

## Results of the Central Bank Rating of Financial Institutions (Q4 2020)

In Q4 2020, the People's Bank of China (PBC) completed its rating of 4,399 financial institutions in the banking sector and the results were generally stable. Most institutions fell within the safe boundary (levels 1 to 7), and the number of high-risk institutions in the “red zone” (levels 8 to D) dropped significantly.

### I. Results of the Central Bank Rating in Q4 2020

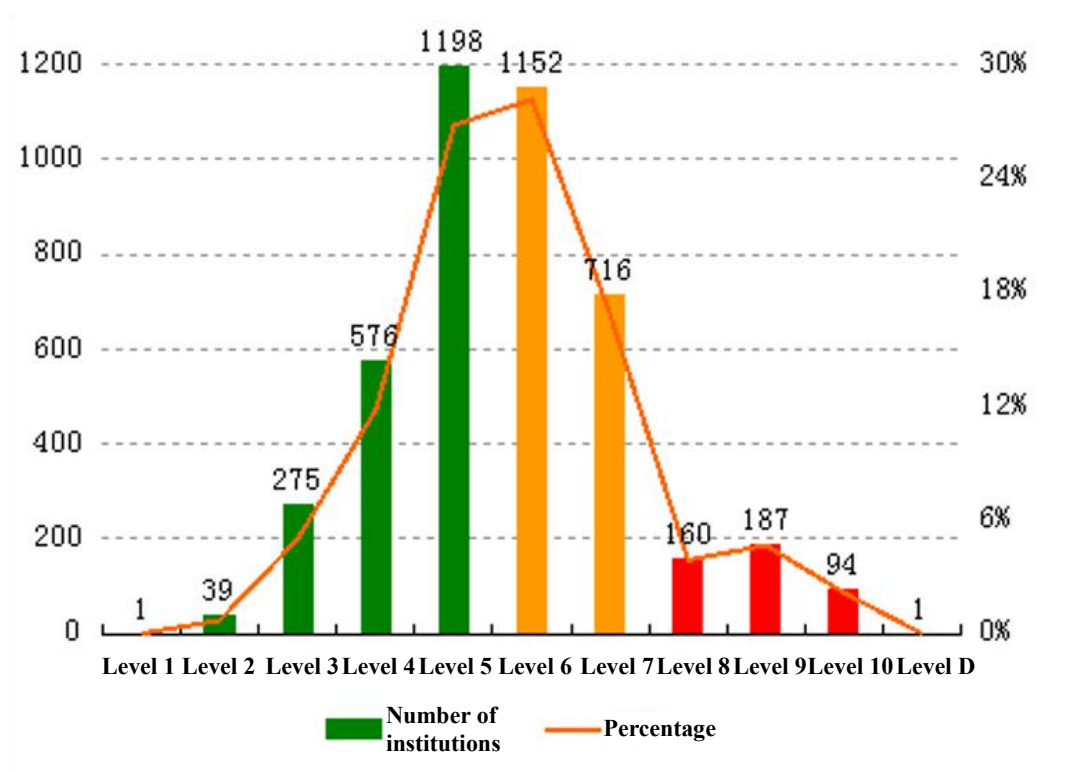
The 4,399 rated institutions included 24 large-scale banks, 3,999 small and medium-sized banks, and 376 non-banking institutions. Results of the rating are shown in Table 1.

**Table 1 Distribution of Participants and Results of the Rating in Q4 2020**

Category	Type	Number	Rating Results
Banking institutions	Development and policy banks	3	Levels 1 to 7
	State-owned commercial banks	6	
	Joint-stock banks	12	
	City commercial banks	133	Levels 2 to 10
	Rural commercial banks	1,533	Levels 2 to 10
	Rural cooperative banks	27	Levels 5 to 10
	Rural credit cooperatives	612	Levels 2 to 10
	Village banks	1,635	Levels 2 to 10
	Private banks and others	20	Levels 3 to 7
	Foreign banks	42	Levels 3 to 7
	<b>Subtotal</b>	<b>4,023</b>	-
Non-banking institutions	Finance companies of corporate groups	256	Levels 3 to D
	Auto finance companies	25	Levels 3 to 10
	Financial leasing companies	68	Levels 3 to 10
	Consumer finance companies	27	Levels 3 to 7

	<b>Subtotal</b>	<b>376</b>	<b>-</b>
	<b>Total</b>	<b>4,399</b>	<b>-</b>

**In general, most institutions fell within the safe boundary (levels 1 to 7), representing 98 percent of assets in the sector.** 2,089 institutions fell within the “green zone” (levels 1 to 5), and 1,868 were in the “yellow zone” (levels 6 to 7). A number of 442 institutions were in the “red zone” (levels 8 to D), representing 2 percent of the total assets (Figure 1). The number of institutions in the “red zone” dropped 132 from the last quarter and 103 from Q4 2019.



Source: PBC.

**Figure 1 Distribution of the Central Bank Rating Results in Q4 2020**

**By institution types, large banks received the most favorable ratings, while rural cooperative institutions bear relatively high risks.** Among the large banks, 1 was rated level 1, 11 were rated level 2, 8 were rated level 3, 3 were rated level 4, and 1 was rated level 7. The 24 large banks accounted for 71 percent of the assets in the sector. Among small and medium-sized banks, foreign banks and private banks

received relatively good results, with 95 percent and 74 percent rated levels 1 to 5, and none of them were rated as high-risk institutions. This is followed by city commercial banks, with 72 percent falling within levels 1 to 5 and 12 percent rated as high-risk institutions (accounting for 4 percent of assets owned by all city commercial banks). Rural cooperative institutions (including rural commercial banks, rural cooperative banks and rural credit cooperatives) and village banks had the poorest rating, with 285 institutions and 127 banks identified as high-risk institutions, whose assets occupied 8 percent and 10 percent of the total assets of each type of institution, respectively.

**By geographic distribution, risk profiles vary significantly across regions.** There were no or relatively few high-risk institutions in Beijing, Shanghai, Shenzhen, Zhejiang, Jiangsu, Fujian and Jiangxi, where 60 percent of institutions fell within the “green zone”. Liaoning, Gansu, Inner Mongolia, Henan, Shanxi, Heilongjiang, Jilin, Shandong, Guangxi and other regions had a relatively large number of high-risk institutions.

## **II. Application of the Results of the Central Bank Rating**

**Adopting early corrective measures based on the rating results to improve the initiative in risk prevention and control.** The PBC takes early corrective measures including “one-on-one” notifications, inquiries with senior executives, risk reminders and rating opinions, to enhance the consciousness and initiative of financial institutions in preventing and controlling risks.

**Making full use of the rating results in the fulfillment of the PBC’s mandates so as to ensure the precision of policies.** The rating results are fully utilized in determining the differentiated deposit insurance premium, and issuing unsecured inclusive loans to micro and small businesses (MSB). The results are also used in the approval of bond issuance by financial institutions and central bank credit lines,

macroprudential assessment (MPA), and tenders for central treasury cash management, so that the rating results can effectively guide financial institutions to operate prudently.

**Sharing the rating results with regulators and local governments to improve the synergy in risk monitoring and mitigation.** The PBC regularly informs local governments and financial regulators of the rating results and detailed performance of high-risk financial institutions, so as to integrate risk information, regulate risks at an earlier stage, and make risk prevention and resolution more effective.

**Expanding the application scope of the central bank rating, such as in market conduct regulation, and enriching application scenarios.** The PBC and China Securities Regulatory Commission (CSRC) established a communication mechanism to provide advisory opinions, based on the central bank rating, on major issues such as bank listing, capital increment and new share issuance. In addition, the ratings also serve as a reference for the tender for fiscal funds management of some local governments.