



# Gansu Province In Focus

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**S&P Global**  
Ratings

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*This report does not constitute a rating action*

# Key Takeaways

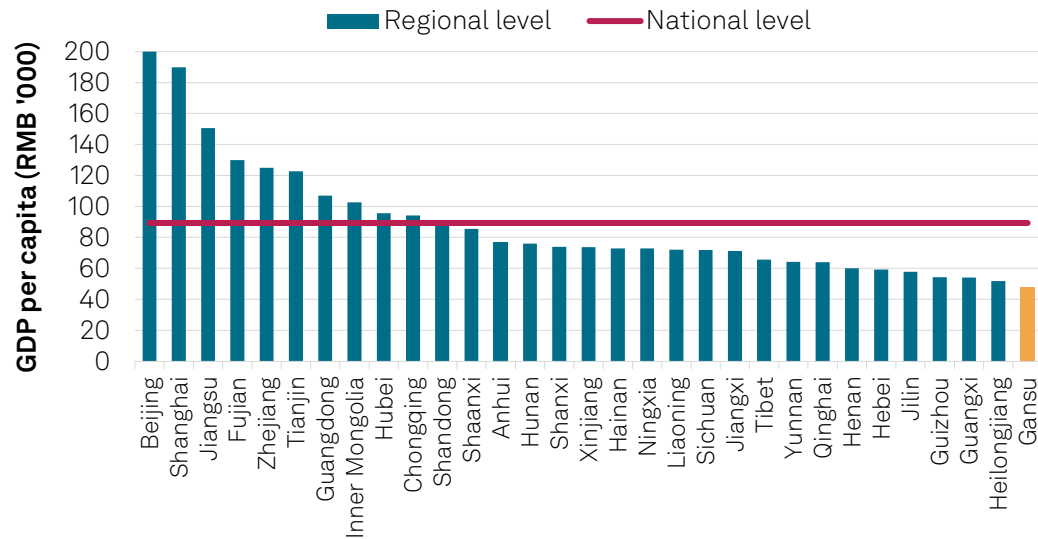
- Gansu's development lags that of other Chinese provinces, given it has a weak and slow-growing economy due to low agricultural productivity, underdeveloped infrastructure, and a weak industrial foundation.
- Credit profiles of local and regional governments (LRGs) in Gansu are weak relative to those of Chinese and global peers because of the province's poor economic conditions and low fiscal revenue generation.
- Resources of most tier-two LRGs are largely constrained, given poor economic status that results in financing constraints and lower debt burdens.
- LRG support for SOEs will vary and is likely for activities with a significant policy mandate.
- Debt growth for the provincial and city-level SOE sector is slowing. This is because infrastructure-related SOEs have cut investments to resolve debt issues amid tightening policy conditions and limited financing channels.
- Support to contain debt risks mostly comes from state-owned banks, issuance of special refinancing bonds, and various credit protection funds established by the government and provincial SOEs.
- Lower margins and higher credit costs weigh on the capital and profitability of the banking sector, particularly of rural financial institutions.
- Banks in the province are unlikely to have much flexibility to provide additional financing for SOEs owing to their below-average asset quality and provisioning.

# Regional Highlights

## Inter-regional analysis

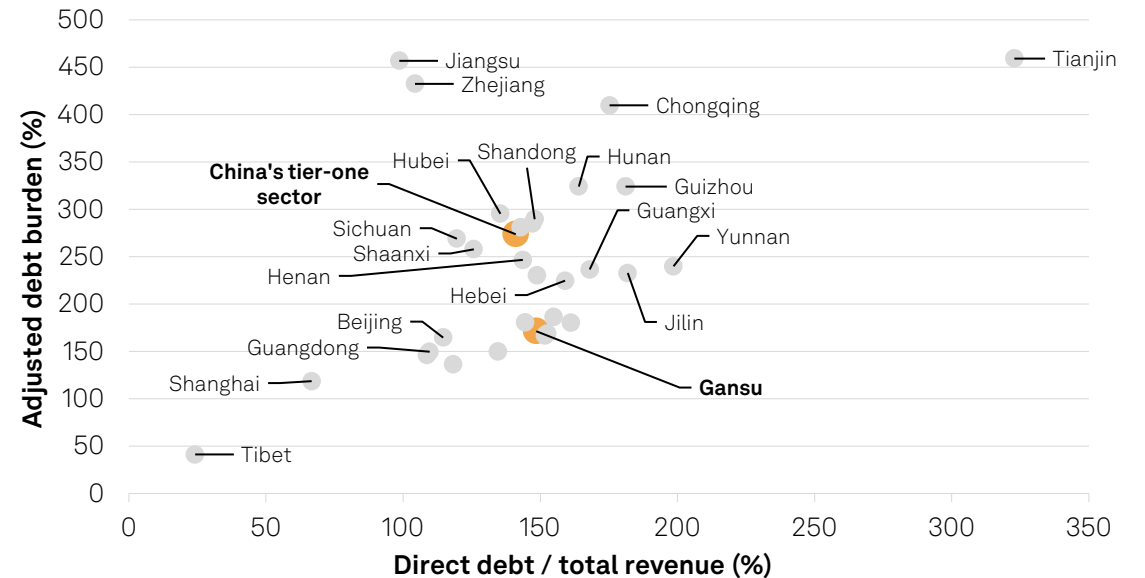
- Gansu's economy ranks at the lower end of provinces in China due to lagging industrial development and slow infrastructure progress.
- The province's weaker ability to generate fiscal revenues constrains its financing capability and that of key SOEs. This results in a lower government debt burden than that of local peers.

### Gansu has the lowest GDP per capita in China



Data as of December 2023. RMB--Chinese renminbi. Sources: LRGs' bureau of statistics, S&P Global Ratings.

### Government debt burden is better than the sector average



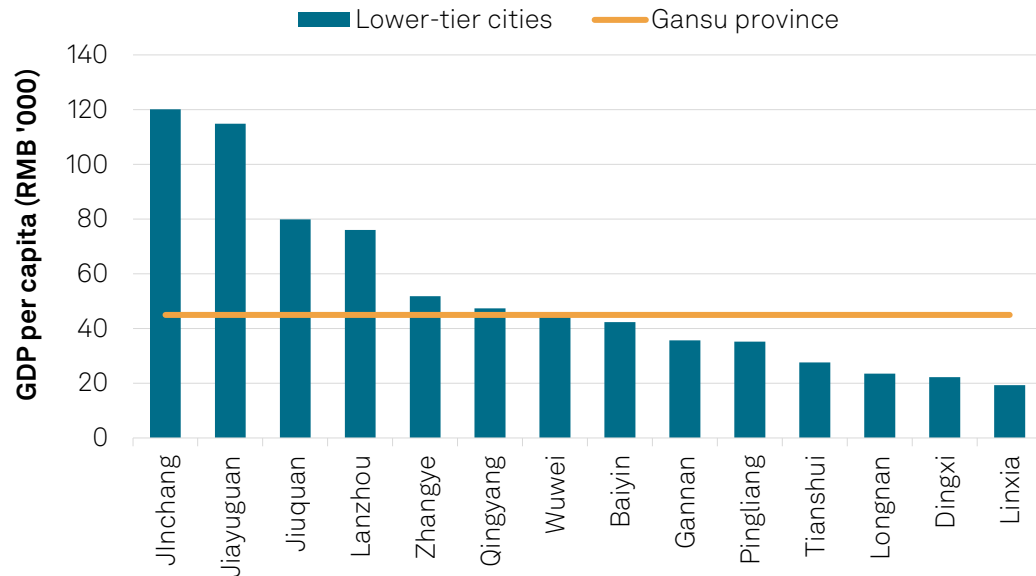
Data as of December 2023. We use whole region data to identify regional features, which may not directly lead into the credit metrics of LRGs. Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, Wind, S&P Global Ratings.

# Regional Highlights

## Intra-regional analysis

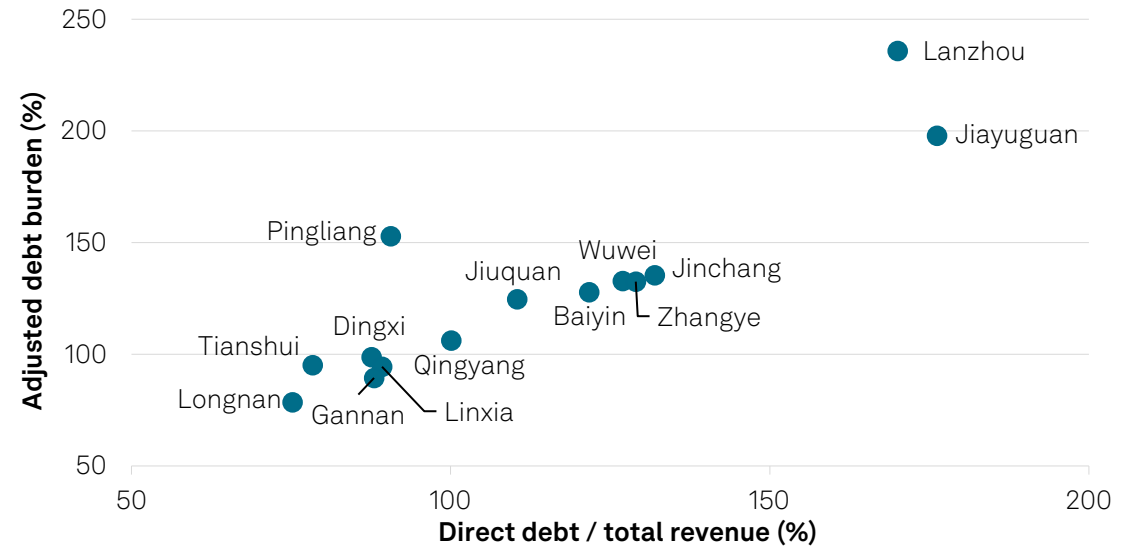
- Cities in Gansu are generally impoverished, with large economic gaps compared with more developed regions. GDP per capita of Jinchang and Jiayuguan cities is higher due to their small population.
- Lanzhou, the provincial capital, is more attractive for business activities and has better access to financing. It also carries more debt than other cities as an important hub for regional development.

## Income levels are generally low across the province



Data as of December 2023. RMB--Chinese renminbi. Sources: LRGs' bureau of statistics. S&P Global Ratings.

## Financing constraints push down most cities' debt burden



Data as of December 2022. We use whole city data to identify regional features, which may not directly lead into the credit metrics of LRGs. Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance. Wind. S&P Global Ratings.

# Our Research Scope

Our series on Chinese administrative regions uses publicly available information to provide analytical opinions based on key credit metrics. These LRGs form the backbone of the mainland economy and, together with government-related entities (GREs) and financial institutions (FIs), are among China's highest-volume debt issuers.

We distinguish between "LRG level" and "whole region" data. We apply our analysis on an individual basis, which means we largely focus on LRG-level government financial statements, with the whole-region data serving as a supplement to capture risks associated with lower tier governments. In its simplest sense, province-level data are the primary figures under analysis. We round out our views using whole province data, which encompass the cities, districts, and other lower-tier governments within the region.

Measures of creditworthiness. For LRGs, we assess creditworthiness of non-U.S. LRGs by combining our assessment of the institutional framework and individual credit profiles on governments to arrive at the anchor, a core element of our credit assessment. We cover the economy, budgetary performance, and debt burden, as three of the five credit factors to assess the individual credit profile on an LRG. Our analysis of the other two factors--financial management and liquidity--typically requires substantial judgment and interpretation of limited public data, but we generally view these two factors as supporting the creditworthiness of most LRGs.

For GREs, our analysis largely focuses on government capacity to support SOE debt as a sector, and not government capacity to pay its direct debt. We identify three measures to gauge government capacity to support its SOE sector: SOE size, SOE creditworthiness, and LRG control over nonbudget resources. Our metrics only refer to non-FI SOEs. We use data provider Wind covering 70%-80% of LRG-controlled SOEs, measured by aggregated assets stated by Chinese government. Our analysis does not encompass wider financial resources that LRGs control. Debt and funding options vary widely in their form and complexity and cannot be easily captured using simple metrics.

For FIs, we assess stand-alone credit profiles based primarily on our analysis of the four individual credit factors: business position, capital and earnings, risk position, and funding and liquidity.

# Gansu Provincial Government



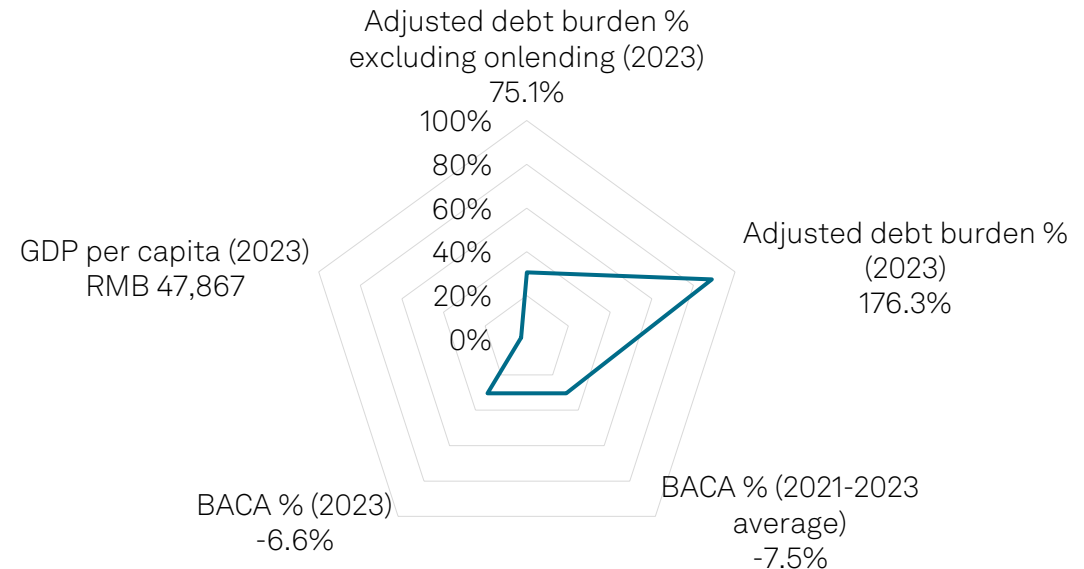
# Provincial Government

## Overview

- We categorize the Gansu provincial government (Gansu province, or Gansu) as a tier-one government operating within a “very predictable and well balanced” institutional framework.
- Gansu’s credit profile is weak among Chinese tier-one governments.
- A low-income base, underdeveloped manufacturing, and aggressive government spending put pressure on the province’s credit profile.
- The government carries a relatively lower debt burden than local peers in terms of total adjusted debt.

## Gansu’s weak economy and financial management weigh on its credit standing

Local rank (higher % indicates stronger relative credit profile)



Rank among China’s 36 tier-one LRGs. Please refer to our glossary for a definition of terms.  
Sources: LRGs’ bureau of finance and bureau of statistics. Wind. S&P Global Ratings.

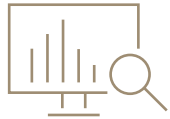
# Provincial Government

## Measures of creditworthiness



### Economy

- GDP per capita gap with national average is rising; the province is now 46% lower than the average.
- Geographic limitation, a shrinking population, and a somewhat commodity-centric economy limit economic development.



### Financial management

- Financial management and political framework are of average quality.
- General guidance is set out for financial planning.



### Debt burden

- Debt burden is largely driven by operating and infrastructure spending needs.
- Moderate debt growth likely, in line with the central government mandate



### Liquidity

- Liquidity is satisfactory, given the government and its related agencies control large amounts of deposits and liquid assets.
- Access to the domestic bond market is good. Bond risk premiums have dipped over the past few years--from 3.6% in 2019 to 2.9% in 2024--on par with more developed tier-one governments.



### Budgetary performance

- Budgetary performance is average, thanks to strong central government subsidies, which account for about 88% of total operating revenue.
- Weak ability to generate revenues constrains fiscal deficit.

LRG--Local and regional government. SOE--State-owned enterprise. Source: S&P Global Ratings.

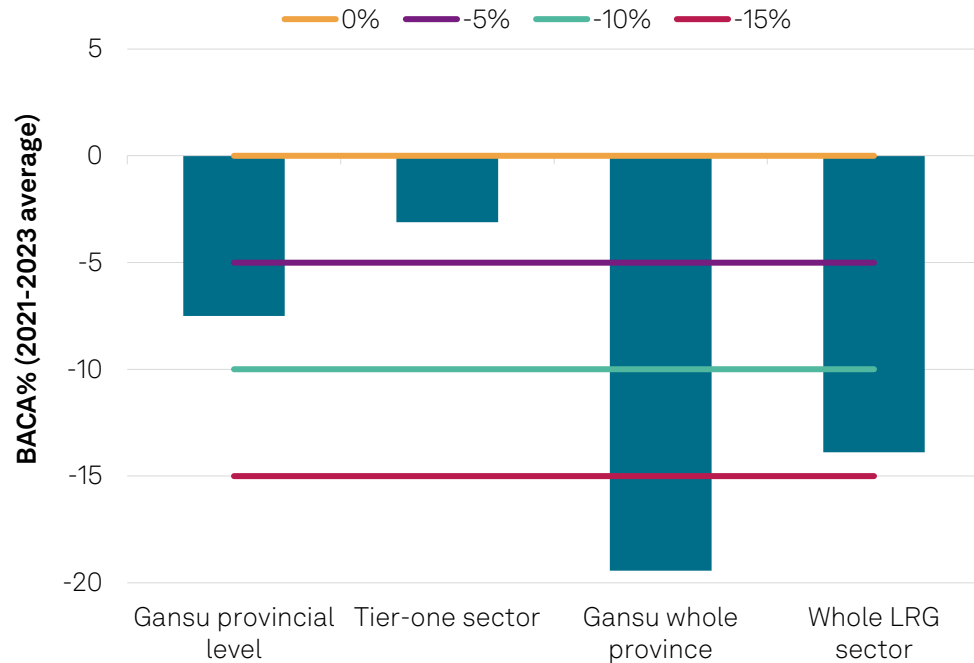


# Provincial Government

## Measures of creditworthiness

Gansu government has higher deficit than the sector average...

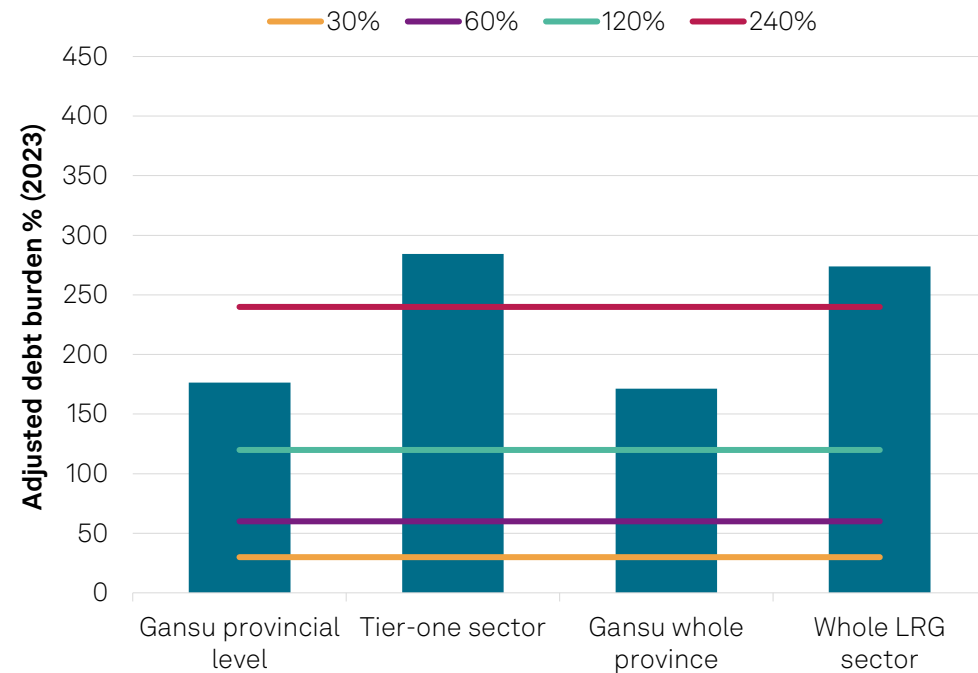
BACA % (2021-2023 average)



BACA %: adjusted total revenue subtracted by adjusted total expenditure, as a percentage of adjusted total revenues. Thresholds are extracted from "[Methodology For Rating Local And Regional Governments Outside of The U.S.](#)" Sources: LRGs' bureau of finance, Wind, S&P Global Ratings.

...but carries a lower debt burden than local peers due to financing constraints

Adjusted debt burden % (2023)

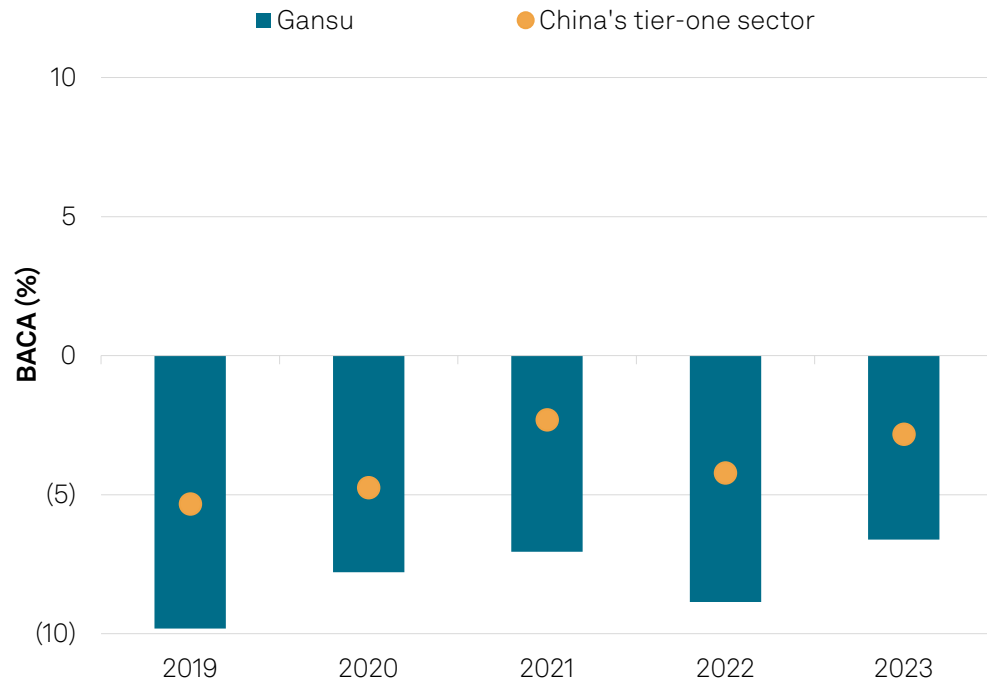


Thresholds are extracted from "[Methodology For Rating Local And Regional Governments Outside of The U.S.](#)" Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, Wind, S&P Global Ratings.

# Provincial Government

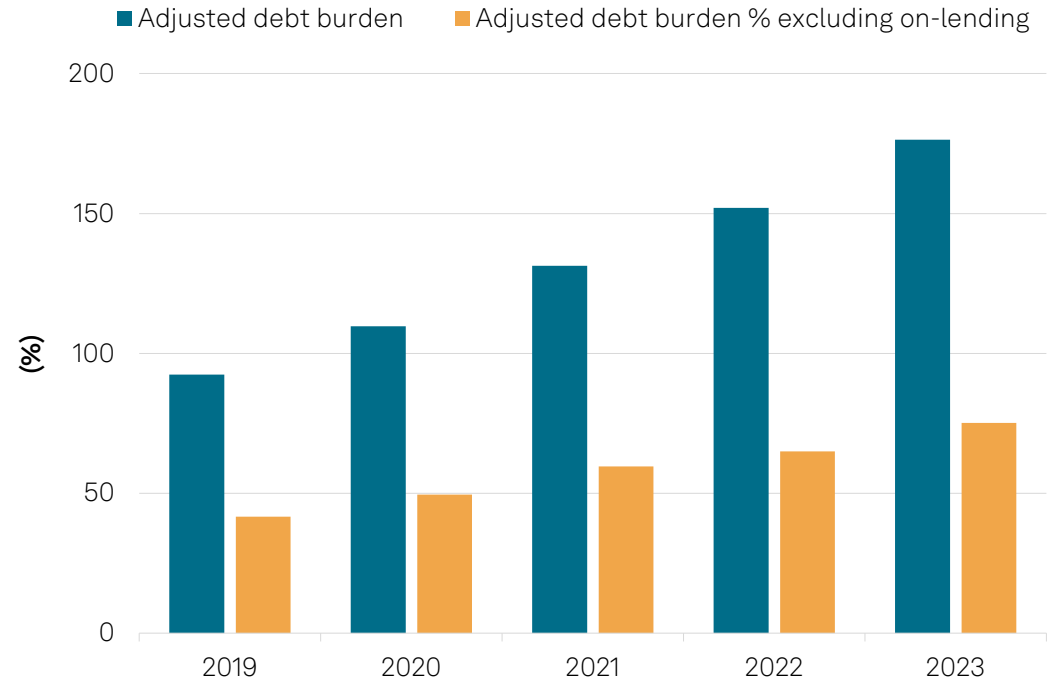
## Measures of creditworthiness

Fiscal deficits remained elevated given low revenue generating capacity



Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, S&P Global Ratings.

## Debt burden driven by on-lending to lower-tier LRGs

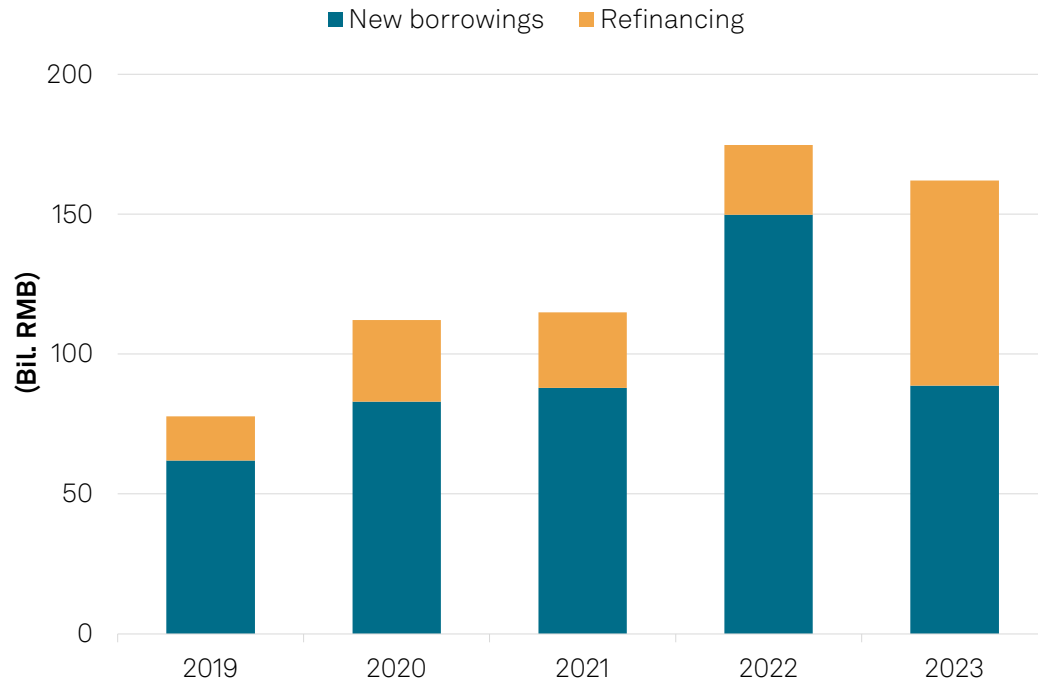


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# Provincial Government

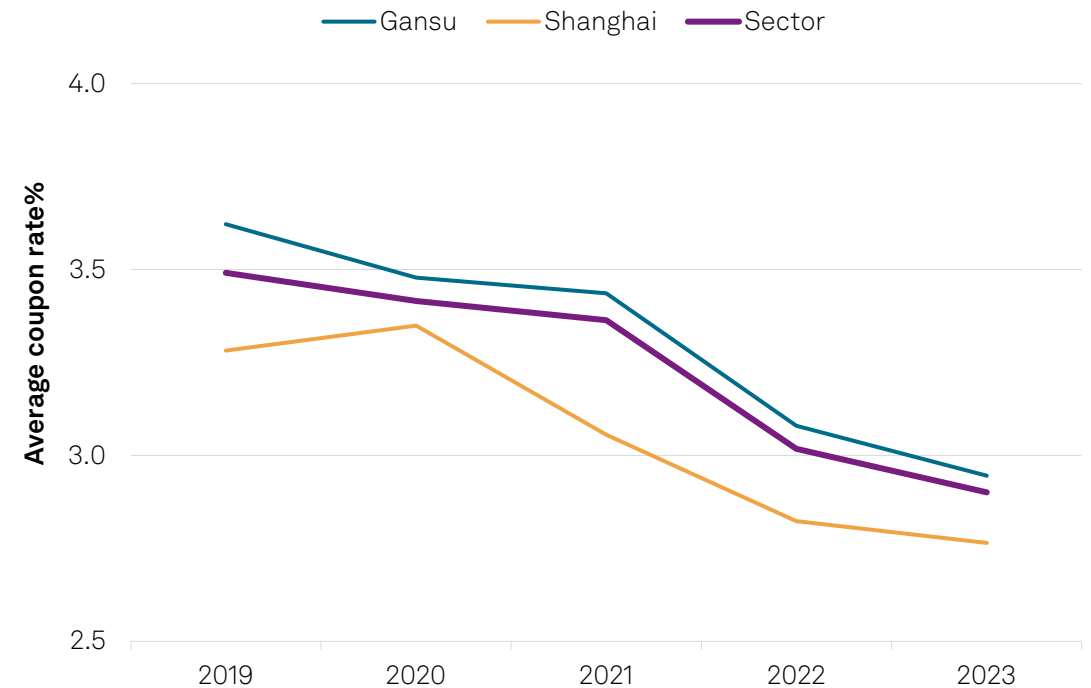
## Measures of creditworthiness

Debt borrowing is showing signs of leveling off after peak in 2022



Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, S&P Global Ratings.

Risk premiums widened in 2021 due to credit stress in lower tiers, but have narrowed again recently



Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, Wind, S&P Global Ratings.

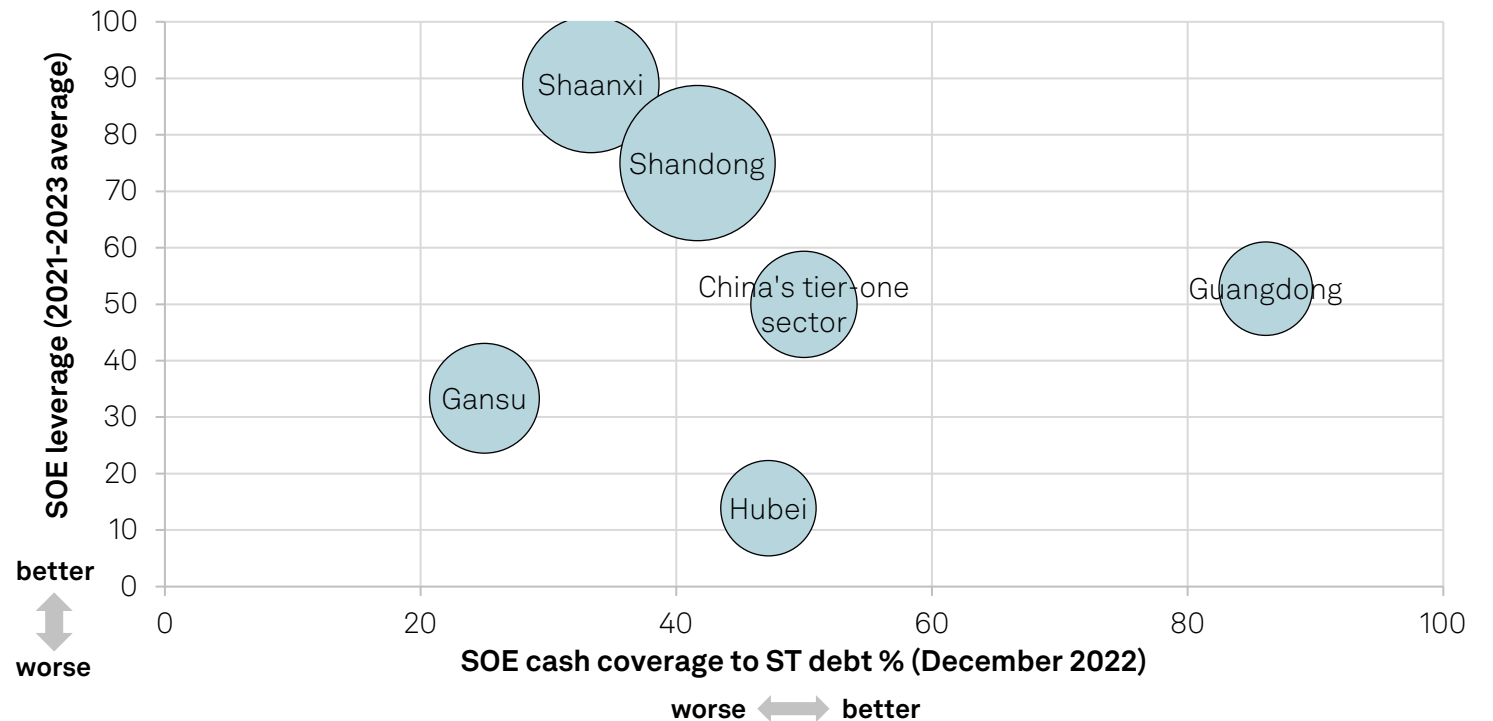
# Provincial Government

## Measures of SOE support

- Weak capacity at the provincial level to support SOEs in a stress scenario. We believe such support is likely to be differentiated.
- Creditworthiness of Gansu's provincial level SOE sector is at the weaker end among Chinese tier-one peers. In addition, local access to financial resources appears worse than domestic peers'.
- The provincial government plays an important role in coordinating between SOEs and banks after credit events of Lanzhou LGFVs. It has set up a credit protection fund.
- SOE debt at the provincial level (tier one) makes up about 83% of total debt, while city level (tier two) makes up the rest. There are no SOE issuances at the district level.

### Gansu's SOE sector has weaker cash coverage than the national average

Local rank (higher % indicates stronger relative credit profile)



Rank among China's 36 tier-one LRGs. Higher SOE leverage indicates higher rank and lower leverage among SOEs. Bubble size represents SOE debt % LRG total revenue. Please refer to our glossary for a definition of terms. Sources: Wind, S&P Global Ratings.

# Provincial Government

## Key features of Gansu SOEs



### SOE debt size

- Provincial level SOE debt is average compared with that of domestic peers.
- Infrastructure investment platform as well as commodities firms account for most of nonfinancial institutions' SOE debts.

### SOE creditworthiness

- SOE leverage appears aggressive by international standards, and higher than domestic peers.'
- Selected SOEs are highly indebted due to low profit generation and focus on asset-heavy transportation projects in the region.

### Administrative capacity to support SOEs amid stress

- The provincial government has not reported any defaults by SOEs under its control, although we do see credit stress at the lower tiers.
- SOE management framework is largely aligned with central government guidelines.

### Financial resources to support SOEs

- Support from provincial government will be highly differentiated and offered to operations with the strongest policy mandate.
- In 2021, Gansu established a credit protection fund held by an SOE to provide temporary support to SOEs when needed.
- Government's own financial and fiscal resources are limited compared to the total size of SOEs.

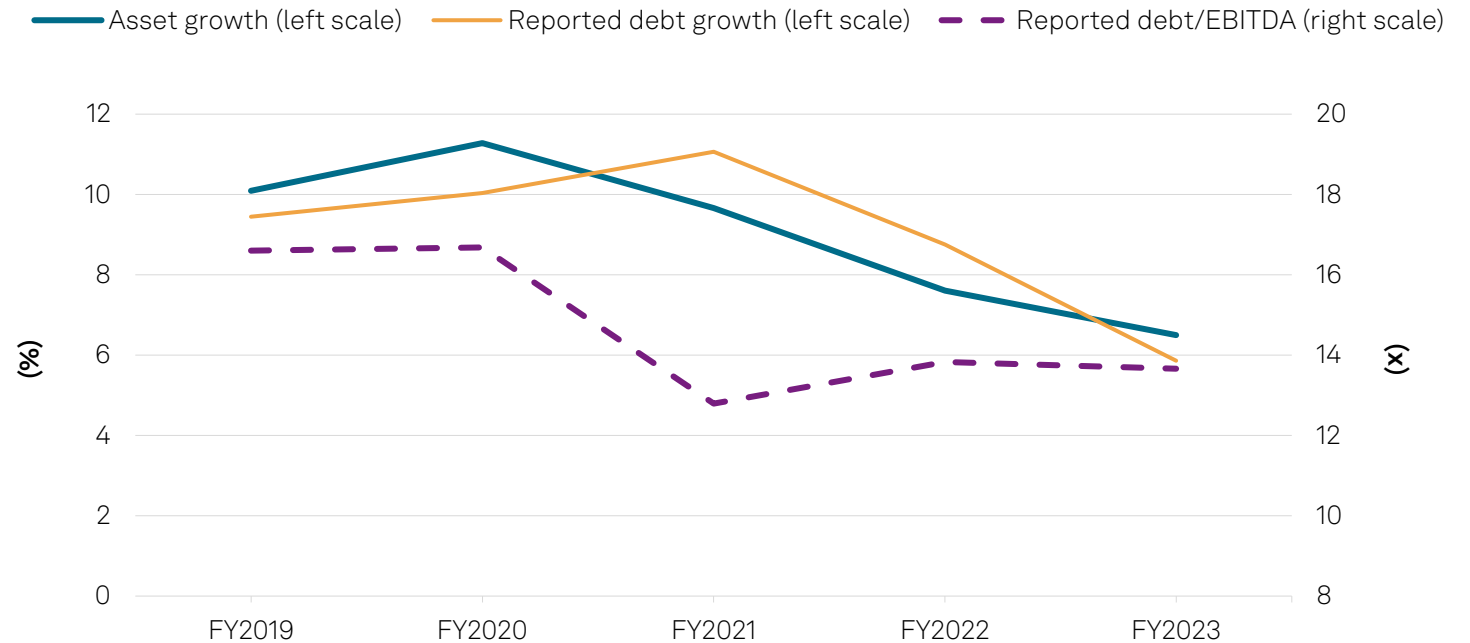
SOE--State-owned enterprise. LRG--Local and regional government. Source: S&P Global Ratings.

# SOEs Of Provincial Government

Gansu provincial-level SOEs focus on containing debt risks

- The SOE sector consists mostly of: 1) highly indebted toll road and railway infrastructure entities; and 2) less-levered metals and mining entities with volatile profits.
- Debt-funded infrastructure investments are slowing due to the government's debt resolution efforts. Meanwhile, investments are maintaining pace in commodities and, increasingly, the power sector to drive market share and energy efficiency. This has kept overall sector leverage stable.

## Provincial SOEs' leverage remains stable on reduced infrastructure spending and a mild economic recovery in 2023



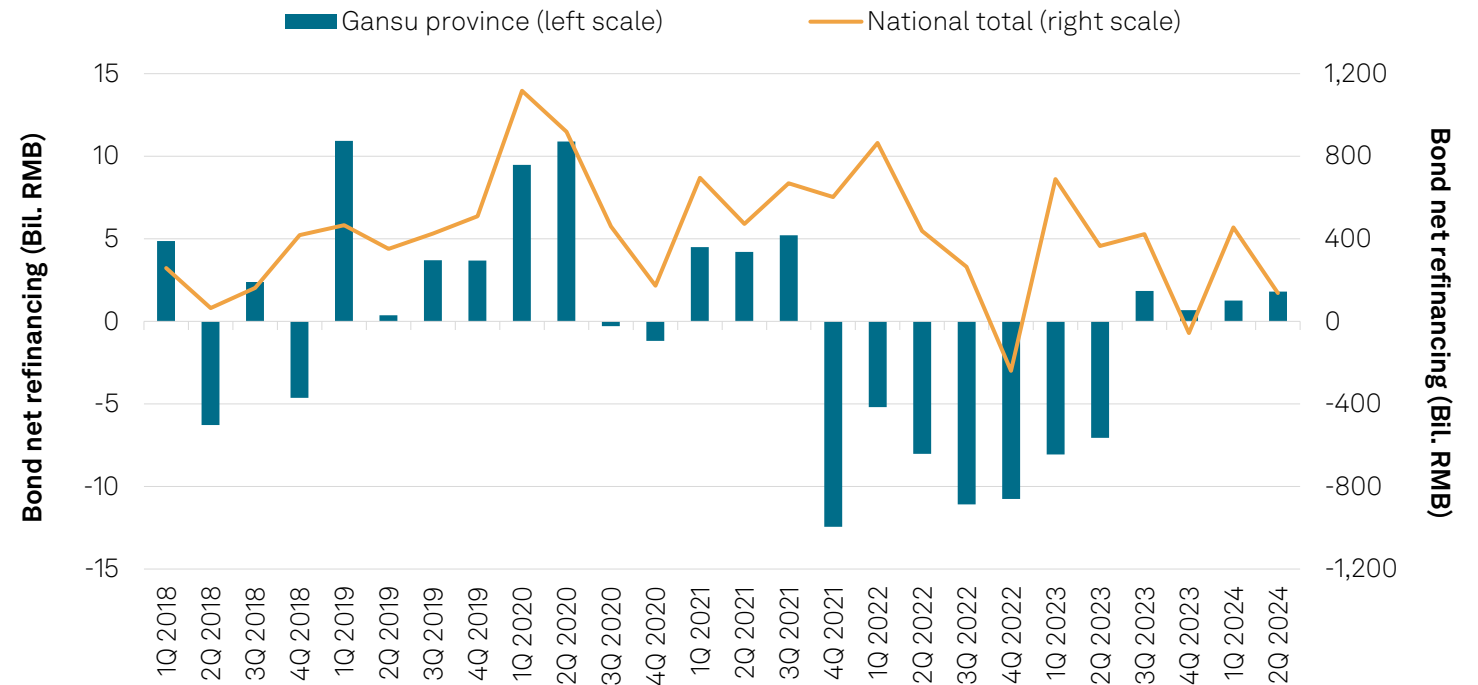
Financials aggregate provincial-level SOEs with available financials only. Sources: Wind, S&P Global Ratings.

# SOEs Of Provincial Government

Net financing has turned mildly positive following extended period of policy tightening and local distress events

- To manage leverage pressure and refinancing risks, infrastructure SOEs receive government support through increased state-owned bank financing and ad hoc cases of converting special-purpose bonds to equity. This is as access to the bond market remains tight.

Gansu's SOE bond issuance since late 2023 are mostly from provincial entities.



Gansu SOE domestic bond quarterly net refinancing amount (whole province all levels).  
Sources: Wind, S&P Global Ratings.

# City Governments





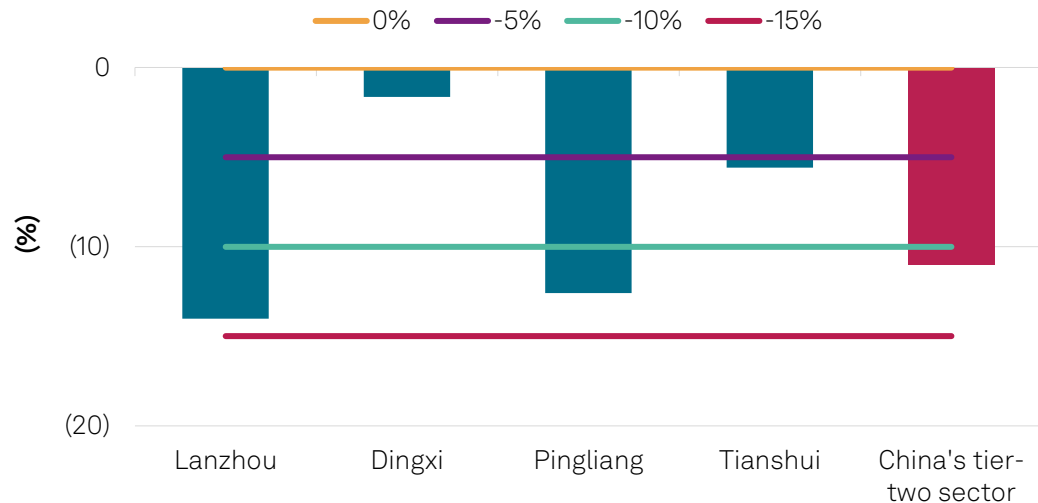
# City Governments

## Overview – Credit profiles of Gansu’s lower tier governments are weak due to low income, weak management

- We categorize 14 city governments under Gansu as tier-two local governments, with an institutional framework of “evolving but balanced”.
- Four city governments are selected for comparison. They account for 47% of Gansu’s GDP. Lanzhou accounts for 29% of the province’s GDP and the rest are fairly evenly scattered across the province.
- Poor economic prospects constrain the spending capacity of most cities, resulting in a small deficit and low debt burden.

### Deficits are mostly moderate compared with peers’

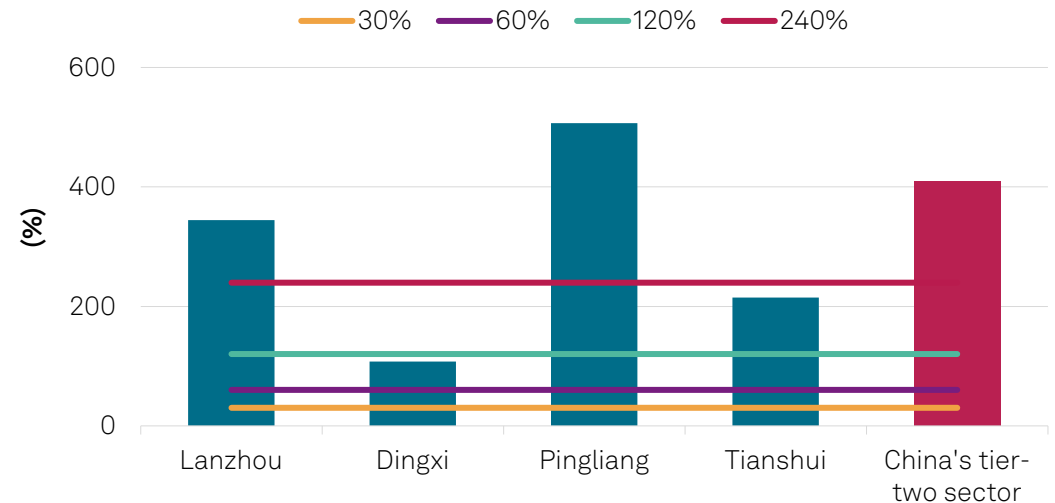
BACA % (2020-2022 average)



Thresholds are extracted from “[Methodology For Rating Local And Regional Governments Outside of The U.S.](#)” Please refer to our glossary for a definition of terms. Sources: LRGs’ bureau of finance, S&P Global Ratings.

### Debt levels are high by global standards

Adjusted debt burden % (2022)



Thresholds are extracted from “[Methodology For Rating Local And Regional Governments Outside of The U.S.](#)” Please refer to our glossary for a definition of terms. Sources: LRGs’ bureau of finance, Wind, S&P Global Ratings.

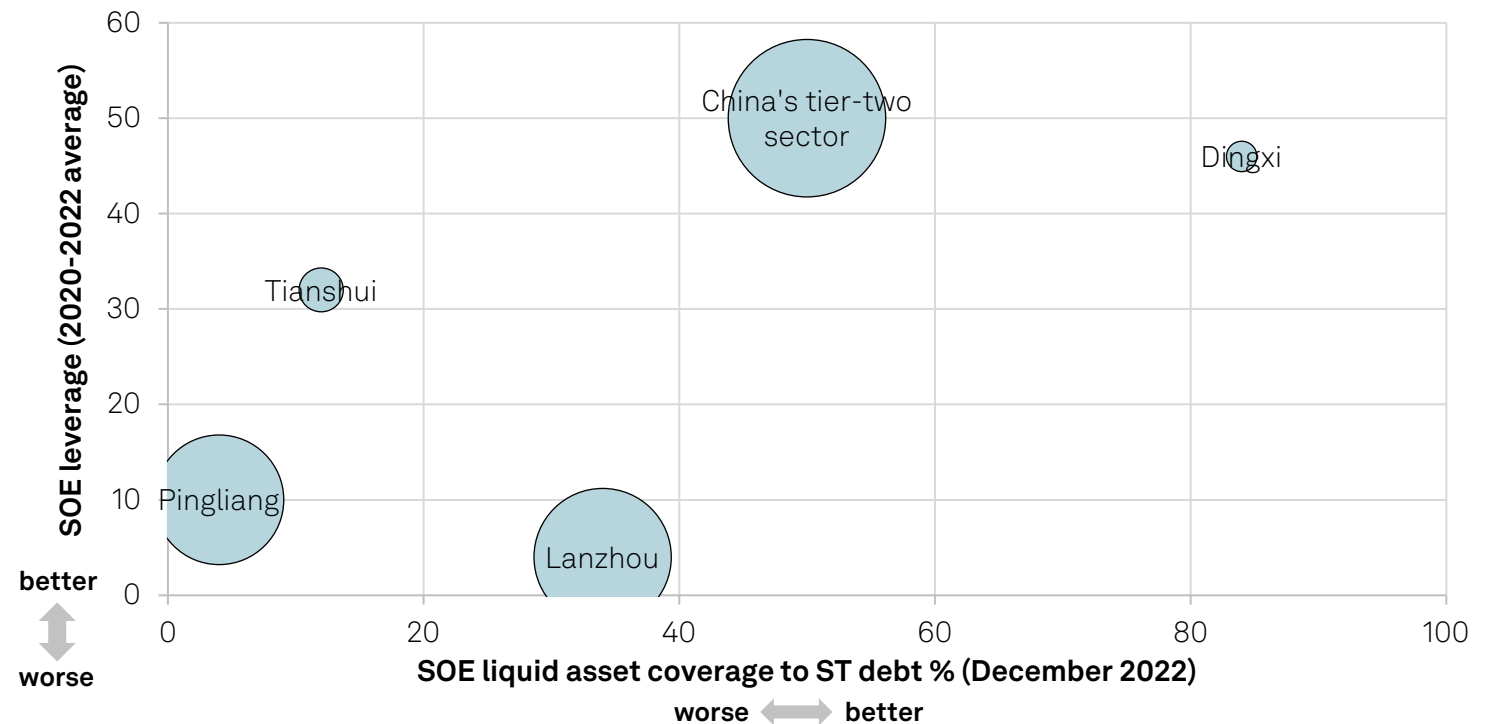
# City Governments

## Measure of SOE support

- We view the capacity of city governments in Gansu to provide timely and sufficient support to SOEs as being on the weaker side of Chinese tier-two LRGs due to weaker administrative capacity.
- Credit stress events have been reported at SOEs controlled by lower-tier governments such as Lanzhou.
- Local governments set up a credit protection fund to provide short-term liquidity support if needed. Lanzhou's credit protection fund was founded in 2021 by local SOEs with a targeted size of RMB10 billion.
- Local SOE debts are mostly concentrated in several cities, and other lower-tier cities do not have public debt outstanding.
- City governments' SOE leverage and liquid asset coverage are weaker than for China's tier-two sector.

## Gansu SOEs have weaker metrics than other China tier-two governments

Local rank (higher % indicates stronger relative credit profile)

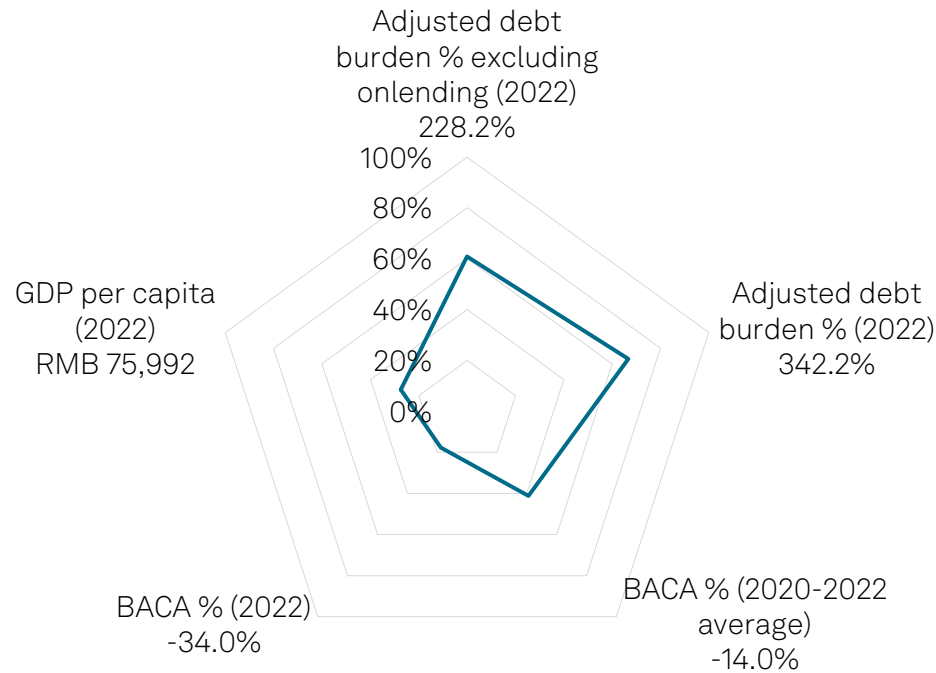


Rank among 51 Chinese tier-two LRGs. Higher SOE leverage % indicates higher rank and lower leverage among SOEs. Bubble size represents SOE debt % LRG total revenue. Please refer to our glossary for a definition of terms. Sources: Wind, S&P Global Ratings.

# City Governments | Lanzhou

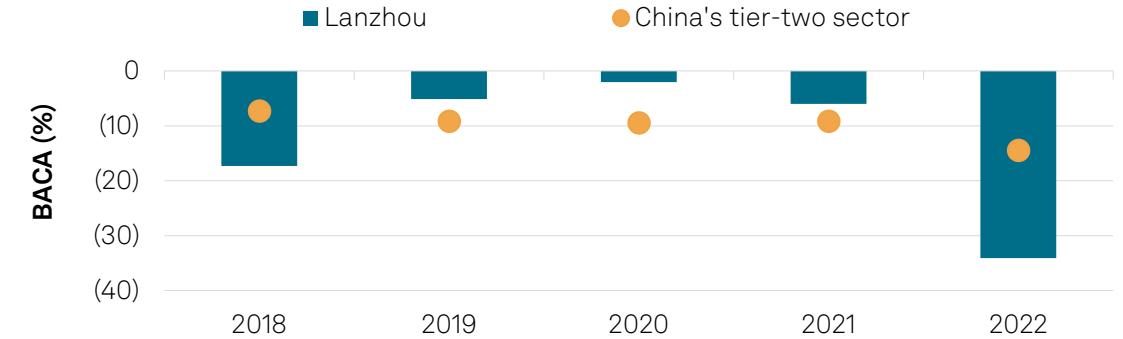
## Credit standing weighed down by low income and debt management

Local rank (higher % indicates stronger credit profile)



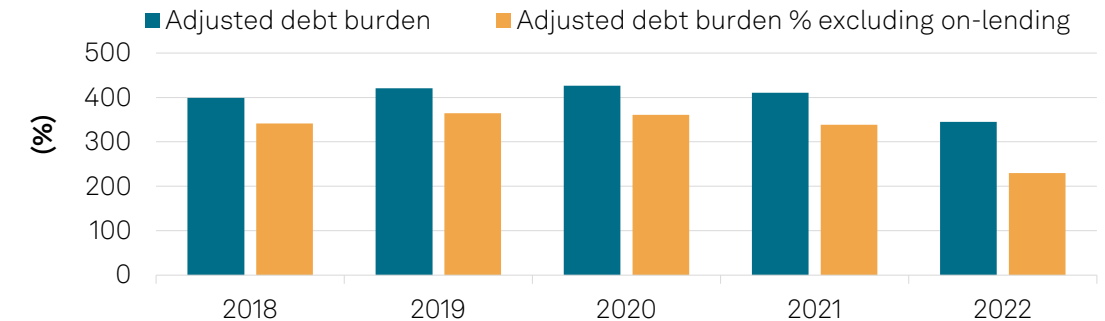
Rank among 51 Chinese tier-two LRGs. Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, LRGs' bureau of statistics, Wind, S&P Global Ratings.

## Deficit jumped due to special purpose bond issuance for banks



Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, S&P Global Ratings.

## Financing controls pushed down overall debt level



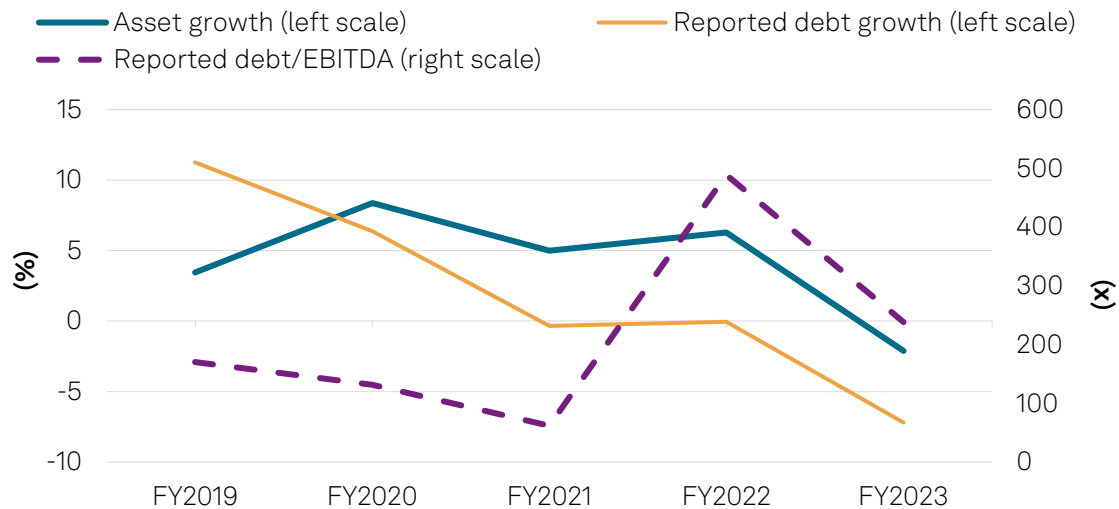
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# SOEs In Lanzhou

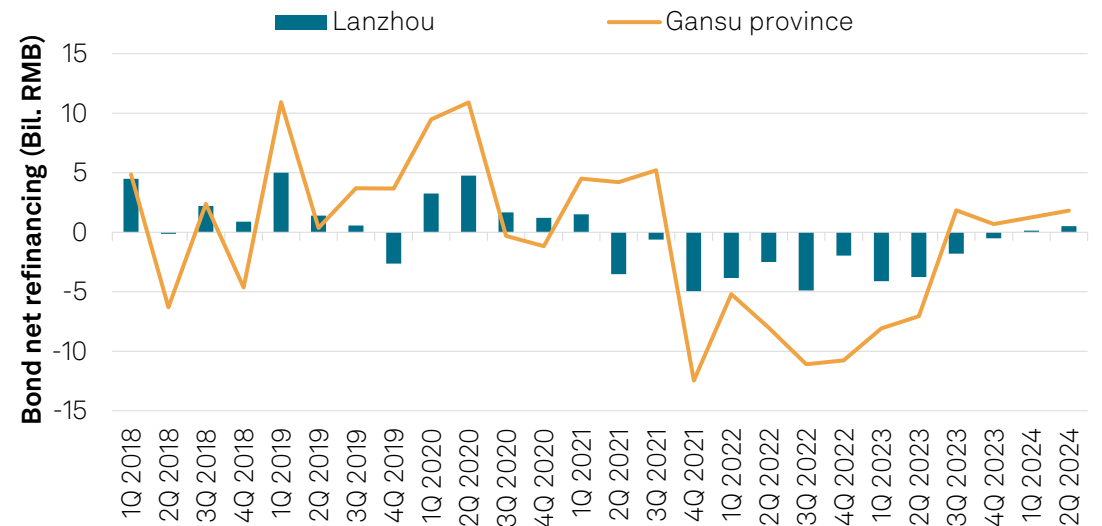
## Lanzhou SOEs are the most indebted among cities in Gansu

- Lanzhou's largest SOEs, which we consider LGFVs, prioritize debt control and liquidity after credit stress events in 2022.
- The city's debt balance declined in 2023 as Lanzhou Investment (Holdings) Group Co. Ltd., the largest LGFV, paid off RMB10.7 billion of maturing bonds with cash injection from the city government and the provincial SOE credit protection fund, given limited bond market access since the event.
- Lanzhou LGFVs face challenges in transitioning compared to those in wealthier cities due to a lack of cash flow generating assets.

### Limited refinancing channels have shrunk SOE debt balance



### Lanzhou SOEs are slowly returning to the bond market



Financials aggregate city-level SOEs with available financials only. Sources: Wind, S&P Global Ratings.

Lanzhou SOE domestic bond quarterly net refinancing amount (whole city all levels). Sources: Wind, S&P Global Ratings.

# SOEs In Lanzhou

## Lanzhou government is still mending the fallout from high-profile credit events

- Credit stress at Lanzhou SOEs was caused by several factors: LGFV policy tightening; weakened government fiscal capacity due to declining land sales; lack of own operating cash flows; and poor liquidity management against short-term maturities.
- This led to a cut-off in bond market access for Lanzhou SOEs in 2021, resulting in refinancing pressure on short-term debt, which were largely PPNs and nonstandard debt.
- The provincial and city governments prioritized repayment of public bond obligations to prevent contagion risks. Meanwhile, delinquencies on nonstandard debt continued.
- Support measures implemented included reducing SOE spending, divesting profitable subsidiaries, restructuring and refinancing existing debt with state-owned banks, and injecting cash from the credit protection fund.
- As of August 2024, Lanzhou government continues to work with local banks on loan extensions for several SOEs.

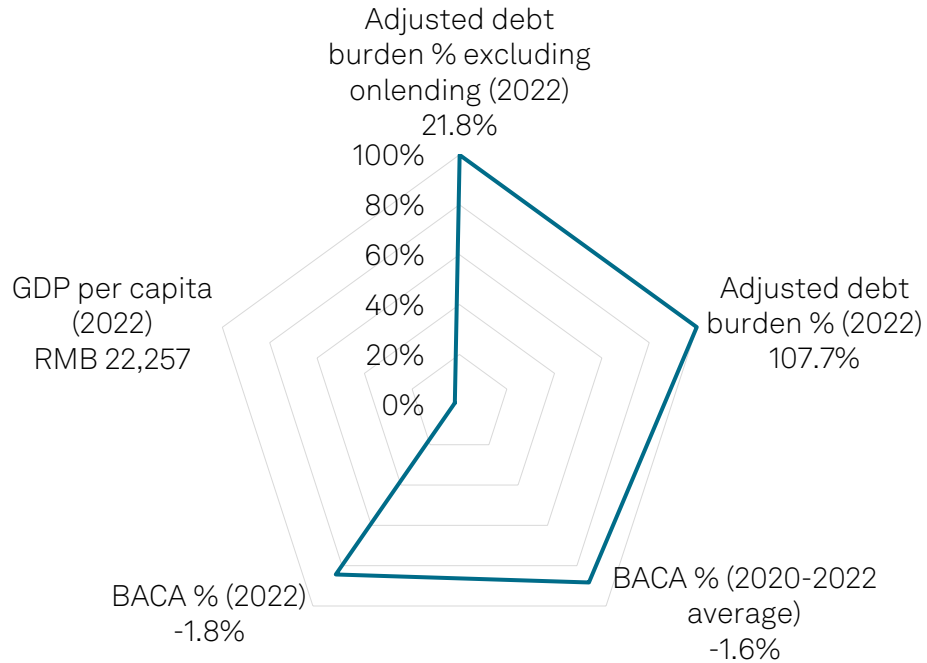
### Timeline of credit events in Lanzhou

| Date         | Entity  | Event  |
|--------------|---|--|
| Mar 21, 2022 | City Development Co. of Lanzhou (CDIL)  | Missed payment of RMB15 million on third party SOE debt guaranteed by CDIL                               |
| Aug 18, 2022 | Lanzhou Construction Investment (Holding) Group Co. Ltd (LCIHG), parent of CDIL | Divested gas distribution subsidiary to pay maturing bonds   |
| Aug 29, 2022 | CDIL  | Missed principal payment on RMB700 mil PPN by one day (technical default)                                |
| Nov 7, 2022  | Gansu provincial government   | Announced intention to prevent default on all public bonds by local SOEs                                 |
| Dec 23, 2022 | CDIL  | Missed payment of RMB99 million on third party SOE debt guaranteed by CDIL                               |
| Feb 8, 2023  | CDIL  | Missed financial lease payment of RMB21 million  |
| Apr 7, 2023  | CDIL  | Completed early repayment on RMB523 million of PPN by 2 days   |
| Nov 30, 2023 | Lanzhou Yellow River Eco Tourism Development Group Co. Ltd.                     | Missed payment on nonstandard debt of RMB59 million. Paid on December 28, 2023                           |
| Mar 15, 2024 | Lanzhou Yellow River Eco Tourism Development Group Co. Ltd.                     | Issued RMB140 million short term PPN, the first successful issuance for a Lanzhou SOE since October 2022 |
| Mar 27, 2024 | Lanzhou Rail Transit Co. Ltd.   | Missed financial lease payment of RMB241 million   |
| Jul 5, 2024  | Lanzhou New Area Urban Development Investment Group Co. Ltd.                    | Missed payment on commercial acceptance bill, with total overdue of RMB86 million since August 2023      |

PPN--private placement notes. Sources: Wind, Dealing Matrix, S&P Global Ratings.

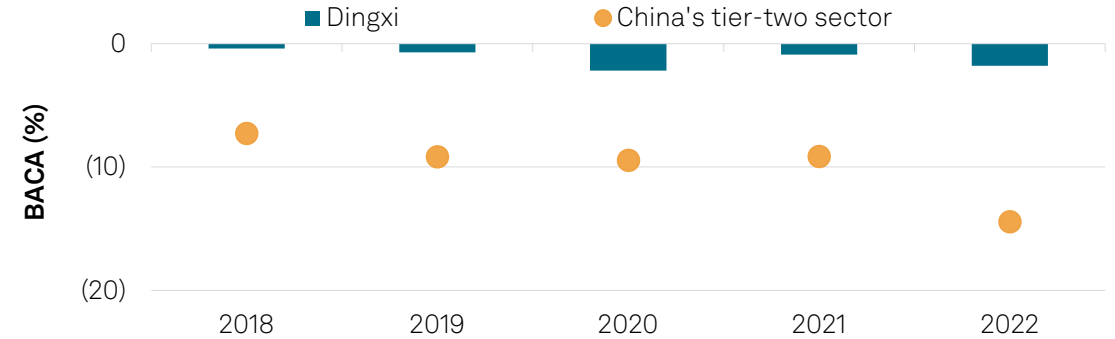
# City Governments | Dingxi

Very low income to strain regional development  
Local rank (higher % indicates stronger credit profile)



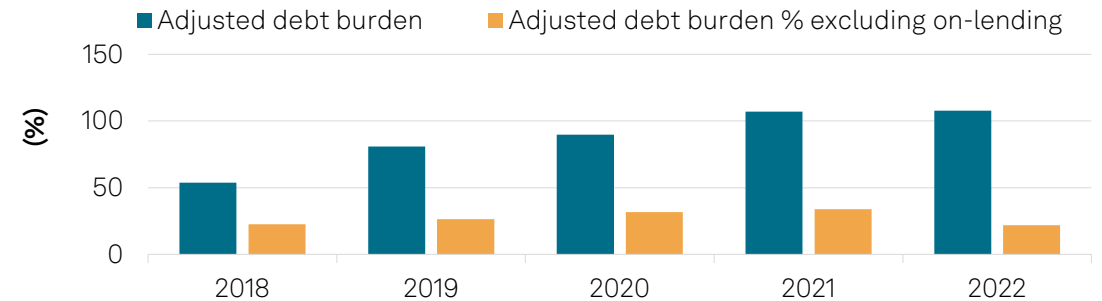
Rank among 51 Chinese tier-two LRGs. Please refer to our glossary for a definition of terms.  
Sources: LRGs' bureau of finance, LRGs' bureau of statistics, Wind, S&P Global Ratings.

## Low expenditure driven by constrained revenue generation



Note: Please refer to our glossary for a definition of terms. Source: LRGs' bureau of finance, S&P Global Ratings.  
Weak 2021 budget performance due to one-off large capital expenditure on shanty town renovation

## Borrowings are also weighed by a very weak economy



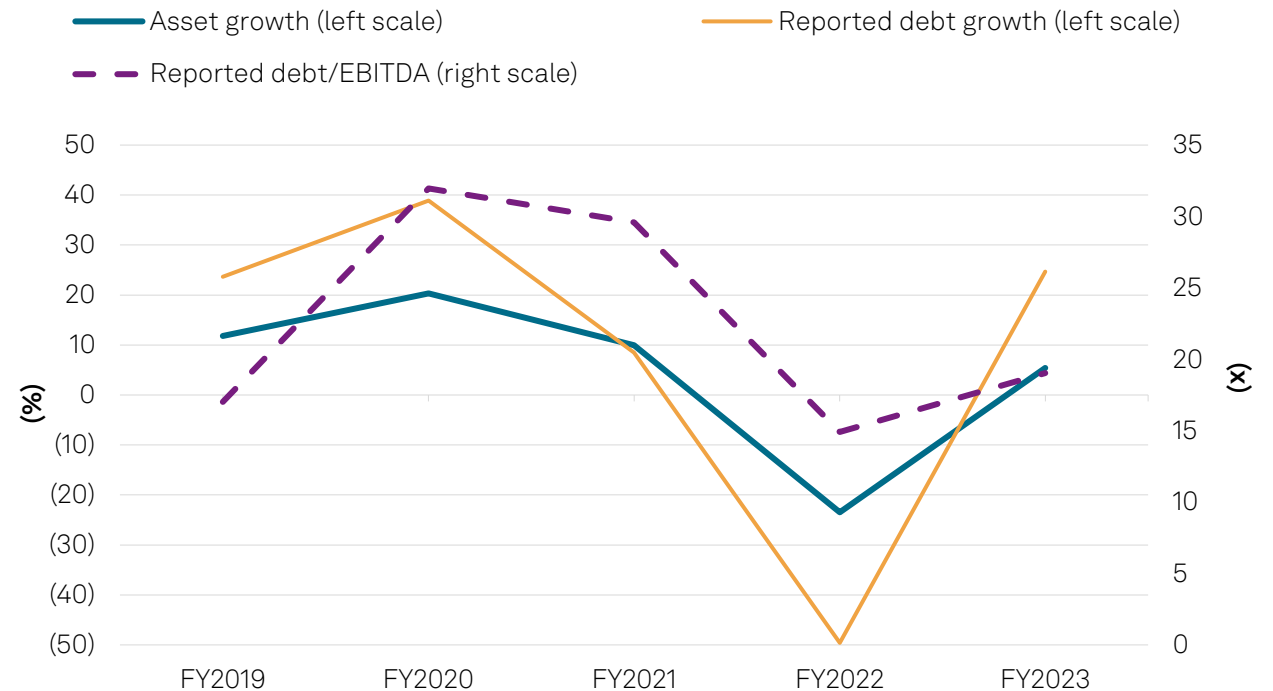
Please refer to our glossary for a definition of terms.  
Sources: LRGs' bureau of finance, Wind, S&P Global Ratings.

# SOEs In Dingxi

## Dingxi's SOEs have declining investment needs

- Dingxi State-Owned Investment (Holding) Group Co. Ltd. accounts for about half of the SOE sector's total assets. It is the main infrastructure investment entity for the city, with earnings mostly from government payments on construction projects.
- The company has a moderate project pipeline, focused on government-subsidized housing and public facilities.
- Debt growth in 2023 remained high given low cash receipts from the government for previous construction of roads and other public facilities.

## SOE leverage fluctuates with pace of project investments.



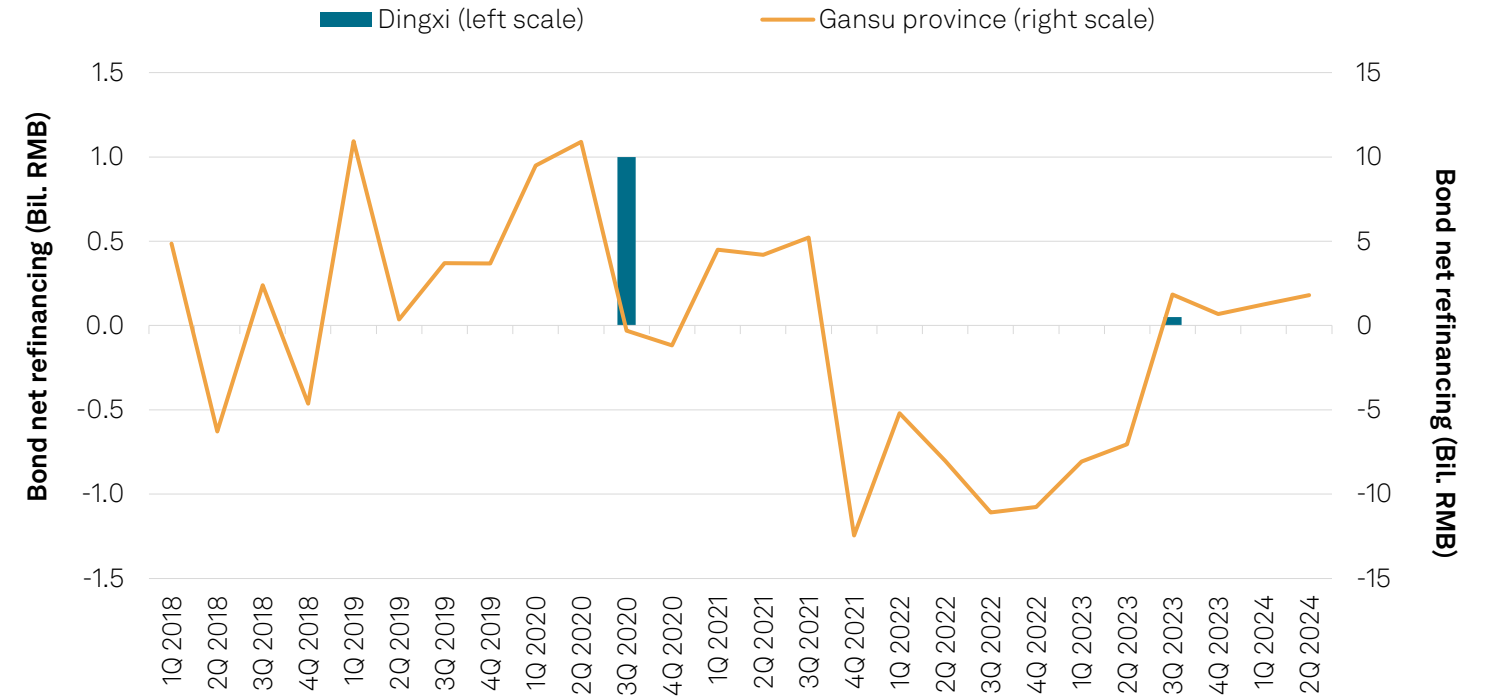
Financials aggregate city-level SOEs with available financials only. Decline in FY2022 figures is result of deconsolidation of a subsidiary for which there is no public data. Sources: Wind, S&P Global Ratings.

# SOEs In Dingxi

## Bond market issuances have been limited

- Despite bond issuances being fully guaranteed by a Gansu financial SOE, the coupon of 6.98% on a five-year bond issued in 2023 is much higher than that of peers, suggesting subdued investor confidence in the province.
- Rising banking facilities kept Dingxi State-Owned Investment (Holding) Group Co. Ltd.'s nonstandard debt balance at less than RMB200 million over 2022-2023, limiting refinancing risks amid tight financing conditions.

Only one SOE has tapped the bond market over the past five years.

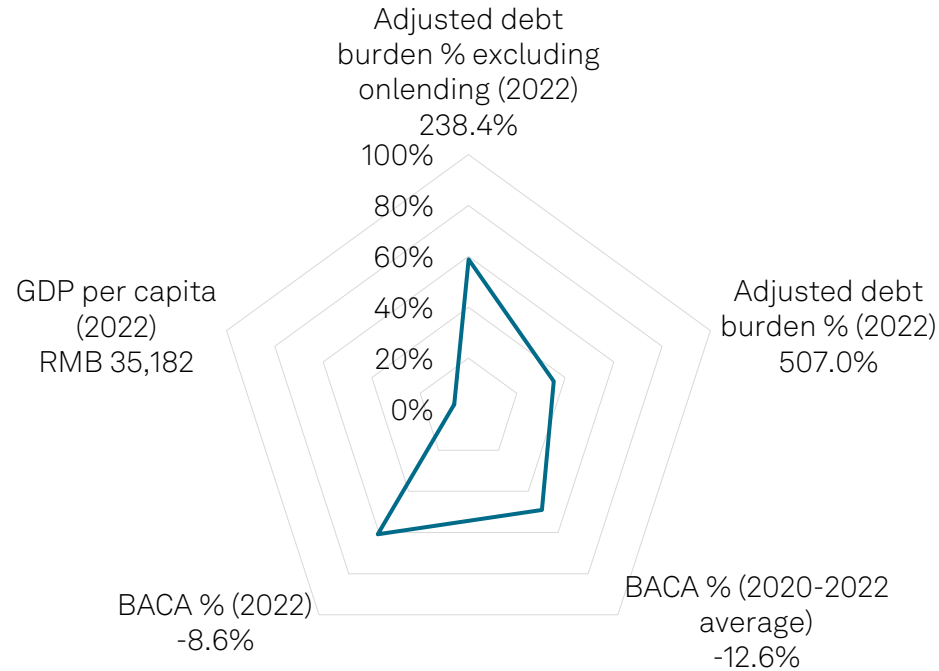


Dingxi SOE domestic bond quarterly net refinancing amount (whole city all levels).  
Sources: Wind, S&P Global Ratings.



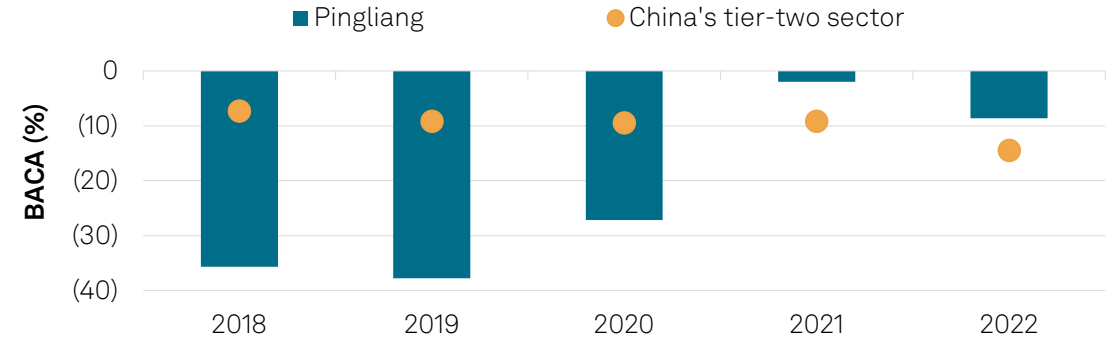
# City Governments | Pingliang

Weak credit profile weighed down by low income level  
Local rank (higher % indicates stronger credit profile)



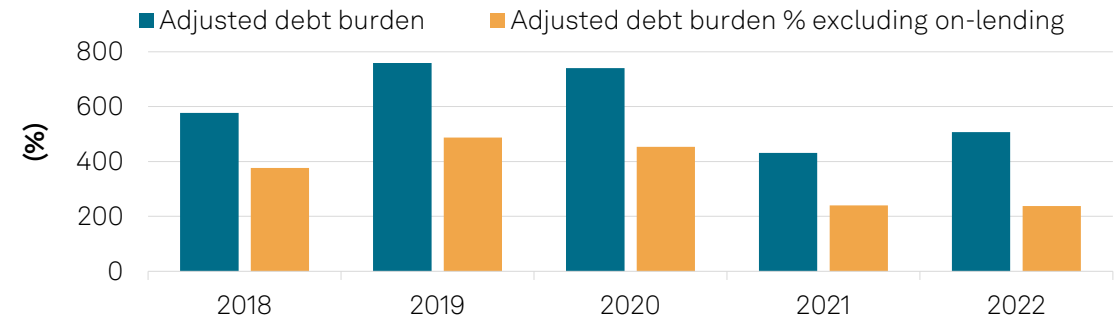
Rank among 51 Chinese tier-two LRGs. Please refer to our glossary for a definition of terms.  
Sources: LRGs' bureau of finance, LRGs' bureau of statistics, Wind, S&P Global Ratings.

## Spending cut on infrastructure improved fiscal performance



Note: Please refer to our glossary for a definition of terms. Source: LRGs' bureau of finance, S&P Global Ratings.

## Very high debt burden driven by both government and SOEs



Please refer to our glossary for a definition of terms.  
Sources: LRGs' bureau of finance, Wind, S&P Global Ratings.

# SOEs In Pingliang

## Pingliang SOEs' debt growth is slowing on lower investments

- Pingliang's largest SOEs, which are engaged in urban infrastructure investment, shantytown redevelopment, and tourism investment, have cut spending due to weak a property market and limited financing channels.
- Cash flows are highly dependent on payments from the government for previous infrastructure investments and shantytown housing projects; ongoing fiscal pressure has caused significant delays in cash receipt, resulting in elevated leverage ratios.
- Bank loan accounted for 84% of total debt in 2023, steady since 2020, while bonds made up 13% and nonstandard debt 3%. Outstanding bonds amounted to RMB1.4 billion as of July 2024, due over 2024-2026.

### Debt growth has been low while leverage moderates



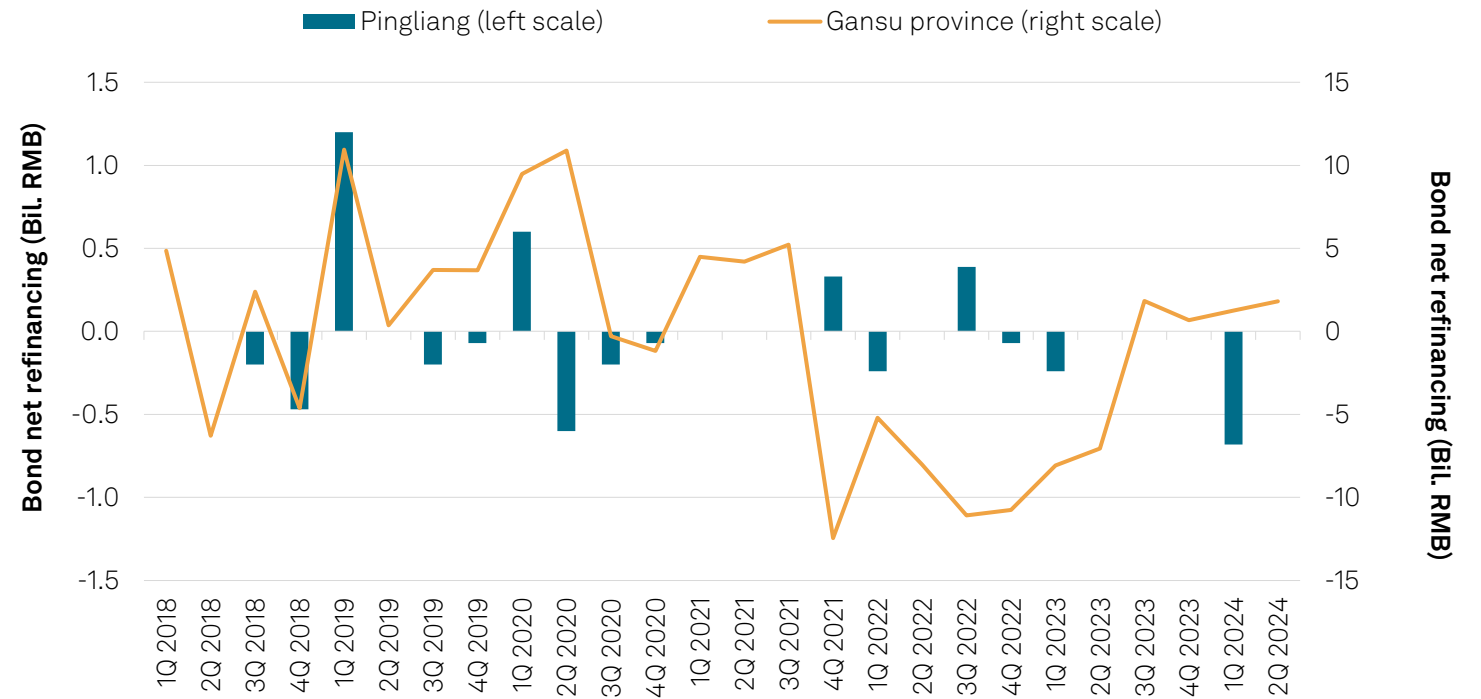
Financials aggregate city-level SOEs with available financials only. Sources: Wind, S&P Global Ratings.

# SOEs In Pingliang

Reliance on bank loans for financing is high

- SOE financing is highly reliant on bank loans because bond market access is limited. This is given ongoing nonpayment on financial leases of RMB140 million (reportedly) for one of the SOEs as of 2023.
- The most recent bond issuance was a three-year PPN in March 2023, with a high coupon of 7.2%.

Bond market access is limited with high bond premiums.

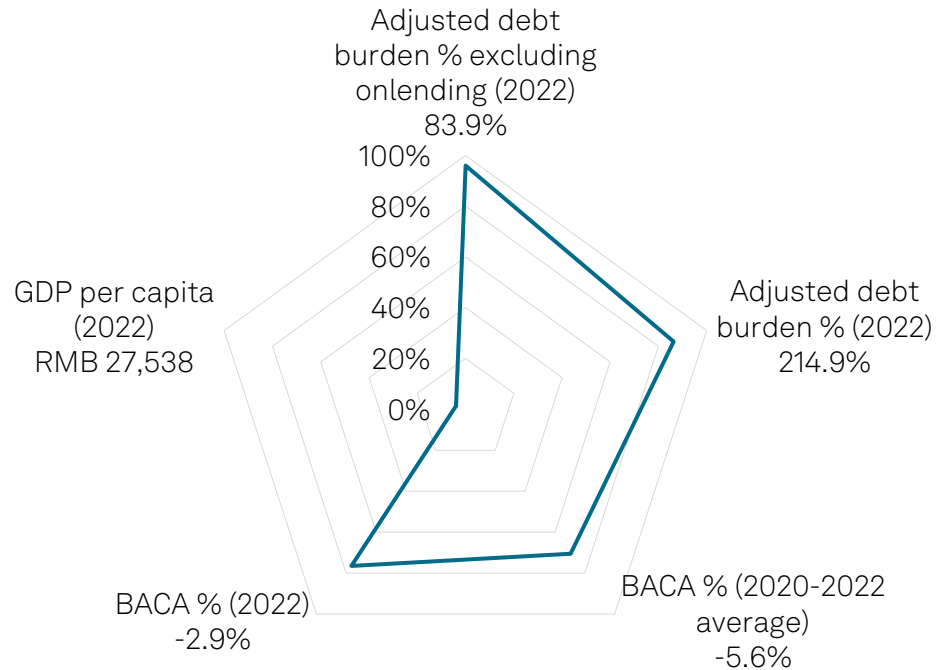


Pingliang SOE domestic bond quarterly net refinancing amount (whole city all levels). Source: Wind, S&P Global Ratings.

# City Governments | Tianshui

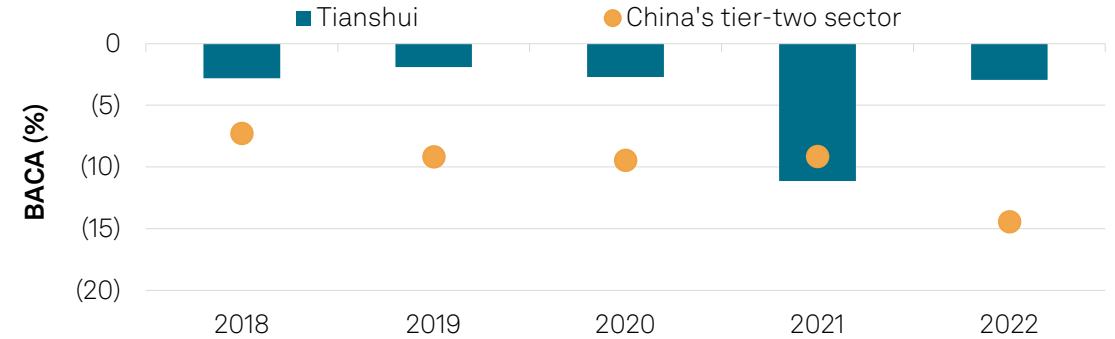
## Less robust management dilutes solid credit metrics

Local rank (higher % indicates stronger credit profile)



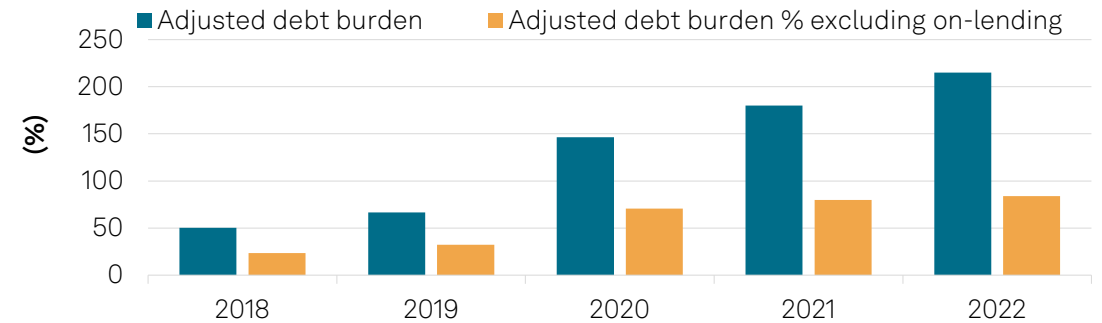
Rank among 51 Chinese tier-two LRGs. Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, LRGs' bureau of statistics, Wind, S&P Global Ratings.

## Constrained spending keeps deficit lower



Note: Please refer to our glossary for a definition of terms. Source: LRGs' bureau of finance, S&P Global Ratings.

## Debt burden is fueled by spending from government



Please refer to our glossary for a definition of terms. Sources: LRGs' bureau of finance, Wind, S&P Global Ratings.

# SOEs In Tianshui

## Tianshui SOEs' debt balance is shrinking

- Tianshui Urban Construction Investment Co. Ltd., the sole infrastructure investment SOE in the city, has been slowing investments in urban infrastructure and government-subsidized housing under the city's debt resolution efforts.
- Financing channels have tightened since 2021 as the company used up 80% of its cash to pay off maturing debt in 2022. In 2023, short-term borrowings as portion of total debt also increased to 16% from 3% in 2022.
- To contain debt risks, in 2023, the provincial and city government distributed RMB746 million of special refinancing bonds and RMB273 million in cash from a provincial emergency liquidity fund (set up by the Gansu government fiscal bureau and the provincial financial holding SOE in 2019).

## Leverage remains broadly stable amid slowing investments



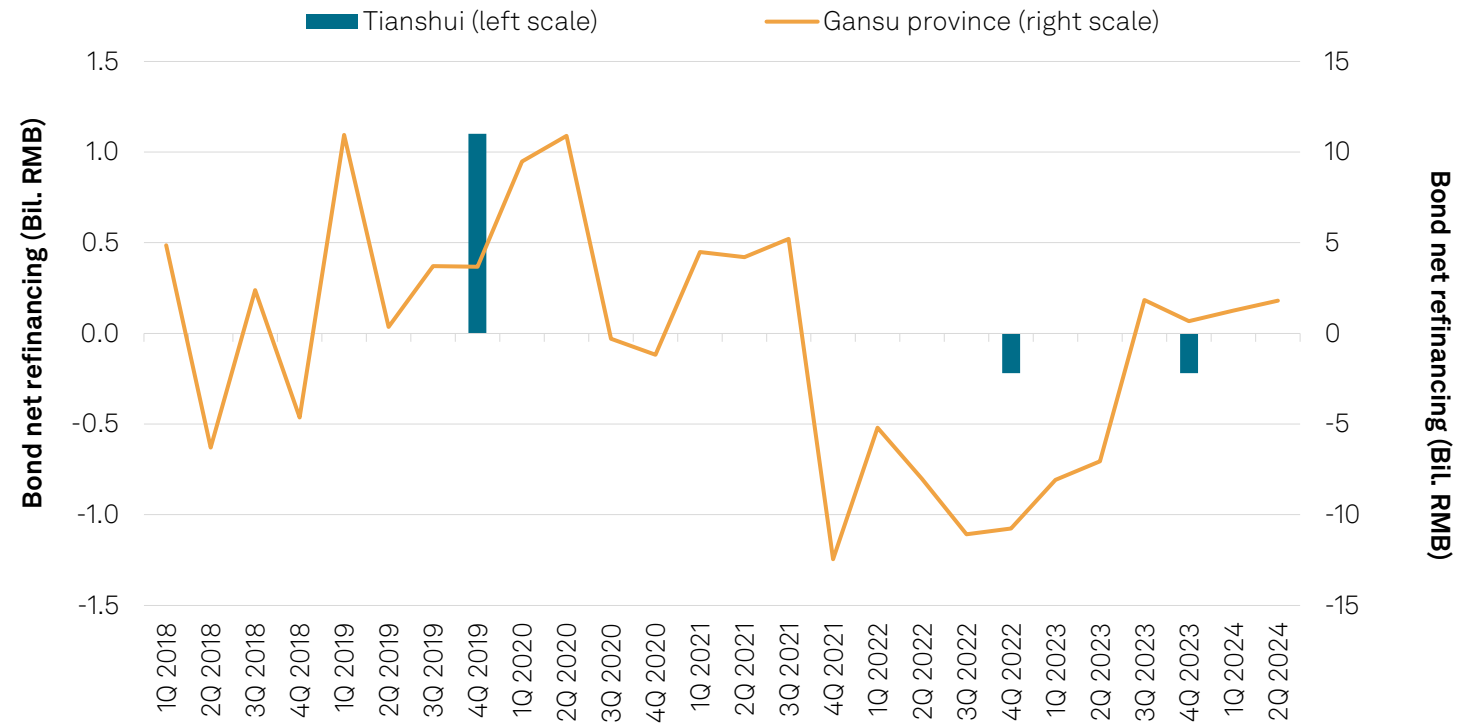
Financials aggregate city-level SOEs with available financials only. Sources: Wind, S&P Global Ratings.

# SOEs In Tianshui

## Funding avenues are limited

- As of August 2024, Tianshui Urban Construction Investment Co. Ltd., the only SOE with bonds outstanding, had about RMB650 million of amortized bonds maturing in 2026.
- With restricted funding channels, the city government continues to coordinate with local banks to extend SOE debt maturity and lower interest.

### Bond market access remains limited, with the last issuance in 2019



Tianshui SOE domestic bond quarterly net refinancing amount (whole city all levels). Sources: Wind, S&P Global Ratings.

# Key Financial Institutions In Gansu



# Gansu regional banks' ability to grow loans is constrained

## Significant asset-quality risks

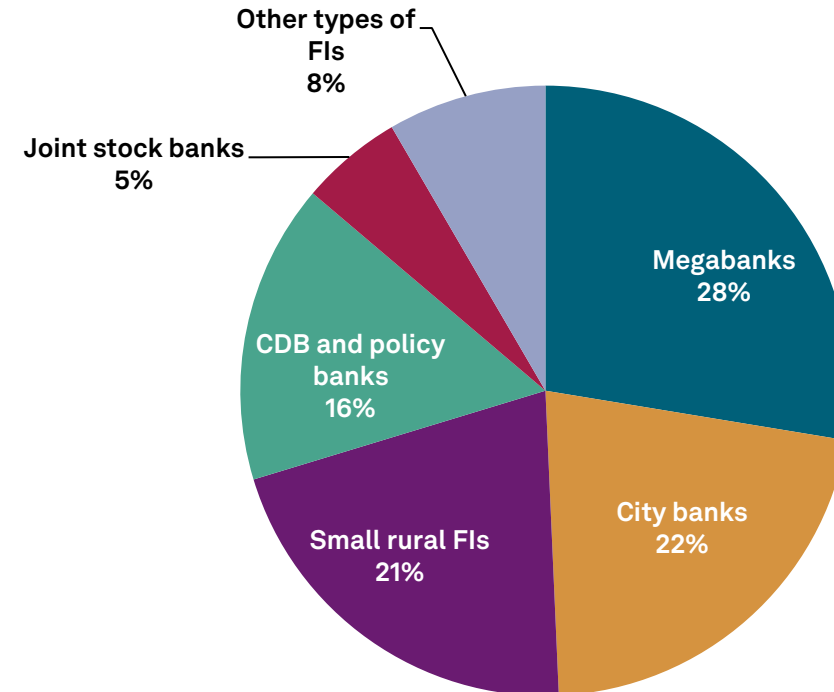
- Gansu's top regional banks are of average size, compared with city banks in other regions. Unlike regional banks in affluent regions, those in Gansu have a large market share in the home province.
- Asset-quality pressure, essentially driven by large borrower concentration, concentration on small and midsize enterprises or highly cyclical segments, is a key risk for banks.

## Overview of the banking sector

- Total assets: RMB3,842 billion
- Total loans: RMB2,745 billion
- Total deposits: RMB2,575 billion
- We cover two city commercial banks in our report. They account for 21.9% of assets, 16.6% of loans, 24.6% of deposits

## The banking sector is well diversified

Market share of different types of banking FIs by assets



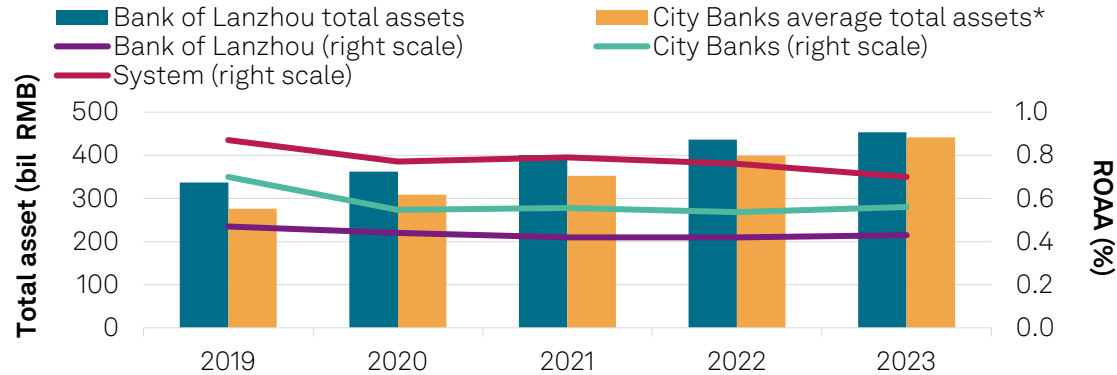
Data as of Dec 31, 2023. Local financial institutions (FIs): 2 city commercial banks, 85 small rural FIs, 27 new types of rural FIs, 6 other types of FIs.

Sources: Company data, The PBOC, National Financial Regulatory Administration.

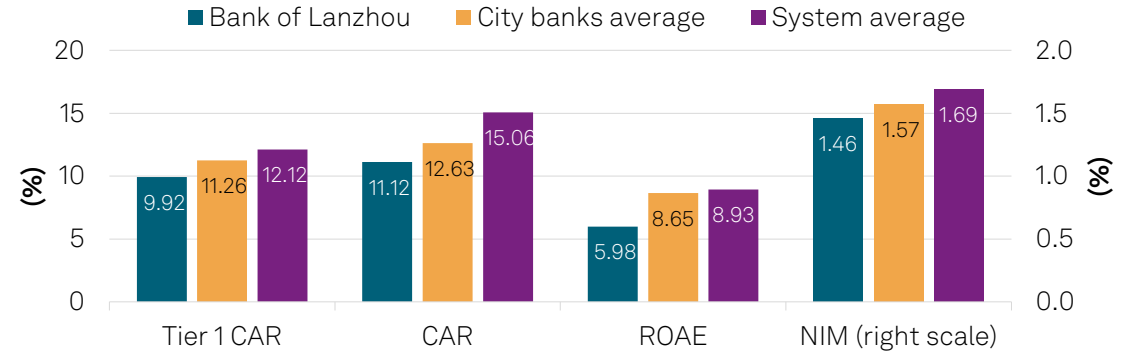


# Bank of Lanzhou: Asset quality challenged by high MSE loan exposure

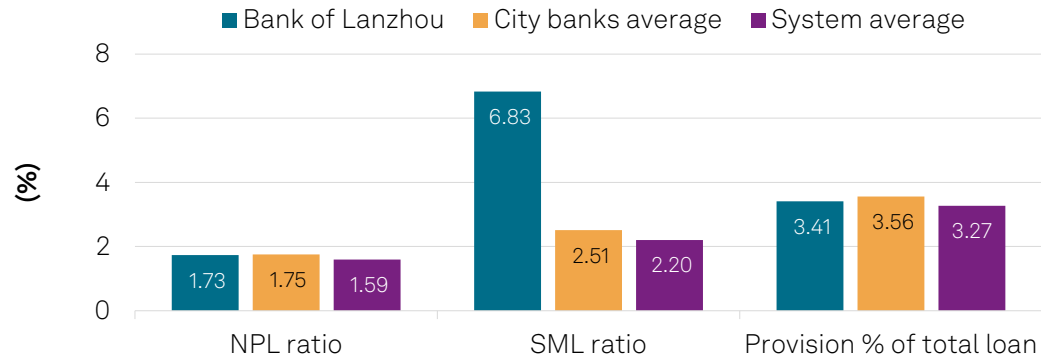
## Largest commercial bank in the low-income province



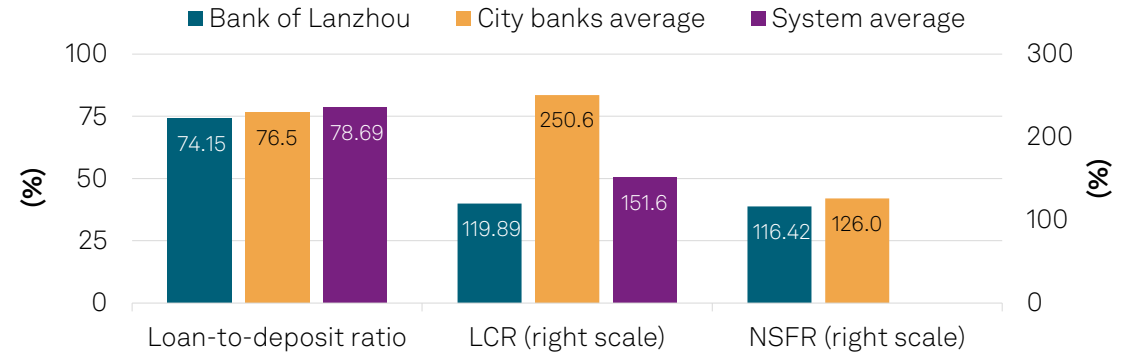
## Elevated credit costs and falling NIMs weigh on capitalization



## Below-peers' asset quality with high risk appetite



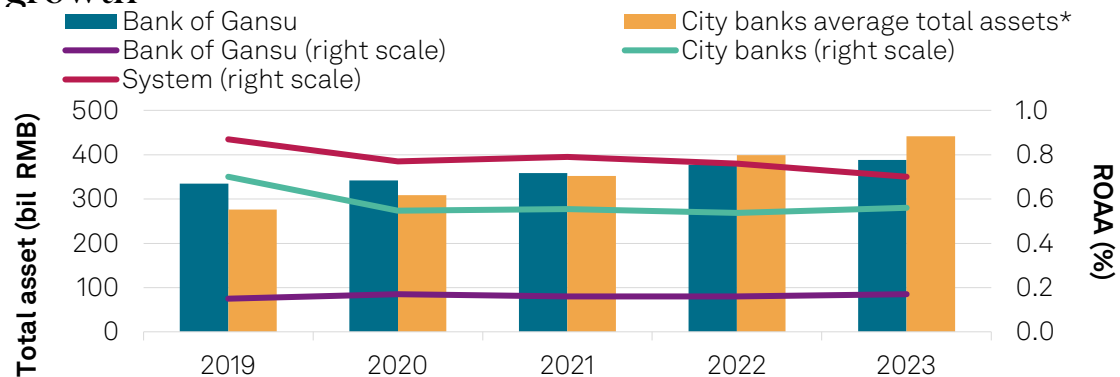
## Retail customers dominate deposit base



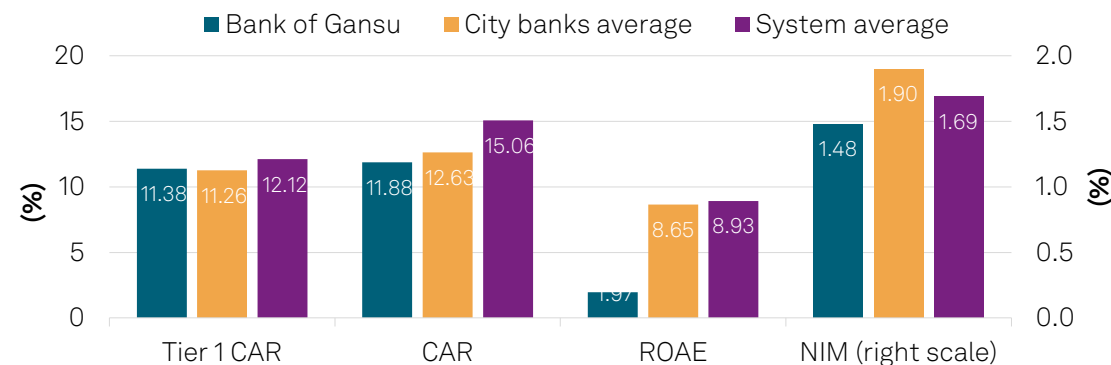
Data as of Dec 31, 2023, unless stated explicitly. ROAA--Return on average assets. CAR--Capital adequacy ratio. ROAE--Return on average equity. NIM--Net interest margin. NPL--Nonperforming loans. SML--Special mentioned loans. LCR--Liquidity coverage ratio. NSFR--Net stable funding ratio. The ratios are calculated by averaging the number of city commercial banks with available data: average tier-1 CAR (101), ROAE (30), SML ratio (29), Provision & of total loan (106), loan-to-deposit ratio (108), LCR (60), and NSFR (55). Sources: Company data, Wind, National Financial Regulatory Administration. Writer: Robert Xu.

# Bank of Gansu: High client concentration weighs on asset quality

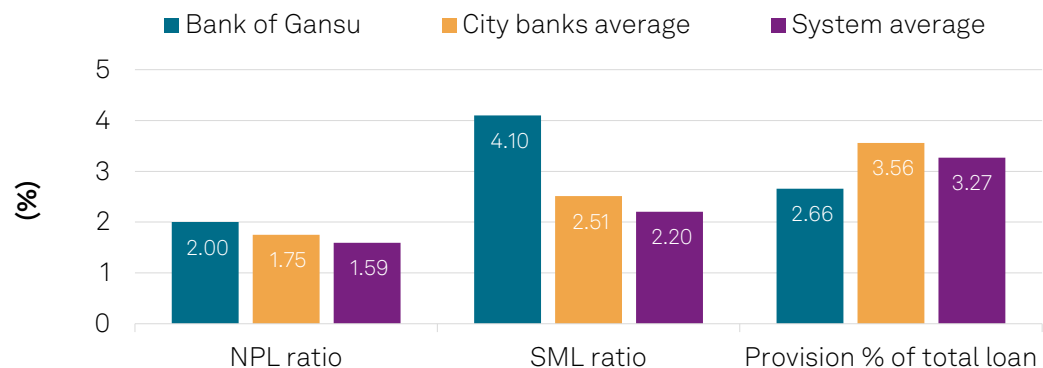
Average-size city commercial bank with below-average growth



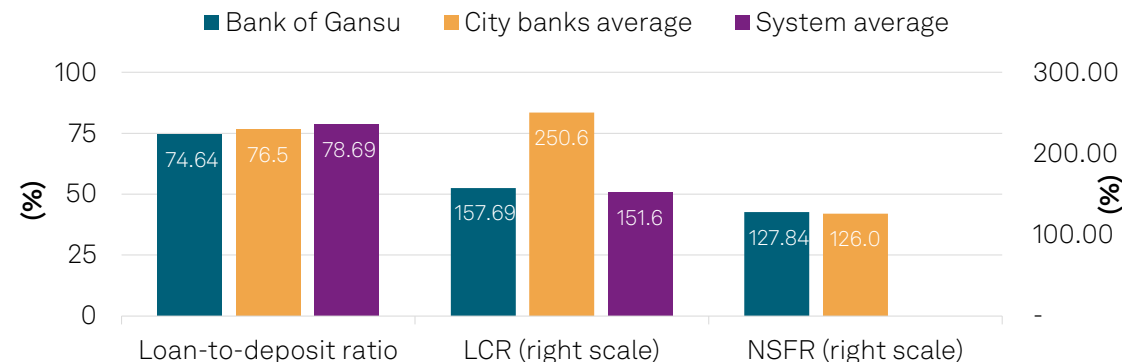
Profitability well below peers' on high provision charge



High borrower concentration, below average provisioning



Funding and liquidity aligned with peers'



Data as of Dec 31, 2023, unless stated explicitly. ROAA--Return on average assets. CAR--Capital adequacy ratio. ROAE--Return on average equity. NIM--Net interest margin. NPL--Nonperforming loans. SML--Special mentioned loans. LCR--Liquidity coverage ratio. NSFR--Net stable funding ratio. The ratios are calculated by averaging the number of city commercial banks with available data: average tier-1 CAR (101), ROAE (30), SML ratio (29), Provision & of total loan (106), loan-to-deposit ratio (108), LCR (60), and NSFR (55). Sources: Company data, Wind, National Financial Regulatory Administration. Writer: Robert Xu.

# Appendix



# Appendix

## Key metrics of Gansu and the Chinese LRG sector

|                               | GDP scale (bil. RMB) | GDP per capita (RMB) | LRG total revenue (bil. RMB) | LRG debt (bil. RMB) | SOE debt (bil. RMB) | Real GDP growth % | BACA % | Adjusted DB% | Adjusted DB excluding onlending% |
|-------------------------------|----------------------|----------------------|------------------------------|---------------------|---------------------|-------------------|--------|--------------|----------------------------------|
| <b>Gansu-provincial level</b> |                      |                      |                              |                     |                     |                   |        |              |                                  |
| 2021-2023 average             | 1,110                | 44,627               | 369                          | 190                 | 672                 | 5.9               | (7.5)  | 153          | 67                               |
| 2023                          | 1,186                | 47,867               | 391                          | 212                 | 760                 | 6.4               | (6.6)  | 176          | 75                               |
| <b>Gansu-whole region</b>     |                      |                      |                              |                     |                     |                   |        |              |                                  |
| 2021-2023 average             | 1,110                | 44,627               | 462                          | 603                 | 813                 | 5.9               | (19.9) | 149          | N.A.                             |
| 2023                          | 1,186                | 47,867               | 478                          | 711                 | 913                 | 6.4               | (16.1) | 171          | N.A.                             |
| <b>China</b>                  |                      |                      |                              |                     |                     |                   |        |              |                                  |
| 2021-2023 average             | 120,485              | 85,475               | 29,170                       | 35,384              | 65,257              | 5.6               | (15.1) | 259          | N.A.                             |
| 2023                          | 126,058              | 89,358               | 28,876                       | 40,736              | 74,330              | 5.2               | (15.9) | 274          | N.A.                             |

Please refer to our glossary for a definition of terms. LRG--local regional government. RMB--Chinese renminbi. N.A.--Not available. Sources: LRGs' bureau of finance and bureau of statistics, Wind, S&P Global Ratings.

# Appendix

## Key Metrics Of Gansu Cities

|                       | LRG-level                  |                            |                                    |                           |                           | Whole-LRG                          |                           |                           |
|-----------------------|----------------------------|----------------------------|------------------------------------|---------------------------|---------------------------|------------------------------------|---------------------------|---------------------------|
|                       | GDP scale (bil. RMB, 2022) | GDP per capita (RMB, 2022) | LRG total revenue (bil. RMB, 2022) | LRG debt (bil. RMB, 2022) | SOE debt (bil. RMB, 2022) | LRG total revenue (bil. RMB, 2022) | LRG debt (bil. RMB, 2022) | SOE debt (bil. RMB, 2022) |
| Gansu (Province of)   | 1,120                      | 44,968                     | 368                                | 192                       | 622                       | 448                                | 609                       | 805                       |
| Lanzhou (City of)     | 334                        | 75,992                     | 33                                 | 47                        | 77                        | 59                                 | 100                       | 77                        |
| Qingyang (City of)    | 102                        | 47,351                     | 7                                  | 4                         | -                         | 35                                 | 35                        | -                         |
| Jiuquan (City of)     | 83                         | 79,840                     | 4                                  | 5                         | -                         | 21                                 | 23                        | -                         |
| Tianshui (City of)    | 81                         | 27,538                     | 16                                 | 9                         | 4                         | 37                                 | 29                        | 4                         |
| Wuwei (City of)       | 66                         | 45,932                     | 4                                  | 5                         | -                         | 25                                 | 32                        | -                         |
| Pingliang (City of)   | 64                         | 35,182                     | 8                                  | 3                         | 16                        | 27                                 | 24                        | 16                        |
| Baiyin (City of)      | 63                         | 42,297                     | 8                                  | 8                         | -                         | 22                                 | 27                        | -                         |
| Zhangye (City of)     | 58                         | 51,861                     | 18                                 | 7                         | -                         | 21                                 | 27                        | -                         |
| Longnan (Province of) | 56                         | 23,548                     | 4                                  | 4                         | -                         | 34                                 | 25                        | -                         |
| Dingxi (District of)  | 55                         | 22,257                     | 28                                 | 3                         | 3                         | 33                                 | 29                        | 3                         |
| Jinzhong (City of)    | 52                         | 120,161                    | 4                                  | 5                         | -                         | 7                                  | 10                        | -                         |
| Linxia (City of)      | 41                         | 19,271                     | 31                                 | 3                         | -                         | 34                                 | 31                        | -                         |
| Jiayuguan (City of)   | 36                         | 114,810                    | 4                                  | 6                         | -                         | 3                                  | 6                         | -                         |
| Gannan (City of)      | 24                         | 35,662                     | 3                                  | 5                         | -                         | 23                                 | 20                        | -                         |

Please refer to our glossary for a definition of terms. RMB--Chinese renminbi.  
Sources: LRGs' bureau of finance and bureau of statistics, Wind, S&P Global Ratings.

# Appendix

## Top corporate SOEs in Gansu

| SOE (non-FI)      | SOE (non-FI)   | Reference LRG*      | Tier of LRG | Total debt (bil. RMB,2023) |
|-------------------|--|---------------------|-------------|----------------------------|
| 甘肃省公路航空旅游投资集团有限公司 | Gansu Provincial highway Aviation Tourism Investment Group Co.,Ltd | Gansu (Province of) | T1          | 460.09                     |
| 甘肃省国有资产投资集团有限公司   | Gansu Provincial State-Owned Asset Investment Group Co.,Ltd.       | Gansu (Province of) | T1          | 145.30                     |
| 兰州投资(控股)集团有限公司    | Lanzhou Investment(holdings)Limited                                | Lanzhou (City of)   | T2          | 112.44                     |
| 甘肃省建设投资(控股)集团有限公司 | Gansu Construction Investment (Holdings) Group Corporation         | Gansu (Province of) | T1          | 66.51                      |
| 酒泉钢铁(集团)有限责任公司    | JiuQuan Iron and Steel (Group) Co.,Ltd                             | Gansu (Province of) | T1          | 49.13                      |
| 兰州新区城市发展投资集团有限公司  | Lanzhou New District Investment Development Company                | Lanzhou (City of)   | T2          | 26.47                      |
| 甘肃省铁路投资建设集团有限公司   | Gansu Railway Construction Investment Group Co.,Ltd                | Gansu (Province of) | T1          | 24.30                      |
| 白银有色集团股份有限公司      | Baiyin Nonferrous Group Co.,Ltd.                                   | Gansu (Province of) | T1          | 20.37                      |
| 兰州黄河生态旅游开发集团有限公司  | Lanzhou Yellow River Ecotourism Development Group Co., Ltd.        | Lanzhou (City of)   | T2          | 20.05                      |
| 平凉市城乡发展建设投资集团有限公司 | Pingliang City Urban and Rural Construction Investment Co.,Ltd.    | Pingliang (City of) | T2          | 16.00                      |
| 甘肃能源化工投资集团有限公司    | Gansu Energy Chemical Industry Investment Group Co.,Ltd            | Gansu (Province of) | T1          | 15.26                      |
| 兰州兰石集团有限公司        | Lanzhou LS Group Co., Ltd.   | Gansu (Province of) | T1          | 14.17                      |
| 甘肃省民航机场集团有限公司     | Gansu Civil Aviation Airport Group Co., Ltd.                       | Gansu (Province of) | T1          | 13.31                      |
| 定西国有投资(控股)集团有限公司  | Dingxi State-Owned Investment (Holding) Group Co., Ltd.            | Dingxi (City of)    | T2          | 4.37                       |
| 天水市城市建设投资(集团)有限公司 | Tianshui City Construction Investment (Group) Co., Ltd             | Tianshui (City of)  | T2          | 3.97                       |

Data as of December 2023. The list shows top 15 SOEs by total debt within the region. \*Reference government refers to the largest government owner as listed in Wind. Please refer to our glossary for a definition of terms. FI--Financial institution. T1--Tier one. T2--Tier two. bil.--Billion. RMB--Chinese renminbi.

Sources: LRGs' State-owned Assets Supervision and Administration, Wind, S&P Global Ratings.

# Appendix

## Top financial institution SOEs in Gansu region

| SOE (FI)   | SOE (FI)                  | Reference LRG*      | Tier of LRG | Assets (bil. RMB, 2023) | Total loan (bil. RMB, 2023) | Total regulatory capital (bil. RMB, 2023) | CAR % (2023) |
|------------|---------------------------|---------------------|-------------|-------------------------|-----------------------------|---|--------------|
| 甘肃银行股份有限公司 | Bank of Gansu Co., Ltd.   | Gansu (Province of) | T1          | 389                     | 217                         | 34  | 11.88%       |
| 兰州银行股份有限公司 | Bank of Lanzhou Co., Ltd. | Lanzhou (City of)   | T2          | 453                     | 238                         | 37  | 11.12%       |

Data as of December 2023. \*Reference government refers to the largest government owner as listed in Wind. Please refer to our glossary for a definition of terms. FI--Financial institution. T1--Tier one. T2--Tier two. bil.--Billion. RMB--Chinese renminbi. Sources: LRGs' State-owned Assets Supervision and Administration, Wind, S&P Global Ratings.

# Glossary

- Note on our data: We use settlement data for 2022 and before. For provincial level and China tier-one sector data, we use adjusted revenue for key ratio calculations. For tier-two and tier-two sector data, we are currently using reported revenue numbers.
- LRG: Local and regional government.
- Tier-one LRG: Provinces, autonomous regions, municipalities, and cities with state-planning status.
- Tier-two LRG: Cities, autonomous prefectures, and districts of municipalities.
- Tier-one sector: An aggregation of 36 tier-one LRGs, as defined in our risk indicator article for such tier-one governments (see "Related Research," below).
- Tier-two sector: An aggregation of 48 tier-two LRGs, as defined in our risk indicator article for such tier-two governments (see "Related Research," below).
- BACA: Balance after capital account of LRGs.
- BACA %: Adjusted total revenue subtracted by adjusted total expenditure, as a percentage of adjusted total revenues.
- Direct debt: Debts directly issued under the name of a given LRG.
- Direct debt / total revenue: Direct debt, as a percentage of an LRG's total revenues (note: this ratio references soft guidance by China authorities and is irrelevant to our credit metrics.)
- Adjusted debt burden: Sum of direct debt and debt of LGFVs that are classified by Wind.
- Adjusted debt burden %: Adjusted debt burden, as a percentage of consolidated operating revenues of an LRG and those of LGFVs.
- Adjusted debt burden % excluding on-lending: Adjusted debt burden excluding on-lending to lower-tier LRGs, as a percentage of operating revenues of an LRG and those of LGFVs.
- SOEs: State-owned enterprises controlled by LRGs.
- LGFVs: SOEs that are classified as LGFV by Wind.
- SOE debt % LRG total revenue: Aggregated debt of SOEs controlled by LRGs as a proportion of LRG total revenues.
- SOE sector leverage (or SOE leverage): The proportion of an SOE's aggregated debt to aggregated EBITDA.
- SOE cash coverage to ST debt: SOEs' cash and short-term securities measured against their short-term debt.



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- [China Local Governments: The Slow Road To Stabilization](#), Jun. 13, 2024
- [Shaanxi Province In Focus](#), May. 16, 2024
- [What Are The Credit Implications Of China's Various Programs To Support Growth?](#), Mar 28, 2024
- [China LGFVs' Bigger Housing Role: Risk Control Matters](#), Mar 27, 2024
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- [China's Fiscal Bid To Stanch Local SOE Debt Risk](#), Nov. 2, 2023
- [China's District And County Recovery Crimped By Property Slide And Debt Checks](#), Sept 13, 2023
- [China LRG in Focus- Hubei Province](#), Oct. 5, 2023
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- [Institutional Framework Assessment: China Provincial Governments' Capital-Light Framework To Support Fiscal Positions](#), Aug. 10, 2023
- [Institutional Framework Assessment: China's Push To Delink LRGs From SOEs Relieves Some Pressure On Tier-Two Governments' Elevated Debt](#), Aug. 10, 2023



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