerations

### Operating Environment

JYFG is domiciled in mainland China and most of its revenue is generated in Sichuan Province. JYFG's macro profile is **Medium**, which reflects Sichuan Province's (1) stable economic growth and fiscal strength, and (2) improving operating environment for financial guarantors. However, the macro profile is undermined by (1) relatively high competitiveness in China's financial guaranty sector, which drive lower rates of underwritten premium; and (2) weakened credit condition, which may increase the industry's vulnerability.

China has strong economic fundamentals and institutional strength. China's strong institutional strength is reflected in the long-term stability of its political environment and the high efficiency of its government. In addition, it is the second-largest economy in the world, with large population and economic base, as well as stable economic growth. China demonstrated a good, albeit moderating, economic recovery since the pandemic. In 2024, China's GDP grew by 5.0% year-on-year ("YoY") to RMB134.9 trillion, supported by its widening trade surplus and the recovery in production and domestic demand. Nevertheless, the economy remains under challenges given the still moderate domestic demand and rising risks in global trade. GDP growth recorded 5.3% YoY in the first half of 2025.

Sichuan Province has a relatively stable economic growth, providing a good support for the development of the financial industry in Sichuan Province. It has a strategic position as an important transportation and communication hub connecting southwest, northwest and central regions of China. With the good transportation and location advantages, Sichuan Province's economic strength improved steadily with GRP increasing from RMB5.7 trillion to RMB6.5 trillion from 2022 to 2024, ranking 5<sup>th</sup> among all provinces in China in 2024. Sichuan Provincial Government's fiscal strength also improved along with the economic growth. In 2024, the general public budgetary revenue amounted to RMB563.6 billion. Sichuan Province has the largest number of financial institutions in western region of China and the financial activities has grown steadily in the province.

The operating environment for Chinese financial guarantors is improving with a clearer regulatory framework and supportive government stance. In 2017, the State Council issued the "*Regulation on the Supervision and Administration of Financing Guarantee Companies*" (《融资担保公司监督管理条例》) and the National

Financial Regulatory Administration released the supplementary provisions in 2018 and 2019, to clearly define the responsibility of the supervisory bodies and related regulatory metrics. In addition, the government has highly promoted financial guarantors in the provision of the finance of small and medium enterprises (“SMEs”) and rural entities.

However, the Chinese financial guarantee industry faces a relatively high level of competitive rivalry. This may put higher pricing pressure on premium rates and erode financial guarantors’ profitability in the long run. The narrowed credit spreads in China’s broad capital market, given the easing of monetary policy, also intensify competition among financial guarantors and drive down their profitability. In addition, the weakened credit condition, such as increasing default events and limited financing channels in particular industries, may increase credit costs for financial guarantors. Nevertheless, we believe that the market accumulated claim ratio will remain flat for the next 12 to 18 months, backed by China’s supportive monetary policy and sufficient broad market liquidity.

## **Institutional Profile**

### **Solid market position in guarantee business in Sichuan Province**

Established in 2007, JYFG has a solid market position in Sichuan Province as one of the top provincial guarantee companies. It dedicates to support the development of regional financial market, enhance the financing abilities of local enterprises, and optimize the financial environment of Sichuan Province. It also has a policy role in assisting the government to build a risk sharing mechanism in the province and broaden financing channels for local enterprises with lowering funding costs.

The Company has diverse product offerings to satisfy its customer’s need, covering from direct and indirect financing guarantees to non-financial guarantees such as tender, performance and advance payment guarantee. Since 2018, JYFG has adjusted its business strategy and formed a “3+1” business model covering bond guarantee, loan guarantee, non-financing guarantee and investment business. Due to bond issuance policies and market conditions, the scale of the Company’s bond guarantee business contracted. As of 31 December 2024, the Company had a total outstanding guarantees of RMB29.6 billion and outstanding guarantee liabilities of RMB22.0 billion, decreasing slightly by around 5.0% YoY. As of 31 December 2024, financial guarantees accounted for 90.9% of its outstanding guarantees and non-financial guarantees accounted for 9.1%. The bond guarantees represented over 75% of its outstanding guarantees, as of the same date.

JYFG also cooperates with large domestic banks to carry out policy-driven loan guarantee business, which is encouraged by the central government and targeted to support SMEs’ financing activities. The guarantee risk will be shared by guarantee companies, national guarantee fund, provincial re-guarantee company, and partnered commercial bank at a ratio of 4:2:2:2. For example, JYFG has partnered with Postal Savings Bank of China Co., Ltd. to undertake “Shudan Quick Loan” (“蜀担快贷”). The business risk is manageable as the product sets a maximum claim rate of up to 3% and JYFG only undertakes 40% of the risk exposure, which means that the ultimate cap of the claim rate is 1.2%. Such business also receives government subsidy support, albeit subject to changes in government policy. As of 31 December 2024, JYFG had outstanding guarantees of RMB510.0 million for its policy-driven guarantee business.

### **Relatively large historical claims with long recovery period**

JYFG’s asset quality is moderate as seen by its relatively high cumulative claim ratio of 2.0% as of 31 December 2024. This mainly arose from the loan guarantees provided to private-owned SMEs in the early stage of the Company’s development, which experienced claims because of the financial distress on some SMEs,

particularly in manufacturing and construction sectors. There has been no claim on the Company's bond guarantee business. As of 31 December 2024, the Company had claim receivables of around RMB564.0 million. With the expiration of the risky projects, the annual new claim amount has been decreasing to RMB6.0 million in 2024 from RMB34.0 million in 2023, while the recovery rate increased to 45.8% from 43.9% over the same period.

JYFG's asset quality is also constrained by its concentrated and long tenor guarantee portfolio. The Company has demonstrated geographical and sector concentration in its guarantee asset portfolio, which may expose JYFG to the risk of economic and policy changes in a single sector or region. It has concentrated guarantee exposure in Sichuan Province. As of 31 December 2024, JYFG's outstanding guaranteed amount in Sichuan Province was RMB22.6 billion, accounting for 76.2% of the Company's total outstanding guarantees. JYFG also has concentrated guarantee portfolios in local SOEs, which is subject to higher policy and regulatory risk, especially during the increasing downward pressure on China's economy and the tightening financing environment on some of the local SOEs. As of 31 December 2024, leasing and business services accounted for 57.6% of its total guaranteed liabilities, followed by construction sector (13.6%), and water conservancy, environment & public facilities management sector (7.0%). Apart from that, the guarantee period of the Company's guarantee portfolio is generally long. More than 70% of the guarantee period are over 3 years.

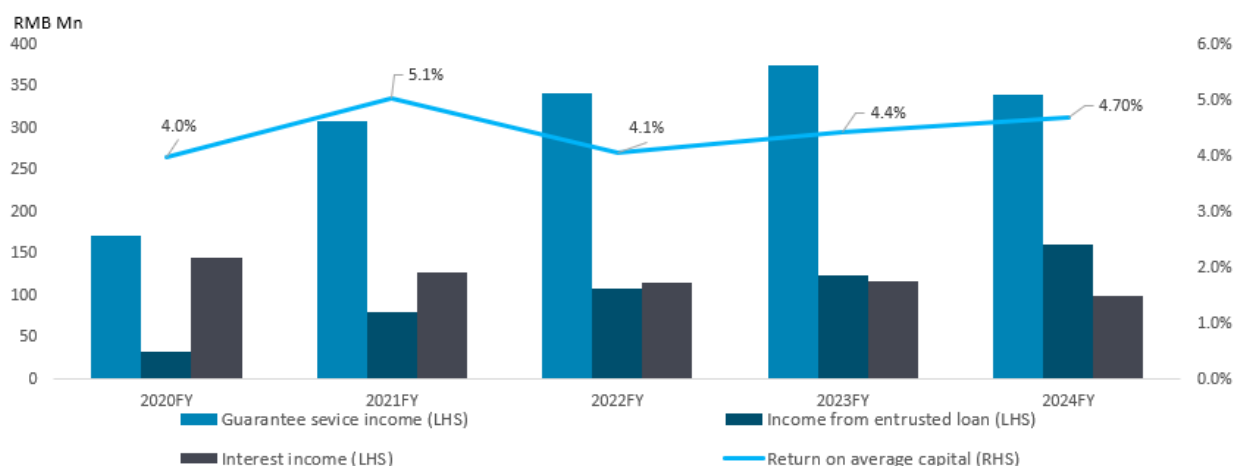
The Company's guarantee portfolio is mainly made up of guarantees on traditional products in the domestic market such as MTNs, company bonds, and corporate bonds, most of which are simple and have higher information transparency that lowers the risk of misevaluation. In addition, such client concentrated risk could be partly mitigated by JYFG's high-quality client base and sufficient risk control measures. Most of the clients are local SOEs that are backed by government or favorable policy. These clients are more likely to receive solid government support in stressed scenarios. Apart from that, the Company also undertakes necessary risk mitigation measures. Many clients are required to provide third-party guarantees or asset pledges to reduce the potential losses.

### **Stable profitability but pressured by market competition and lowering interest rate**

JYFG has demonstrated stable profitability over the past five years, despite fluctuations in the scale of its guarantee business in 2024 due to market conditions. The Company's total revenue remained relatively stable at RMB501.9 million in 2024. However, benefiting from the growth in loan guarantee business and investment income, the net profit of the Company increased from RMB245.2 million to RMB257.8 million over the same period. From 2022 to 2024, it had an average return on equity ("ROE") of around 4.4%, with a five-year Sharpe ratio of 886.5% (exceeding the reasonable level of 100%). JYFG's business development and profitability are closely linked with local economic and policy changes. Guarantors face increasing competition under the lowering interest environment and the sufficient market liquidity in China, which in turn compress their guarantee fee rate.

The Company has established a mechanism for its provision reserve to against contingent risks, including risk provision for guarantee liability and unearned premium risk provision. With the growth of its guarantee business, the Company's provision reserve has continued to increase in recent years. As of 31 December 2024, the Company had provision reserve of RMB1.3 billion, and provision to outstanding guarantee liability ratio at approximately 6.1%, indicating strong ability to withstand contingent liabilities.

### **Exhibit 2. JYFG's revenue structure from 2020 to 2024**



Source: Company information, CCXAP research

JYFG's investment business also helps support its bottom-line profitability, mainly including bank deposits, fixed income investments such as bonds, and entrusted loans. The Company mostly invests in the bonds related to its guarantee business and provides short-term entrusted loans to clients to support their liquidity. The average interest rates of the entrusted loans are generally around 9%. The Company's entrusted loan interest income and investment gains were recorded at RMB160.6 million and RMB7.5 million in 2024, respectively. However, the tightening investment income, coupled with narrowed credit spreads in the capital market, may hinder its profitability. We expect JYFG to expand its guarantee business to clients in more industry sectors in the future in order to maintain its business position.

### Sufficient capital adequacy and high level of liquidity resources

JYFG's relatively strong capital profile is supported by strong shareholder background and manageable guarantee exposure, which provides the Company with a healthy loss-absorption buffer against unexpected market volatilities. We expect that JYFG's capital base will be underpinned by its stated-owned shareholders including Jinding Group and Agricultural Development Fund. JYFG has received ongoing capital support, with a registered and paid-in capital of RMB5.0 billion as of 31 December 2024. As of the same date, JYFG's outstanding guarantee liabilities to net asset ratio was 4.1x, which was far lower than the regulatory ceiling and that of other provincial guarantee companies. However, the Company has distributed accumulated 7-year dividends to Jinding Group as of end-2024, which decreased its capital base and liquidity resources.

The Company has relatively high level of liquidity recourses, which offer sufficient buffers to meet its unexpected liabilities. As of 31 December 2024, JYFG had liquidity ratio (measured by high liquid assets/total assets) of approximately 61.8%, which mainly comprised unrestricted cash. However, with the impact of dividends distribution and expanded scale of loan guarantee service in 2024, the liquid assets to outstanding guarantee liabilities slightly decreased from 20.0% as of end-2023 to 19.8% as of 31 December 2024. However, with JYFG's good risk management ability and prudent business development strategy, we expect that the Company's existing liquid assets can cover the possible claims in the following 12-18 months.

### External Support

#### High likelihood of support from the Sichuan Provincial Government and the parent company

We expect a high likelihood of government support from the Sichuan Provincial Government and parent support in times of need. This expectation is based on our considerations of the Company's (1) ultimate control by the

Sichuan Provincial Government; (2) strategic importance in further optimizing financial environment in Sichuan Province; and (3) solid track record of business and financial support.

As one of the three provincial guarantee companies in Sichuan Province, JYFG has relatively strong market position in local guarantee service sector and the failure of the Company will cause certain impact on capital market in Sichuan Province and concerns over the parent company and the government's reputation. JYFG has a functional role in promoting the construction of risk sharing mechanisms and credit risk systems in resolving the financing needs for SMEs and the development of domestic direct financing, which helps to increase the proportion of direct financing, reduce financing costs, and enhance direct financing capabilities of enterprises, as well as promote the high-quality development of the bond market in Sichuan Province.

Established in February 2025, SCED is a provincial state-owned capital investment company consolidated through a new entity formation by SCIG and SCEI. It serves as the primary entity for energy project investment, construction and operation in Sichuan Province, concurrently acting as the local grid construction and operation entity, indicating significant strategic importance. SCED is currently establishing a '1+4' industrial framework centered on integrated energy as its core business, complemented by advanced manufacturing, high-end chemicals, pharmaceuticals and healthcare, and industry-finance integration. Within this structure, JYFG holds important position as the sole guarantee company.

In addition, SCED will be responsible for approving major matters concerning JYFG, such as the appointment of key management personnel including the Chairman. We anticipate that SCED possesses a strong willingness to provide support to JYFG in terms of capital replenishment and liquidity support when required. Given JYFG's important role, we believe the Company will retain its policy-driven function and market position over the medium to long term.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [Financial Guarantors \(January 2022\)](#).

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