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Chinese megabanks expected to post 2024 earnings dip amid margin pressures

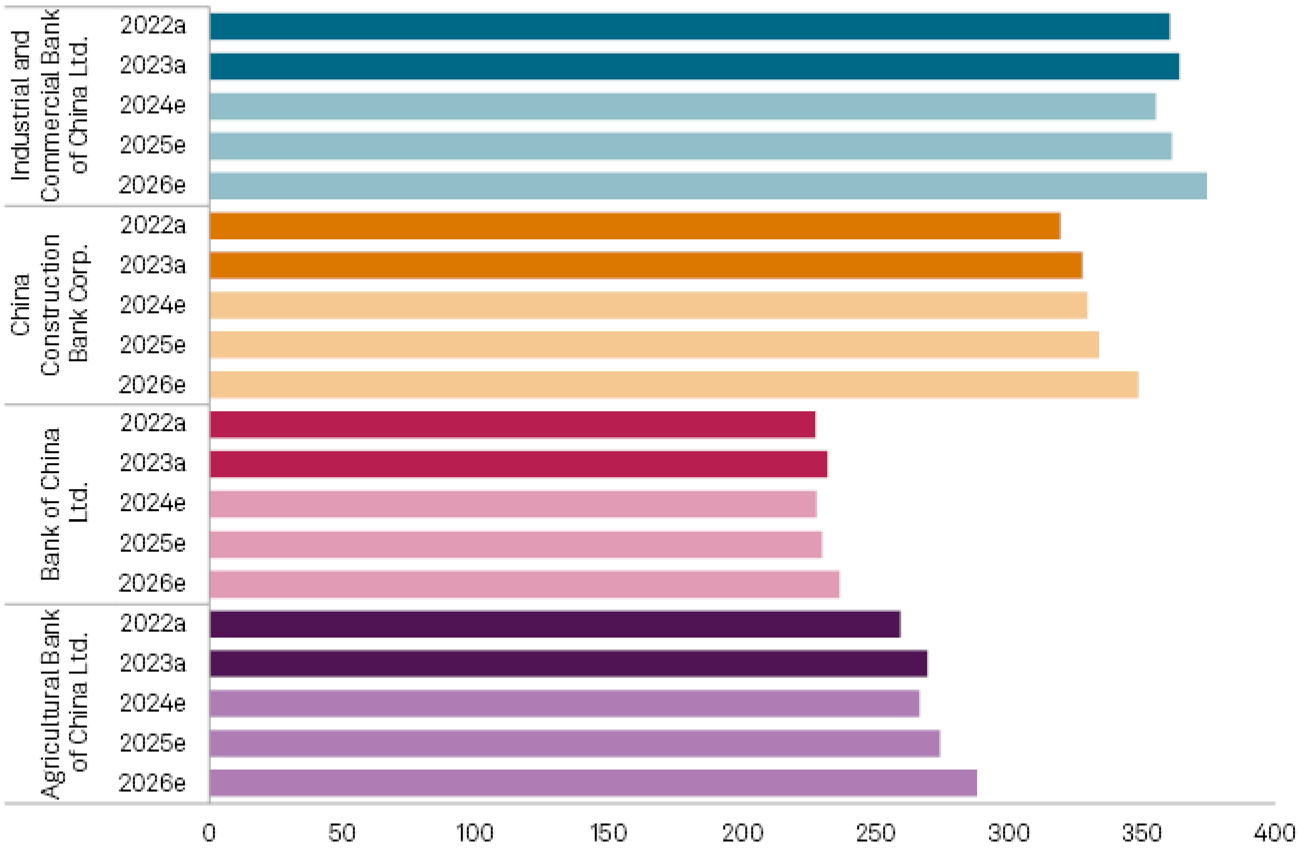
By **John Wu** and **Beenish Bashir**

Three of the four Chinese megabanks, the biggest lenders in the world by assets, are expected to post declines in net income for 2024 due to shrinking net interest margins.

Annual net profit at Industrial and Commercial Bank of China Ltd., the world's largest lender by assets, will likely decline 2.2% year over year to 355.95 billion yuan in 2024, according to the mean estimate of analysts who shared their forecasts on the S&P Capital IQ platform. Bank of China Ltd.'s net profit will likely decrease 1.8% to 227.69 billion yuan, while Agricultural Bank of China Ltd.'s net profit is expected to slip 0.8% to 267.31 billion yuan. China Construction Bank Corp. could be the exception, with an expected 0.6% increase in net profit to 329.39 billion yuan. The banks are due to report their 2024 earnings toward the end of March.

Analysts expect lenders' profits to regain momentum in 2025, even though net interest margins (NIMs), a key component of interest income, might continue to edge lower, according to estimates.

Net income at China's 4 largest banks (yuan B)



Data compiled March 14, 2025.

a = actual; e = estimate.

Analysis limited to the four largest Chinese banks covered by S&P Global Market Intelligence by total assets as of Sept. 30, 2024.

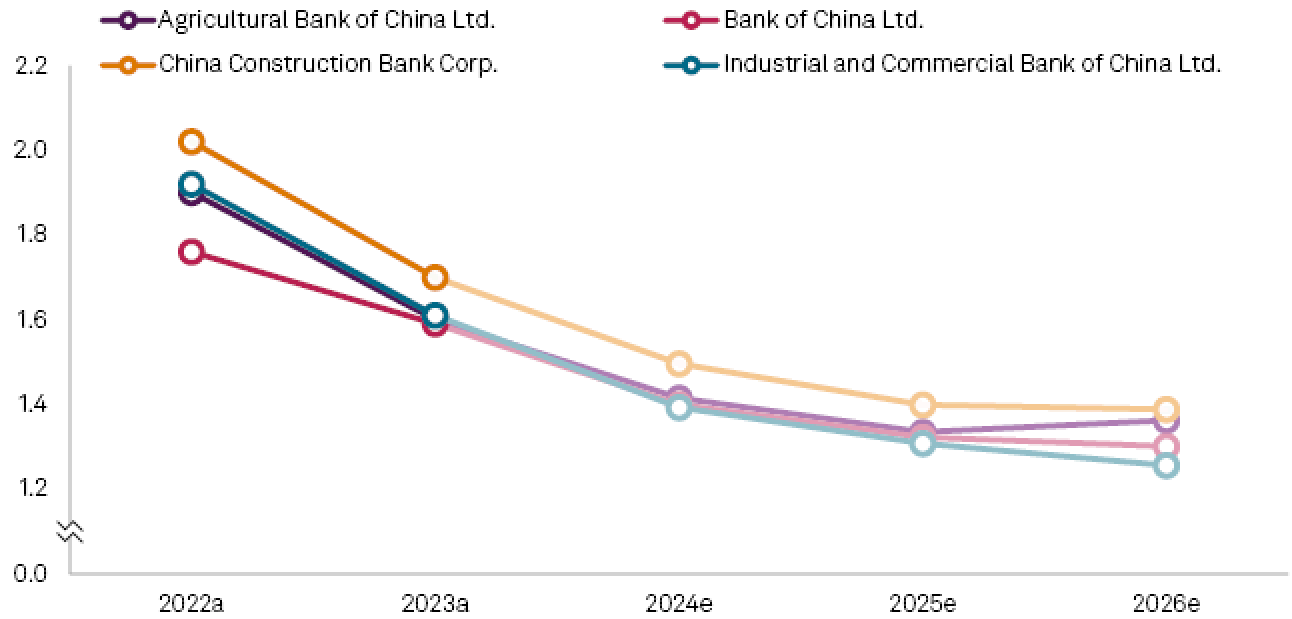
Estimates represent S&P Capital IQ mean estimates as of March 14, 2025, based on at least three analyst contributions.

Actual data presented is standardized to match the analysts' methodology and may differ from as-reported financials.

Net income represents normalized net income.

Source: S&P Global Market Intelligence.

Net interest margin at China's 4 largest banks (%)



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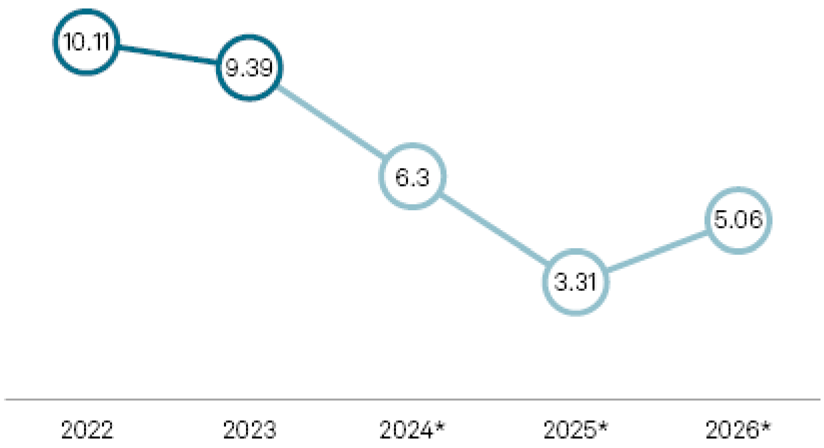
For the fourth quarter of 2024, "modest" pressure on NIMs is expected as data from the National Financial Regulatory Administration shows the 2024 industry NIM at 1.52%, down 1 basis point from the end of the third quarter of 2024, as deposit rate cuts offset loan yield pressure, wrote Richard Xu, equity analyst at Morgan Stanley, in a March 9 research note.

Fourth-quarter 2024 revenue and preprovision operating profit could show a notable year-over-year rebound, reversing previous negative trends, aided by net interest income and fees, Xu added.

"Profitability growth will remain modest due to ongoing pressures from interest rate cuts aimed at stimulating the economy," Steve Alain Lawrence, chief investment officer at Balfour Capital Group, said in a March 19 email interview.

China set its 2025 GDP growth target at approximately 5.0% for the third consecutive year. The prolonged real estate market downturn and the impact of trade tensions on the global economy remain key challenges for the world's second-largest economy. Latest data from the National Bureau of Statistics show that prices for new and existing homes slipped further in February, indicating ongoing issues in the sector.

Domestic credit growth in China (%)



Data compiled March 14, 2025.
* Forecast values for 2024, 2025 and 2026.
Source: S&P Global Market Intelligence.

The biggest challenge facing Chinese banks is the lack of structural economic growth, Wenchang Ma, Chinese equities portfolio manager at Ninety One Asset Management, told S&P Global Market Intelligence at a March 11 conference.

"In the current economy, we're seeing more of a demand bottleneck in terms of lending," Ma said, adding that banks tend to sacrifice a bit on the asset quality side as they are often pushed to lend more aggressively to support economic growth.

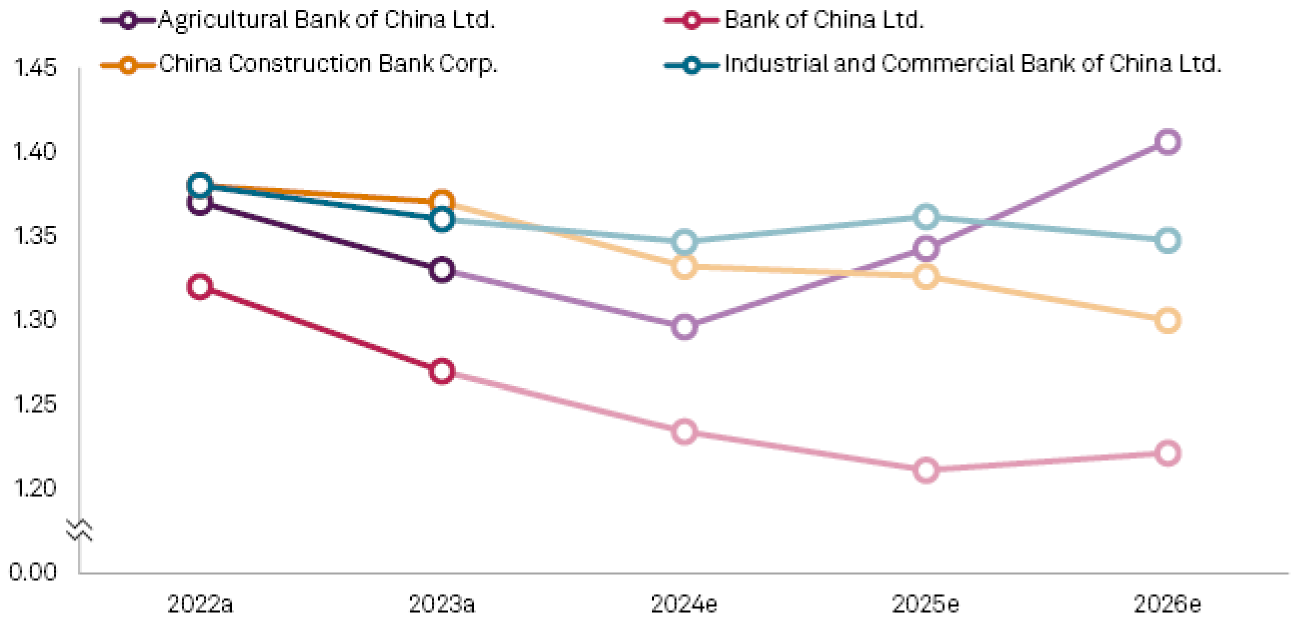
Silver lining

Nonperforming loan ratios for 2024 at all four megabanks are expected to trend lower, suggesting a continued improvement in asset quality. The nonperforming loan ratio at Bank of China is expected to fall by 4 basis points to 1.23%, while Industrial and Commercial Bank of China's ratio could decrease by 1 basis point to 1.35%, according to Market Intelligence data. Dividends are expected to remain steady across all four lenders.

"Asset quality should see meaningful improvement, driven by effective restructuring plans targeting nonperforming assets, particularly in distressed sectors like real estate," said Lawrence of Balfour Capital Group.

"Chinese banks are proactively implementing significant portfolio restructuring efforts, which makes me extremely optimistic about their future prospects," Lawrence added.

Nonperforming assets to total assets ratio at China's 4 largest banks (%)



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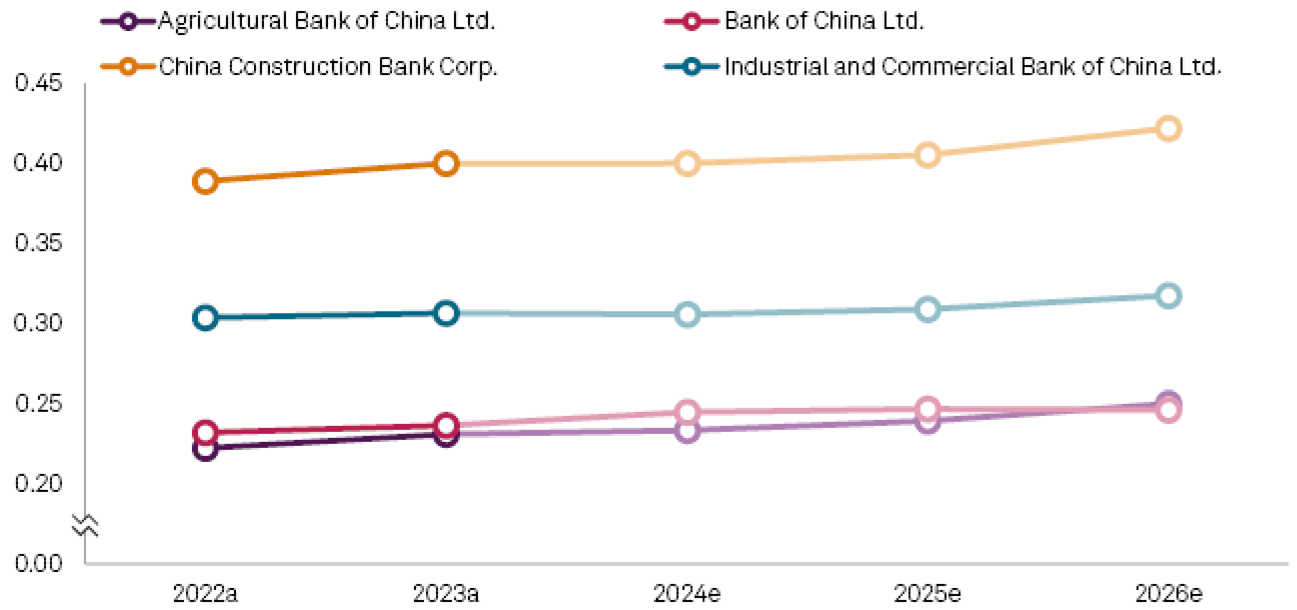
Dividends per share at China's 4 largest banks (yuan)



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As of March 21, US$1 was equivalent to 7.25 Chinese yuan.