Credit Opinion

25 November 2026

Tianfu Bond Insurance Co., Ltd.

Initial credit rating report

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

Summary

The A_g+ long-term credit rating of Tianfu Bond Insurance Co., Ltd. ("TBIC" or the "Company") is underpinned by the Company's (1) strategic position as the first credit enhancement institution in Sichuan Province with leading market shares in the province; and (2) sound profitability and solid capital adequacy.

However, the rating is constrained by the Company's (1) relatively high geographic and client concentration; and (2) tightening liquidity buffer.

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 Sichuan Provincial Department of Finance; (2) high strategic importance in the economic development of Sichuan Province; and (3) solid track record of receiving business support.

The stable outlook on TBIC's rating reflects our expectation that, for the next 12 to 18 months, the willingness and ability of the Sichuan Provincial Government to provide support is unlikely to change, and the Company will sustain its strategic position and solid financial profile.

Rating Drivers

- Strategic position as the first and leading credit enhancement institution in Sichuan Province, with leading market shares in the province
- Relatively high geographic and client concentration
- Sound profitability and solid capital adequacy
- Tightening liquidity buffer, alleviated by adequate funding access
- 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 a further increase in risk reserve coverage and liquid assets buffer.

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)	9.7	10.5	10.9	10.4
Total Equity (RMB billion)	7.5	8.5	8.9	8.3
Net Profit (RMB million)	820.6	724.4	590.1	329.2
Return on Equity (%)	11.3	9.0	6.8	-
Accumulated Claim Ratio (%)	0.0	0.0	0.0	0.0
Risk Reserve/Outstanding Guarantees (%)	2.3	2.9	3.2	3.2
High Liquid Assets/Total Assets (%)	32.0	30.3	28.6	20.6

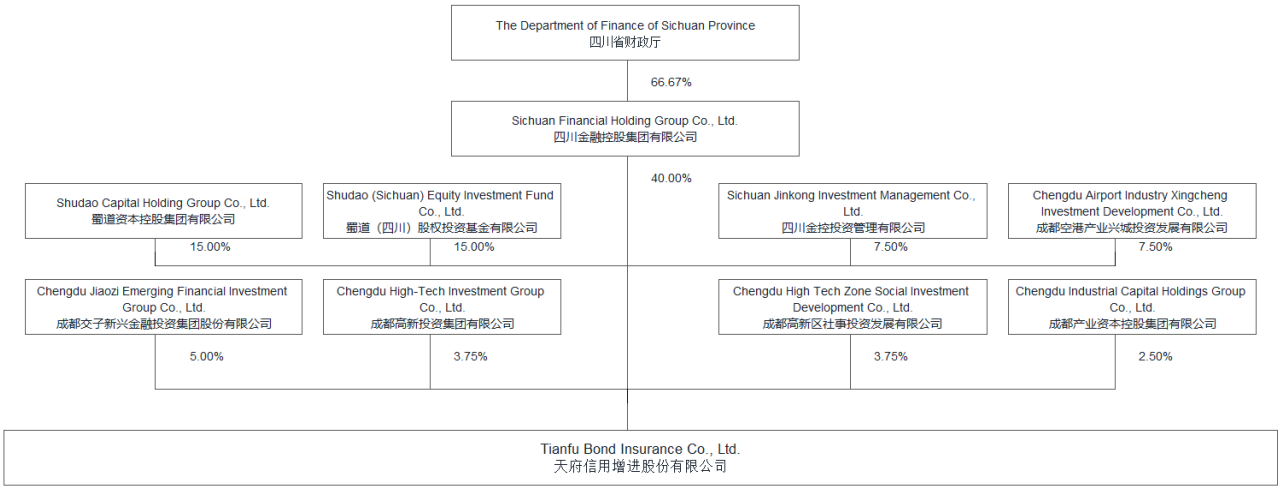
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Founded in August 2017, TBIC serves as the first and leading credit enhancement institution in Sichuan Province. It is primarily engaged in bond credit enhancement and investment operations. As of 30 June 2026, its registered capital and paid-in capital were both RMB4.0 billion, total assets amounted to RMB10.4 billion, net assets to RMB8.3 billion, and its outstanding credit enhancement balance to RMB74.6 billion. Sichuan Financial Holding Group Co., Ltd. ("SCFH") is the controlling shareholder, holding a 40% equity stake; the remaining shares are dispersed among other state-owned enterprises in Sichuan Province. The ultimate controlling entity of the Company is the Department of Finance of Sichuan Province.

Exhibit 1. Shareholding chart as of 30 June 2026



Source: Company information, CCXAP research

Rating Considerations

Operating Environment

TBIC is domiciled in mainland China and most of its revenue is generated in Sichuan Province. TBIC's macro profile is **Medium**, which reflects Sichuan Province's 1) stable economic growth and solid fiscal strength, and 2) an increasingly comprehensive regulatory framework for financial guarantors and credit enhancement agencies. However, the macro profile is undermined by 1) intense competition in China's financial guarantee sector which continues to compress premium rates, and 2) certain defaults in credit environment, combined with restricted financing channels for certain sectors may increase cost for guarantors.

China has strong economic fundamentals and institutional strength, reflected in the long-term stability of its political environment and high efficiency of government administration. In the first half of 2026, China's economy may maintain steady development despite a complex external environment and domestic structural pressures. Gross domestic product ("GDP") for the first half of 2026 reached RMB69.6 trillion, a year-on-year ("YoY") increase of 4.7%. However, the economy remains under challenges due to the moderate domestic demand, transformation within traditional industries, and rising risks in global trade.

Sichuan Province has maintained stable economic growth, providing a good support for the development of financial industry. It has a strategic position as an important transportation and communication hub connecting southwest, northwest and central regions of China. Sichuan Province's Gross regional product ("GRP") grew from RMB6.5 trillion in 2024 to RMB6.8 trillion in 2025, representing a YoY increase of 5.5%. It ranked fifth 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 RMB585.4 billion, and the outstanding RMB loans of financial institution in the province reached nearly RMB13.0 trillion at the end of the year. As of mid-2026, Sichuan Province's GRP stood at RMB3.4 trillion, a YoY increase of 4.8%. Sichuan Province has the largest number of financial institutions in western China, and the financial activities continue to grow steadily.

The operating environment for Chinese financial guarantors is improving with complete regulatory framework and supportive government stance. The State Council issued the "Regulation on the Supervision and Administration of Financing Guarantee Companies" in 2017, followed by supplementary provisions in 2018 and 2019 that clarified supervisory responsibilities and regulatory metrics; the "Supplementary Provisions on the

Supervision and Administration of Financing Guarantee Companies" subsequently brought credit enhancement companies that conduct financing guarantee business without a license into the regulatory perimeter. At the provincial level, Sichuan issued an implementation plan for the Chengdu-Chongqing Western Financial Centre in January 2023, a special guarantee plan supporting technology innovation in November 2024, measures to strengthen credit enhancement for small and medium-sized enterprises ("SMEs") in May 2025, and further measures in April 2026 that include fiscal subsidies for guarantors providing low-cost credit enhancement for technology innovation bonds.

However, the Chinese financial guarantee industry faces a relatively high level of competitive rivalry. An increasing number of financing guarantee companies have obtained bond guarantee capability, which puts downward pressure on premium rates and may erode guarantors' profitability over the long run. Narrowing credit spreads under an accommodative monetary policy have intensified competition, while changes in local debt resolution policies have reduced demand for certain traditional credit enhancement products. Additionally, weakening credit conditions, including localized default events and limited financing channels for particular sectors, may increase credit costs. We nevertheless expect the market accumulated claim ratio to remain broadly flat over the next 12 to 18 months, supported by accommodative monetary policy and ample market liquidity.

Institutional Profile

Strategic position as the first and leading credit enhancement institution in Sichuan Province, with leading market shares in the province

Established in 2017 as the first credit enhancement institution in Sichuan Province, TBIC plays an important role in the provincial financial system by providing credit support for the direct financing of local SOEs and by broadening their access to the bond market. The Company holds a comprehensive set of qualifications across the interbank and exchange markets, enabling it to provide full-category, full-chain credit enhancement services for direct financing of SOEs in Sichuan Province. Additionally, the Company is actively deepening its presence in offshore bond businesses such as USD bonds and dim sum bonds, and vigorously developing asset securitization business. As of 30 June 2026, TBIC ranked first among Sichuan-based credit enhancement and guarantee institutions by bond credit enhancement scale. Its outstanding credit enhancement balance increased steadily from RMB70.0 billion at end-2023 to RMB70.1 billion at end-2024, RMB72.5 billion at end-2025 and RMB74.6 billion at mid-2026, although the pace of growth has moderated. Its clients are primarily SOEs in Sichuan Province.

The Company has progressively diversified its product mix in response to policy changes. As of 30 June 2026, corporate bonds accounted for 36.9% of the outstanding credit enhancement balance, enterprise bonds 20.3%, offshore bonds 14.7%, medium-term notes 11.5%, asset-backed securities ("ABS") 8.8% and private placement notes 7.8%. The offshore bond balance rose from zero at end-2023 to RMB5.5 billion at end-2024, RMB10.5 billion at end-2025 and RMB11.0 billion at mid-2026, while the ABS balance increased from RMB2.7 billion at end-2024 to RMB6.6 billion at mid-2026. These newer product lines partly offset the contraction in enterprise bonds and private placement notes, whose combined share fell from 53.6% at end-2023 to 28.1% at mid-2026, reflecting changes in the regulatory environment for local government financing vehicles. Under its "rooted in Sichuan, radiating to western China, serving the whole country" strategy, TBIC intends to increase its exposure to industrial bonds, technology innovation bonds and high-quality SOE clients, while maintaining strict control over tail risks. The pace of business expansion is susceptible to the evolving policy and market environment.

Additionally, the Company has maintained an excellent record of zero cumulative claims since inception, and its total risk reserves reached RMB2.0 billion and covered 3.2% of credit enhancement liabilities at mid-2026, providing a solid safety buffer.

Relatively high geographic and client concentration

TBIC's credit enhancement portfolio is highly geographically concentrated, reflecting its regional policy role. As of 30 June 2026, over 85% of its business was located in Sichuan Province, with Chengdu alone accounting for 33.9% of the total credit enhancement balance. Although the Company has expanded into industrial clients, local infrastructure investment and financing companies ("LIIFCs") still dominated the portfolio at 77.0% of total credit enhancement balance at mid-2026, down from 90.9% at end-2024. Furthermore, its top ten clients were all Sichuan-based LIIFCs. As of the end-2025, the largest single client accounted for 9.2% of net assets, close to but still within the regulatory exposure limit of 10.0%.

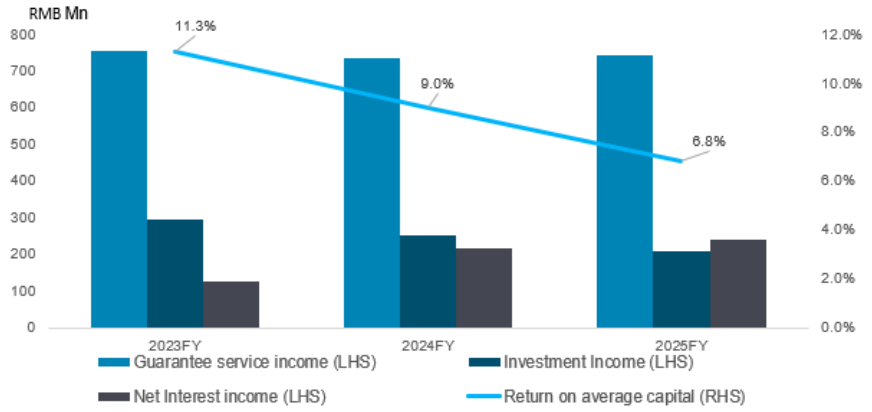
Concentration risk is significantly amplified by a high correlation between TBIC's credit enhancement and investment operations. Investment assets totaled RMB8.7 billion, equivalent to 83.7% of total assets, at mid-2026, and comprise mainly bond investments of RMB5.2 billion and entrusted loans of RMB2.6 billion. Over 90% of its bond holdings were debt instruments credit-enhanced by TBIC itself, and the majority of its entrusted loan borrowers were also its credit enhancement clients, thus creating a second direct credit risk exposure to the same debtor. While this overlap helps maintain client relationships and facilitates information gathering, it also introduces correlation risk. The changes in the regional economic environment and client credit quality may affect the safety of investment assets. Concentration risk has been mitigated to some extent through various risk-mitigation measures including counter-guarantees, post-investment monitoring, and corporate risk management.

Sound profitability and solid capital adequacy

TBIC's profitability remains sound despite a moderating growth profile. Operating revenue reached RMB1.2 billion in 2025 and RMB552.3 million in 2026H1 (not annualized), anchored by net credit enhancement income, which accounted for 63.7% of revenue in 2026H1. However, net profit declined from RMB820.6 million in 2023 to RMB590.1 million in 2025, driven by a higher tax burden, increased entrusted loan provisioning, and rising operating costs. Consequently, its return on equity decreased from 11.3% to 6.8% over the same period. Revenue generation also remains sensitive to interest rate shifts and bond market dynamics.

TBIC's capital adequacy ratio remains robust. As of mid-2026, the Company's net assets reached RMB8.3 billion, comprising RMB4.0 billion in paid-in capital and RMB1.5 billion in perpetual bonds. The credit enhancement leverage ratio rose to 7.5x, remaining well within the 10.0x regulatory limit. The risk reserve coverage ratio stands at 3.2%, alongside a 0.0% accumulated claim ratio. The Company complies with regulatory asset-grading requirements, including an 89.5% ratio of net assets plus reserves to total assets and a 68.7% Tier-I asset ratio, though the combined Tier-I and Tier-II asset ratio of 70.9% leaves a narrow buffer against the 70.0% minimum.

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



Source: Company information, CCXAP research

Tightening liquidity buffer, alleviated by adequate funding access

TBIC's high-liquid-asset buffer has tightened progressively, driven by asset reallocation following perpetual bond repayments. The liquidity ratio (measured by high liquid assets/total assets) declined from 32.0% at end-2023 to 20.6% at mid-2026, while high-liquid assets stood at RMB2.15 billion, comprising RMB1.68 billion of cash and RMB0.47 billion of trading financial assets. This contraction mainly reflects reductions in trading financial assets and wealth management products, alongside an increase in less liquid debt investments. Although the domestic regulatory Tier-I asset ratio stands substantially higher at 68.7% under a broader classification, the underlying buffer of true high-liquid assets has clearly narrowed.

Nonetheless, the Company has adequate funding access, such as bank loans and bond issuance. As of 30 June 2026, the Company had total credit facilities of RMB2.7 billion, with undrawn amount of RMB2.1 billion. It also has access to onshore bond issuance, with outstanding perpetual bonds of RMB1.5 billion at mid-2026.

External Support

High likelihood to receive government and parental support when necessary

We expect that TBIC is likely to receive support from the Sichuan Provincial Government and its parent company when necessary, which is based on the Company's (1) indirect ownership and ultimate control by Sichuan Provincial Department of Finance; (2) high strategic importance in the economic development of Sichuan Province; and (3) solid track record of receiving business support.

TBIC holds a relatively strong market position in regional guarantee services, and its failure would have certain implications for the capital markets of Sichuan Province, drawing attention to the reputation of its parent company and the government. TBIC has a diversified and strong shareholder base, comprising provincial and municipal level SOEs in Sichuan Province. 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. SCFH reported total assets of RMB883.6 billion and net assets of RMB105.5 billion at end-2025, together with operating revenue of RMB19.0 billion and net profit of RMB6.0 billion in 2025.

The Company has a prominent regional position and clear strategic objectives. As the first and leading credit enhancement institution in the region, TBIC plays an important role in the economic development plans of

Sichuan Province. The Company possesses the necessary capabilities to support the establishment of a financial center in Sichuan and to facilitate the transformation and upgrading of the regional economy.

Additionally, SCFH is responsible for approving major matters concerning TBIC, such as risk management and participation in major corporate decision-making. We anticipate that SCFH possesses a strong willingness to provide support to TBIC in terms of capital replenishment and liquidity support when required. Given TBIC'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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