

Credit Opinion

6 October 2026

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

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Client Services

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Shuangcheng (Chongqing) Credit Enhancement Co., Ltd.

Initial credit rating report

CCXAP assigns the long-term credit rating of A_g to Shuangcheng (Chongqing) Credit Enhancement Co., Ltd., with stable outlook.

Summary

The A_g long-term credit rating of Shuangcheng (Chongqing) Credit Enhancement Co., Ltd. ("SCCE" or the "Company") is underpinned by the Company's (1) strategic position as the first cross-regional credit enhancement agency; (2) sufficient capital adequacy backed by strong state-owned enterprise ("SOE") background; and (3) expanding business operations with rising profitability.

However, the rating is constrained by the Company's (1) relatively high geographic and client concentration; (2) relatively low level of risk reserve coverage; and (3) investment returns may subject to market conditions and policy changes.

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 Sichuan Provincial Department of Finance; (2) very high strategic importance in economic development of Sichuan Province and Chongqing Municipality; and (3) solid track record of capital injection and business support.

The stable outlook on SCCE's rating reflects our expectation that the willingness and ability of the Sichuan 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

- Strategic position as the first cross-regional credit enhancement agency
- Relatively high geographic and client concentration
- Expanding business operations with rising profitability
- Sufficient capital adequacy and high level of liquidity resources
- No early-stage claims but risk reserve coverage needs to be improved
- 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 Sichuan Province; and (2) the Company's institution profile has significantly strengthened such as improved profitability or risk reserve coverage.

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 Sichuan Province; or (2) the Company's institution profile deteriorates, such as a sharp decrease in capital adequacy or asset quality.

Key Indicators

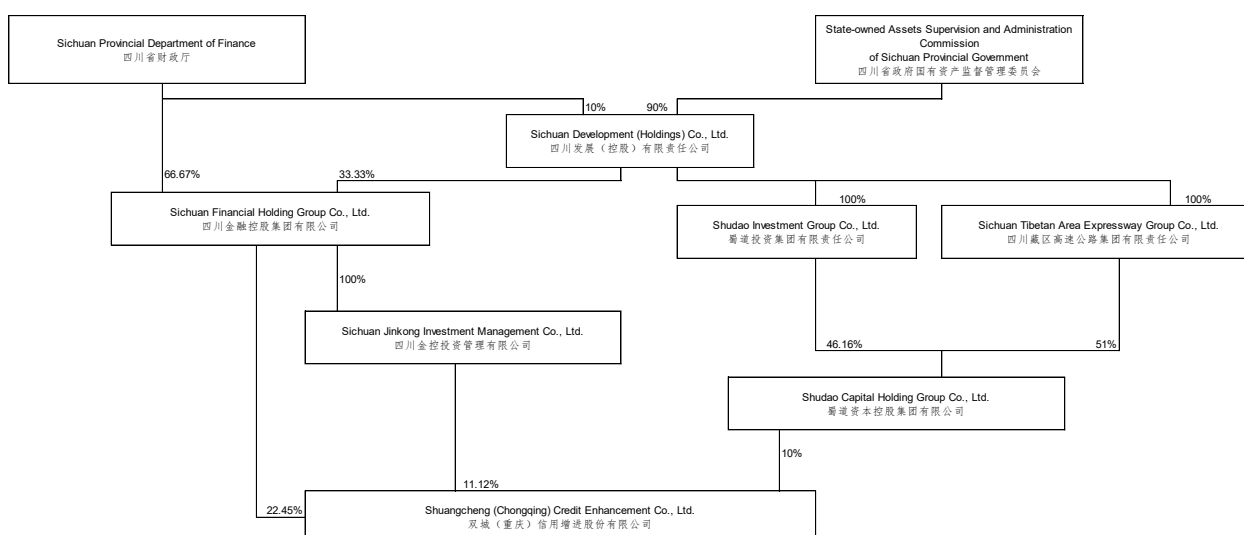
	2023FY	2024FY	2025FY	2026H1
Total Assets (RMB billion)	4.6	4.8	5.6	5.8
Total Equity (RMB billion)	4.6	4.7	4.8	4.9
Net Profit (RMB million)	80.9	108.5	171.1	115.3
Return on Equity (%)	1.8	2.3	3.6	-
Accumulated Claim Ratio (%)	0.0	0.0	0.0	0.0
Risk Reserve/Outstanding Guarantees (%)	-	0.8	0.8	-
High Liquid Assets/Total Assets (%)	100.0	46.0	58.2	-

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

Source: Company data, CCXAP research

Corporate Profile

Founded in September 2023, SCCE was jointly established by 13 SOEs from Sichuan Province and Chongqing Municipality, serving as the first regional financial institution co-built by the two regions. It is primarily engaged in bond credit enhancement and investment businesses. As of 30 June 2026, its registered and paid-in capital both stood at RMB4.5 billion. The controlling shareholder, Sichuan Financial Holding Group Co., Ltd. ("SCFH") directly and indirectly held 33.57% stake in the Company through Sichuan Jinkong Investment Management Co., Ltd. Other shares were diversely held by local SOEs in Sichuan Province and Chongqing Municipality. The ultimate controller of the Company is the Sichuan Provincial Department of Finance as of the same date.

Exhibit 1. Shareholding chart as of 30 June 2026

Source: Company information, CCXAP research

Rating Considerations

Operating Environment

SCCE is domiciled in mainland China and most of its revenue is generated in Sichuan Province. SCCE'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 drives 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 2025, China's GDP grew by 5.0% year-on-year ("YoY") to RMB140.2 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 4.7% YoY in the first half of 2026.

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 RMB6.0 trillion to RMB6.8 trillion from 2023 to 2025, ranking 5th among all provinces in China in 2025. Sichuan Provincial Government's fiscal strength also improved along with the economic growth. In 2025, the general public budgetary revenue amounted to RMB584.9 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

Strategic position as the first cross-regional credit enhancement agency

SCCE was established in 2023 and is the first local financial institution jointly established by Sichuan Province and Chongqing Municipality. With bond credit enhancement as its core foundational business, SCCE provides full-category, full-chain credit enhancement services for direct financing of SOEs in the Sichuan-Chongqing region, and holds a certain degree of importance in the financial system of the area. The Company commenced business operations in 2024. In 2025, the Company’s credit enhancement business varieties achieved coverage of bond credit enhancement business including corporate bonds and non-financial enterprise debt financing instruments, while actively deepening its presence in offshore bond businesses such as USD bonds and dim sum bonds, and vigorously developing asset securitization business. As of end-2025, SCCE’s credit enhancement business balance stood at RMB17.9 billion, representing a substantial year-on-year (“YoY”) increase of 165.8%, of which the offshore bond balance was RMB9.7 billion. Its clients are primarily local SOEs in the Chengdu-Chongqing region.

SCFH has formulated detailed business guidelines for both SCCE’s government financing platform and industrial platform businesses, further clarifying business access standards and risk mitigation measures. In the future, the Company will intensify its expansion into asset securitization, urban investment transformation-related industrial bonds and pure industrial bonds, and science and technology innovation bonds in the Sichuan-Chongqing region, and will gradually explore innovative businesses such as credit risk mitigation (“CRM”) transactions. However, given changes in debt resolution policies and the market environment, continuous attention should be paid to subsequent business expansion.

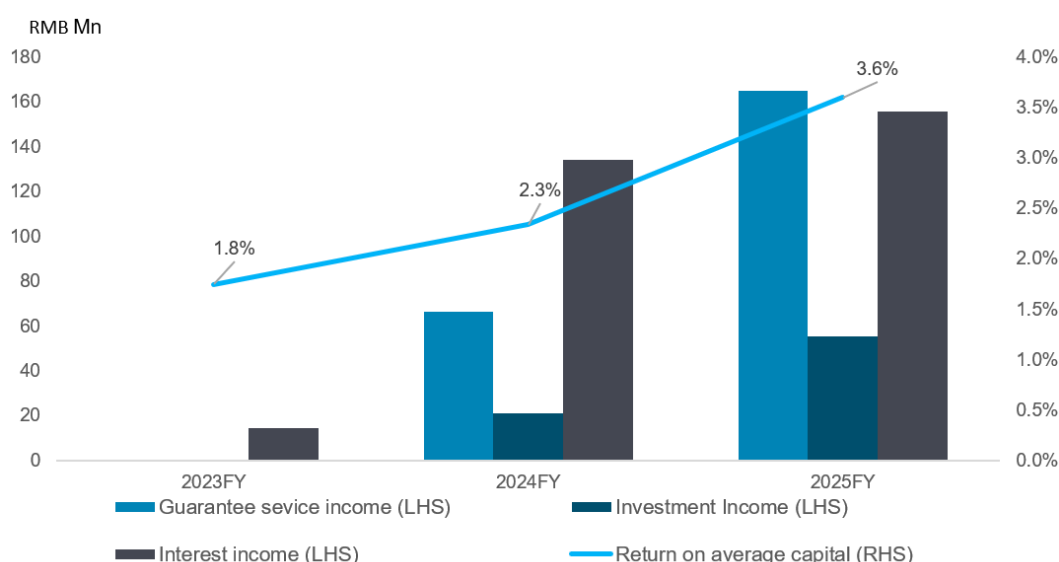
Expanding business operations with rising profitability

SCCE had not yet commenced operations in 2023. In 2024, the Company accelerated its credit enhancement business expansion, acquiring client resources primarily through referrals from securities firms, banks, and other financial institutions, shareholder resource sharing, and independent marketing, generating operating revenue of RMB188.6 million. Driven by rapid growth in its credit enhancement business, operating revenue rose 73.8% YoY to RMB327.6 million in 2025, of which net income from credit enhancement business amounted to RMB115.5 million, up 246.7% YoY. Owing to higher interest income from entrusted loans, net interest income reached RMB155.9 million in 2025, up 16.3% YoY and serving as an important supplement to net profit; investment income was RMB55.3 million, up 161.6% YoY, primarily attributable to bond investment income. Net profit also increased, rising from RMB80.9 million in 2023 to RMB171.1 million in 2025. Although return on equity

("ROE") remained low at 3.6% in 2025, it maintained a steady upward trend from 1.8% in 2023 and 2.3% in 2024. This growth was mainly driven by business expansion in the early stage of the Company's development.

SCCE commenced its investment business in 2024. Driven by growth in entrusted loans and bond investments, total investment assets rose to RMB3.9 billion as of end-2025, comprising RMB1.4 billion in entrusted loans, RMB283.0 million in wealth management products, and RMB2.2 billion in bond investments. Entrusted loan clients are all urban investment enterprises within Chengdu City, with a tenor of one to two years, all classified as normal under the five-tier classification system. The Company's bond investments primarily comprise bonds with credit-enhancement by guarantee institutions within the SCFH group and interest rate bonds. Meanwhile, the Company's wealth management products mainly consist of bank structured deposits. However, given the relatively large investment asset scale, continuous attention should be paid to the impact of market fluctuations on asset liquidity.

Exhibit 2. SCCE's revenue structure from 2023 to 2025



Source: Company information, CCXAP research

Relatively high geographic and client concentration

Given its regional strategic positioning, SCCE's guarantee asset portfolio is significantly geographically concentrated, primarily in the Chengdu-Chongqing region. By region, as of end-2025, the credit enhancement balance within Chengdu City and Chongqing Municipality accounted for 58.1% of the total outstanding credit enhancement. As of 31 December 2025, the Company's largest single-client credit enhancement balance stood at RMB739.0 million, accounting for 4.1% of the outstanding credit enhancement, which is less than 10% of the Company's net assets in accordance with the relevant provisions on regulatory concentration indicators. At the same time, the balance of top ten clients collectively accounted for 35.4% of the total outstanding credit enhancement, down substantially from 79.2% in 2024, attributable to the expansion of the Company's credit enhancement business scale since 2025. In addition, the loan and investment businesses are also highly concentrated in the Sichuan-Chongqing region.

Sufficient capital adequacy backed by strong SOE background and high level of liquidity resources

SCCE's relatively strong capital profile is supported by its strong shareholder background and manageable guarantee exposure, which provides the Company with a healthy loss-absorption buffer against unexpected

market volatility. We expect that SCCE's capital base will be underpinned by its state-owned shareholders, including SCFH. As of 31 December 2025, SCCE had registered and paid-in capital of RMB4.5 billion. As of the same date, SCCE's outstanding guarantee liabilities to net asset ratio was 3.0x, which was far lower than the regulatory ceiling.

The Company has relatively high level of liquidity recourses, which offer sufficient buffers to meet its unexpected liabilities. As of 31 December 2025, SCCE had liquidity ratio (measured by high liquid assets/total assets) of approximately 58.2%, which mainly comprised unrestricted cash and bond investment. Nevertheless, given SCCE's sound risk management capabilities and prudent business development strategy, we expect the Company's existing liquid assets to be sufficient to cover potential claims over the next 12–18 months.

No early-stage claims but risk reserve coverage needs to be improved

As of end-2025, the Company had no claims paid on its behalf. The Company employs various risk mitigation measures. Since 2024, with the gradual implementation of its credit enhancement business, SCCE has begun to make provisions for credit enhancement risk reserves, with the reserve balance increasing accordingly. However, despite rapid business expansion, the provision to outstanding guarantee liability ratio edged up only slightly and remained relatively low within the industry. As of 31 December 2025, the Company's credit enhancement provision reserve was RMB122.6 million, with a provision to outstanding guarantee liability ratio of 0.8%.

External Support

High likelihood to receive government and parental support when necessary

We expect that SCCE is likely to receive support from the Sichuan Provincial Government and parent company when necessary. This expectation incorporates our considerations that the Company's (1) indirect ownership and ultimate control by Sichuan Provincial Department of Finance; (2) very high strategic importance in economic development of Sichuan Province and Chongqing Municipality; and (3) solid track record of capital injection and business support.

SCCE holds a relatively strong market position in regional guarantee services, and its failure would have certain implications for the capital markets of Sichuan Province and Chongqing Municipality, drawing attention to the reputation of its parent company and the government. SCCE has a diversified and strong shareholder base, comprising provincial and municipal level SOEs in Sichuan Province and Chongqing Municipality. Its controlling shareholder is SCFH, the only provincial-level financial holding platform controlled by the Sichuan Provincial Department of Finance, which is also the Company's ultimate controller.

The Company has a prominent regional position and clear strategic objectives. As China's first cross-regional credit enhancement institution, SCCE plays an important role in advancing the Chengdu-Chongqing Twin-City Economic Circle and features prominently in the economic development plans of Sichuan Province and Chongqing Municipality. The Company is also positioned to support the joint development of a western financial center by Sichuan and Chongqing and to facilitate the transformation and upgrading of the regional economy.

In addition, all shareholders together contributed capital in cash in the early stage of the Company's establishment, with a total amount of RMB4.5 billion, which laid the foundation for the Company's capital strength. Meanwhile, SCFH is responsible for approving major matters concerning SCCE, such as risk management and participation in major corporate decision-making. We anticipate that SCFH possesses a strong willingness to provide support to SCCE in terms of capital replenishment and liquidity support when

required. Given SCCE'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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