

Surveillance Credit Rating Report:

**ICBC Financial Leasing Co.,
Ltd.**

Issuer Credit Rating*: AAA_{spc}; Outlook: Stable

Rating Date: January 10, 2024

Date of Expiry: July 31, 2024

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Tear Sheet

Company Name	Rating Type	Current Rating	Rating Date	Outlook/Credit Watch
ICBC Financial Leasing Co., Ltd.	Issuer Credit Rating	AAA _{spc}	January 10, 2024	Stable

Rating Snapshot:

Industry Classification	Financial Leasing Company
Anchor	a-
— Business Position	+2
— Capital and Earnings	+1
— Risk Position	+1
— Funding and Liquidity	+1
Stand-alone Credit Profile	aa _{spc} +
Group Support	+1
Issuer Credit Rating	AAA _{spc}
Outlook/Credit Watch	Stable

Anchor: We apply an anchor of “a-” for financial companies (including financial leasing companies) subject to strong oversight.

Business Position: ICBCFL is a leading financial leasing company in China. It has developed strong business franchises for aviation, maritime and other financial leasing. It has close business cooperation with its parent ICBC.

Capital and Earnings: ICBCFL has maintained adequate capital ratios. Although profitability has declined in recent years, we do not see a significant negative impact on the company's capital adequacy. We expect its parent to supplement its capital as required for it to maintain development growth and capital adequacy.

Risk position: ICBCFL aligns itself with ICBC in terms of risk culture and risk management. Its asset quality metrics have remained stable in recent years. While global pandemic, Russia-Ukraine conflict, and interest rate hike in the US have impacted the asset quality and profit of international aviation leasing business in recent years, we expect any losses to be controllable. The credit and interest rate risks of the aviation leasing business may ease in 2024.

Funding and Liquidity: A mismatch appears between the duration of ICBCFL's leasing assets and that of its debts. But thanks to ongoing support from ICBC and its diversified sources of funding, we believe ICBCFL's funding is stable with liquidity adequate.

Stand-alone Credit Profile: In general, we think the company is one of the strongest finance companies in China in terms of stand-alone credit profile.

Group Support: We believe ICBCFL is a core subsidiary of ICBC. Regulations and the company's articles of association both require parental support if ICBCFL experiences capital or liquidity difficulties.

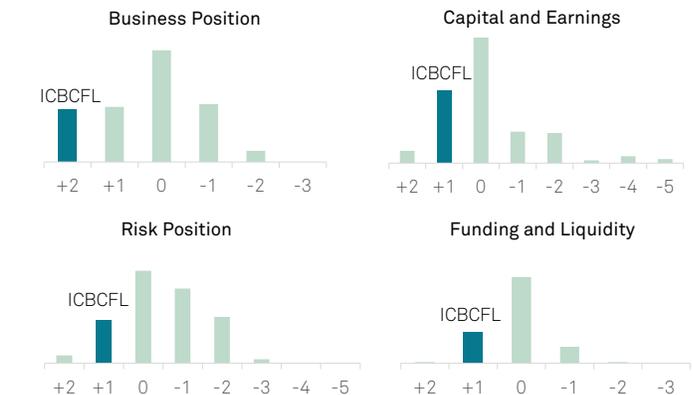
Company Overview: ICBC Financial Leasing Co., Ltd. (“ICBCFL”) is one of the leading financial leasing companies in China. ICBCFL is a wholly owned subsidiary of Industrial and Commercial Bank of China Limited (“ICBC”). ICBCFL's main leasing business lines include aviation, maritime and other financial leasing businesses. As of the end of June 2023, it reported total assets of 309 billion RMB.

Key Metrics

	2019	2020	2021	2022	2023.06
Total assets (bil.)	271.2	284.3	295.4	293.1	309.0
Customer deposits (bil.)	18.9	17.4	17.6	18.0	9.2
Net income (bil.)	3.8	3.2	2.2	0.2	0.1
Reported regulatory capital adequacy ratio (%)	13.61	13.09	13.71	14.33	14.28
Return on average equity (%)	11.19	8.67	5.65	0.50	N/A
Non-performing loan ratio (%)	1.08	1.13	1.51	1.49	1.51
Reserve coverage ratio (%)	5.77	5.88	5.97	5.57	5.89

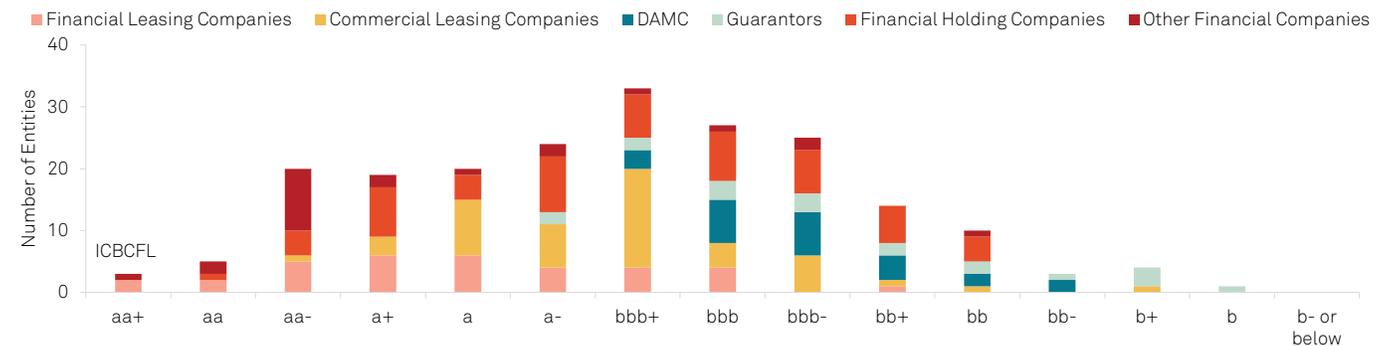
Source: ICBCFL, collected and adjusted by S&P Global (China) Ratings.

Distribution of Rating Factors of Issuer Credit Quality for Major Financial Companies in China



Source: S&P Global (China) Ratings.

Distribution of Stand-alone Credit Quality of Financial Companies in China

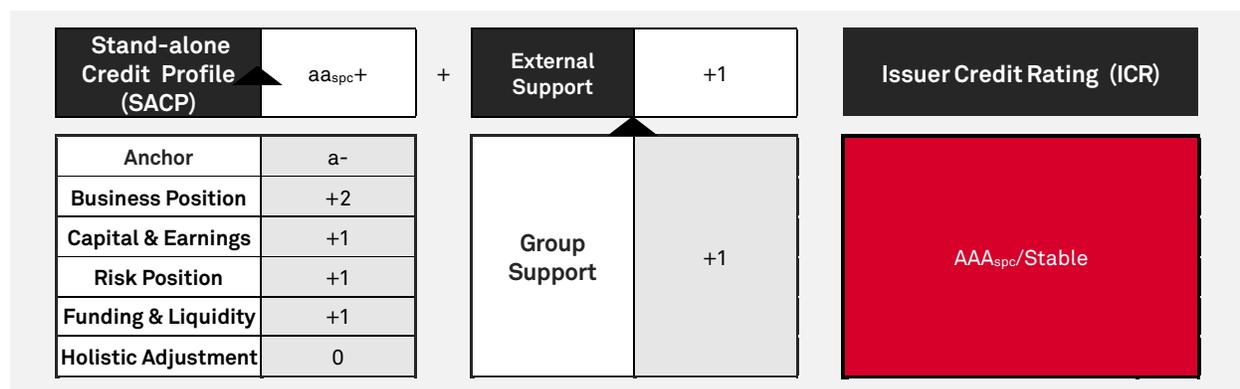


Note 1: Our assessment on issuer credit quality does not consider the likelihood of group or government support in times of need but take into consideration the ongoing group or government support.

Note 2: The indicative issuer credit quality distributions expressed in this page are only our indicative views of credit quality derived from a desktop analysis based on public information without interactive review with any particular entity (except for solicited rating projects) or the full credit rating process such as a rating committee. The opinions expressed herein are not and should not be represented as a credit rating and should not be taken as an indication of a final credit rating on any particular entity.

Rating Summary

Company Name	Rating Type	Current Rating	Rating Date	Outlook/Credit Watch
ICBC Financial Leasing Co., Ltd.	Issuer Credit Rating	AAA _{spc}	January 10, 2024	Stable



Credit Highlights

Key Strengths	Key Risks
ICBCFL is one of the leading leasing companies in China with strong franchises in both its financial lease and operating lease businesses.	Russia-Ukraine conflict and interest rate hike in the US have led to higher provisioning and funding costs for the international aviation industry, dampening short-term earnings.
ICBCFL receives strong and reliable ongoing support from ICBC for its business development, capitalization and liquidity.	
ICBCFL has close alignment with ICBC in terms of risk culture and risk management practices, it has in place a rigorous risk management framework.	

The company's credit quality remains stable, and we continue to view its issuer credit rating as being closely aligned with ICBC's issuer credit quality.

It maintains stable business operation. As regulators reinforce restrictions on lending business that takes the form of leasing, we expect the company's financial leasing business would not grow significantly over the next 12 months, while operating leasing business relating to aviation and shipping should sustain decent growth.

The company's capital adequacy and the quality of financial leasing assets stay solid. Russia-Ukraine conflict and interest rate hike in the US have led to higher provisioning and funding costs for the international aviation industry, dampening the company's short-term earnings. We expect its profitability to improve over the next 12 months. In general, earnings volatility doesn't have material negative impact on capital adequacy and credit quality of the company.

Rating Outlook

The stable outlook on ICBCFL reflects our expectation that the company will remain a core subsidiary of ICBC over the next two years or beyond.

Downside scenario: We might consider the possibility of lowering the issuer credit rating of ICBCFL if we believe the credit profile of ICBC deteriorates significantly, or if we no longer view ICBCFL as a core subsidiary of its parent and we expect weakening liquidity and capital support from ICBC. We see the possibility of such developments as very low over the next two years or beyond. We might also consider the possibility of lowering ICBCFL's stand-alone credit profile if we observe a significant increase in risk appetite, such as meaningful expansion into high-risk markets.

Upside scenario: We may consider raising ICBCFL's stand-alone credit profile if ICBCFL achieves and maintains a much stronger capital position; or if it significantly reduces its risk appetite and credit cost.

Related Methodologies, Models & Research

Methodology Applied:

- S&P Global (China) Ratings Financial Institutions Methodology, December 22, 2023.
- S&P Global (China) Ratings General Considerations on Rating Modifiers and Relative Ranking, May 21, 2019.

Model Applied: None.

Surveillance Purpose

In accordance with S&P Global (China) Ratings' surveillance plan, we shall monitor the credit quality of the rated issuer on a periodic and an ongoing basis. This is periodic surveillance of the rated issuer.

Peer Comparison

Peer Comparison (2022)	ICBCFL	CDBFL	BoComFL	CMBFL	CCBFL
Total assets (bil)	293.1	354.7	359.0	260.2	128.4
Gross operating income (bil)	18.0	25.1	23.5	17.3	7.9
Net income (bil)	0.2	3.4	3.8	3.3	0.8
Reported Regulatory capital adequacy ratio (%)	14.33	12.46	12.36	13.28	18.45
Return on average equity (%)	0.50	10.41	9.92	11.94	3.56
Non-performing financial lease receivable ratio (%)	1.49	0.73	1.12	0.36*	2.49
Total debts/total equity (X)	5.57	8.60	6.99	7.16	4.14

Note*: CMBFL didn't disclose its financial leasing receivables non-performing ratio, and its leasing asset non-performing ratio was 0.36% as of the end of 2022.

Source: Public information of companies, collected and adjusted by S&P Global (China) Ratings.

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