

Results of the Central Bank Rating of Financial Institutions (Q4 2021)

In Q4 2021, the People's Bank of China (PBC) completed its rating of 4,398 banking institutions in the financial sector. According to the results, most institutions fell within the safe boundary (Levels 1 to 7), and the number of high-risk institutions (Levels 8 to D) declined for six consecutive quarters to less than half of its peak.

The 4,398 rated institutions included 24 large-sized banks, 3,997 small and medium-sized banks, and 377 non-banking institutions. Results of the rating are shown in Table 1.

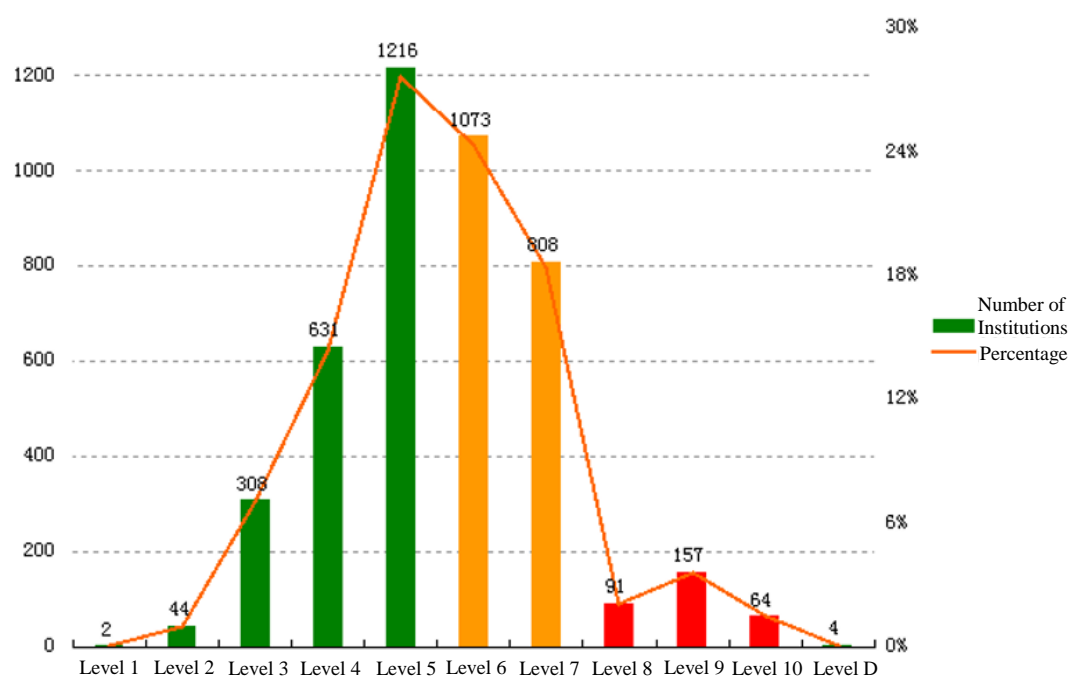
Table 1 Distribution of Participants and Results of the Rating in Q4 2021

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	128	Levels 2 to 10
	Rural commercial banks	1592	Levels 2 to 10
	Rural credit cooperatives and Rural cooperative banks	569	Levels 2 to 10
	Village and township banks	1649	Levels 2 to 10
	Private banks and others	20	Levels 3 to 7
	Foreign-funded banks	42	Levels 3 to 6
	Subtotal	4021	-
Non-banking institutions	Finance companies of corporate groups	255	Levels 3 to D
	Auto finance companies	25	Levels 3 to 10
	Financial leasing companies	68	Levels 3 to 10
	Consumer finance companies	29	Levels 3 to 7
	Subtotal	377	-
Total		4398	-

Note: the central bank rating is conducted quarterly. The results are categorized into 11 levels, namely Levels 1 to 10, and Level D. A higher level indicates a riskier financial institution. Level D indicates that the institution has closed down, been taken over or revoked. Institutions rated Levels 8 to 10 and Level D are classified as high-risk institutions.

In general, most institutions fell within the safe boundary (Levels 1 to 7), representing 99 percent of total assets in the sector. Specifically, 2,201 institutions fell within the “green zone” (Levels 1 to 5), 1,881 were in the “yellow zone” (Levels 6 to 7), and 316 were in the “red zone” (Levels 8 to D).

Figure 1 Distribution of the Central Bank Rating Results in Q4 2021



Source: PBC.

The general trend showed that the number of high-risk institutions decreased by half from its peak, falling for six consecutive quarters. The number of high-risk institutions nationwide decreased by 333 from its peak, and the assets of the existing 316 high-risk institutions accounted for only 1 percent of the total assets in the

banking sector.

In terms of institution types, large banks received the most favorable ratings.

Among large banks, 2 were rated Level 1, 11 were rated Level 2, 7 were rated Level 3, 3 were rated Level 4, and one was rated Level 7. These 24 large banks accounted for 71 percent of the assets in the sector. Among small and medium-sized banks, foreign banks and private banks had better rating results, with 93 percent and 70 percent rated Levels 1 to 5 respectively, and none of them were identified as high-risk institutions. Sixty-seven percent of city commercial banks fell within Levels 1 to 5, whereas 10 percent were high-risk institutions (accounting for 3 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 and township banks had the poorest rating results with 186 institutions and 103 banks identified as high-risk institutions, whose assets occupied 5 percent and 7 percent of the total assets of each type of institutions, respectively.

By geographic distribution, existing high-risk institutions were regionally concentrated. As of end-2021, 11 provinces (municipalities and autonomous regions) had no high-risk institutions, and 13 had single-digit numbers of high-risk institutions. The existing high-risk institutions were mainly distributed in four provinces.