

## Credit Opinion

15 December 2025

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> +
Outlook	Stable

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## Mianyang City Commercial Bank Co., Ltd.

### Initial credit rating report

**CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>+** to Mianyang City Commercial Bank Co., Ltd., with stable outlook.

### Summary

The BBB<sub>g</sub>+

 long-term credit rating of Mianyang City Commercial Bank Co., Ltd. ("MCCB" or the "Bank") is underpinned by the Bank's (1) strong market franchise in Mianyang City with leading shares of local deposits and loans; (2) sound funding profile, characterized by a declining reliance on market funds and a stable customer deposit base; (3) reasonable profitability and operating efficiency, despite pressure on net interest margins; and (4) track record of receiving support from the Mianyang Municipal Government and China Minmetals Corporation ("China Minmetals"), in terms of business cooperation and capital replenishment.

However, the rating is constrained by the Bank's (1) heightened credit costs and asset quality vulnerabilities, driven by loan portfolio concentrations in geographic regions, industries, and borrowers; and (2) certain capital replenishment pressure with continuous asset growth.

The rating also incorporates our assumption that the Bank is likely to receive extraordinary support from the Mianyang Municipal Government and China Minmetals in times of need, given its (1) status as a key regional bank partially owned by the Mianyang Municipal Government and its systemically important role in the local financial system; (2) high strategic importance and strong synergistic alignment as the sole banking arm within the China Minmetals; and (3) track record of receiving support.

The stable outlook on MCCB's rating reflects our expectation that the business and financial profile of the Bank will be stable, and the Bank will maintain its important market position in Mianyang City over the next 12 to 18 months.

## Rating Drivers

- Strong regional market franchise in Mianyang City
- Solid deposit base with moderate reliance on market funds
- Good profitability and operating efficiency, despite pressure on net interest margins
- High concentration in loan portfolio increases asset quality vulnerability
- Certain capital replenishment pressure with continuous asset growth
- Likely to receive extraordinary support from the Mianyang Municipal Government and China Minmetals in times of need

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving extraordinary 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 financial profile improves constantly, such as improved profitability and sustainability or enhanced funding access.

### What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving extraordinary support declines; (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 financial profile deteriorates significantly, such as declined asset quality or severely weakened liquidity.

## Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	180.4	214.3	251.5	273.6
Total Equity (RMB billion)	11.6	13.0	14.9	16.0
Operating Income (RMB billion)	4.7	5.0	5.5	4.7
Net Profit (RMB billion)	1.0	1.5	1.7	1.8
Pre-provision Operating Profit/Average Risk-weighted Assets (%)	3.15	2.83	2.82	-
Problem Loans/Total Loans (%)	1.5	1.7	1.6	-
Capital Adequacy Ratio (%)	11.8	11.7	11.4	12.7
High Liquid Assets/Total Assets (%)	29.1	33.3	38.8	-
Market Funding/Total Assets (%)	20.9	20.5	19.0	-

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

Established in September 2000, MCCB is a state-capital-controlled bank under the leadership of the Mianyang Municipal Government, with strategic holdings by China Minmetals through Minmetals Capital Holdings Co., Ltd. ("MCH"). It is positioned to serve the local economy, small and medium-sized enterprises ("SMEs"), and urban and rural residents. MCCB has a strong market position and extensive branch network in Mianyang City, Sichuan Province. It has ranked among the top for years in the local banking market, with a market share of 15.1% in deposits and 11.6% in loans as of the end of 2024. MCCB also promotes regional expansion through

the establishment and development of 7 off-site sub-branches in other prefecture-level cities in Sichuan Province. As of 31 December 2024, MCCB reported total assets of RMB251.5 billion and net assets of RMB14.9 billion.

#### Exhibit 1. Top 10 shareholders as of 31 December 2024

Shareholder Name	Shareholding Ratio (%)
Minmetals Capital Holdings Co., Ltd.	20.0
The Finance Bureau of Mianyang City	10.0
Sichuan Fulin Transport Group Co., Ltd.	6.6
Mianyang Sanhui Real Estate Development Co., Ltd.	6.5
Chengdu Media Group Modern Culture Communication Co., Ltd.	5.0
Sichuan Jiangyou Shunhui Investment (Group) Co., Ltd.	4.9
Sichuan Fulin Industrial Group Co., Ltd.	4.9
Sichuan Techlex Industrial Co., Ltd.	4.8
Sichuan Meile Group Industrial Co., Ltd.	3.4
Sichuan Qing'an Technology Co., Ltd.	3.2
<b>Total</b>	<b>69.2</b>

Source: Bank information, CCXAP research

## Rating Considerations

### Macro Profile

MCCB 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 USD18.7 trillion in 2024. China has demonstrated long-term stability in its political environment and high efficiency of government.

MCCB'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. Since 2024, financial regulation has intensified efforts to strengthen the banking sector's capital adequacy, regulate market competition, and address risks in key industries such as real estate and local government debt, with enhanced policy guidance and support.

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 2024, with a YoY increase of 6.5% 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 corporate loans was down about 0.6 percentage points YoY to 3.3% in 2024, which recorded the lowest level in history.

City commercial banks are of unique importance to the regional financial system and constitute 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 RMB60.2 trillion (13.5% share of the banking system) as of end-2024. 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 Mianyang City

Mianyang City is located in the north of Sichuan Province, in the heartland of the "West Triangle" of Chengdu, Chongqing, and Xi'an. Designated as the sole national-level "Science and Technology City" approved by the State Council, Mianyang City is the second-largest economy in Sichuan Province in terms of GRP and serves as a key national base for defense research and the electronics industry. Mianyang City has formed six key industries, including electronic information, automobiles, new materials, energy conservation and environmental protection, high-end equipment manufacturing, and food and beverage. 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 Western Development Initiative, Sichuan Province and Mianyang 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 MCCB. As of 30 September 2025, banking institutions in Sichuan Province recorded aggregate assets of RMB18.0 trillion, with an average non-performing loan ratio of 1.1%.

MCCB has a strong market franchise in Mianyang City, with an extensive network of more than 60 sub-branches, covering most of the areas in Mianyang City and having close ties with local community. It has ranked among the top for years in the local banking market, with a market share of 15.1% in deposit and 11.6% in loan, as of the end of 2024. To diversify its geographic presence, the Bank also expands its branch networks to other areas within Sichuan Province, including Chengdu City, Guangyuan City and Ziyang City, totaling 7 cross-city sub-branches. The cross-regional operations enable the Bank to unearth business growth opportunities and leverage its local reputation and management know-how. MCCB's strong market franchise can help partially mitigate the negative impact of the increasing competition in the banking sector.

Considering the long-standing and deep presence in Mianyang City and the steady expansion of its off-site branches, we believe that MCCB will maintain its competitive advantage in the regional banking business over the foreseeable future.

### Solid deposit base with moderate reliance on market funds

MCCB's reliance on market funds is moderate, and has continued to decline over the past three years, driven by the robust growth in customer deposits. This strong and stable deposit franchise supports a resilient funding profile and provides a meaningful buffer against market volatility. As of 31 December 2024, market funds accounted for a modest 19.0% of the Bank's total assets.

As of 31 December 2024, MCCB's market funds are primarily composed of interbank liabilities (66.4% of total market funds) and issued debt securities (28.0%), indicating reliance on interbank funding. The stability of interbank funding is vulnerable to the market fund usage of counterparties during periods of changing market liquidity conditions. Compared with deposits, interbank funding exhibits greater sensitivity to market volatility, resulting in relatively high refinancing risk.

MCCB's deposit base is solid and fast-growing, underpinned by its strong franchise and branch networks in Mianyang City. As of 31 December 2024, the Bank's total deposits increased from RMB129.5 billion at end-2022 to RMB186.9 billion, representing an average annual growth rate exceeding 15.0%. In the first three quarters of 2025, the deposit increased to RMB223.2 billion. The Bank exhibits a stable deposit structure, with time deposits accounting for a high 77.1% of total deposits.

We also take into account MCCB's maturity mismatch in balance sheet assets and liabilities. As of the end of 2024, MCCB's assets due within one year accounted for 54.1% of the total assets, while the liabilities due within one year accounted for 58.4% of its total liabilities, showing certain liquidity maturity gap. Meanwhile, its access to new funding is expected to be weaker than that of other state-owned and listed bank peers.

### **Good profitability and operating efficiency, despite pressure on net interest margins**

MCCB has sustained steady net profit growth, supported by its continued expansion of interest-earning assets, rising non-interest income and outstanding operating expense control. However, the Bank's profitability remains under pressure of persistently narrowing net interest margin and higher credit costs. From 2022 to 2024, its pre-provision operating profit/average risk-weighted assets ratio stood at 3.15%, 2.83% and 2.82% respectively.

MCCB's profitability is derived mainly from its lending business, while its non-lending business scale remains relatively small but is experiencing rapid growth. Net interest income made up of 78.5% of total operating income on average in the past three years. From 2022 to 2024, the Bank's net interest income increased from RMB3.8 billion to RMB4.2 billion, primarily driven by expansion of its profitable assets. Meanwhile, the net interest margin continued to decrease from 2.62% to 2.12% over the same period. Its net interest margin is likely to trend slightly lower because of the loan prime rate reform and lowering loan pricing yields to support the real economy. In terms of non-interest income, the Bank recorded increasing investment gains through active trading activities and benefited from positive fair value adjustments on financial assets held in its trading account. In 2024, net non-interest income grew from RMB857.4 million in 2022 to RMB1.3 billion. However, income from treasury operations (trading and investment-related) is considered to be relatively volatile and, during periods of market stress, to contribute considerably less to overall earnings stability than traditional interest income.

MCCB maintained a relatively low cost-to-income ratio, reflecting solid operating efficiency. However, credit costs have been a moderate drag on profitability especially amid pressure on asset quality. In 2024, the Bank adopted further conservative approach to enhance risk resilience, with loan loss provisions rising significantly. It recorded total asset impairment losses of RMB2.1 billion in 2024, which was RMB1.7 billion and RMB2.1 billion in 2023 and 2022, respectively. The asset impairment/pre-provision operating profit ratio reached 53.0% at end-2024, increasing from 47.1% at end-2023.

We expect MCCB's profitability to remain constrained by asset quality pressures and net interest margin compression. Nevertheless, the Bank's overall earnings scale is expected to remain stable, supported by resilient profit-generating capacity and continued growing interest-earning assets.

### **High concentration in loan portfolio increases asset quality vulnerability**

MCCB exhibits relatively high geographic and industry concentration risks, which represent a credit constraint and render its asset quality vulnerable to economic and industry conditions in its core operation region. As of end-2024, the majority of the Bank's lending business comes from Mianyang City and its customer base is dominated by leasing & business services, wholesale & retail and construction enterprises, which accounted for 32.1%, 22.2% and 12.5% of the total loans, respectively. Furthermore, given the Bank's primary client base comprises large and medium-sized enterprises, client concentration remains at a relatively high level. The top one customer and the top ten customers accounted for 8.7% and 54.2% of its net capital, respectively, as of the same date.

From 2022 to 2024, the Bank's non-performing loan increased from RMB1.5 billion to RMB2.1 billion, and the non-performing ratio also increased from 1.48% to 1.64%. Additionally, the Bank exhibits a relatively high concentration of non-performing loans. As of the end of 2024, the aggregate balance of the top 10 non-performing loans stood at RMB1.39 billion which are primarily related to private enterprises in the wholesale and retail trade sector and the real estate sector, accounting for around 66.6% of the Bank's total non-performing loans.

In addition, special-mentioned loan and extended loans may incur higher credit costs and potentially convert into non-performing loans in the future. As of the end of 2024, the bank's rollover loan balance stood at RMB3.1 billion, accounting for 2.4% of total loans, comprising RMB808.0 million in special-mentioned loan and RMB1.4 billion in non-performing loans. Given the uncertainty of macroeconomic recovery, these rollover loans may put extra pressure on the Bank's loan quality.

Nevertheless, MCCB's high non-performing coverage ratio, decreasing loan exposure to individual customers, and the region's robust economy, are expected to alleviate its asset risk. The Bank has a high non-performing coverage ratio of 422.7% as the end of 2024. 50.6% of the Bank's loans carry a certain proportion of pledges with tangible or monetary assets, which also reduces credit risk.

We consider the market risk on the Bank's securities and financial investments is controllable given its prudent investment strategy. The Bank's securities and investments accounted for 37.4% of total assets as of the end of December 2024, with most parts related to government and quasi-government bonds, financial institutions bonds and interbank negotiable certificate of deposits. However, certain non-standard products within the Bank's investment portfolio, particularly collective fund trust schemes, carry certain risk exposure to enterprises in the real estate and commerce sectors. As of the end of 2024, the outstanding balance of real estate-related asset management products stood at RMB2.3 billion. Furthermore, owing to liquidity risks arising from several underlying commercial enterprises, the Bank reclassified RMB1.0 billion of trust investments as non-performing assets at end-2024, having already provisioned fully impairment losses as of 4 December 2025.

#### **Certain capital replenishment pressure with continuous asset growth**

MCCB's capital adequacy ratio is primarily supported through retained earnings, share expansions and the issuance of capital bonds. Over the past three years, ongoing business expansion has continuously depleted the Bank's capital reserves, placing certain pressure on its capital adequacy ratio. As of 31 December 2024, MCCB reported the core tier 1 capital adequacy ratio and the capital adequacy ratio of 8.4% and 11.4%, respectively, as compared to 8.2% and 11.8% at end-2022. The Bank's capitalization ratios are higher than the local regulatory requirements. The Bank strengthens its capital adequacy by issuing capital instruments and optimizing its business structure.

## External Support

### **Likely to receive extraordinary support from the Mianyang Municipal Government and China Minmetals in times of need**

We believe the Bank is likely to receive extraordinary support from the Mianyang Municipal Government and China Minmetals in times of need, given its (1) status as a key regional bank partially owned by the Mianyang Municipal Government and its systemically important role in the local financial system; (2) high strategic importance and strong synergistic alignment as the sole banking arm within the China Minmetals; and (3) track record of receiving support.

As of the end of 2024, MCH, which is the wholly-owned subsidiary of China Minmetals, was the Bank's largest shareholder and held 20.0% shares in the Bank. China Minmetals is a central state-owned enterprise funded by the State-owned Assets Supervision and Administration Commission of the State Council. China Minmetals has developed a diversified business portfolio spanning mineral development, metal materials, new energy, metallurgical engineering, infrastructure construction, trade and logistics, financial services, and property development. As the sole banking platform within China Minmetals, MCCB occupies an important position within China Minmetals' financial services sector, receiving support in business development, financial innovation, institutional policies, capital, and client resources.

Furthermore, the Bank receives substantial support from the Mianyang Municipal Government, reflecting its important role as a key financial institution in the local economy and its status as a government-influenced entity. For instance, the Finance Bureau of Mianyang City subscribed to 63,400 shares in the Bank's private placement in 2021. As of the end of 2024, the Finance Bureau of Mianyang City directly held a stake of 10.0% in the Bank. At the same time, MCCB ranked second and third respectively in terms of deposit and loan market share within Mianyang City, underscoring its systemic importance to the local financial system. We believe that a default by the Bank would have a significantly negative impact on the stability and reputation of the local financial system. The Bank maintains close ties with the government, primarily reflected in the local government's influence over the nomination and appointment of senior management, as well as the Bank's regularly report to government authorities.

## Rating Methodology

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



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