China Banking Sector Intelligence

Strategic market-intelligence summary for the Mainland China banking sector - Full-Year 2025

FinQuest

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Strategic Summary, Full-Year 2025

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Mainland China's banking sector closed 2025 with continued asset expansion, strong capital and liquidity, broad credit support to the real economy, and stable headline asset quality. The strategic challenge is to preserve these buffers while addressing margin compression, property-sector stress, local-government and small-bank exposures, and rising requirements for data, cyber, AI, and operational governance.

Banking-institution assets reached RMB480.0 trillion, up 8.0% year on year. Commercial banks reported RMB2.4 trillion of net profit, a 15.46% capital adequacy ratio, a 1.50% NPL ratio, and provision coverage of 205.21%. Large commercial banks held 43.9% of sector assets, underscoring the scale and policy-transmission role of the largest institutions.

This brief uses National Financial Regulatory Administration, People's Bank of China, National Bureau of Statistics, and major-bank disclosures as its primary evidence base. It translates sector indicators and the operating environment into practical implications for capital, credit, profitability, property and local-government risk, small-bank restructuring, and digital resilience.

NOTABLE FROM THE REPORT

RMB480tn	RMB230.2tn	15.46%	RMB2.4tn	1.50%
Banking-sector assets	Performing loans	Capital adequacy ratio	Commercial-bank net profit	Commercial-bank NPL ratio
Q4 2025	Q4 2025	Q4 2025	FY2025	Q4 2025

China entered 2026 with substantial system scale, high capital and provision coverage, and stable reported liquidity. The priority is to improve the quality and transparency of credit allocation while protecting earnings capacity and addressing concentrated risks before they migrate across institutions or funding channels.

SCOPE OF THIS EDITION

This Full-Year 2025 Executive Report is designed as a concise market-intelligence summary for executives, boards, investors, and institutional stakeholders. It covers Mainland China and excludes Hong Kong SAR, Macao SAR, and Taiwan. It is not intended to replace a full banking-sector diagnostic, supervisory assessment, or analysis of any individual institution.

Note: Figures have been rounded for executive presentation. Sector figures reflect NFRA regulatory reporting populations and definitions. Capital indicators from 2024 onward are calculated under China's revised commercial-bank capital rules and are not directly comparable with earlier periods.

1. Executive overview

Total RMB and foreign-currency assets of banking institutions reached RMB480.0 trillion at year-end 2025, compared with RMB444.6 trillion a year earlier, an increase of 8.0%. Large commercial banks held RMB210.8 trillion, or 43.9% of sector assets, while joint-stock commercial banks held RMB77.8 trillion, or 16.2%.

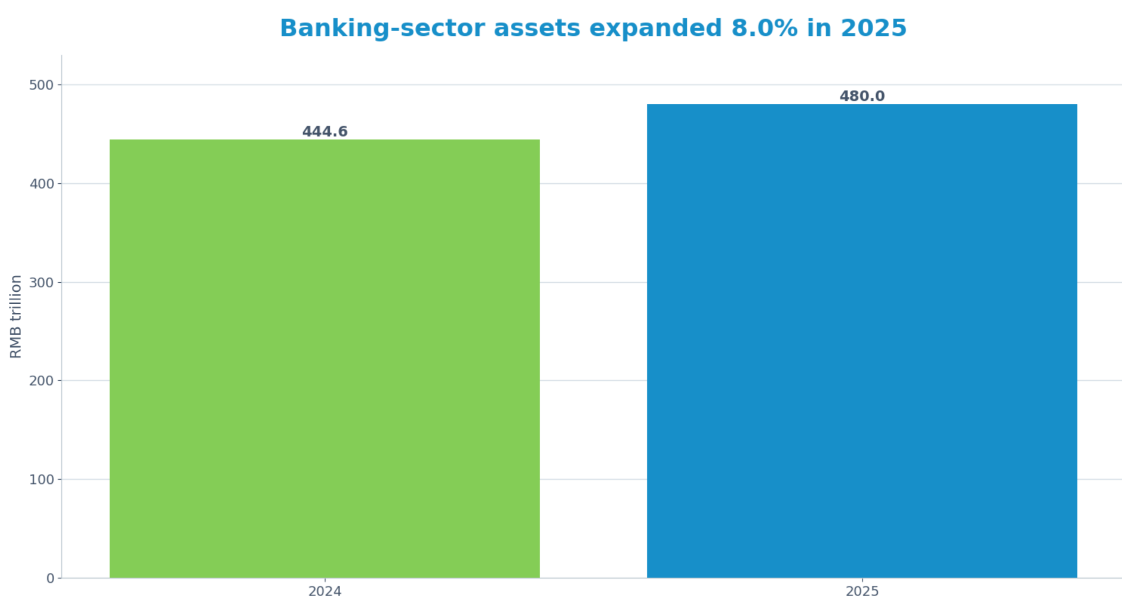
Commercial banks generated RMB2.4 trillion of net profit in 2025. Average return on assets was 0.60% and average return on equity 7.78%, indicating that scale and credit growth did not fully offset margin pressure, lower pricing, and the cost of maintaining provisions and supporting policy-priority sectors.

Capital, provisions, and liquidity remained substantial. The capital adequacy ratio was 15.46%, Tier 1 capital 12.37%, and core Tier 1 capital 10.92%. Provision coverage stood at 205.21%, the liquidity coverage ratio at 157.99%, and the net stable funding ratio at 127.83%.

Reported asset quality was stable: commercial-bank NPLs totaled RMB3.5 trillion and the NPL ratio declined to 1.50%. The aggregate result should nevertheless be interpreted alongside the prolonged property correction, local-government financing pressure, uneven regional growth, and the need to strengthen governance and loss recognition at smaller institutions.

Exhibit 1

Banking-sector assets expanded 8.0% in 2025



Source: National Financial Regulatory Administration, Supervisory Statistics of the Banking and Insurance Sectors, Q4 2024 and Q4 2025; FinQuest analysis.

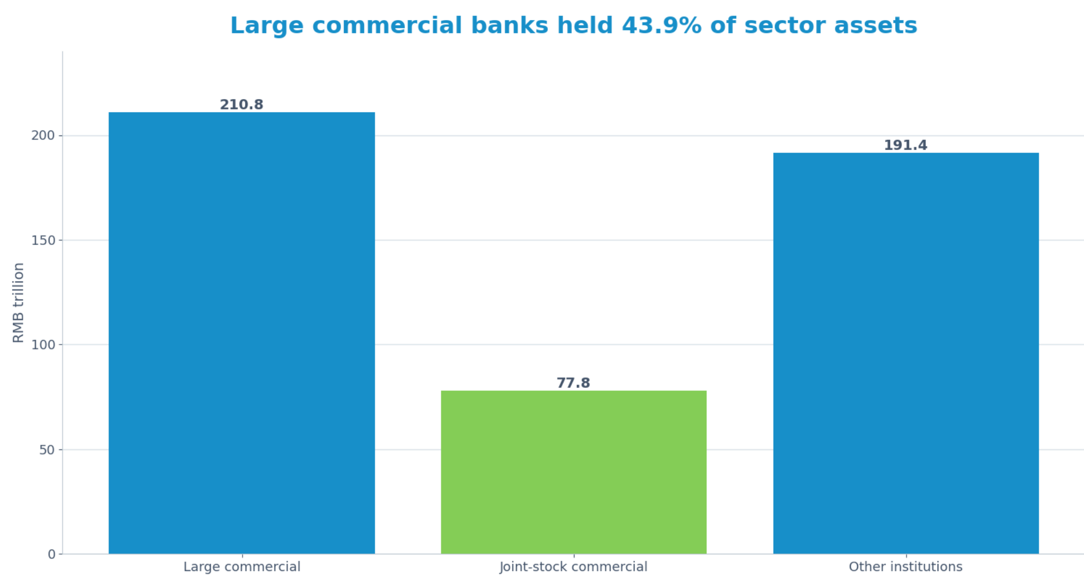
2. Sector scale, funding depth, and liquidity capacity

China's banking system continued to expand credit while maintaining reported liquidity. The domestic RMB loan-to-deposit ratio was 80.08%, the liquidity ratio 80.95%, the liquidity coverage ratio 157.99%, and the net stable funding ratio 127.83%. These indicators support intermediation but require close management as credit is directed toward strategic, inclusive, green, technology, and infrastructure priorities.

- **Liquidity buffers are strong, but deployment quality is decisive.** ALCO governance should connect loan growth, deposit behavior, policy funding, collateral, interbank markets, and stress liquidity to the profitability and risk of each portfolio.
- **Inclusive and strategic credit requires control discipline.** Rapid growth in priority sectors should be accompanied by standardized underwriting, end-use monitoring, related-party controls, guarantee analysis, and early identification of weak borrowers or local concentration.

Exhibit 2

Large commercial banks held 43.9% of sector assets



Source: National Financial Regulatory Administration, Supervisory Statistics, Q4 2025; FinQuest analysis.

3. Profitability, cost discipline, and reinvestment capacity

Commercial-bank net profit was approximately RMB2.4 trillion in 2025, compared with RMB2.3 trillion in 2024. Return on assets of 0.60% and return on equity of 7.78% reflect pressure from lower lending rates, deposit competition, policy-driven credit allocation, weak pricing power in selected sectors, and the continuing requirement to hold substantial credit provisions.

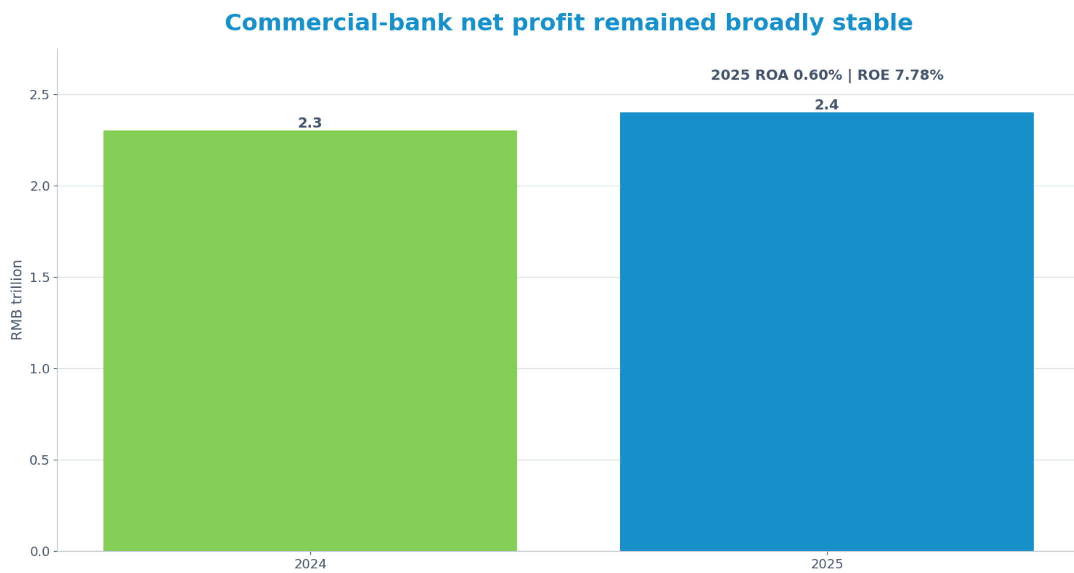
The earnings response should combine margin discipline with operating efficiency and fee-income diversification. Banks retain significant capacity to invest in digital channels, mobile payments, data platforms, AI, cyber defenses, fraud and AML controls, supply-chain finance, and technology-enabled risk monitoring.

Cost reduction should not weaken control quality. The strongest operating model will standardize data and processes, automate high-volume work, reduce duplicative platforms, strengthen customer and counterparty analytics, and connect investment decisions to risk-adjusted return, policy objectives, and measurable service outcomes.

The operating-model implication is clear: scale and policy support provide capacity, but durable value requires better credit productivity, stronger pricing and cost discipline, transparent risk recognition, and measurable returns from digital investment.

Exhibit 3

Commercial-bank net profit remained broadly stable



Source: National Financial Regulatory Administration, Q4 2024 and Q4 2025 supervisory statistics; FinQuest analysis.

4. Credit deployment and asset-quality discipline

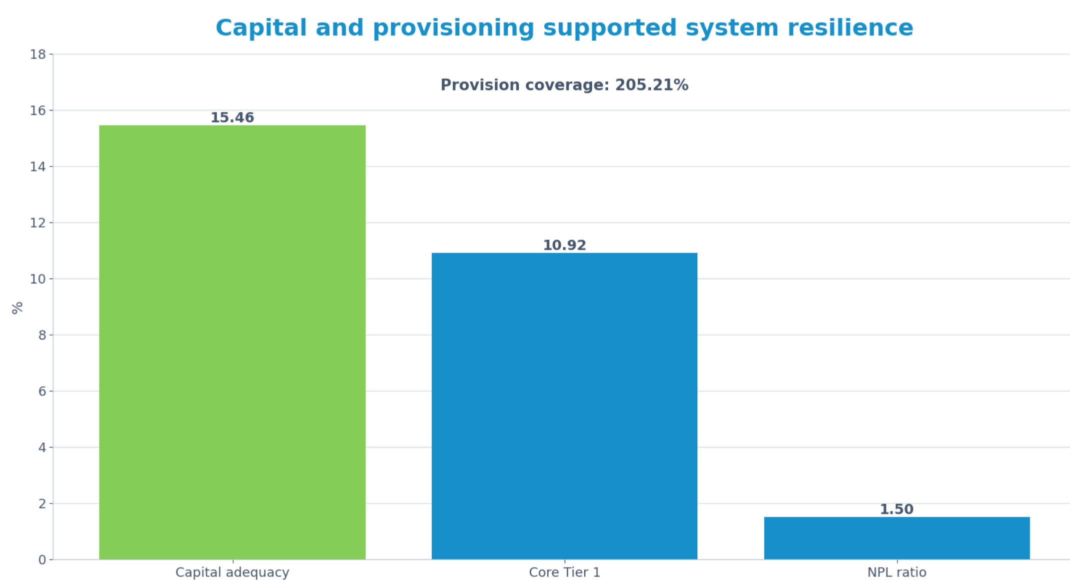
The aggregate NPL ratio remained contained at 1.50%, supported by RMB7.2 trillion of loan-loss provisions and 205.21% provision coverage. Performing loans totaled RMB230.2 trillion, including RMB5.1 trillion of special-mention loans. These buffers provide resilience but do not remove concentration and recognition risk.

Real-estate development investment fell 17.2% in 2025, newly built commercial-property sales area declined 8.7%, and sales value fell 12.6%. Banks therefore need transparent restructuring, collateral revaluation, borrower cash-flow monitoring, and consistent treatment of developer, mortgage, construction, local-government financing, and interconnected non-bank exposures.

> **Provision coverage and capital are substantial, yet aggregate ratios can conceal concentrated stress. Banks should distinguish viable restructuring from delay, maintain consistent classification, and ensure that property and local-government exposures are governed through borrower-level evidence.**

Exhibit 4

Capital and provisioning supported system resilience



Source: National Financial Regulatory Administration, Supervisory Statistics, Q4 2025; FinQuest analysis.

5. Market structure, concentration, and industry consolidation

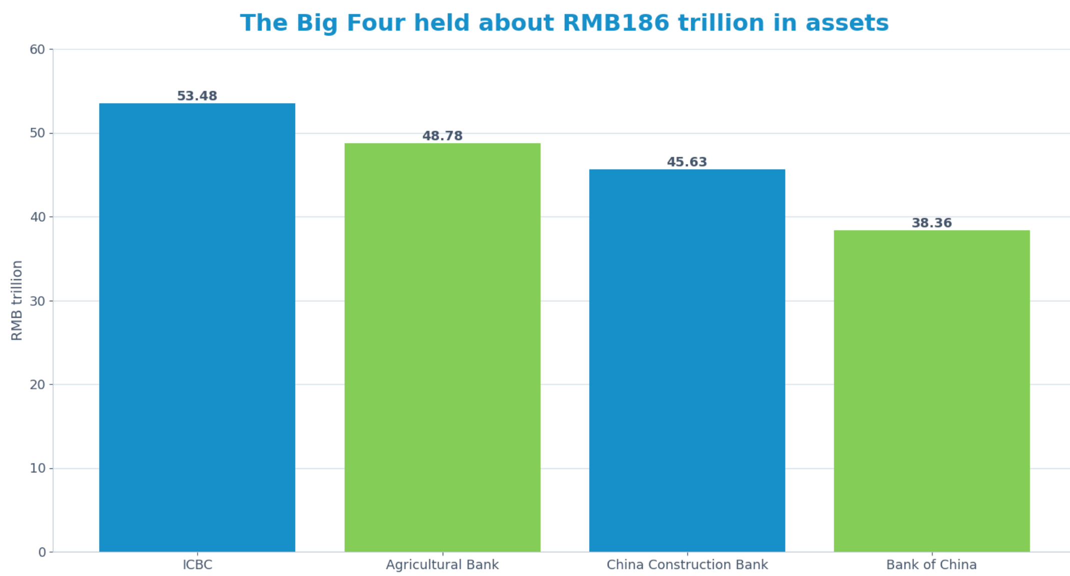
China's banking structure is dominated by very large state-controlled commercial banks, supplemented by joint-stock banks, city and rural commercial banks, policy banks, and specialized institutions. ICBC, Agricultural Bank of China, China Construction Bank, and Bank of China together held approximately RMB186 trillion of assets, nearly 39% of total banking-institution assets.

Concentration facilitates policy transmission and large-scale investment but increases the importance of consistent governance, data quality, operational resilience, and group-wide risk controls. Smaller regional institutions require a different agenda: credible capitalization, asset-quality transparency, governance remediation, deposit stability, and orderly restructuring where business models are not viable.

China's largest banks have exceptional scale and diversification, while smaller institutions are more exposed to local economic and governance conditions. Supervisory and management responses should therefore be differentiated by business model, funding structure, ownership, and resolution capacity.

Exhibit 5

The Big Four held about RMB186 trillion in assets



Source: ICBC, Agricultural Bank of China, China Construction Bank, and Bank of China, 2025 annual results; NFRA sector statistics; FinQuest analysis.

6. FinQuest view: 2026 priorities for banks

- ✓ **Protect capital, provisioning, and transparent loss recognition.** Maintain forward-looking stress tests and consistent classification across property, local-government, construction, SME, and regional-bank exposures.
- ✓ **Move property and local-government risk from broad policy treatment to exposure-level management.** Use cash-flow-based restructuring, collateral revaluation, project viability tests, and clear escalation and exit criteria.
- ✓ **Restore earnings quality through pricing, efficiency, and diversification.** Improve deposit and loan pricing, fee businesses, treasury discipline, platform simplification, and risk-adjusted capital allocation rather than relying on volume alone.
- ✓ **Strengthen small- and medium-bank governance and resolution readiness.** Prioritize credible ownership, board accountability, connected-lending controls, data integrity, capital restoration, funding stability, and orderly consolidation where required.
- ✓ **Govern digital scale, AI, data, cyber, and fraud as one agenda.** Integrate model risk, customer protection, third-party dependencies, payment resilience, digital identity, privacy, and recovery testing across the operating model.

7. 2026 outlook

The 2025 data support a stable but increasingly selective outlook for 2026. System scale, capital, provisions, and liquidity provide meaningful shock absorption, while the economy retains substantial industrial, export, technology, and policy capacity. The constraint is the quality of incremental credit and the extent to which weak property, local-government, or regional exposures continue to absorb balance-sheet and management capacity.

The most important shift should be from expanding credit volume toward improving credit productivity: stronger borrower cash-flow assessment, transparent restructuring, disciplined pricing, better use of collateral and guarantees, timely loss recognition, and data-driven allocation toward viable households, enterprises, technology, green, and advanced-manufacturing activity.

FinQuest perspective: Mainland China's banking sector enters 2026 with exceptional scale, strong capital and liquidity, and broad policy capacity. The opportunity is to improve credit productivity and earnings quality while resolving property, local-government, small-bank, data, and operational risks with greater transparency and discipline.

8. Country operating context

China’s GDP reached RMB140.2 trillion in 2025 and grew 5.0%, but momentum slowed through the year and the fourth-quarter growth rate was 4.5%. Consumer prices were broadly flat, fixed-asset investment declined, and the property-sector contraction remained a significant drag on confidence, collateral values, local revenue, and credit demand.

Monetary and regulatory policy continued to support liquidity, targeted lending, inclusive finance, technology, green development, and risk resolution. Inclusive micro- and small-enterprise loans reached RMB37.0 trillion, up 11.0%, while inclusive agriculture-related loans reached RMB14.2 trillion, up 10.3%.

China also remained a global leader in mobile payments and financial digitalization. The next control frontier is not adoption alone, but governance of AI, models, algorithms, customer data, cyber resilience, third parties, digital fraud, cross-platform exposures, and the operational dependencies created by highly interconnected payment and technology ecosystems.

China’s institutional and financial capacity remains a core advantage. The strategic requirement is execution: direct credit toward viable economic activity, recognize and restructure weak exposures promptly, stabilize smaller institutions, and govern digital and AI scale with the same rigor applied to capital and liquidity.

9. Sources and use note

This report was prepared by FinQuest using publicly available data and publications issued by Mainland Chinese regulatory, central-bank, statistical, and banking institutions. Figures are rounded for executive readability and should be reconciled against the original releases before external publication, regulatory submission, or client-specific advisory use.

- National Financial Regulatory Administration, Supervisory Statistics of the Banking and Insurance Sectors, Q4 2025.
- National Financial Regulatory Administration, Supervisory Statistics of the Banking and Insurance Sectors, Q4 2024.
- National Bureau of Statistics of China, National Economy Pushed Forward with Innovation-led and High-quality Development in 2025.
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- National Financial Regulatory Administration, inclusive-finance and commercial-bank capital-management publications, 2025-2026.
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- Cover image: Shanghai skyline at night, Hippopx, public-domain image.

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