Credit Opinion

5 November 2026

Jinshang Bond Insurance Co., Ltd.

Surveillance credit rating report

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Solicited 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 affirms Jinshang Bond Insurance Co., Ltd.'s long-term credit rating at A_g+, 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 enterprise ("SOE") 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 SOE shareholders
- Relatively weak liquidity profile
- High likelihood of receiving 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

	2023FY	2024FY	2025FY	2026H1
Total Assets (RMB billion)	11.7	13.0	12.3	12.3
Total Equity (RMB billion)	7.0	7.5	7.2	7.4
Net Profit (RMB million)	345.0	293.2	181.5	198.7
Return on Equity (%)	5.6	4.0	2.5	-
Accumulated Claim Ratio (%)	0.0	0.0	0.0	0.0
Risk Reserve/Outstanding Guarantees (%)	2.7	4.0	9.0	-
High Liquid Assets/Total Assets (%)	5.5	6.1	1.3	-

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

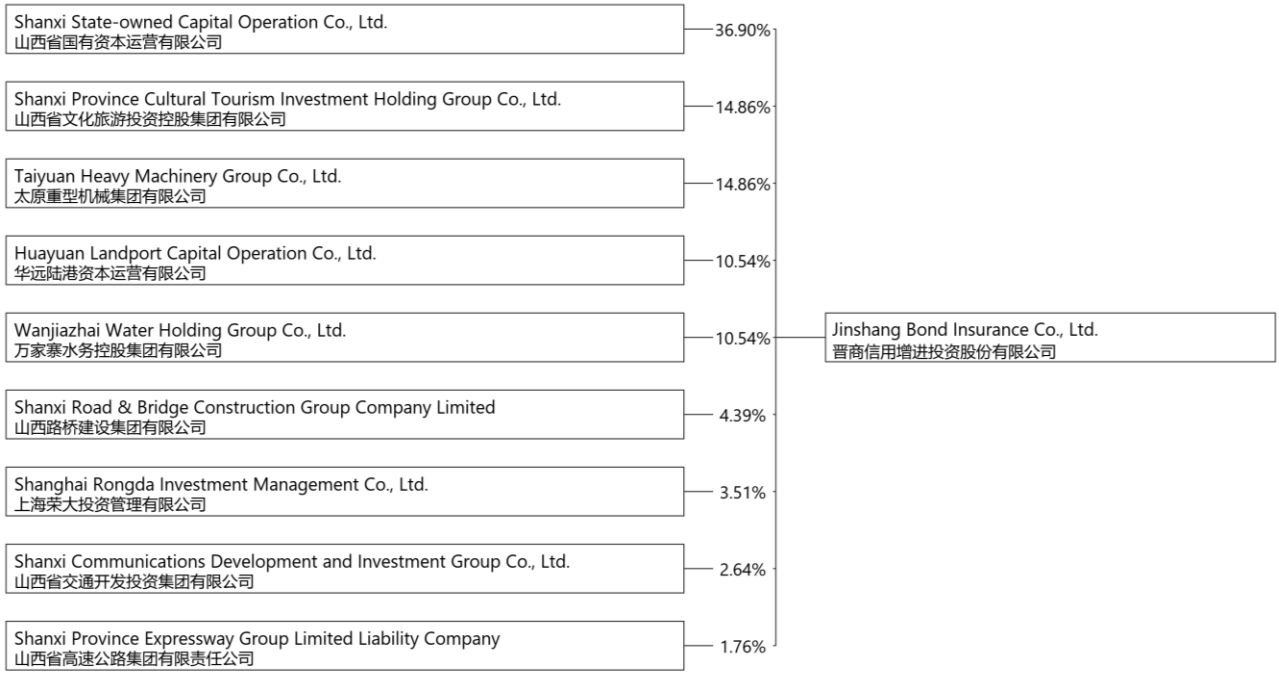
Source: Company data, CCXAP research

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 30 June 2026, the Company's total assets and net assets reached RMB12.3 billion and RMB7.4 billion, respectively.

As of 30 June 2026, Shanxi State-owned Capital Operation Co., Ltd. ("SSCO") directly held a 36.9% equity stake in JSBI and was its controlling shareholder. The remaining shares were held directly by other Shanxi provincial SOEs. The Company's ultimate controller is the Shanxi Provincial Government.

Exhibit 1. Shareholding chart as of 30 June 2026



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 to China's financial guaranty sector, which drive a lower rate of underwritten premium and fragmented market; and (2) challenging credit conditions, 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.

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 2025, Shanxi's gross regional product ("GRP") reached RMB2,549.6 billion, reflecting a YoY growth of 4.0%. However, affected by the downward cycle in coal industry, its general public budgetary revenue decreased 9.1% YoY to RMB321.9 billion over the same period. As of end-2025, the deposit balance of financial institutions in Shanxi Province amounted to RMB6.4 trillion, rising by 5.7% YoY, and the

loan balance was RMB4.9 trillion, rising by 7.4% 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 former China Banking and Insurance Regulatory Commission 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 2025, JSBI had an outstanding credit enhancement exposure of RMB4.0 billion, decreasing from RMB7.1 billion as of end-2024. Around 85.4% of its credit enhancement exposure was allocated to bonds, including private placement bonds and corporate bonds, while the remaining 14.6% was allocated to bank loans and trust funding. However, as of 30 September 2026, the Company's credit enhancement exposure increased to RMB4.2 billion, driven by its active business expansion outside Shanxi Province and in ABS products in 2026.

As the only credit enhancement company in Shanxi Province, the Company has maintained a strong competitive position in the region. Meanwhile, the Company has been actively broadening its service offerings by introducing new types of credit enhancement products over the past several 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 and local infrastructure investment and financing companies ("LIIFCs"). As of end-2025, provincial SOEs and their controlled entities accounted for 67.9% of its total portfolio. The Company began extending its coverage to SOEs outside Shanxi Province in 2026. We also believe that the Company may extend its coverage to municipal- and county-level SOEs and LIIFCs. Meanwhile, the Company is exposed to relatively large client concentration risk. With the expiration of guarantees on its largest client in October 2025, the client concentration risk has been eased. As of end-2025, its exposure to the largest client represents 20.1% of its total credit enhancement portfolio, while the outstanding credit enhancement of the top 10 clients accounted for 85.4% of its portfolio. 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.

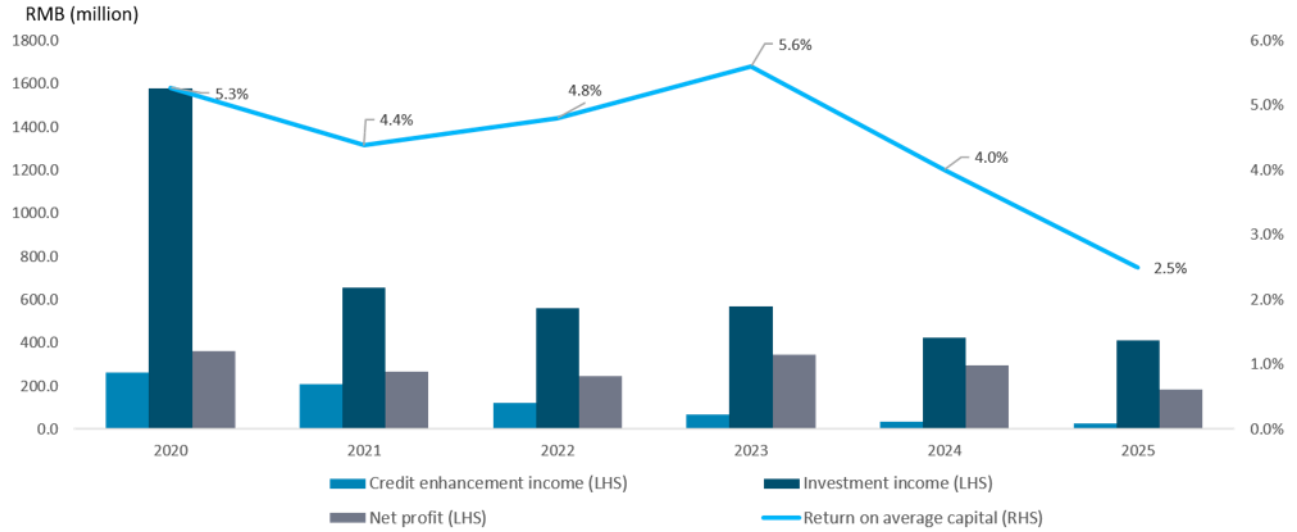
The Company has established a mechanism for its provision reserve to mitigate contingent risks, including general risk provision for credit enhancement liability, special-purpose risk provision and specialized risk provision. In response to regulatory requirements, the Company increased its provision reserve in 2025. The coverage of credit enhancement reserves over the outstanding credit enhancement balance rose significantly, placing the Company at a favorable level within the industry. By the end of 2025, the Company's provision coverage ratio reached 9.1%.

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 four consecutive years, driven by weakened demand from Shanxi's SOEs and tightening regulatory policies on financing guarantors. In 2025, the Company recorded a total revenue of RMB450.9 million, slightly decreased from RMB455.6 million in 2024. Meanwhile, its credit enhancement business revenue decreased from RMB35.3 million to RMB27.5 million over the same period.

Meanwhile, the Company's net profit decreased in 2025, from RMB293.2 million in 2024 to RMB181.5 million in 2025. The decline was mainly due to higher corporate annuity and social insurance contribution bases in 2025, which increased the Company's operating and administrative expenses. In addition, affected by lower revenue from guarantee and investment businesses during the period, the Company's return on equity ("ROE") declined from 4.0% in 2024 to 2.5% in 2025, indicating a relatively weak level.

Exhibit 2. JSBI's revenue structure from 2020 to 2025



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 2025, JSBI recorded an investment income of RMB410.5 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 2025, the Company's investment assets amounted to RMB12.0 billion. The debt investment portfolio mainly includes standardized bond investments issued by SOEs within Shanxi Province, of which standardized bonds accounted for 69.9% 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 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 as of end-2025. 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 SOE shareholders

JSBI maintains a strong capital profile, primarily supported by the continuous capital injections from its SOE 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 and paid-in capital stays at around RMB5.7 billion as of end-2025. Its strong capital position also enhances 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 0.6x, 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. As of end-2025, its highly liquid assets totaled RMB161.9 million, with liquidity ratio

(measured by highly liquid assets/total assets) remained at a relatively weak level in the industry, 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. In 2026, the Company issued one tranche of private placement bond, raising RMB1.0 billion with coupon rate of 1.88%. 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 potential claims in the following 12-18 months.

External Support

High likelihood of receiving 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 SOE shareholders 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. As part of the restructuring of Shanxi's state-owned capital operation system, SSCO transferred certain equity interests in provincial SOEs to the Shanxi Provincial State-owned Assets Supervision and Administration Commission. Following the restructuring, SSCO serves as a provincial platform for state-owned capital operations, focusing on fund investment, asset management, quasi-financial services, the digital and intelligent economy, and equity management. As of 30 June 2026, SSCO had a registered paid-in capital of RMB66.7 billion, and its total asset was RMB130.9 billion. 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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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