Credit Opinion

24 November 2026

Bank of Chengdu Co., Ltd.

Initial credit rating report

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Unsolicited 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
Senior 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

CCXAP assigns first-time long-term credit rating of A_g- to Bank of Chengdu Co., Ltd., with stable outlook.

Summary

The A_g- long-term credit rating of Bank of Chengdu Co., Ltd. ("BOCD" or the "Bank") is underpinned by the Bank's (1) strong market franchise in Chengdu City, with asset scale ranking among the top city commercial banks; (2) steady net profit growth driven by rapid business expansion; and (3) diversified capital supplementation channels.

However, the rating is constrained by the Bank's (1) relatively high loan industry concentration; and (2) liquidity management challenges arising from maturity mismatch between assets and liabilities.

The rating also incorporates our expectation that the Bank has a high likelihood of receiving extraordinary support from the Chengdu Municipal Government given its (1) significant market position in Chengdu City's financial system; (2) dominant stake owned by the government; and (3) track record of receiving support.

The stable outlook on BOCD's rating reflects our expectation that the willingness and ability of the Chengdu Municipal Government to provide support is unlikely to change, and that the Bank will sustain its leading market position and relatively solid financial profile in the next 12 to 18 months.

Rating Drivers

- Strong market franchise in Chengdu City
- Steady net profit growth driven by rapid business expansion
- Relatively high loan industry concentration, yet asset quality remains reasonably good
- Diversified capital supplementation channels
- Liquidity management challenges arising from maturity mismatch between assets and liabilities
- High likelihood to receive government support in times of need

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving government support increases; (2) the Bank's macro profile strengthens, such as higher sovereign rating for China, significant improvement in corporate debt leverage, or better credit condition in China; and (3) the Bank's finance profile improves, such as increase in profitability and stability, and the diversification of loan book.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving government support decreases; (2) the Bank's macro profile weakens, such as lower sovereign rating for China, heightened corporate debt level, or worsened credit condition in China; or (3) the Bank's finance profile deteriorates, such as hindered profitability, material deterioration in asset quality, and unexpected decline in liquidity.

Key Indicators

	2023FY	2024FY	2025FY	2026Q3
Total Assets (RMB billion)	1,091.2	1,250.1	1,398.5	1,498.7
Total Equity (RMB billion)	71.3	85.9	99.3	104.2
Operating Income (RMB billion)	21.7	23.0	23.6	19.5
Net Profit (RMB billion)	11.7	12.9	13.3	9.9
Pre-provision Operating Profit/Average Risk-weighted Assets (%)	2.2	2.0	1.9	-
Problem Loans/Total Loans (%)	0.68	0.66	0.68	0.68
Capital Adequacy Ratio (%)	12.9	13.9	13.8	13.6
High Liquid Assets/Total Assets (%)	33.7	30.3	30.9	-
Market Funding/Total Assets (%)	21.1	21.5	21.2	20.7

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

Source: Bank data, CCXAP research

Corporate Profile

Headquartered in Chengdu, BOCD was established in December 1996 under the name Chengdu Urban Cooperative Bank. In August 2008, it was renamed Bank of Chengdu Co., Ltd. The Bank introduced Hong Leong Bank Berhad as a foreign strategic investor in 2008. On 31 January 2018, Bank of Chengdu was listed on the Shanghai Stock Exchange (Stock Code: 601838). The Bank is a state-controlled city commercial bank and the first A-share listed bank in Sichuan Province. As of 31 December 2025, Bank of Chengdu operated 261 branches, including 15 tier-one branches and 31 directly affiliated sub-branches. The Bank's business scope covers banking services, foreign exchange services, foreign exchange settlement and sales, public securities

investment fund sales, and securities investment fund custody. As of 30 September 2026, the Chengdu State-owned Assets Supervision and Administration Commission (“Chengdu SASAC”) indirectly held 30.9% of the Bank's shares through state-owned enterprises (“SOEs”) in Chengdu such as Chengdu Jiaozi Financial Holding Group Co., Ltd.'s (“CJFH”) and was the ultimate controller.

Exhibit 1. Top 10 shareholders as of 30 September 2026

Shareholder Name	Shareholding Ratio (%)
Chengdu Jiaozi Financial Holding Group Co., Ltd.	20.0
Hong Leong Bank Berhad	17.8
Chengdu Industrial Capital Holding Group Co., Ltd.	6.4
Chengdu Xintianyi Investment Co., Ltd.	4.4
Hong Kong Securities Clearing Company Limited	4.0
Xinhua Winshare Publishing and Media Co., Ltd.	1.9
Sichuan Xinhua Publishing and Distribution Group Co., Ltd.	1.4
Soochow Securities Co., Ltd.	1.3
Shanghai Dongchang Investment Development Co., Ltd.	1.1
China Construction Bank Corporation – Huatai-PineBridge CSI Dividend Low Volatility ETF	1.0
Total	59.3

Source: Bank information, CCXAP research

Corporate Profile

Macro Profile

BOCD has substantial footprint in China, particularly in Sichuan Province. Its macro profile is underpinned by China’s (1) robust economy and fiscal strength; (2) high but stabilizing systematic financial leverage; and (3) stable and reliable financial system. China has strong economic fundamentals and institutional strength. It is the second-largest economy in the world, with a gross domestic product (“GDP”) of USD19.6 trillion in 2025. China has demonstrated long-term stability in its political environment and high efficiency of government.

BOCD’s macro profile also incorporates China’s high but stabilizing systematic financial leverage, as measured by the domestic credit to private sector to GDP ratio of approximately 194.2% in 2024, representing an increase from 189.6% in 2023. China has a stable and effective financial system, with no material failure in the banking sector over the past 10 years. The Chinese authorities have a good track record in monitoring and regulating the banking sector. In 2022, China proposed the new Financial Stability Law （《金融稳定法》）, aiming to mitigate systemic shocks from the failure of smaller banks and curb contagion risk. In 2023, the regulator introduced the new rule on banks’ asset risk classification, namely the Measures for the Classification of Financial Asset Risks of Commercial Banks （《商业银行金融资产风险分类办法》）, which is expected to strengthen banks’ reporting standards and gradually reduce inconsistency in financial asset classification.

Funding conditions for Chinese banks remain favorable and have benefited from a stable deposit base and ample interbank liquidity conditions. Chinese banking assets and liabilities grew continuously in 2025, with a year-on-year (“YoY”) increase of 9.2% for both. However, market competition has intensified as banks are adjusting against financial reform and innovation. The lowering interest rate environment in China also pressures banks’ profitability, especially for small and medium banks like city commercial banks and rural commercial banks in China. The weighted average interest rate of newly issued corporate loans was around 3.1% in December 2025, which recorded the lowest level in history.

City commercial banks are of unique importance to the regional financial system and constitute the third tier in China's banking system, after the large state-owned and joint-stock commercial banks in terms of size. Over the past thirty years, they have emerged as the fastest-growing segment in China's banking industry, with total assets amounting to RMB66.0 trillion (14.0% share of the banking system) as of end-2025. City commercial banks play a critical role in fulfilling the policy mandate of serving urban and rural residents, SMEs, and the local economy. Nonetheless, in terms of business development, city commercial banks are facing dual challenges of continuing interest rate liberalization and intensifying competition from peers. In addition, weakened credit profile of small enterprises during the economic slowdown in China and the tightening bank regulations also increased asset quality pressure across the sector.

Financial Profile

Strong regional market franchise in Chengdu City

Chengdu City is located in the central part of Sichuan Province, in the heartland of the Chengdu Plain, and serves as the core city of the Chengdu-Chongqing Twin-City Economic Circle. Approved by the State Council as a national central city, Chengdu City ranks first in Sichuan Province and among the top ten Chinese cities in terms of GRP, and serves as a key national base for the electronic information industry and a financial center in western China. Chengdu City has formed six distinctive competitive industries, including electronic information, equipment manufacturing, pharmaceutical and health, new materials, green food, and advanced energy. Sichuan Province is a leading economic province and ranks fifth in China and first in the central-western regions in terms of economic output. Supported by national strategies such as the development of the Chengdu-Chongqing Twin-City Economic Circle, Sichuan Province and Chengdu City have cultivated a financial sector notable for its depth and diversity. The scale of financial activities has demonstrated steady expansion, creating a favorable operating backdrop for Bank of Chengdu. As of 30 June 2026, banking institutions in Sichuan Province recorded aggregate assets of RMB19.1 trillion.

As a local state-controlled city commercial bank, BOCD has adhered to its market positioning of serving urban and rural residents, small and micro enterprises, and the local economy. Through years of operation, its business foundation has been continuously consolidated and its market share steadily expanded, giving it an important position in the local financial system. As of the end of March 2026, the Bank's deposit and loan market shares in Chengdu City stood at 12.8% and 8.7%, respectively, maintaining a leading ranking in the Chengdu region. In recent years, in order to expand business development space and diversify concentration risk, the Bank has actively developed out-of-province business through its Chongqing and Xi'an branches. As of 31 March 2026, loans in the Chengdu region and other regions accounted for 72.0% and 28.0% of total loans, respectively. As of 30 September 2026, Bank of Chengdu's total assets accounted for RMB1.5 trillion, ranking among the top city commercial banks.

Steady net profit growth driven by rapid business expansion driving

BOCD's business has continued to develop, with profitable assets maintaining relatively rapid growth. Affected by intensified peer competition, LPR cuts, and the policy orientation of concessions to the real economy, the Bank's yield on profitable assets declined slightly in 2025. However, interest-bearing liability costs decreased, helped by cuts in listed deposit rates. Meanwhile, affected by the above factors, the Bank's net interest margin ("NIM") fell to 1.6% in 2025, decreased from 1.9% in 2023. However, driven by relatively rapid growth in profitable assets, its net interest income rose by 8.4% from 2024 to 2025, with profitability comparing favorably with peers. Regarding non-interest income, fee income from wealth management declined in 2025, while fair value gains fell considerably amid market interest rate fluctuations, together dragging down net non-interest

income. Overall, the Bank's net operating income reached RMB23.6 billion in 2025, increased from RMB21.7 billion in 2023.

In terms of operating efficiency, from 2023 to 2025, the Bank's cost-to-income ratio declined steadily, from 25.1% to 23.7%. Over the same period, pre-provision profit grew continuously, rising from RMB16.0 billion to RMB17.7 billion, staying at a favorable level. However, pre-provision operating profit/average risk-weighted assets("RWA") declined slightly over the same period, primarily due to the faster growth in RWA. The Bank maintained a certain level of provisioning, with asset impairment provisions increasing slightly in 2025. Meanwhile, the Bank's net profit increased from RMB11.7 billion in 2023 to RMB13.3 billion in 2025.

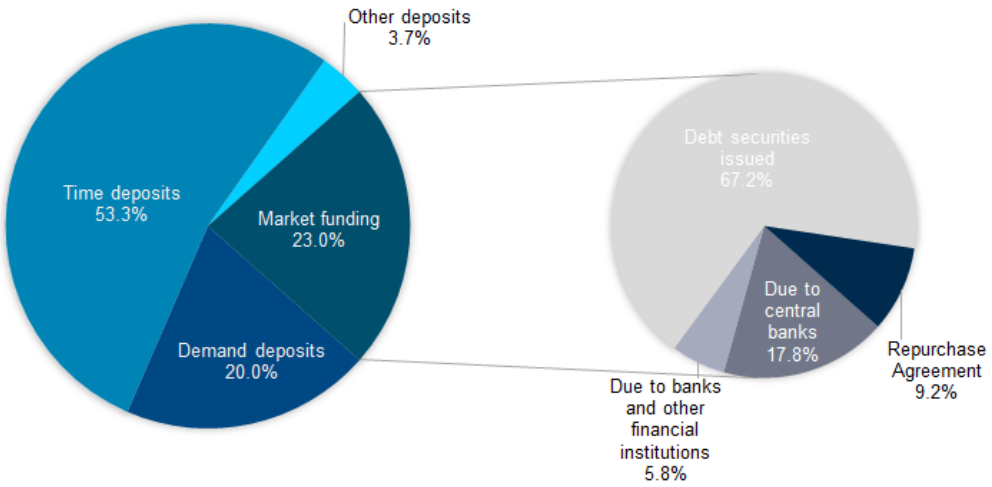
Relatively high loan industry concentration, yet asset quality remains reasonably good

Reflecting regional economic characteristics and its own positioning, BOCD's corporate loans are mainly concentrated in leasing and business services, water conservancy, environment and public facilities management, wholesale and retail, manufacturing, and construction. As of end-2025, the top five industries together accounted for 66.8% of total loans, indicating relatively high industry concentration. Real estate and construction loans combined represented 6.8%, while personal housing mortgage loans accounted for 12.2%. Given the uncertainties in the real estate market in recent years, related risks warrant close attention. As of end-2025, loans to the single largest borrower and the top 10 borrowers accounted for 5.1% and 41.7% of net capital, respectively. The Bank's credit loans accounted for a relatively high share of 44.2% of the loan profile as of end-2025. Collateralized and pledged loans made up 24.7%, with collateral mainly comprising properties and land. Amid a slow macroeconomic recovery, such collateral may be exposed to market risks. Meanwhile, guaranteed loans accounted for 31.1%.

BOCD's concentration risk is partially mitigated by the sound asset quality. The Bank's credit assets are dominated by corporate loans, which account for over 80% of total loans and are mainly directed to key provincial and municipal projects, major livelihood projects, and major industrial projects. From 2023 to September 2026, the Bank's non-performing loan ("NPL") ratio stayed at a low level of below 0.7%. As of end-2025, corporate loans accounted for over 70% of the Bank's existing NPLs. Meanwhile, the Bank's provision coverage ratio has remained at a high level, with NPL provision coverage exceeding 420% throughout the period from end-2023 to end-2025.

In terms of market funding, the Bank mainly invests in relatively safe assets such as government bonds, policy bank bonds, financial bonds, and interbank certificates of deposit, which together account for over 70% of total investment portfolio as of end-2025. Corporate bonds are mainly directed to state-owned enterprises in Sichuan Province with external ratings of AA+ or above, and the issuers are primarily the Bank's credit clients. Overall, the Bank's investment assets are dominated by relatively safe assets.

Exhibit 2. BOCD's funding structure as of 31 December 2025



Source: Bank information, CCXAP research

Diversified capital supplementation channels

BOCD was listed on the main board of the Shanghai Stock Exchange in January 2018, providing it with relatively diversified channels for capital replenishment. In February 2025, the Bank completed the redemption of its convertible bonds upon conversion, with a cumulative RMB8.0 billion in face value converted into A-share common stock, thereby replenishing its core tier-one capital. The Bank has also supplemented its additional tier-one capital through the issuance of perpetual capital bonds. From end-2023 to end-September 2026, the Bank's core tier-one capital adequacy ratio remained at around 8% to 9%, while its capital adequacy ratio stood at approximately 13% to 14%, meeting regulatory requirements and were above the average levels of city commercial banks.

Liquidity management challenges arising from maturity mismatch between assets and liabilities

BOCD's liquidity resources are considered relatively adequate. Its liquidity ratio (measured by high liquid assets/total assets) was 30.9% as of end-2025, slightly decreased from 33.7% in 2023. The Bank's liquid assets consisted mostly of bond investments with good liquidity (around 41%). However, the Bank's loans, bonds, and non-standard investments had relatively long tenors, while its deposits were mainly repayable on demand and short-term time deposits. As of 31 December 2025, financial assets maturing within one year accounted for 34.2% of the total financial assets, while financial liabilities maturing within one year accounted for 66.4% of the total financial liabilities. Deposits repayable on demand represented 20.5% of financial liabilities, indicating a maturity mismatch between assets and liabilities, which may exert some pressure on liquidity.

External Support

High likelihood to receive government support in times of need

We expect that BOCD is highly likely to receive strong government support in times of need. This expectation incorporates the following considerations: (1) significant market position in Chengdu City's financial system; (2) dominant stake owned by the government, which around 30.9% as of 30 September 2026; and (3) track record of receiving support. Given its regional importance in Chengdu City, any failure by BOCD to honor its obligations would trigger severe repercussions across the financial systems of Chengdu City and Sichuan Province. A

default by the Bank could raise doubts about the credibility of the Chengdu Municipal Government and even affect the development of the Chengdu-Chongqing economic circle, thereby generating high reputation risk. The Bank's actual controller is the Chengdu SASAC. Meanwhile, under the authorization of the Chengdu SASAC, Chengdu Jiaozi Financial Holding Group Co., Ltd. serves as the controlling shareholder of BOCD. Taking into account the Bank's market share and important position in the local financial system as well as the local government's status as actual controller, we believe that the Chengdu Municipal Government has high willingness to support the Bank. We believe that BOCD's high strategic importance and the corresponding government backing will remain intact over the medium to long term.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Banks (November 2021).

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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