

China Financing Guarantee Companies: Government-Backed Dominate with Regional Divergence

China financing guarantee companies (“FGCs”) mainly provide credit enhancement for corporates’ debt financing activities, including bond issuances, bank loans, and other forms of borrowing. FGCs backed by government-related shareholders still dominate the industry. We expect their overall credit risk profile to remain stable over the next 1-2 years amid local governments’ ongoing debt resolution efforts. However, given their strong regional focus, FGCs in less developed areas with strained fiscal revenues generally face higher compensation risks, while those in economically advanced regions benefit from lower credit loss claims, broader business opportunities, and stronger government support (e.g., capital injections), sustaining their better credit profiles.

Policy-oriented Business Focus

In China, FGCs backed by government and state-owned enterprise (“SOE”) shareholders dominate the industry, comprising two national FGCs owned by central SOEs and various local FGCs controlled by provincial governments, covering major provinces and economically developed cities. Local FGCs exhibit strong regional characteristics, focusing on business development within their jurisdictions. They play a significant role in expanding financing channels, and facilitating the financing needs for local enterprises. Given government-funded FGCs’ policy functions, they usually adhere to a “break-even” principle without pursuing profit maximization.

In 2025, the regulatory authorities, including the Ministry of Finance, the National Development and Reform Commission, the People’s Bank of China, and the National Administration of Financial Regulation, jointly issued the Administrative Measures for the Development of Government Financing Guarantee Institutions (the “Measures”). The Measures require government-funded financing guarantee institutions to focus on policy-oriented guarantees, particularly in supporting SMEs and the “agriculture, rural areas, and farmers” sectors, in order to help maintain social stability and support economic growth. Most China FGCs have established dedicated subsidiaries to conduct policy-oriented financing guarantee business.

High Concentration and Slowing Growth

China FGCs exhibit high industry concentration. Top 10 players accounted for approximately 60% of total bond guarantee balances as of end-2024, as their large capital base enhances risk absorption capacity and growth potential. The top 10 players’ median financing guarantee multiple was 6.3x, well below the regulatory limit of 10x, indicating a substantial room for business expansion. In contrast, a significant number of smaller FGCs experienced decreases in revenue and guarantee balances.

Meanwhile, China FGCs’ business is highly concentrated on guaranteeing the bond issuances of local government financing vehicles (“LGFVs”). By end-2024, LGFV bonds represented over 70% of total outstanding guarantee balance of China FGCs. However, this business model has reached a bottleneck. LGFV bond issuance volumes have declined amid tightened

regulatory policies, while high-quality LGFV bonds, perceived as low-risk and highly liquid, have attracted strong investor demand, enabling issuers to forgo credit enhancements.

Consequently, China FGCs face intensified competition and eroded guarantee fees, forcing some companies to venture into lower-tier markets or unfamiliar industries, increasing their risk control challenge. Despite their diversification efforts, such as providing guarantees for industrial enterprises and structured finance products, FGCs retained high LGFV concentration, constraining guarantee balance growth amid subdued LGFV bond issuances. China FGCs' outstanding bond guarantee balance stood at approximately RMB960 billion at end-2023, and then decreased to RMB836 billion at end-2024 and RMB779.1 billion at end-June 2025.

Moderate Leverage and Low Compensation Rate

China FGCs maintained prudent leverage with an aggregate financing guarantee multiple around 5x in 2024. Their total capital base has continued to grow through government owners' capital injections. Given the slowing guarantee balance expansion, we expect the overall leverage to stay at moderate levels.

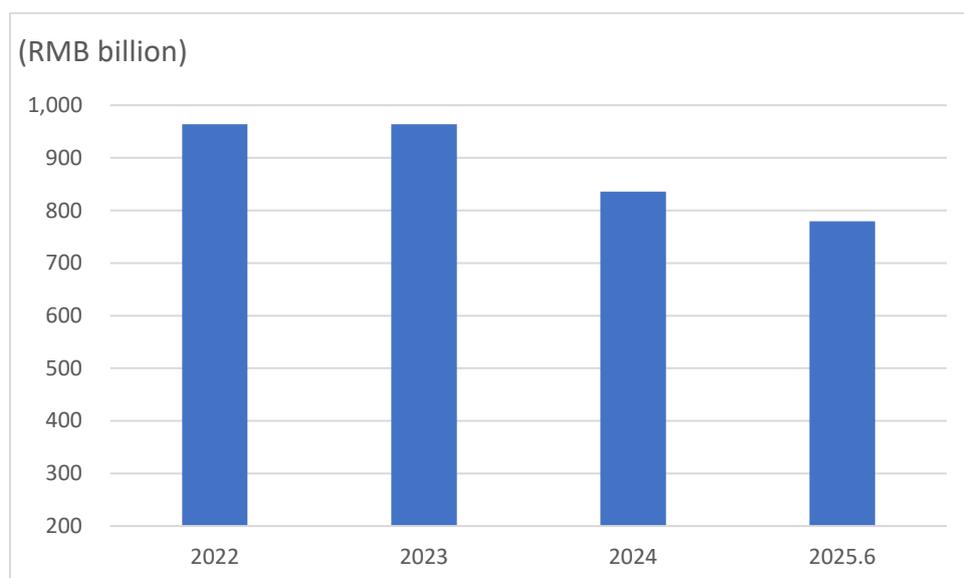
In recent years, China's local debt resolution efforts have kept domestic bond default rates low, stabilizing FGCs' receivables from guarantee compensation. The compensation claims mainly came from loan guarantees and the compensation rate stayed at a relatively low level (industry median level: around 0.3% in 2024). However, loan guarantees usually have weak counter-guarantee measures, resulting in a low recovery rate.

Emergence of Offshore Guarantees

In addition to domestic bond guarantees, China FGCs started providing guarantees for offshore issuances. The offshore issuances guaranteed by China FGCs increased sharply to RMB43.1 billion in 2024 from RMB50 million in 2023. FGCs typically provide unconditional and irrevocable guarantees, with obligations under the guarantee ranking at least pari passu with all their other present and future unsecured and unsubordinated obligations.

Offshore guarantees enable lower-tier issuers (e.g., county- or district-level LGFVs) to access the offshore bond market. However, offshore yields are generally significantly higher than onshore yields for bonds backed by the same FGCs, likely because offshore investors are less familiar with China FGCs than onshore investors, and cross-border guarantee mechanisms remain untested.

Exhibit1: China FGC's Bond Guarantee Balance



Source: Public Information and Lianhe's Calculations

Exhibit 2: Top 10 China FGCs in terms of Financing Guarantee Balance (end-2024)

	Company	Financing Guarantee Balance (RMB billion)	Paid-in Capital (RMB billion)	Financing Guarantee Multiple (x)	Compensation Rate (%)
1	安徽省信用融资担保集团有限公司 Anhui Credit Financing Guaranty Group Co., Ltd.	98.4	26.2	6.5	0.1
2	江苏省信用再担保集团有限公司 Jiangsu Province Financing Re Guarantee Co., Ltd.	89.6	12.0	6.1	0.2
3	重庆兴农融资担保集团有限公司 Chongqing Xingnong Financing and Guarantee Group Co., Ltd.	84.1	10.0	6.8	0.6
4	中国投融资担保股份有限公司 China National Investment and Guaranty Corporation	78.7	4.5	4.6	0.6
5	重庆三峡融资担保集团股份有限公司 Chongqing Sanxia Financing Guarantee Group Corporation	77.8	5.1	7.6	1.1
6	湖北省融资担保集团有限责任公司 Hubei Financing Guarantee Group Co., Ltd.	72.4	7.5	5.4	0.0
7	天府信用增进股份有限公司 Tianfu Bond Insurance Co., Ltd.	70.1	7.5	6.7	0.0
8	中证信用融资担保有限公司 China Securities Credit Enhancing Co., Ltd.	55.9	7.7	7.1	0.0
9	中债信用增进投资股份有限公司 China Bond Insurance Co., Ltd.	36.9	6.0	3.7	0.0
10	四川发展融资担保股份有限公司 Sichuan Development Financing Guarantee Co., Ltd.	34.7	5.9	5.7	0.0

Source: Public Information and Lianhe's Calculations

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