

Credit Opinion

31 October 2025

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g +
Outlook	Stable

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Client Services

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Jinshang Bond Insurance Co., Ltd.

Initial credit rating report

CCXAP assigns the long-term credit rating of A_g+ to Jinshang Bond Insurance Co., Ltd., with stable outlook.

Summary

The A_g long-term credit rating of Jinshang Bond Insurance Co., Ltd. ("JSBI" or the "Company") is underpinned by the Company's (1) important strategic position as the only credit enhancement company in Shanxi Province; (2) sufficient capital adequacy supported by large state-owned enterprises ("SOEs") shareholders; and (3) relatively good funding access.

However, the rating is constrained by the Company's (1) relatively high geographic and single-client concentration risk; (2) business development and investment returns are subject to evolving policy and market conditions; and (3) relatively weak liquidity profile.

The rating also incorporates our expectation that the Company has a high likelihood of receiving government and parental support, given its (1) indirect ownership and ultimate control by the Shanxi Provincial Government; (2) very high strategic importance in optimizing and stabilizing the financial environment of Shanxi Province; and (3) solid track record of business support.

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

Rating Drivers

- Important strategic position as the only credit enhancement company in Shanxi Province
- Relatively high geographic and single-client concentration risk
- Business development and investment returns are subject to evolving policy and market conditions
- Sufficient capital adequacy supported by large SOEs shareholders
- Relatively weak liquidity profile
- High likelihood to receive government and parental support when necessary

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 Shanxi Province; and (2) the Company's institution profile has significantly strengthened such as improved profitability or larger high-liquid asset holdings.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving government or parental support decreases such as the weakened strategic importance in Shanxi Province; or (2) the Company's institution profile deteriorates, such as a sharp decrease in capital adequacy or asset quality.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	9.7	11.7	12.9	12.6
Total Equity (RMB billion)	5.2	7.0	7.4	7.4
Net Profit (RMB million)	246.7	345.0	291.6	47.6
Return on Equity (%)	4.8	5.6	4.1	-
Accumulated Claim Ratio (%)	0.0	0.0	0.0	0.0
Risk Reserve/Outstanding Guarantees (%)	2.0	2.7	4.0	-
High Liquid Assets/Total Assets (%)	1.5	5.5	6.1	-

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

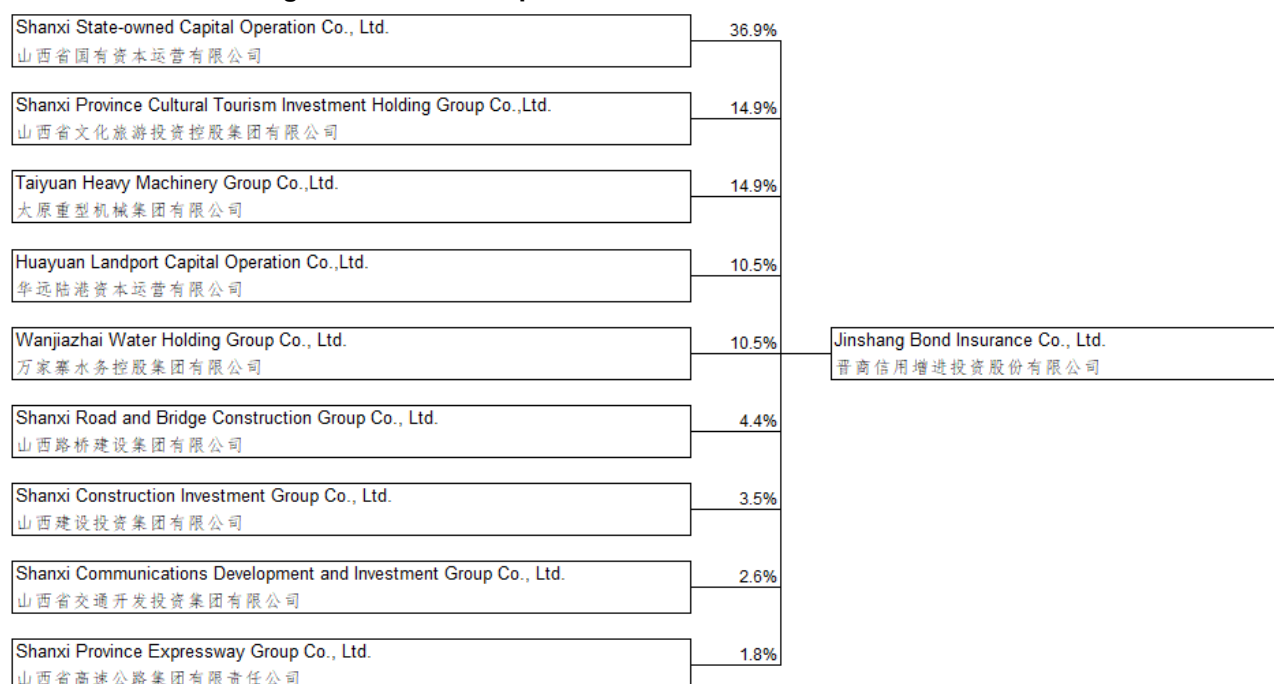
Source: Company data, CCXAP research

Corporate Profile

JSBI was established in September 2016. As the only credit enhancement company in Shanxi Province, JSBI focuses on providing a range of credit enhancement services to SOEs within the province, effectively improving the local financing environment. The Company's credit enhancement services are divided into direct financing credit enhancement and indirect financing credit enhancement. Additionally, the Company engages in investment activities, primarily in fixed-income assets and equity assets. As of 31 March 2025, the Company's total assets and net assets reached RMB12.6 billion and RMB7.4 billion, respectively.

As of 30 September 2025, Shanxi State-owned Capital Operation Co., Ltd. ("SSCO") directly held 36.9% equity stake in JSBI and indirectly held the remaining shares through other SOEs in Shanxi Province. The Company's actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province ("Shanxi SASAC").

Exhibit 1. Shareholding chart as of 30 September 2025



Source: Company information, CCXAP research

Rating Considerations

Operating Environment

JSBI is domiciled in mainland China and most of its revenue is generated in Shanxi Province. JSBI's macro profile is **Medium-**, which reflects Shanxi Province's (1) moderate economic and fiscal strength, (2) good institutional strength, and (3) improving operating environment for financial guarantors. However, the macro profile is undermined by (1) low barriers to entry of China's financial guaranty sector, which drive a lower rate of underwritten premium and fragmented market; and (2) challenging credit condition, which may increase the industry's vulnerability.

China's economy is underpinned by robust fundamentals and institutional advantages. With the resumption of cross-border exchanges and the rebound in both production and domestic demand, China maintained a sound economic recovery trajectory in 2024, albeit at a moderated pace. It is the second-largest economy in the world, with a gross domestic product ("GDP") of RMB134.9 trillion in 2024, representing a year-on-year ("YoY") growth of 5.0%. According to the preliminary data, in the first three quarters of 2025, China's GDP grew by 5.2% YoY to RMB101.5 trillion. In addition, China's strong institutional strength is reflected in the long-term stability of its political environment and the high efficiency of its government.

Shanxi Province has a relatively stable economic growth, providing a good support for the development of the financial industry in Shanxi Province. Located in central China, Shanxi Province serves as a vital corridor connecting the central-western regions with the Beijing-Tianjin-Hebei area and the Bohai Rim region, covering a total area of around 156,700 square kilometers. The province is rich in coal resources and is a key coal-producing region in China. In 2024, Shanxi's gross regional product ("GRP") reached RMB2,549.5 billion, reflecting a YoY growth of 2.3%. Shanxi Provincial Government's fiscal strength also improved along with the economic growth. In 2024, its general public budgetary revenue increased 1.8% YoY to RMB354.2 billion. As of end-2024, the deposit balance of financial institutions in Shanxi Province amounted to RMB6.1 trillion, rising by 5.6% YoY, and the loan balance was RMB4.6 trillion, rising by 8.7% YoY.

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 Shanxi Provincial Local Financial Regulatory Bureau serves as the primary regulator overseeing companies in the regional credit guarantees industry. The regulation effectively integrated the actual conditions of Shanxi Province to establish more specific and operational regulatory details for financing guarantee companies. Moreover, it has standardized the operational practices of financing guarantee companies and promoted the healthy development of the financing guarantee industry within the province.

However, the Chinese financial guaranty industry has low concentration with low entry barriers and the sector is highly fragmented with different market participants. This may put higher pricing pressure on premium rates and erode financial guarantors' profitability in the long run. In addition, the weakened credit condition, such as increasing default events and limited financing environment for particular industries, may increase the 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

Important strategic position as the only credit enhancement company in Shanxi Province

JSBI is the only credit enhancement company established in Shanxi Province under the guidance of the provincial government. Its major shareholder, SSCO, is the largest state-owned asset operator in the province, with its business scope covering nearly all key local industries and having a high policy positioning. As an important financial arm of SSCO, JSBI has a high strategic role for the local government in preventing systemic financial risk and optimizing the financial environment in Shanxi Province. It helps assist the government to build a risk sharing mechanism in the province and broaden financing channels for local SOEs with lowering funding costs. Furthermore, the Company's bond trading business adheres to its role as a market maker for Shanxi provincial SOE bonds, upholding the stability of the pricing benchmark in the secondary market.

Despite the Company's high-level policy positioning, the volume of its credit enhancement business has experienced a contraction since 2022, primarily due to changes in regulatory requirement for credit enhancement companies and declining demand for credit enhancement services from SOEs within Shanxi Province. As of 31 December 2024, JSBI had an outstanding credit enhancement exposure of RMB7.1 billion, decreasing from RMB21.1 billion as of end-2022. Around 48% of its credit enhancement exposure was allocated to bonds, including private placement bonds and corporate bonds, while the remaining 52% was allocated to bank loans and trust funding. As of 30 September 2025, the Company's credit enhancement exposure further decreased to RMB6.8 billion due to the maturity of some credit enhancement assets. Considering that a portion of credit enhancement assets will mature in the fourth quarter of 2025, the Company's business scale is expected to continue its downward trend in the near term.

As the only credit enhancement company in Shanxi Province, the Company has maintained a relatively high market competition in the region. Meanwhile, the Company has been actively broadening its service offerings by introducing new types of credit enhancement products over the past two years such as ABS and credit derivatives, aiming to bolster its business scale to create new pathways for future growth.

Relatively high geographic and single-client concentration risks

JSBI's asset quality is moderate with geographic concentration of its guarantee portfolio in Shanxi Province, given its strategic position in the region. It undertakes the responsibility to stabilize the local bond market and optimize the financing environment. The Company's existing client base is predominantly concentrated in provincial-level SOEs. As of end-2024, provincial SOEs accounted for 74.2% of its total portfolio. We believe that the Company may extend its coverage to municipal- and county-level SOEs and local infrastructure investment and financing companies ("LIIFCs") in the future to capture business growth. Meanwhile, the Company is exposed to relatively large single-client concentration risk. Its exposure to the largest client represents 44.0% of its total credit enhancement portfolio as of September 2025, exceeding the regulatory threshold, while the outstanding credit enhancement of the top 10 clients accounted for 92.6% of its portfolio. However, the Company's guarantee on the largest client has matured in October 2025, we expect the single-client concentration exposure would decrease. Despite the Company's clean historical record with no compensatory event, we consider its credit enhancement portfolio vulnerable to potential deterioration in the regional credit environment. Moreover, any default from a single client could exert negative impact on the Company's asset quality.

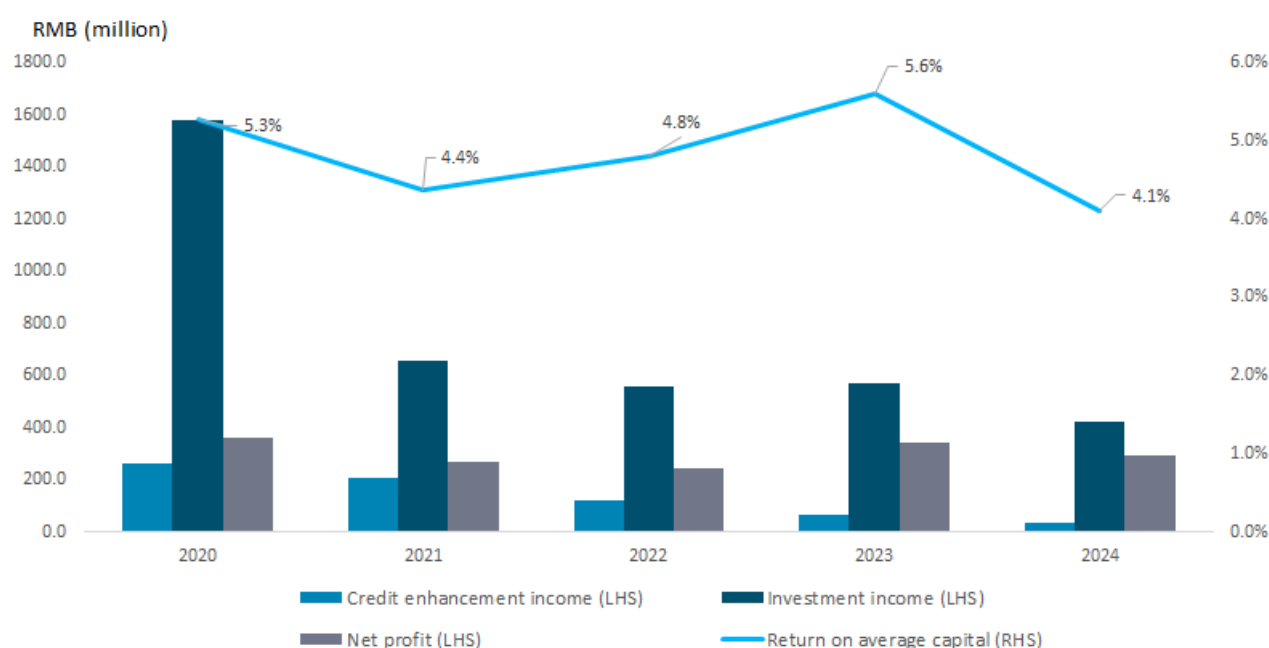
The concentration risk of the Company can be partially mitigated as most of the clients are SOEs and LIIFCs that are backed by government support or favorable policy. These clients are relatively less vulnerable to the economic cycles and are more likely to receive solid government support in stressed scenarios. Apart from that, the Company also undertakes necessary risk mitigation measures. For subsidiaries of SOEs with lower administrative levels and county-level LIIFCs, most of these clients are required to provide third-party guarantees or asset pledges to reduce the potential losses, such as real estate, equity shares, and other similar assets.

The Company has established a mechanism for its provision reserve to against contingent risks, including general risk provision for credit enhancement liability, special-purpose risk provision and specialized risk provision. Due to the continuous decline in the outstanding credit enhancement balance, the Company's provision coverage ratio has continued to rise. By the end of 2024, the Company's provision coverage ratio reached 4.0%.

Business development and investment returns are subject to evolving policy and market conditions

JSBI's business development and investment returns are linked with local market conditions and policy changes. Guarantors in China face high competition that may affect their profitability. The internal capital generation of the Company was moderate as it has a medium scale of revenue and profit. The Company's total revenue has declined for three consecutive years, driven by weakened demand from Shanxi's SOEs and tightening regulatory policies on financing guarantors. In 2024, the Company recorded a total revenue of RMB455.6 million, down 32.8% as compared to RMB677.7 million in 2022. Meanwhile, its credit enhancement business revenue decreased from RMB119.4 million to RMB35.3 million over the same period.

Nevertheless, the Company maintained a relatively stable net profit, which rose from RMB246.7 million in 2022 to RMB291.6 million in 2024, which is attributable to the reversal of credit risk provisions driven by the contraction of its credit enhancement scale and tax refund due to perpetual bonds the Company invested. The Company's return on equity ("ROE") in 2024 remained at a relatively weak level of 4.1%, which declined from 5.6% in 2023. This decrease is primarily attributed to a continued decline in investment returns and the scale of its credit enhancement business.

Exhibit 2. JSBI's revenue structure from 2020 to 2024

Source: Company information, CCXAP research

JSBI's investment business includes fixed-income investments and equity investments, which contributed over 80% of the Company's total revenue over the past three years. In 2024, JSBI recorded an investment income of RMB423.0 million. The Company's investment income has been trending downward over the past few years, primarily due to declining yields and compressed carry trade returns in China's debt capital market. The overall scale of the Company's investment activities maintained at a stable level over the past two years. By the end of 2024, the Company's investment assets amounted to RMB11.6 billion. The debt investment portfolio mainly includes standardized bond investments issued by SOEs within Shanxi Province, of which standardized bonds accounted for 66.3% of the Company's total investment portfolio. The Company prioritizes the tradability of standardized bonds when making investment decisions, generating returns through secondary market transactions. Apart from that, the Company also invested in asset management plans, trust products, and fund projects which aligned with the economic restructuring and development objectives in Shanxi Province. Moreover, the Company's equity investments primarily consist of two local SOEs, with a total outstanding investment of RMB1.4 billion. Overall, the risks associated with the Company's investment assets are controllable. While these assets are geographically concentrated in Shanxi Province, their investment income remains vulnerable to the regional economic environment and volatility in bond market valuations.

Sufficient capital adequacy supported by its large SOEs shareholders

JSBI maintains a strong capital profile, primarily supported by the continuous capital injections from its SOEs shareholders and the accumulation of retained earnings, which have collectively contributed to the growth of its net assets over the past three years. These provide the Company with a healthy loss-absorption buffer against unexpected market volatilities. JSBI's registered capital increased from RMB4.0 billion as of end-2022 to around RMB5.7 billion as of end-2024. This growth has enhanced its capital strength and its capability to mitigate potential credit risks, thereby ensuring the Company's sustainable development. As of the same date, the Company's outstanding credit enhancement to net asset ratio was 1.0x, which indicates a stronger buffer against potential losses.

Relatively weak liquidity profile

JSBI has a relatively weak liquidity profile. Liquid resources offer buffers to a financial guarantor to meet its unexpected liabilities. Due to repo financing activities in 2024, the Company's cash and cash equivalents have increased significantly compared to previous years. However, its liquidity ratio (measured by highly liquid assets/total assets) remained at a relatively low level, indicating that there is still room for improvement in its liquidity management. The relatively weak liquidity profile could expose the Company to potential liquidity or financing risks under stressed circumstances.

The liquidity risk of JSBI could be partially offset by its reliable liquid resources as well as its good access to capital. In addition to bank loan financing, the Company also raises funds in the domestic debt capital market. From June 2023 to June 2025, the Company issued three tranches of private placement bonds, raising RMB2.0 billion with coupon rates ranging from 1.96% to 2.23%. Besides, the majority of bonds held in the Company's investment portfolio demonstrates relatively strong secondary market liquidity and can be readily liquidated when needed. With JSBI's prudent business development strategy, we expect that the Company's existing liquid assets and available access to funding can cover the possible claims in the following 12-18 months.

External Support

High likelihood to receive government and parental support when necessary

We expect that JSBI is likely to receive support from the Shanxi Provincial Government and parent when necessary. This expectation incorporates our considerations that the Company's (1) indirect ownership and ultimate control by the Shanxi Provincial Government; (2) very high strategic importance in optimizing financial environment in Shanxi Province; and (3) solid track record of business support.

JSBI has a very important position in the financial system of Shanxi Province. As the sole credit enhancement institution in Shanxi Province, established under the leadership of the Shanxi Provincial Government and held by large SOEs such as SSCO, JSBI undertakes the policy role of promoting the continuous improvement and innovation of Shanxi Province's financial risk prevention system and supporting key SOEs within the province in financing through financial markets. A default of JSBI is expected to bring very high reputation risk to the Shanxi Provincial Government and material impacts on local financing cost.

The Company has received solid track record of support from the Shanxi Provincial Government and its key shareholders in terms of capital injection and business expansion. Benefiting from capital injection from its SOEs shareholder in 2023, the Company's paid-in capital and capital reserve increased by RMB2.0 billion in total. Furthermore, JSBI's major shareholder SSCO is a provincial SOE founded in July 2017 under the guidance of the Shanxi Provincial Government, which has consolidated major provincial SOEs in Shanxi Province. Designated as Shanxi's exclusive platform for state-owned capital operations, SSCO possesses a strong and diversified portfolio spanning coal, energy, metallurgy, electric power, equipment manufacturing, infrastructure development, and customer sectors. As of end-2024, SSCO had a registered paid-in capital of RMB66.7 billion, and its total asset reached RMB3.5 trillion. The other shareholders of JSBI are all leading provincial-level enterprises, operating in sectors such as transportation investment, infrastructure investment, and construction. These strong shareholding relationships provide solid support for the Company's credit enhancement and investment business development. As a result, we expected the importance of JSBI to the stability of the economic and financial environment in Shanxi Province will continue to increase along with its ongoing expansion.

Rating Methodology

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

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