

## ICBC Financial Leasing Co., Ltd.'s 2019-2 Financial Bond

### Ratings

**Long-term credit rating of the issuer: AAA**

**Credit rating for this financial bond: AAA**

**Rating outlook: Stable**

### Date of rating

February 13, 2019

### Key data

Unit: CNY 100mn/%

Item	2018 As of end of June	2017 As of end of year	2016 As of end of year	2015 As of end of year
Total assets	1816.87	1697.40	1654.93	1843.84
Lease financing receivable	978.62	1048.08	979.39	1081.66
Total liabilities	1567.36	1451.52	1427.39	1640.04
Shareholders' equity	249.51	245.88	227.55	203.80
Non-performing asset ratio	0.79	0.78	0.81	0.72
Provision coverage of non-performing financial leasing assets	215.80	191.01	186.00	179.93
Shareholders' equity/total assets	13.73	14.49	13.75	11.05
Capital adequacy ratio	14.61	14.70	14.22	11.70
Tier-1 capital adequacy ratio	13.70	14.01	13.55	11.12
Core tier-1 capital adequacy ratio	13.70	14.01	13.55	11.12
Item	2018 Jan-Jun	2017	2016	2015
Revenue	14.68	30.86	35.00	27.07
Total profit before provision	12.39	26.47	33.03	31.97
Net profit	9.63	19.65	22.68	22.41
Cost/income ratio	-	11.46	10.11	13.60
ROA before provision	-	1.58	1.89	1.78
Average rate of return on assets	-	1.17	1.30	1.25
Average rate of return on net assets	-	8.30	10.51	11.65

Note: (1) The non-performing asset ratio is based on statistics from the Financial Leasing Committee of China Banking Association; the provision coverage of non-performing financing lease assets is based on the data of regulatory statements.

(2) Retrospective adjustments to the 2016 data have been made in the Company's 2017 audit report; the half-year financial data for 2018 has not been audited.

Source: The Company's audit reports and information it provided, which have been compiled by China Lianhe Credit Rating Co., Ltd.

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### Rationale

Established in November 2007, ICBC Financial Leasing Co., Ltd. (hereinafter referred to as the "Company") is the first bank-affiliated financial leasing company approved by the China Banking and Insurance Regulatory Commission (formerly "CBRC") and a pilot entity approved by the State Council. The Company is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited (hereinafter referred to as "ICBC"). Since its inception, the Company has established a relatively standardized corporate governance structure, with a relatively complete internal control and risk management system. By taking advantages of ICBC's brand, customers, network and technologies, the Company has established a relatively complete financial leasing product and service system, and developed a leasing business system with its own features. The Company is expected to maintain a good development trend in the next few years.

However, with the expansion of its business scale and ever more specialized operations, it has set higher requirements on the Company's capability to manage risk as well as the amount of capital needed. Since it is a wholly-owned subsidiary and an important part of integrated business platform of ICBC, the parent bank can and is willing to provide support to the Company's business development. According to the "Administrative Measures for Financial Leasing Companies" and the relevant provisions of the Company's articles of association, shareholders will provide liquidity support in case the Company encounters payment difficulties, and will promptly replenish capital in case the Company comes into an operating loss that leads to a capital erosion. In summary, China Lianhe Credit Rating Co., Ltd. has affirmed a long-term issuer credit rating of AAA to ICBC Financial Leasing Co., Ltd. and the debt credit rating of AAA to its 2019-2 financial bond (CNY 3 billion) with stable outlook. The rating

affirmation reflects that the default risk of the Company's current issuance of the financial bond is extremely low.

#### **Strengths**

- The Company is the first bank-affiliated financial leasing company in China. Its business scale, profitability and capital strength are all at the forefront among bank-affiliated financial leasing companies, with a significant leading position in the sector and a comprehensive competitiveness;
- Since its establishment, the Company's leasing business has developed well and has formed three major business lines - aviation, shipping and equipment leasing services with its own features. It has established a relatively complete financial leasing product and service system with a sound customer base. Its global operation is also in steady progress.
- The Company's asset quality maintains at a decent level with core capital remaining adequate;
- As a wholly-owned subsidiary and an important part of its integrated operation platform of ICBC, the Company has received strong support from shareholders in customer resources, marketing channels, risk management and capital replenishment. The Company's shareholder ICBC has extremely strong financial strength, capability and willingness to support the Company's business operations;
- The "Guidelines on Accelerating the Development of Financial Leasing Sector" and the "Guidelines on Promoting the Healthy Development of Financial Leasing Sector" issued by the General Office of the

State Council in 2015 have been playing a positive role in promoting the development of the financial leasing sector.

#### **Concerns**

- The Company's financial leasing business faces certain sector and customer concentration risks. With the development of its business and the trend of more specialized operations, it sets higher requirements on the Company's risk management capabilities;
- There is some mismatch in the maturity structure of the Company's assets and liabilities, and its medium and long-term financing channels need to be further expanded in the future;
- Factors such as slowdown in macroeconomic growth, economic restructuring and interest rate liberalization have brought some pressure on the business development and asset quality of financial leasing companies.