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S&P Global China Ratings

Credit Rating Report

# ICBC Financial Leasing Co., Ltd.

July 11, 2019

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This document is prepared in both English and Chinese. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency between the English version and the Chinese version.

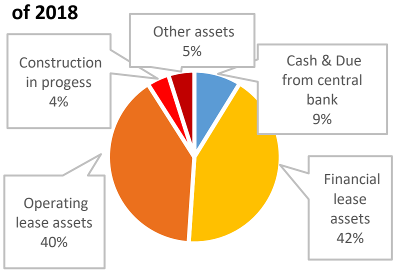
## Tear Sheet

| Company Name | Rating Type | Current Rating | Rating Date | Outlook/CreditWatch |
|---|---|---|---|---|
| ICBC Financial Leasing Co., Ltd. | Issuer Credit Rating | AAA | July 11, 2019 | Stable |

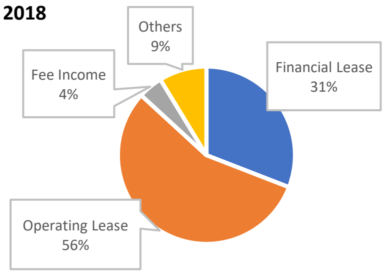
**Industry Classification:** Finance Company

**Company Overview:** ICBC Financial Leasing Co., Ltd. ("ICBCFL") is one of the largest 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, shipping and large equipment. As of the end of 2018, it reported total assets of RMB 272 billion.

**Asset Breakdown as of the end of 2018**




**Gross Operating Income Breakdown in 2018**




**Economy and Industry Trends:** China's monetary policy in 2019 is more accommodative than 2018, and we expect that GDP growth for the full-year of 2019 can meet the target range of 6% - 6.5%. After 2017, leasing industry growth slowed as the leasing industry entered into a more stable growth phase, following initial high growth. After April 2018, the leasing companies licensed and regulated by Ministry of Commerce ("MOFCOM") were put under the regulation of China Banking and Insurance Regulatory Commission ("CBIRC"). We expect continued strong regulation of the overall industry following this change, which we believe is positive for the industry's long-term development. Leasing companies rely on wholesale funding, especially short-term bank loans, for funding. The accommodative monetary policy in 2019 is expected to help high credit quality financial leasing companies to reduce funding cost. However, poorer quality companies may face a tougher funding environment if tighter credit conditions prevail.

**Credit Highlights**: ICBCFL is a leading financial leasing company in China with strong franchise in aviation, shipping and equipment leasing. As a core subsidiary of ICBC, ICBCFL is an integral part of its parent's overall financial services offering. ICBCFL relies on short-term wholesale funding, which can make its profitability sensitive to short-term interest rate change. The cyclical nature of its client base makes it vulnerable to credit risk during economic downturn. However, we believe this is somewhat mitigated by its risk management practices, which are aligned with the risk management framework of ICBC. Furthermore, ICBC is committed to providing it with liquidity and capital supports in times of need. Therefore, ICBCFL's ratings are aligned with the extremely high credit quality of its parent.

**Key Metrics of ICBCFL**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Total assets (bil) | 184.38 | 165.49 | 169.74 | 272.49 |
| Gross operating income (bil) | 9.05 | 9.43 | 9.82 | 17.00 |
| Net income (bil) | 2.24 | 2.27 | 1.97 | 3.02 |
| Regulatory capital adequacy ratio (%) | 11.70 | 14.22 | 14.70 | 12.49 |
| Return on average equity (%) | 11.65 | 10.51 | 8.30 | 9.81 |
| Non-performing financial lease receivable ratio (%) | 1.15 | 1.29 | 1.19 | 1.10 |
| Total debt/total equity (X) | 7.63 | 5.92 | 5.56 | 6.89 |

Note: to make the ratios more comparable, some 2018 ratios calculated based on the restated 2017 data.

**Rating Snapshot**

| | |
|---|---|
| **Initial Anchor** | **bb+** |
| **Adjusted Anchor** | **bbb-** |
| — Business position | +2 |
| — Capital and Earnings | +1 |
| — Risk position | +1 |
| — Funding and Liquidity | +1 |
| **Stand-alone Credit Profile** | **a+** |
| **Group support** | **+4** |
| **Issuer credit rating** | **AAA** |
| **Outlook** | **Stable** |

**Business position:** ICBCFL is one of the largest financial leasing companies in China. It has developed strong business franchise for aviation, shipping and large equipment leasing. It has close business cooperation with its parent, ICBC.

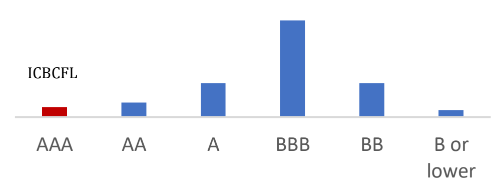
**Capital and Earnings:** Repeated capital injection from its parent and zero dividend payout ensure that it has enough capital to sustain growth and meet regulatory requirements. It has maintained a healthy profitability level, while its reliance on short-term wholesale funding makes it vulnerable to interest rate hike.

**Risk position:** ICBCFL has aligned itself with ICBC for risk culture and risk management. Non-performing financing lease assets are relatively low, while special-mention assets have risen. Its business has single-name concentration.

**Funding and Liquidity:** The duration of ICBCFL leasing assets is much longer than the debts, making mismatch. Owing to its liquidity support received from ICBC and the diversified sources of funding, we believe ICBCFL's liquidity risk is manageable.

**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.

**ICBCFL's relative issuer credit rating position among Chinese financial institutions**




Note：this chart serves as a hypothetical example of S&P Global China Ratings rating distribution of financial institutions. Rating below AAA could be adjusted by "+" and "- ".

| **Peer Group Comparison** | (The peer group includes ICBCFL, BoComFL, CDBFL, Minsheng FL, CMBFL and CCBFL) | | | | | |
|---|---|---|---|---|---|---|
| **(2016-2018 three-year average)** | **ICBCFL** | **Max** | **Min** | **Average** | **Asset-weighted average** | **Median** |
| Total assets (bil) | 202.57 | 206.25 | 137.31 | 177.71 | 181.52 | 182.74 |
| Gross operating income (bil) | 12.08 | 13.02 | 7.72 | 10.91 | 11.17 | 11.49 |
| Net income (bil) | 2.42 | 2.42 | 1.27 | 1.92 | 1.98 | 2.01 |
| Regulatory capital adequacy ratio (%) | 13.80 | 13.80 | 10.37 | 11.64 | 11.76 | 10.86 |
| Return on average equity (%) | 9.54 | 14.09 | 9.32 | 10.96 | 10.98 | 9.85 |
| Non-performing financial lease receivable ratio (%) | 1.19 | 1.78 | 0.81 | 1.21 | 1.23 | 1.15 |
| Total debt/total equity (X) | 6.13 | 9.32 | 6.13 | 7.93 | 7.87 | 8.36 |

Note: data in this table has been adjusted by S&P Global (China) Ratings.

## Rating Summary

| Company Name | Rating Type | Current Rating | Rating Date | Outlook/Credit Watch |
|---|---|---|---|---|
| ICBC Financial Leasing Co., Ltd | Issuer Credit Rating | AAA | July 11, 2019 | Stable |

| Stand-alone Credit Profile | a+ |
|---|---|
| Initial Anchor | bb+ |
| Adjusted Anchor | bbb- |
| Business Position | +2 |
| Capital & Earnings | +1 |
| Risk Position | +1 |
| Funding & Liquidity | +1 |
| Holistic Adjustment | 0 |

+

| External Support | +4 |
|---|---|
| Group Support | +4 |

| Issuer Credit Rating |
|---|
| AAA / Stable |

## Credit Highlights

| Strengths | Weaknesses |
|---|---|
| — ICBCFL has reliable support from its parent Industrial and Commercial Bank Ltd. (ICBC) in terms of capital and liquidity, and benefits from close cooperation with ICBC for business development and client acquisition. | — ICBCFL is reliant on short-term wholesale funding, which makes it vulnerable to market interest rate fluctuations, and could affect the stability of its profitability. |
| — ICBCFL is one of largest leasing companies in China with strong franchise in both operating lease and financial lease. | — Special-mention lease assets have risen marginally which may pose a threat to asset quality. |
| — ICBCFL has strong alignment with ICBC in terms of risk appetite and credit risk management practices, risk management culture, and integrated risk management. | |

## Rating Outlook

The stable outlook on ICBCFL reflects our expectation that ICBC will maintain a stable credit profile. We consider ICBCFL is, and will remain, a core subsidiary of ICBC, and its business and financial strength is expected to remain stable over the next two years, or longer.

Downside scenario

- We might consider the possibility of lowering the Issuer Credit Rating of ICBCFL if we think the credit profile of ICBC deteriorates significantly, or if we no longer view ICBCFL as a core subsidiary of its parent and we expect a change in our liquidity and capital support expectations from ICBC. We see the possibility of such developments as low over the next two years or longer.
- We might consider the possibility of lowering ICBCFL's Stand-alone Credit Profile if we expect its regulatory capital adequacy ratio to drop below regulatory requirement and there is no timely plan to enhance its capital base; or if we observe a significant increase of risk appetite, for example expansion into high risk market; or material deterioration of asset quality due to down cycle of its key end market.

Upside scenario

- We may consider raising ICBCFL's Stand-alone Credit Profile if we expect the company to significantly reduce its maturity mismatch between its assets and liabilities, or reduce its risk appetite and have a much lower level of credit cost on a sustainable basis, or if ICBCFL achieves a much stronger capital position.

## Anchor

### Macro-Economic and Industry Trend

In our view, China is expected to achieve its GDP growth target range of "6%-6.5%" in 2019. Should the economic slowdown intensify, and GDP growth drop to below 6% for 2019, we expect further stimulation policies are likely to be used. Since the second half of 2018, deleveraging has somewhat paused, but not yet reversed. We generally expect a monetary easing in 2019, but only a moderate and careful easing. Inter-bank liquidity is expected to be greater than in 2018. We believe local government infrastructure investment may be among the first to benefit from this round of easing, but effective borrowing rates for the real economy may remain relatively high given lending caution around the credit risk in the real economy.

**Non-bank financial institutions are typically subject to lighter regulation than their bank counterparts.**

**The non-bank financial institution market tends to be highly fragmented due to low barriers to entry.**

**Furthermore, their funding channels are usually quite limited.**

**Therefore, we typically apply an anchor of "bb+" to domestic finance companies.**

Before April 2018, the licensing and regulation of China's leasing industry was divided between two institutions, China Banking and Insurance Regulatory Commission ("CBIRC") and Ministry of Commerce ("MOFCOM"). After April 2018, the central government consolidated the regulation responsibilities of leasing companies to CBIRC. After this regulatory change, we expect more consistent regulation across the board which will benefit the industry in the mid to long term.

The leasing industry is fragmented, partly due to divided regulations before 2018. China has about 12,000 leasing companies, of which 70 were licensed by CBIRC and the remaining by MOFCOM. The relatively low barriers to entry has led to heated competition. Financial leasing companies also face competition from banking and shadow banking industries.

In contrast, operating lease activities have provided a different value proposition, and require specific industry and technical expertise in certain industries, such as aviation or shipping. We have identified that large leasing companies have generally been putting additional strategic focus on the operating lease segment.

Large bank-affiliated leasing companies tend to have long-term business relationships with large airlines and big players in shipping, energy, transportation and infrastructure industries. In recent years, they have also made progress in building up an international portfolio by leasing aircraft to international airlines. In contrast, small and medium-sized leasing companies tend to do business with small and medium-sized enterprises, and they might face different challenges in terms of credit risk management.

**The leasing industry is fragmented. Leasing companies licensed by CBIRC are subject to more stringent regulation.**

**Financial leasing companies licensed by CBIRC have their anchor adjusted to "bbb-" from "bb+".**

Many clients of the leasing industry are in aviation and shipping industries, which tend to be cyclical sectors, leaving the leasing industry generally more vulnerable to asset quality deterioration in periods of economic downturn. In addition, leasing companies also do business with local government financing vehicles ("LGFVs"), exposing them to the credit risk of LGFVs. Some of the lease assets related to LGFVs can be highways, tunnels, and pipelines. The relative illiquidity of these assets may affect recovery rate in the case of default.

As a relatively young industry, the leasing industry experienced rapid growth before 2017. After 2017 it has entered into a more stable and more mature stage, which was partially attributable to economic rebalancing.

Leasing companies generally rely on short-term bank loans for funding, resulting in continuous short-term refinancing risk. Leasing companies licensed by CBIRC have access to the inter-bank market, although the inter-bank market funding cannot exceed 100% of their capital. Bank-affiliated leasing companies tend to have a more reliable liquidity profile, thanks to ongoing liquidity support from parent banks. In contrast, many other leasing companies without access to the inter-bank market can be more vulnerable to refinancing risk.

We expect a slowdown of industry growth in the next two years. In our view, large bank-affiliated leasing companies are expected to remain stable and benefit from more accommodative monetary policy, while smaller leasing companies might face more challenges in terms of asset quality deterioration and capital base erosion. Some of them might find it more difficult to access funding if lenders become more concerned about their credit risk profile.

## Stand-alone Credit Profile

Established in 2007, ICBCFL was set up as a pilot program by the State Council, and it was the first bank-affiliated financial leasing company licensed by China Banking Regulatory Commission ("CBRC"), the predecessor of CBIRC. Its license is registered in Tianjin.

ICBCFL is a leading financial leasing company in China. It has three major business lines: aviation, shipping and large equipment leasing. Its reported total assets were RMB 272 billion as of the end of 2018. Its reported gross operating income was RMB 17 billion and return on average equity was 10% in 2018.

ICBCFL is a wholly owned subsidiary of Industrial and Commercial Bank of China Ltd. ("ICBC"), which is the largest commercial bank in China. ICBCFL is one of ICBC's largest non-bank subsidiaries in terms of total assets. We view ICBCFL as a core subsidiary of ICBC and we believe there is strong business synergy between ICBC and ICBCFL. ICBC has provided ICBCFL with significant ongoing support in terms of client acquisition, capital injection, risk management and liquidity support.

**ICBCFL is one of the largest financial leasing companies in China.**

**ICBCFL has built a strong franchise in aviation, shipping and equipment leasing.**

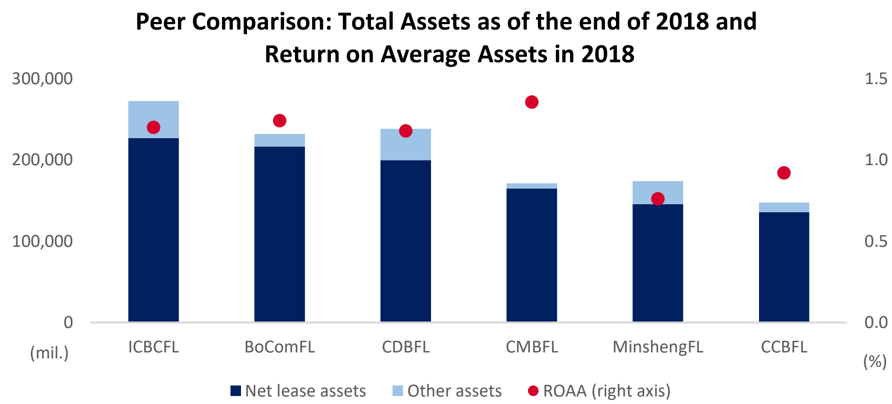
**ICBCFL's business development is strongly supported by its parent through client referral and business cooperation.**

**Its market position is much stronger than average finance companies and has two-notch uplift for business position.**

### Business Position

ICBCFL is one of the largest leasing companies in China and has a leading franchise in the leasing industry. Within the peer group of large bank-affiliated financial leasing companies in China, we view ICBCFL's business position as strong in terms of operating lease expertise, asset size and profitability.

Chart 1



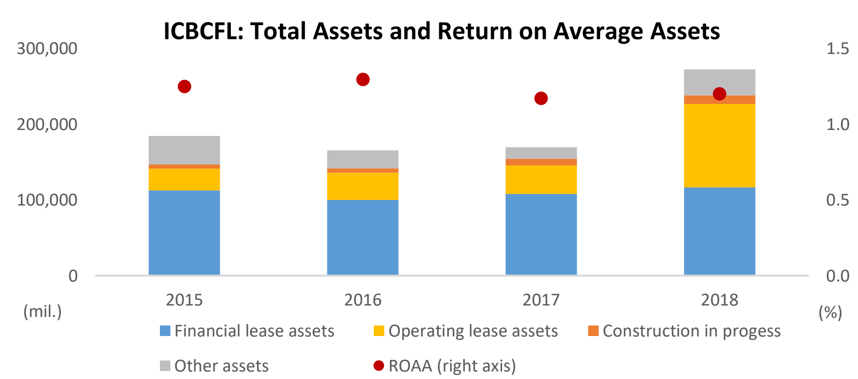

Note: Other assets include cash & due from Central Bank, due from banks, others liquid assets and construction in progress, etc.

Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

We expect the growth of its operating lease business to outpace its financial leasing business. As of the end of 2018, ICBCFL's net lease assets were RMB 227 billion, about half of which are operating lease assets. Most operating lease assets are concentrated in aviation.

Thanks to the higher value-added aspects of operating leases, it can provide leasing companies with higher margin and stronger competitive strengths, when compared with finance leasing, and has been identified by ICBCFL as a key business sector with strategic importance. In contrast, financial leasing products are like loan products, and face strong competition from banks, shadow banking institutions and the bond market. Leasing companies typically have limited pricing power. In addition, financial leasing activities to date have shown greater credit losses than operating leases so far. Therefore, although financial leasing remains a significant part of the ICBCFL's business, its contribution to total revenue has been decreasing. Gross income from financial leasing was RMB 5.25 billion in 2018 which increased by only 0.7% compared to 2017.

Chart 2




Note 1: Construction in progress mainly refers to aircraft ICBCFL has ordered from airplane manufacturers.

Note 2: ICBCFL other assets mainly include cash, due from Central Bank and other liquid assets.

Note3: to make the ratios more comparable, some 2018 ratios calculated based on the restated 2017 data.

Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

ICBCFL has developed strong technical expertise across its different business lines and has specialized subsidiaries and business units for aviation, shipping, transportation, energy and other large equipment. We believe it has a reasonably diverse and balanced business across these five sectors.

Aviation has been identified as a key sector for growth and it has airline clients across the world, with a concentration in China and Asia-Pacific. ICBCFL owns and manages a fleet which worth approximately RMB 130 billion and the size of its fleet ranks number six in the world.

ICBC's offshore leasing business is an important part of ICBC's effort to expand its international franchise. ICBCFL has a vision of becoming a leading international financial leasing company by 2020. Among its business lines, aviation is more internationalized and about half of its aviation assets are offshore. Large equipment leasing is predominantly focused on its domestic client base.

Before 2018, ICBC through ICBCIL to hold assets and debt related to its offshore leasing business. Although there is no direct shareholding relationship between ICBCFL and ICBCIL, ICBCFL has management control over ICBCIL, as ICBCFL serves as the centralized decision-maker for ICBC's overall leasing business. In 2014, the regulatory restriction related to overseas subsidiaries was removed, making it possible for bank-affiliated financial leasing companies to consolidate their offshore and onshore businesses.

In 2018, ICBCFL set up its aviation leasing subsidiary, ICBC Aviation Leasing, in Hong Kong, to consolidate ICBC group's offshore and onshore aviation lease assets. This was a major cause of asset size expansion and significant increases in operating income in 2018.

An efficient business referral and cooperation mechanism has been set up between ICBCFL and ICBC. Bank branches of ICBC across China refer their corporate clients to ICBCFL when their clients have demand for leasing products. ICBCFL has been able to fully utilize the strong client base and nationwide network of ICBC. Energy, transportation, and large equipment lease financing is typically sourced from client referral from ICBC branches which cover diverse regions, industries and client groups. Given the more specialized nature of aviation and shipping lease, ICBCFL typically conducts its own marketing and sales efforts.

Table 1

**ICBCFL -- Business Position**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Total assets (bil) | 184.38 | 165.49 | 169.74 | 272.49 |
| Net lease assets (bil) | 141.26 | 135.70 | 145.79 | 226.58 |
| Year-over-year growth of net lease assets (%) | -1.71 | -3.93 | 7.43 | 55.42 |
| Gross operating income (bil) | 9.05 | 9.43 | 9.82 | 17.00 |
| Year-over-year growth of gross operating income (%) | -14.79 | 4.19 | 4.21 | 73.02 |
| Net income (bil) | 2.24 | 2.27 | 1.97 | 3.02 |
| Year-over-year growth of net income (%) | 7.95 | 1.20 | -13.35 | 53.78 |
| Gross income from financial lease /gross operating income (%) | 63.86 | 59.27 | 53.04 | 30.87 |

**ICBCFL -- Business Position**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Gross income from operating lease/gross operating income (%) | 24.16 | 30.44 | 34.28 | 55.94 |

Note 1: net lease assets include net finance lease receivables, net operating lease assets and prepaid lease assets. ICBCFL holds 11.4 billion on construction in progress that mainly refers to aircrafts, and it will become lease assets.

Note 2: the rapid growth of net lease assets, gross operating income and net income in 2018 were caused by the consolidated of offshore aviation assets.

Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

Table 2

**Peer Comparison -- Business Position**

| (2016-2018 three-year avg.) | ICBCFL | Peer Group | | | | |
|---|---|---|---|---|---|---|
| | | Max | Min | Average | Asset-weighted average | Median |
| Total assets (bil) | **202.57** | 206.25 | 137.31 | 177.71 | 181.52 | 182.74 |
| Net lease assets (bil) | **169.36** | 194.59 | 128.05 | 157.36 | 160.28 | 157.08 |
| Year-over-year growth of net lease assets (%) | **19.64** | 19.64 | 6.44 | 14.00 | 14.40 | 15.22 |
| Gross operating income (bil) | **12.08** | 13.02 | 7.72 | 10.91 | 11.17 | 11.49 |
| Year-over-year growth of gross operating income (%) | **27.14** | 27.14 | 13.00 | 19.52 | 19.86 | 18.99 |
| Net income (bil) | **2.42** | 2.42 | 1.27 | 1.92 | 1.98 | 2.01 |
| Year-over-year growth of net income (%) | **13.88** | 34.16 | 10.95 | 17.20 | 17.83 | 13.27 |
| Gross income from financial lease/gross operating income (%) | **47.73** | 76.04 | 41.58 | 54.69 | 53.11 | 52.74 |
| Gross income from operating lease/gross operating income (%) | **40.22** | 46.69 | 17.88 | 32.72 | 34.40 | 31.74 |

Note: Bank of Communications Financial Leasing (BoComFL), China Development Bank Financial Leasing (CDBFL), Minsheng bank Financial Leasing (MinshengFL), China Merchants Bank Financial Leasing (CMBFL) and China Construction Bank Financial Leasing (CCBFL) have been chosen as the peer group of ICBCFL. The weights are assigned based on the average total assets of these companies from 2016 to 2018. The weights of ICBCFL, BoComFL, CDBFL, Minsheng FL, CMBFL and CCBFL are 19.0%, 19.3%, 18.5%, 15.8%,14.5% and 12.9% respectively.

Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

**ICBC is committed to injecting capital into ICBCFL to support its growth and meet regulatory requirements.**

**ICBCFL has maintained a healthy level of profitability despite pressure of interest risk and credit risk.**

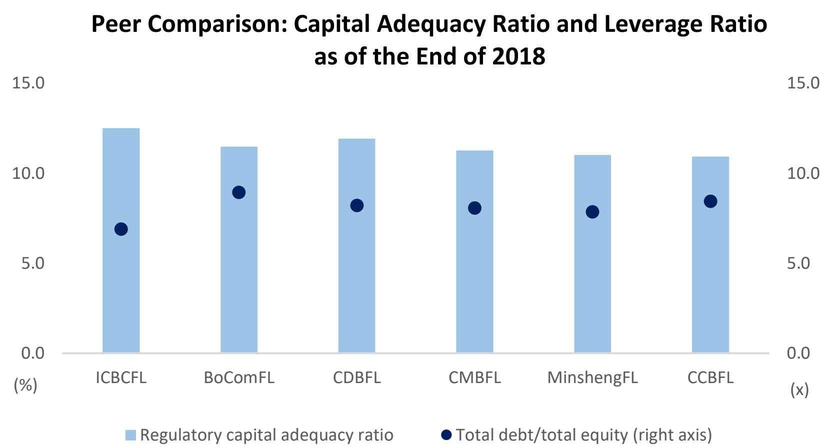
**Its capital position is stronger than average finance companies because of reliable parental support, resulting in one-notch uplift for capital and earnings.**

## Capital and Earnings

ICBC has provided repeated capital injections into ICBCFL and thus far ICBCFL has not returned any dividend payouts to ICBC. We believe ICBCFL has had adequate capital to support business development and meet regulatory requirements on its capital base. When set up in 2007, ICBCFL had a capital position of RMB 2 billion. During the past 11 years, ICBC injected capital three times of RMB 3 billion each. Furthermore, ICBC has not taken dividends from ICBCFL, and ICBCFL's earnings have been 100% retained to support further business growth. In 2018, with the approval of ICBC, RMB 7 billion retained earnings were transferred into paid-in capital which increased to RMB 18 billion by the end of 2018.

As a result of the strong capital base, the company has been able to maintain stable leverage and sufficient capital adequacy ratios during rapid business growth. As of the end of 2018, its total debt/equity ratio is 6.9 times and reported regulatory capital adequacy ratio is 12.49%, higher than the minimum regulatory requirements.

Chart 3




Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

As a result of the relatively high leverage of the offshore aviation leasing business, its consolidation into ICBCFL in 2018 has resulted in a drop in ICBCFL's regulatory capital adequacy ratio, from 14.70% at the end of 2017 to 12.49% at the end of 2018. The company plans to issue hybrid bonds to raise its capital adequacy ratio back to a higher level. In addition, we expect stable profitability can positively contribute to its capital position, and our estimation of its capital adequacy ratio to be close to 13% in next 24 months, without considering any hybrid bond issuance.

To support the development of the offshore leasing business, ICBCFL has been providing credit support to ICBCIL and its subsidiaries in the form of keep-well arrangements. These contingent liabilities could become potential strains on the capital position of ICBCFL. In our view, any negative impact on capital position due to the consolidation of the offshore business is only short-term. We believe the consolidation may reduce any uncertainty on its capital adequacy level caused by contingent liabilities of offshore businesses and makes ICBCFL more transparent to the market.

Following a decade of rapid growth, ICBCFL is entering into a more mature and stable phase with single-digit growth, and we expect it will be easier to manage leverage and capital adequacy in a slower growth environment. Except for any consolidation of offshore shipping assets, we expect single-digit growth of its assets for the next 24 months, and the annual growth rate would likely be in the range of 6 – 8%.

We expect that capital support from ICBC to ICBCFL is almost certain given that such support is required by Chinese regulations. *Rules Governing Financial Leasing Companies* issued by CBRC in 2014 requires capital support from controlling shareholders to its financial leasing companies. To comply with this regulation, ICBCFL amended its Articles of Association in the same year, which provides for ICBC to promptly replenish the company's capital level if operational losses lead to capital erosion.

Table 3

**ICBCFL -- Capital Adequacy and Leverage**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Regulatory tier-1 capital adequacy ratio (%) | 11.12 | 13.55 | 14.01 | 11.87 |
| Regulatory total capital adequacy ratio (%) | 11.70 | 14.22 | 14.70 | 12.49 |
| Tier-1 capital/total capital (%) | 95.06 | 95.25 | 95.34 | 95.03 |
| Regulatory Risk-weighted assets/total assets (%) | 98.85 | 101.50 | 102.94 | 100.74 |
| Total debt/total equity (X) | 7.63 | 5.92 | 5.56 | 6.89 |

Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

Table 4

**Peer Comparison -- Capital Adequacy and Leverage**

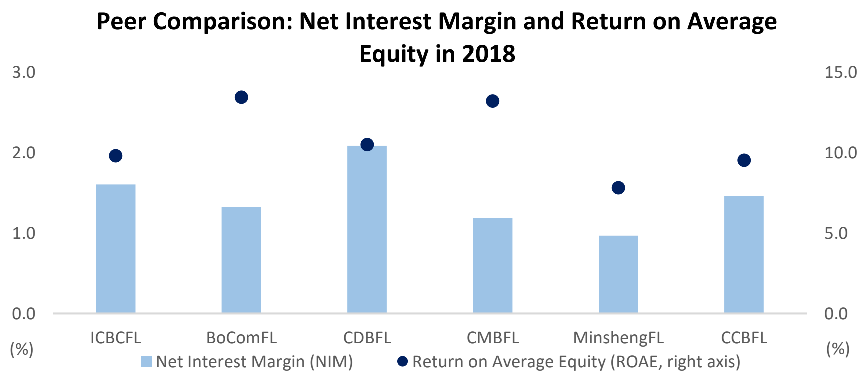
| (2016-2018 three-year avg.) | ICBCFL | Peer Group | | | | |
|---|---|---|---|---|---|---|
| | | Max | Min | Average | Asset-weighted average | Median |
| Regulatory tier-1 capital adequacy ratio (%) | **13.14** | 13.14 | 9.19 | 10.62 | 10.75 | 9.85 |
| Regulatory total capital adequacy ratio (%) | **13.80** | 13.80 | 10.37 | 11.64 | 11.76 | 10.86 |
| Tier-1 capital/total capital (%) | **95.21** | 95.21 | 87.46 | 90.98 | 91.14 | 90.77 |
| Regulatory Risk-weighted assets/total assets (%) | **101.73** | 104.31 | 96.61 | 100.12 | 99.80 | 100.27 |
| Total debt/total equity (X) | **6.13** | 9.32 | 6.13 | 7.92 | 7.86 | 8.34 |

Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

We view ICBCFL's profitability as healthy and we expect to see relatively stable profitability for the next 24 months at least. We believe continued profitability is likely to give a mild boost to its capital position. As a result of ICBCFL's reliance on short-term funding, its profitability is sensitive to change in monetary policy and inter-bank market interest rate. Its lease assets typically have a relatively long tenor and are of fixed rate, so it cannot quickly factor higher interest cost into its pricing when short-term market rate rises. As a result, its net interest margin may get compressed when the inter-bank market rate rises.

We view the monetary policy in 2019 as generally accommodative and sufficient liquidity in the market is expected to keep interest rates low, particularly for high credit quality players like ICBCFL. This is expected to help ICBCFL achieve better net interest margin and profitability in 2019.

Chart 4




Note: NIM of S&P Global (China) Ratings financial leasing company equal to (net interest income + net income from operating lease) / average interest bearing assets.

Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

Provisioning is another key factor which affects the profitability of financial leasing companies. In 2018, ICBCFL booked a total asset impairment of RMB 674 million, much higher than that of 2017. The provisioning/operating income ratio increased from 4% in 2017 to 13% in 2018. In our view, although provisioning hurt short-term profitability, it eventually helps the company better protect its capital and improve earnings quality in the long term.

We view the consolidation of the offshore aviation leasing business as positive for its overall profitability in 2018. The company achieved net income of RMB 3 billion in 2018 which is a year-over-year increase of 54%, while ROAE increased from 8.3% in 2017 to 9.8% in 2018.

We estimate that the company will enjoy lower interest cost and better net interest margin in 2019, although credit cost may remain high. We expect overall probability in 2019 to be stable.

Table 5

**ICBCFL -- Profitability**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Net interest margin (%) | 1.35 | 1.88 | 1.45 | 1.60 |
| Interest income/average interest-generating assets (%) | 5.00 | 5.35 | 5.73 | 6.54 |
| Interest payment/average interest-paying debt (%) | 3.38 | 3.03 | 3.84 | 3.70 |
| Cost-to-income ratio (%) | 13.60 | 10.11 | 11.46 | 8.62 |
| Provisioning/operating income (%) | 4.92 | 6.01 | 4.05 | 12.87 |
| Return on average assets (%) | 1.25 | 1.30 | 1.17 | 1.20 |
| Return on average equity (%) | 11.65 | 10.51 | 8.30 | 9.81 |

Note: to make the ratios more comparable, some 2018 ratios calculated based on the restated 2017 data.

Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

Table 6

**Peer Comparison – Profitability**

| (2016-2018 three-year avg.) | ICBCFL | Peer Group | | | | |
|---|---|---|---|---|---|---|
| | | Max | Min | Average | Asset-weighted average | Median |
| Net interest margin (%) | **1.64** | 2.48 | 1.26 | 1.70 | 1.71 | 1.58 |
| Interest income/average interest-generating assets (%) | **5.87** | 7.21 | 5.14 | 5.99 | 6.04 | 5.89 |
| Interest payment/average interest-paying debt (%) | **3.52** | 4.33 | 3.39 | 3.74 | 3.71 | 3.65 |
| Cost-to-income ratio (%) | **10.06** | 14.74 | 9.23 | 10.95 | 10.97 | 9.79 |
| Provisioning/operating income (%) | **7.64** | 28.26 | 7.64 | 17.89 | 17.54 | 17.97 |
| Return on average assets (%) | **1.22** | 1.35 | 0.89 | 1.14 | 1.14 | 1.17 |
| Return on average equity (%) | **9.54** | 14.09 | 9.32 | 10.96 | 10.98 | 9.85 |

Note: to make the ratios more comparable, some 2018 ratios of ICBCFL calculated based on the restated 2017 data.
Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

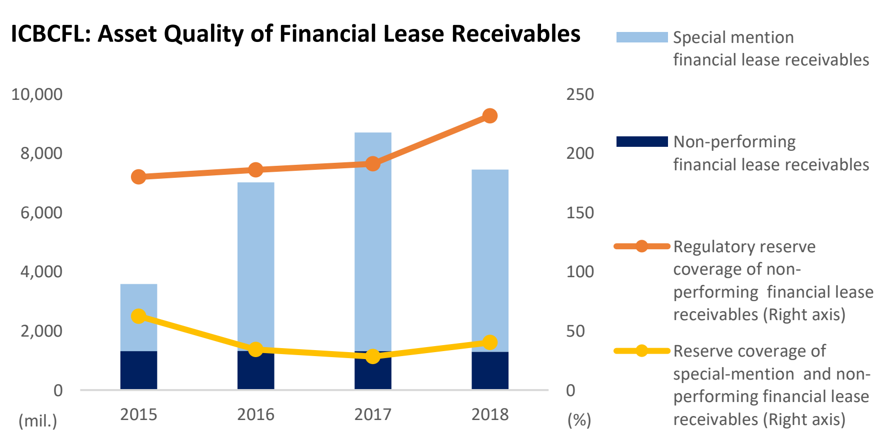
## Risk Position

**ICBCFL has aligned itself with ICBC for risk culture and risk management practices.**

**Its risk position is stronger than average finance companies, resulting in one-notch uplift for risk position.**

We view ICBCFL's risk governance framework as effective. In our view, its integrated risk management fits its business profile and is fully integrated into the overall risk management framework of ICBC. Most senior management members and board directors of ICBCFL are veteran bankers from ICBC. ICBCFL has adopted the same risk control requirements of ICBC and uses the same industry lending policies and internal rating models as ICBC. Its leasing business exposures to clients are integrated into the credit limit management of ICBC. In addition, it has close cooperation with ICBC branches across China for client risk surveillance and bad debt collection.

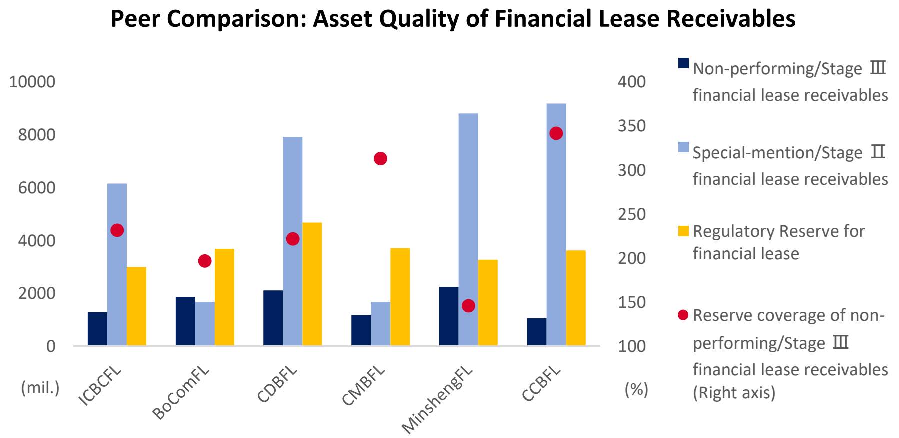
Chart 5




Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

Since aviation, shipping and large equipment sectors are highly cyclical, the company's asset quality can be vulnerable to economic slowdown. In our view, the company's effective risk management has mitigated this issue to some extent. ICBCFL has managed to maintain a relatively stable and low non-performing financing lease receivable ratio. The average non-performing lease receivable ratio from 2016 to 2018 is 1.2%. However, special-mention assets in its financial lease business has increased from 2.0% in 2015 to 6.7% in 2017, and then dropped to 5.2% by the end of 2018.

Chart 6




Note: If we don't have public data on asset credit classification, we use stage II assets under IFRS 9 as proxy for special-mention assets, and stage III assets under IFRS 9 as proxy for non-performing assets.

Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

ICBCFL's client base tends to be large companies with large projects or high asset values. As a result, its single-name concentration risk is high. Due to the high concentration of its portfolio, there could be a potentially large impact on its overall asset quality metrics, in the event a large client exposure shows signs of credit deterioration. This also contributed to the increase in special-mention assets to some extent.

In the face of some uncertainty in the credit environment, ICBCFL has increased its provisioning efforts. By the end of 2018, its total reserve for financing lease assets was RMB 3 billion, achieving a non-performing lease receivable coverage of 231%.

ICBCFL has stepped up its efforts in bad debt collection. In early 2019, ICBCFL reorganize a new center dedicated to non-performing asset recovery. Although its own physical network in China is limited, it can take advantage of the wide network of ICBC branches to help it identify and mitigate credit risk of its clients.

Table 7

**ICBCFL -- Risk Position**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Year-to-year growth of net financial lease receivables(%) | -1.96 | -9.46 | 7.01 | 8.09 |
| Year-to-year growth of net operating lease assets(%) | 41.07 | 24.14 | 6.83 | 190.15 |
| Year-to-year growth of total assets(%) | 5.86 | -10.25 | 2.57 | 60.53 |
| Maximum single customer concentration(%) | 21.16 | 21.12 | 18.75 | 14.52 |
| Maximum single group customer concentration(%) | 39.16 | 33.52 | 25.73 | 14.52 |
| Non-performing financial lease receivable ratio (%) | 1.15 | 1.29 | 1.19 | 1.10 |
| Special-mention financial lease receivable ratio (%) | 1.97 | 5.55 | 6.70 | 5.22 |

**ICBCFL -- Risk Position**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Regulatory reserve coverage of non-performing financial lease receivables (%) | 179.93 | 186.00 | 191.01 | 231.57 |
| Reserve coverage of special-mention + non-performing financial lease receivables (%) | 62.41 | 34.34 | 28.30 | 40.17 |
| Reserve coverage of financial lease receivables (%) | 2.03 | 2.40 | 2.29 | 2.57 |
| Net write-offs of financial lease receivables/average financial lease receivables (%) | 0.01 | - | - | 0.04 |

Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

Table 8

**Peer Comparison -- Risk Position**

| (2016-2018 three-year avg.) | ICBCFL | Peer Group | | | | |
|---|---|---|---|---|---|---|
| | | Max | Min | Average | Asset-weighted average | Median |
| Non-performing financial lease receivable ratio (%) | **1.19** | 1.78 | 0.81 | 1.21 | 1.23 | 1.15 |
| Special-mention financial lease receivable ratio (%) | **5.82** | 8.67 | 1.42 | 4.97 | 4.83 | 5.22 |
| Regulatory reserve coverage of non-performing financial lease receivables (%) | **202.86** | 329.94 | 164.35 | 238.33 | 234.57 | 231.01 |
| Reserve coverage of special-mention + non-performing financial lease receivables (%) | **34.27** | 110.46 | 28.03 | 58.43 | 59.40 | 40.36 |
| Reserve coverage of total financial lease receivables (%) | **2.42** | 3.17 | 2.42 | 2.81 | 2.80 | 2.87 |
| Net write-offs of financial lease receivables/average financial lease receivables (%) | **0.01** | 0.78 | 0.00 | 0.19 | 0.20 | 0.03 |

Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

## Funding and Liquidity

**Although ICBCFL has a significant maturity mismatch between assets and liabilities, it has reliable ongoing liquidity supports from its parent, which leads to one-notch uplift for funding and liquidity.**

ICBCFL does not have the ability to take deposits. As such, ICBCFL and its peers, generally rely on wholesale funding, such as inter-bank market borrowing, bank loans and capital markets. As of the end of 2018, it has a total debt of RMB 222 billion, within which, 87% are bank borrowing and other borrowings, 11% repos and 2% bonds.

The tenor mismatch between assets and liabilities is common among bank-affiliated financial leasing companies. The funding of ICBCFL relies on short-term borrowing, particularly bank loans. Meanwhile, the terms of lease assets tend to be long as they typically match the life cycles of the lease assets. As a result, like all its peers, ICBCFL has been constantly rolling over short-term debt to support long-term assets. This level of tenor mismatch could be risky for leasing companies not affiliated with big banks. In our view however, for ICBCFL and other leading bank-affiliated leasing companies, their liquidity risk is low because they are expected to be able to rely on liquidity support from much larger parent banks.

Chart 7

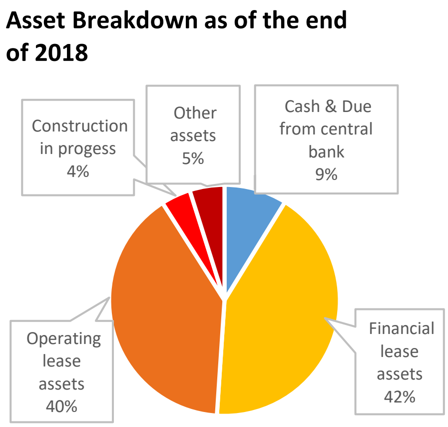
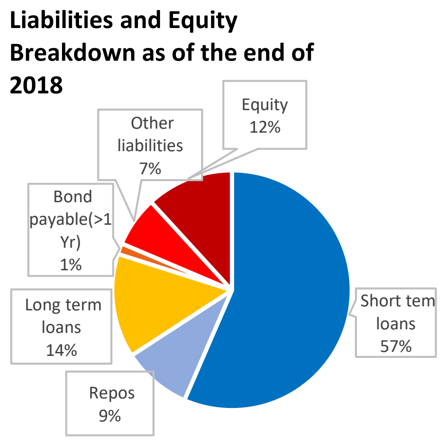


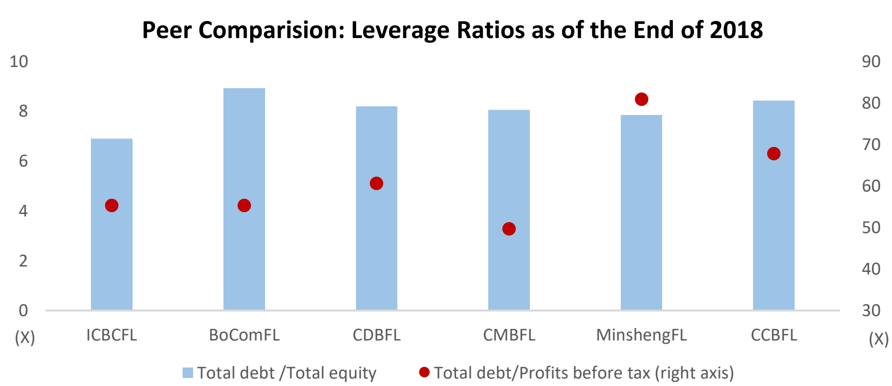

Chart 8




Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

To deal with the significant tenor mismatch, ICBCFL has put in place a rigorous liquidity management framework and developed a detailed liquidity risk emergency response plan. ICBCFL monitors and manages its liquidity position frequently and keeps a highly liquid bond portfolio on hand, which can be posted as collateral to cope with an unexpected liquidity requirement. ICBCFL has been making conscious efforts to extend the tenor of its debt by issuing bonds and securing longer-term loans from banks. We expect further improvement in the future, while we expect the maturity mismatch will continue to be a significant feature for the liquidity profiles of ICBCFL and its peers.

Chart 9




Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

**Overall, thanks to its leading business position, adequate capital and liquidity profiles, and prudent risk management, ICBCFL is assigned an SACP score of "a+", five-notch higher than its adjusted anchor of bbb-.**

The financial leasing company regulation issued by CBIRC and ICBCFL's own Articles of Association requires liquidity support from its parent in the event ICBCFL experiences liquidity difficulties. ICBC is China's largest commercial bank, and the total debt of ICBCFL is less than 1% of ICBC's total assets. In our view, ICBC would have both the capability and the willingness to provide sufficient and timely liquidity support to ICBCFL in time of need.

In addition to tapping into the strong liquidity sources of its parent, ICBCFL has diversified its funding sources, and controlled its reliance on parental funding under 40%. Because of its strong business position and close affiliation with ICBC, ICBCFL enjoys strong and stable relationship with major banks in China. The unused credit line of ICBCFL is much larger than its total debt.

We view that when the market liquidity tightens, the major risk facing the company could be the profitability pressure caused by the rising cost of capital rather than refinancing risk.

Table 9

**ICBCFL -- Funding and Liquidity**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Short-term debt/total debt (%) | 87.64 | 83.50 | 87.03 | 71.79 |
| Total debt/total equity (X) | 7.63 | 5.92 | 5.56 | 6.89 |
| Total debt/profits before tax (X) | 50.74 | 43.59 | 54.24 | 55.29 |
| Net operating cash flow/total debt (X) | 0.06 | -0.02 | 0.04 | 0.16 |
| Net operating cash flow /interest payment (X) | 1.89 | -0.56 | 1.02 | 4.60 |

Note: the short-term debt of 2018 has been adjusted to reflect the company's actual debt payment schedule.
Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

Table 10

**Peer Comparison -- Funding and Liquidity**

| (2016-2018 three-year avg.) | ICBCFL | Peer Group | | | | |
|---|---|---|---|---|---|---|
| | | Max | Min | Average | Asset-weighted average | Median |
| Short-term debt/total debt (%) | **80.77** | 85.72 | 55.08 | 71.87 | 71.18 | 72.33 |
| Total debt/total equity (X) | **6.13** | 9.32 | 6.13 | 7.93 | 7.87 | 8.36 |
| Total debt/profits before tax (X) | **51.04** | 67.02 | 51.04 | 58.46 | 58.01 | 57.49 |
| Net operating cash flow/total debt (X) | **0.06** | 0.10 | -0.03 | 0.03 | 0.04 | 0.03 |
| Net operating cash flow/interest payment (X) | **1.69** | 3.21 | -0.96 | 0.99 | 1.15 | 0.98 |

Sources: ICBCFL annual reports and provided data, public data of peer companies, collected and adjusted by S&P Global (China) Ratings.

## Issuer Credit Rating

### External Support

**Because ICBCFL is critical to its parent, given the extremely low credit risk of ICBC, an Issuer Credit Rating of AAA has been assigned to ICBCFL, which is a four-notch uplift from its SACP of a+.**

ICBC is the largest commercial bank in China. We also view it as one of the global systemically important financial institutions. ICBC has the most extensive commercial banking operation network and an extremely strong commercial banking brand in China. ICBC has a solid and extensive client base for both personal and corporate deposits. By the end of 2018, ICBC reported a total asset of RMB 27.7 trillion, and operated 16,394 domestic branches and 419 overseas branches. It has over 7 million corporate clients and 607 million individual clients. It has maintained good capital adequacy and profitability. As of the end of 2018, ICBC's reported regulatory capital adequacy ratio was 15.4%. It reported a net income of RMB 299 billion and ROAE of 14% in 2018.

ICBC plays a vital role in maintaining the overall stability of China's financial system and is an important tool for the central government to implement its monetary and financial policies. ICBC's largest shareholder is the central government and this shareholding is long-term and strategic. Its biggest shareholders are Central Huijin Investment Ltd. and Ministry of Finance, respectively holding 34.71% and 34.60% of its shares. As a result, the combined shareholding by the central government is 69.31%. In addition, the senior management team of ICBC has been appointed by the central government.

Overall, as the biggest commercial bank in China, ICBC has a very strong business position and financial strength. It is critical to the central government, and we believe the likelihood of government support, in time of stress, is almost certain. As a result, ICBC's overall credit risk is extremely low.

ICBCFL is wholly owned by ICBC, and it is one of the largest non-bank subsidiaries of ICBC in terms of total assets. We believe that ICBCFL is a core subsidiary of ICBC. ICBCFL's business is an integral part of the ICBC group to provide a full package of financial services to its corporate clients. Leasing has become an important supplement for bank loans. The products and services offered by ICBCFL can provide special added values to large corporate clients in aviation, shipping, energy, transportation and infrastructure industries.

An effective corporate governance framework has been set up between ICBCFL and its parent. ICBC has set up a board of directors to oversee the subsidiary and appointed its management. ICBC monitors the key business and financial performance indicators of ICBCFL, ensures consistency of risk appetite, underwriting standards and exposure limit execution between the parent and the leasing subsidiary. In our view, ICBC has provided effective ongoing support for the company in terms of business development, capital injection and funding supports.

Liquidity and capital support from the parent to ICBCFL in time of stress is required by Chinese regulations. A regulation issued by the bank regulator in 2014 requires liquidity and capital supports from controlling shareholders to its financial leasing companies. To comply with this regulation, ICBCFL amended its Articles of Association in the same year which provides for ICBC to provide liquidity support in case the company faces payment difficulty and to promptly replenish the company's capital levels if operational losses lead to capital erosion.

Overall, ICBC has been providing strong ongoing support to ICBCFL and it is required to provide extraordinary supports by regulations in time of stress. As a result, ICBCFL's ratings are closely aligned with ICBC's credit quality. In addition, based on the importance of ICBC to central government and the importance of ICBCFL to ICBC, we believe indirect government support through the parent is also highly likely. Given the extremely high credit quality of ICBC, we assign an Issuer Credit Rating of AAA to ICBCFL.

## Appendix 1: Key Financial Data

**ICBCFL: Key Financial Data**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| **Business Position** | | | | |
| Total assets (mil) | 184,383.99 | 165,493.43 | 169,740.47 | 272,489.25 |
| Net lease assets (mil) | 141,256.01 | 135,703.76 | 145,786.83 | 226,582.34 |
| Year-over-year growth of net lease assets (%) | -1.71 | -3.93 | 7.43 | 55.42 |
| Gross operating income (mil) | 9,048.37 | 9,427.34 | 9,823.80 | 16,997.55 |
| Year-over-year growth of gross operating income (%) | -14.79 | 4.19 | 4.21 | 73.02 |
| Net income (mil) | 2,240.69 | 2,267.66 | 1,965.00 | 3,021.86 |
| Year-over-year growth of net income (%) | 7.95 | 1.20 | -13.35 | 53.78 |
| Gross financial lease revenue/gross operating income (%) | 63.86 | 59.27 | 53.04 | 30.87 |
| Gross income from operating lease/gross operating income (%) | 24.16 | 30.44 | 34.28 | 55.94 |
| **Capital and Earnings** | | | | |
| Regulatory tier-1 capital adequacy ratio (%) | 11.12 | 13.55 | 14.01 | 11.87 |
| Regulatory total capital adequacy ratio (%) | 11.70 | 14.22 | 14.70 | 12.49 |
| Tier-1 capital/total capital (%) | 95.06 | 95.25 | 95.34 | 95.03 |
| Regulatory Risk-weighted assets/total assets (%) | 98.85 | 101.50 | 102.94 | 100.74 |
| Total debt/total equity (X) | 7.63 | 5.92 | 5.56 | 6.89 |
| Net interest margin (%) | 1.35 | 1.88 | 1.45 | 1.60 |
| Interest income/average interest-generating assets (%) | 5.00 | 5.35 | 5.73 | 6.54 |
| Interest payment/average interest-paying debt (%) | 3.38 | 3.03 | 3.84 | 3.70 |
| Cost-to-income ratio (%) | 13.60 | 10.11 | 11.46 | 8.62 |
| Provisioning/operating income (%) | 4.92 | 6.01 | 4.05 | 12.87 |
| Return on average assets (%) | 1.25 | 1.30 | 1.17 | 1.20 |
| Return on average equity (%) | 11.65 | 10.51 | 8.30 | 9.81 |
| **Risk Position** | | | | |
| Non-performing financial lease receivable ratio (%) | 1.15 | 1.29 | 1.19 | 1.10 |
| Special-mention financial lease receivable ratio (%) | 1.97 | 5.55 | 6.70 | 5.22 |
| Regulatory reserve coverage of non-performing financial lease receivables (%) | 179.93 | 186.00 | 191.01 | 231.57 |
| Reserve coverage of special-mention + non-performing financial lease receivables (%) | 62.41 | 34.34 | 28.30 | 40.17 |
| Reserve coverage of financial lease receivables (%) | 2.03 | 2.40 | 2.29 | 2.57 |
| Net write-offs of financial lease receivables/average financial lease receivables (%) | 0.01 | - | - | 0.04 |
| **Funding and Liquidity** | | | | |
| Short-term debt/total debt (%) | 87.64 | 83.50 | 87.03 | 71.79 |
| Total debt/total equity (X) | 7.63 | 5.92 | 5.56 | 6.89 |
| Total debt/profits before tax (X) | 50.74 | 43.59 | 54.24 | 55.29 |
| Net operating cash flow/total debt (X) | 0.06 | -0.02 | 0.04 | 0.16 |
| Net operating cash flow /interest payment (X) | 1.89 | -0.56 | 1.02 | 4.60 |

Note 1: we believe ICBCFL has a clear business model, rigorous financial management, and is under effective governance of the parent. Therefore, we did not make any significant adjustment to its reported financial data.

Note 2: to make the ratios more comparable, some 2018 ratios calculated based on the restated 2017 data. The short-term debt of 2018 has been adjusted to reflect the company's actual debt payment schedule.

Sources: ICBCFL annual reports and provided data, collected and adjusted by S&P Global (China) Ratings.

## Appendix 2: Peer Comparison Data

**Peer Comparison Data**

| (2016-2018 three-year avg.) | ICBCFL | Peer Group | | | | |
|---|---|---|---|---|---|---|
| | | Max | Min | Average | Asset-weighted average | Median |
| **Business Position** | | | | | | |
| Total assets (mil) | **202,574.38** | 206,248.84 | 137,306.73 | 177,709.93 | 181,524.04 | 182,735.16 |
| Net lease assets (mil) | **169,357.64** | 194,589.61 | 128,048.37 | 157,359.88 | 160,274.68 | 157,081.75 |
| Year-over-year growth of net lease assets (%) | **19.64** | 19.64 | 6.44 | 14.00 | 14.40 | 15.22 |
| Gross operating income (mil) | **12,082.90** | 13,024.27 | 7,720.02 | 10,905.24 | 11,174.03 | 11,487.71 |
| Year-over-year growth of gross operating income (%) | **27.14** | 27.14 | 13.00 | 19.52 | 19.86 | 18.99 |
| Net income (mil) | **2,418.18** | 2,418.18 | 1,267.62 | 1,924.97 | 1,980.04 | 2,012.83 |
| Year-over-year growth of net income (%) | **13.88** | 34.16 | 10.95 | 17.20 | 17.83 | 13.27 |
| Gross financial lease revenue/gross operating income (%) | **47.73** | 76.04 | 41.58 | 54.69 | 53.11 | 52.74 |
| Gross income from operating lease/gross operating income (%) | **40.22** | 46.69 | 17.88 | 32.72 | 34.40 | 31.74 |
| **Capital and Earnings** | | | | | | |
| Regulatory tier-1 capital adequacy ratio (%) | **13.14** | 13.14 | 9.19 | 10.62 | 10.75 | 9.85 |
| Regulatory total capital adequacy ratio (%) | **13.80** | 13.80 | 10.37 | 11.64 | 11.76 | 10.86 |
| Tier-1 capital/total capital (%) | **95.21** | 95.21 | 87.46 | 90.98 | 91.14 | 90.77 |
| Regulatory Risk-weighted assets/total assets (%) | **101.73** | 104.31 | 96.61 | 100.12 | 99.80 | 100.27 |
| Total debt/total equity (X) | **6.13** | 9.32 | 6.13 | 7.92 | 7.86 | 8.34 |
| Net interest margin (%) | **1.64** | 2.48 | 1.26 | 1.70 | 1.71 | 1.58 |
| Interest income/average interest-generating assets (%) | **5.87** | 7.21 | 5.14 | 5.99 | 6.04 | 5.89 |
| Interest payment/average interest-paying debt (%) | **3.52** | 4.33 | 3.39 | 3.74 | 3.71 | 3.65 |
| Cost-income ratio (%) | **10.06** | 14.74 | 9.23 | 10.95 | 10.97 | 9.79 |
| Provisioning/operating income (%) | **7.64** | 28.26 | 7.64 | 17.89 | 17.54 | 17.97 |
| Return on average assets (%) | **1.22** | 1.35 | 0.89 | 1.14 | 1.14 | 1.17 |
| Return on average equity (%) | **9.54** | 14.09 | 9.32 | 10.96 | 10.98 | 9.85 |
| **Risk Position** | | | | | | |
| Non-performing financial lease receivable ratio (%) | **1.19** | 1.78 | 0.81 | 1.21 | 1.23 | 1.15 |
| Special-mention financial lease receivable ratio (%) | **5.82** | 8.67 | 1.42 | 4.97 | 4.83 | 5.22 |
| Regulatory reserve coverage of non-performing financial lease receivables (%) | **202.86** | 329.94 | 164.35 | 238.33 | 234.57 | 231.01 |
| Reserve coverage of special-mention + non-performing financial lease receivables (%) | **34.27** | 110.46 | 28.03 | 58.43 | 59.40 | 40.36 |
| Reserve coverage of total financial lease receivables (%) | **2.42** | 3.17 | 2.42 | 2.81 | 2.80 | 2.87 |
| Net write-offs of financial lease receivables/average financial lease receivables (%) | **0.01** | 0.78 | 0.00 | 0.19 | 0.20 | 0.03 |
| **Funding and Liquidity** | | | | | | |
| Short-term debt/total debt (%) | **80.77** | 85.72 | 55.08 | 71.87 | 71.18 | 72.33 |
| Total debt/total equity (X) | **6.13** | 9.32 | 6.13 | 7.93 | 7.87 | 8.36 |
| Total debt/profits before tax (X) | **51.04** | 67.02 | 51.04 | 58.46 | 58.01 | 57.49 |
| Net operating cash flow/total debt (X) | **0.06** | 0.10 | -0.03 | 0.03 | 0.04 | 0.03 |
| Net operating cash flow/interest payment (X) | **1.69** | 3.21 | -0.96 | 0.99 | 1.15 | 0.98 |

Note 1: Bank of Communications Financial Leasing (BoComFL), China Development Bank Financial Leasing (CDBFL), Minsheng bank Financial Leasing (MinshengFL), China Merchants Bank Financial Leasing (CMBFL) and China Construction Bank Financial Leasing (CCBFL) have been chosen as the peer group of ICBCFL. The weights are assigned based on the average total assets of these companies from 2016 to 2018. The weights of ICBCFL, BoComFL, CDBFL, Minsheng FL, CMBFL and CCBFL are 19.0%, 19.3%, 18.5%, 15.8%,14.5% and 12.9% respectively.
Note 2: to make the ratios more comparable, some 2018 ratios of ICBCFL calculated based on the restated 2017 data. The short-term debt of 2018 has been adjusted to reflect the company's actual debt payment schedule.
Sources: public data of peer companies, collected and adjusted by S&P Global (China) Ratings.