

Banks - China

Weekly wrap: mid-small bank risks in focus

Industry Overview

Sector performance: low valuation & high divvy names led

H-share bank sector fell 0.7% WoW (vs MSCI China/HSI -1.3%/-3.0%). Low valuation with high dividend yield (divvy) names, like CNCB/MSB/CQRB (+2.4%/+0.8%/+0.7%) outperformed. ICBC/CCB (-1.8%/-1.7%) underperformed. Sector P/B: 0.36x, P/E: 3.4x, dividend yield: 9.1%. **A-share bank sector** rose 1.9% (vs CSI300 -3.0%). CNCB (+7.2%) led and Big 6 banks also rose 1.9-3.3%. CIB (-8.6%) lagged, after closing limit up in the closing auction of Dec 29th, 2023. BONB (-3.0%)/PAB (-1.3%) also lagged, continuing their weakness last year. Sector P/B: 0.49x, P/E: 4.7x, dividend yield: 6.4%.

Sector focus: mid/small bank risks in focus

Reuters reported on Jan 3rd, that some of China's top banks have sharpened scrutiny of smaller peers' asset quality and have tightened standards for interbank lending, to curb credit risk as a deepening property debt crisis ripples through the economy. So far, the NCD market remains stable with normal NCD issuance and falling NCD yields and spreads across different ratings and maturities in the past 1-2 weeks post the year-end tight liquidity (see page 8). De-risking and regulation tightening on mid/small financial institutions (FIs) will continue to be a focus in 2024, and we highlighted the risk of peripheral FIs in our 2024 China Bank Year Ahead. While there could be event/headline risks, we believe systemic risks unlikely as 1) size of high-risk FIs is still small: by 2Q23, PBOC rated 337 banks as high-risk (8.4% of total, including 14 city banks, 191 rural banks and 132 village banks), which accounted for 1.72% of total assets of the banks participating in the assessment; 2) regulators have been taking measures to mitigate and resolve the risks in the past few years, including M&A and restructuring of mid-small banks (the paces are accelerating recently), local government issuing special-purpose bonds (~RMB51bn/159bn/63bn/218bn in 2020-23) to replenish mid-small banks' capital (see more in our [18-Dec-2023 weekly](#)) and so on. Therefore, the size of high-risk banks had been compressed by around half vs its 2019 peak; and 3) China has orderly handled the risks of Baoshang Bank, Evergrowing Bank, Jinzhou Bank etc. previously, and accumulate related experience.

Bank specific: CIB, PAB, 2024 Asia II Financials Call Series

China Industrial Bank (CIB): Fujian Provincial Port Group and its subsidiaries were restricted from trading for 6 months, as they pushed CIB's share price to limit up in the closing auction of the last trading day of 2023, by purchasing the stock in large amounts at prices that deviated significantly from the market price. Recalled that Fujian Provincial Port Group and its subsidiaries raised stake in CIB from 0.11% by Jul-2022 to 2.05% by Jun-2023 and to 2.80% by Nov-2023. **Ping An Bank (PAB):** PAB denied large-scale lay-off, but admitted restructuring (cancel business units at head office and streamline branches) and accompanying personnel adjustments at the bank, as per Cailian. **Key events:** Asia II Financials Call Series in Jan to Feb 2024, with ~40 calls and meetings with banks/insurers/brokers/fintech firms/experts/BofA financial analysts. RSVP.

08 January 2024

Equity
China
Banks-Multinational

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Emma Xu >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 8165
emma.xu@bofa.com

Winnie Wu >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 3058
winnie.wu@bofa.com

Wenqing Han, CFA >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 5032
wenqing.han@bofa.com

NCD: Negotiated Certificate of Deposit
PBOC: People's Bank of China
See company acronym at the end of this report

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Timestamp: 07 January 2024 05:00PM EST

Exhibit 1: China/HK banks: price performance and valuation

CNCB/CNCB-A/HSBC outperformed, while ICBC/CIB/HSB underperformed among H-share China banks/A-share China banks/HK banks, respectively

				Price performance						12mth forward valuation		
H-Share China Banks	Bloomberg ticker	Market cap (USD bn)	Price (HKD)	1W	1M	3M	6M	1Y	YTD	P/B	P/E	Dividend yield
ABC	1288 HK	178.3	3.02	+0.3%	+7.5%	+7.5%	+9.6%	+20.8%	+0.3%	0.37x	3.7x	8.5%
BOC	3988 HK	153.2	2.97	-0.3%	+5.7%	+11.2%	+4.2%	+12.2%	-0.3%	0.33x	3.5x	9.2%
BoComm	3328 HK	54.0	4.82	-1.0%	+7.1%	+8.3%	+5.9%	+11.7%	-1.0%	0.33x	3.6x	8.9%
CCB	939 HK	149.6	4.57	-1.7%	+3.4%	+7.0%	-0.2%	-0.0%	-1.7%	0.33x	3.1x	9.8%
ICBC	1398 HK	225.2	3.75	-1.8%	+3.3%	+4.2%	-0.9%	-1.6%	-1.8%	0.33x	3.4x	9.3%
PSBC	1658 HK	58.9	3.72	-0.3%	+8.1%	-2.6%	-17.1%	-23.7%	-0.3%	0.39x	3.7x	8.3%
CEB	6818 HK	23.1	2.31	-0.4%	+6.0%	+4.1%	+3.1%	+3.7%	-0.4%	0.25x	2.8x	9.8%
CMB	3968 HK	97.4	26.90	-1.1%	+3.9%	-13.8%	-21.1%	-38.0%	-1.1%	0.59x	4.0x	8.1%
CNCB	998 HK	34.2	3.77	+2.4%	+8.6%	+8.6%	+3.6%	+16.0%	+2.4%	0.27x	2.6x	10.5%
MSB	1988 HK	21.7	2.67	+0.8%	+4.3%	+4.3%	-7.3%	+3.9%	+0.8%	0.19x	3.2x	9.0%
CQRB	3618 HK	6.2	3.05	+0.7%	+5.2%	+12.5%	+10.1%	+24.3%	+0.7%	0.25x	2.7x	10.5%
Weighted average				-0.7%	+5.2%	+4.5%	-0.5%	+1.6%	-0.7%	0.36x	3.4x	9.1%
A-share China Banks	Bloomberg ticker	Market cap (USD bn)	Price (RMB)	1W	1M	3M	6M	1Y	YTD	P/B	P/E	Dividend yield
ABC	601288 CH	178.3	3.73	+2.5%	+3.3%	+3.6%	+11.9%	+35.6%	+2.5%	0.49x	5.0x	6.3%
BOC	601988 CH	153.2	4.12	+3.3%	+2.7%	+9.3%	+11.6%	+36.7%	+3.3%	0.50x	5.3x	6.0%
BoComm	601328 CH	54.0	5.91	+3.0%	+2.4%	+2.6%	+9.1%	+31.3%	+3.0%	0.44x	4.8x	6.7%
CCB	601939 CH	149.6	6.65	+2.2%	+4.6%	+5.6%	+13.1%	+24.7%	+2.2%	0.52x	4.9x	6.2%
ICBC	601398 CH	225.2	4.87	+1.9%	+2.3%	+4.1%	+7.8%	+19.9%	+1.9%	0.47x	4.8x	6.6%
PSBC	601658 CH	58.9	4.46	+2.5%	+2.5%	-10.3%	-4.6%	-0.7%	+2.5%	0.51x	4.9x	6.4%
CEB	601818 CH	23.1	2.98	+2.8%	+3.1%	-2.9%	+3.7%	+2.4%	+2.8%	0.35x	3.9x	6.9%
CMB	600036 CH	97.4	28.29	+1.7%	+2.8%	-14.2%	-9.6%	-22.5%	+1.7%	0.67x	4.6x	7.1%
CNCB	601998 CH	34.2	5.67	+7.2%	+6.8%	-0.9%	+0.9%	+18.9%	+7.2%	0.44x	4.3x	6.4%
MSB	600016 CH	21.7	3.81	+1.9%	-0.5%	-0.8%	+1.6%	+15.8%	+1.9%	0.29x	5.0x	5.8%
CIB	601166 CH	43.0	14.81	-8.6%	+4.4%	-9.1%	-5.1%	-12.0%	-8.6%	0.39x	3.5x	7.5%
SPDB	600000 CH	27.4	6.68	+0.9%	-0.4%	-5.9%	-3.7%	-5.0%	+0.9%	0.29x	5.6x	3.5%
PAB	000001 CH	25.1	9.27	-1.3%	-2.2%	-17.2%	-18.3%	-34.4%	-1.3%	0.39x	3.4x	3.6%
BOCD	601838 CH	6.1	11.41	+1.3%	+4.6%	-17.1%	-1.9%	-20.3%	+1.3%	0.58x	3.2x	8.5%
BOHZ	600926 CH	8.4	10.12	+1.1%	+4.2%	-9.3%	-11.3%	-22.9%	+1.1%	0.56x	3.7x	6.2%
BOJS	600919 CH	17.5	6.81	+1.8%	+5.9%	-5.2%	-0.7%	-3.4%	+1.8%	0.50x	3.2x	10.2%
BONB	002142 CH	18.0	19.50	-3.0%	-7.8%	-27.4%	-20.3%	-39.9%	-3.0%	0.64x	4.4x	3.4%
BONJ	601009 CH	10.9	7.53	+2.0%	+4.9%	-6.5%	-6.5%	-25.3%	+2.0%	0.49x	4.0x	7.8%
BOSZ	002966 CH	3.4	6.67	+3.3%	+5.2%	-3.2%	-1.5%	-12.9%	+3.3%	0.55x	4.4x	7.3%
CQRB	601077 CH	6.2	4.24	+3.9%	+3.4%	+6.0%	+16.8%	+28.2%	+3.9%	0.38x	4.0x	7.1%
CSRB	601128 CH	2.5	6.40	+0.2%	-4.6%	-12.6%	-6.0%	-14.1%	+0.2%	0.63x	4.5x	5.0%
Weighted average				+1.9%	+2.8%	+0.0%	+5.0%	+15.4%	+1.9%	0.49x	4.7x	6.4%
HK Banks	Bloomberg ticker	Market cap (USD bn)	Price (HKD)	1W	1M	3M	6M	1Y	YTD	P/B	P/E	Dividend yield
BOCHK	2388 HK	27.5	20.35	-4.0%	-0.2%	-3.1%	-8.6%	-21.2%	-4.0%	0.64x	5.9x	9.0%
BEA	23 HK	3.2	9.44	-2.1%	+1.9%	-1.4%	-9.9%	+1.1%	-2.1%	0.25x	4.6x	10.1%
HSB	11 HK	21.4	87.30	-4.1%	+2.9%	-6.6%	-19.0%	-30.1%	-4.1%	0.96x	8.9x	7.4%
HSBC	5 HK	153.6	62.35	-1.0%	+5.3%	+3.7%	+3.8%	+30.4%	-1.0%	0.85x	6.1x	10.0%
StanChart	2888 HK	21.8	63.80	-2.4%	+0.6%	-10.0%	-5.9%	+5.9%	-2.4%	0.87x	6.2x	9.7%
Weighted average				-1.8%	+3.9%	+0.5%	-1.0%	+15.7%	-1.8%	0.83x	6.3x	9.6%
Major indices	Bloomberg ticker	Price		1W	1M	3M	6M	1Y	YTD			
MSCI China	MXCN Index	55.1		-1.3%	-1.5%	-2.9%	-11.6%	-19.2%	-1.6%			
HSI	HSI Index	16,535		-3.0%	+1.3%	-3.9%	-13.5%	-21.5%	-3.0%			
HK Financials	H-FIN Index	11,503		-1.0%	+2.7%	-2.9%	-11.5%	-14.6%	-1.0%			
Hang Seng TECH	HSTECH Index	3,592		-4.6%	-2.5%	-4.4%	-10.6%	-20.1%	-4.6%			
China Internet ETF	KWEB US	26.2		-1.7%	-1.0%	+0.5%	-3.3%	-23.0%	-3.0%			
SSE50	SSE50 Index	2,269		-2.5%	-0.8%	-9.5%	-10.0%	-16.0%	-2.5%			
CSI300	SHSZ300 Index	3,329		-3.0%	-1.9%	-9.8%	-14.0%	-16.1%	-3.0%			
CSI500	SH000905 Index	5,282		-2.7%	-3.3%	-7.2%	-12.3%	-12.1%	-2.7%			
S&P500	SPX Index	4,689		-2.0%	+2.6%	+10.0%	+5.2%	+21.7%	-1.7%			
NASDAQ	CCMP Index	14,510		-3.9%	+2.3%	+9.6%	+5.0%	+38.7%	-3.3%			
US banks	BKX Index	95.6		-1.1%	+9.0%	+27.2%	+17.1%	-7.9%	-0.4%			
EU banks	SX7P Index	171.7		+2.0%	+4.0%	+9.1%	+9.8%	+15.0%	+1.7%			

Source: Bloomberg; as of January 5 except for US/EU ones which were as of January 4



Exhibit 2: China insurance, brokers, and diversified financials: price performance

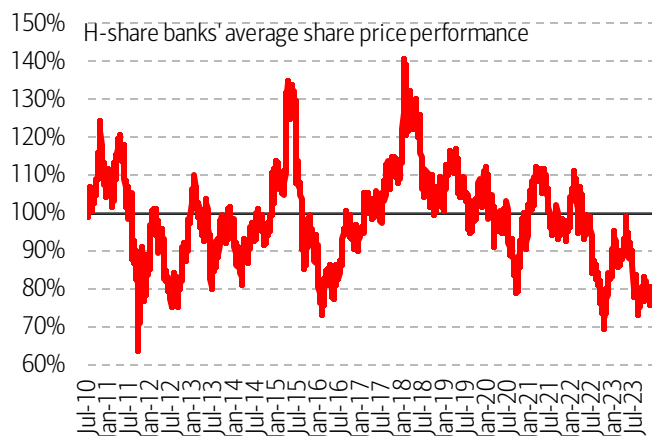
PICC P&C/China Pacific-A/CITIC Securities/Guotai Junan Securities-A/Up Fintech outperformed, while AIA/China Life-A/CICC/China Securities-A/Lufax underperformed among H-share China insurance/A-share China insurance/H-share China brokers/A-share China brokers/China diversified financials

		Price performance							
H-Share Insurance	Bloomberg ticker	Market cap (USD bn)	Price (HKD)	1W	1M	3M	6M	1Y	YTD
China Life	2628 HK	87.2	9.62	-4.9%	-4.9%	-16.9%	-24.1%	-28.1%	-4.9%
China Pacific	2601 HK	28.8	15.76	+0.0%	+1.7%	-15.7%	-22.9%	-8.9%	+0.0%
New China Life	1336 HK	11.0	14.82	-2.6%	-0.4%	-19.0%	-24.3%	-25.8%	-2.6%
PICC Group	1339 HK	26.6	2.44	+1.7%	-0.8%	-10.0%	-15.3%	-3.1%	+1.7%
PICC P&C	2328 HK	28.2	9.89	+6.6%	+10.4%	-2.5%	+13.9%	+40.6%	+6.6%
Ping An	2318 HK	90.9	33.90	-4.1%	-1.5%	-19.9%	-32.1%	-35.5%	-4.1%
Zhong An	6060 HK	3.2	17.22	-3.5%	-9.8%	-22.1%	-24.6%	-31.1%	-3.5%
AIA	1299 HK	94.0	64.40	-5.4%	+1.3%	-2.4%	-19.4%	-26.2%	-5.4%
Weighted average				-3.0%	-0.4%	-12.4%	-21.3%	-20.9%	-3.0%
A-share Insurance	Bloomberg ticker	Market cap (USD bn)	Price (RMB)	1W	1M	3M	6M	1Y	YTD
China Life	601628 CH	87.2	26.80	-5.5%	-6.3%	-26.1%	-23.2%	-28.3%	-5.5%
China Pacific	601601 CH	28.8	24.23	+1.9%	+5.6%	-15.3%	-10.6%	+0.7%	+1.9%
New China Life	601336 CH	11.0	30.88	-0.8%	+2.2%	-16.2%	-19.2%	-0.9%	-0.8%
PICC Group	601319 CH	26.6	4.81	-0.6%	-2.2%	-18.5%	-16.3%	-7.0%	-0.6%
Ping An	601318 CH	90.9	38.97	-3.3%	-1.4%	-17.7%	-16.0%	-16.2%	-3.3%
Weighted average				-3.1%	-2.3%	-20.4%	-18.1%	-16.8%	-3.1%
H-Share Brokers	Bloomberg ticker	Market cap (USD bn)	Price (HKD)	1W	1M	3M	6M	1Y	YTD
China Galaxy Securities	6881 HK	13.8	4.09	-1.0%	-0.2%	+6.8%	+3.8%	+7.9%	-1.0%
China Merchants Securities	6099 HK	15.0	6.32	-1.1%	+0.5%	-2.6%	-12.2%	-19.5%	-1.1%
China Securities	6066 HK	21.5	6.70	-2.9%	-5.8%	-10.2%	-15.2%	-2.8%	-2.9%
CICC	3908 HK	17.6	11.00	-4.0%	-5.7%	-20.9%	-20.2%	-31.2%	-4.0%
CITIC Securities	6030 HK	39.1	16.02	+0.5%	+1.1%	+7.8%	+15.1%	+1.5%	+0.5%
Everbright Securities	6178 HK	8.7	5.10	-1.4%	-1.0%	-1.7%	-2.2%	-3.9%	-1.4%
GF Securities	1776 HK	13.6	8.99	-3.7%	-6.1%	-9.9%	-14.6%	-18.7%	-3.7%
Guotai Junan Securities	2611 HK	17.2	8.77	-0.2%	-3.1%	+3.4%	-4.6%	+1.1%	-0.2%
Haitong Securities	6837 HK	14.1	4.06	-2.6%	-4.0%	-10.2%	-16.5%	-15.2%	-2.6%
Huatai Securities	6886 HK	16.3	9.67	-1.9%	-3.9%	+1.5%	+4.4%	+9.5%	-1.9%
Orient Securities	3958 HK	9.3	3.39	-1.7%	+0.0%	-9.4%	-21.9%	-13.4%	-1.7%
Weighted average				-1.6%	-2.4%	-2.8%	-4.7%	-6.4%	-1.6%
A-share Brokers	Bloomberg ticker	Market cap (USD bn)	Price (RMB)	1W	1M	3M	6M	1Y	YTD
China Galaxy Securities	601881 CH	13.8	11.74	-2.6%	-8.2%	+6.8%	+3.1%	+28.4%	-2.6%
China Merchants Securities	600999 CH	15.0	13.47	-1.2%	-3.0%	-3.6%	-1.5%	+1.5%	-1.2%
China Securities	601066 CH	21.5	22.46	-5.1%	-11.0%	-8.7%	-5.9%	-7.0%	-5.1%
CICC	601995 CH	17.6	36.44	-4.2%	-9.4%	-2.7%	+2.3%	-5.1%	-4.2%
CITIC Securities	600030 CH	39.1	19.79	-2.8%	-6.3%	-8.6%	+0.3%	-1.1%	-2.8%
Everbright Securities	601788 CH	8.7	15.05	-2.4%	-5.6%	-9.7%	-5.9%	-0.1%	-2.4%
GF Securities	000776 CH	13.6	14.11	-1.3%	-0.8%	-3.8%	-2.8%	-7.8%	-1.3%
Guotai Junan Securities	601211 CH	17.2	14.89	+0.1%	+0.0%	+2.4%	+4.9%	+13.6%	+0.1%
Haitong Securities	600837 CH	14.1	9.17	-2.1%	-4.6%	-7.8%	+0.6%	+7.6%	-2.1%
Huatai Securities	601688 CH	16.3	13.82	-0.9%	-3.6%	-12.6%	+1.6%	+17.5%	-0.9%
Orient Securities	600958 CH	9.3	8.44	-3.0%	-2.8%	-11.9%	-14.0%	-7.5%	-3.0%
Weighted average				-2.5%	-5.5%	-5.7%	-0.8%	+3.1%	-2.5%
Diversified Financials	Bloomberg ticker	Market cap (USD bn)	Price (HKD; USD)	1W	1M	3M	6M	1Y	YTD
HKEX	388 HK	41.5	255.80	-4.6%	+0.9%	-10.4%	-12.7%	-27.4%	-4.6%
Futu	FUTU US	7.3	52.37	-3.3%	-0.7%	-3.9%	+27.4%	+27.0%	-4.1%
Lufax	LU US	1.6	2.84	-5.6%	-19.6%	-30.0%	-51.3%	-66.1%	-7.5%
Noah	NOAH US	0.8	13.03	-2.5%	-0.8%	+8.6%	-11.5%	-20.9%	-5.6%
Qifu Technology	QFIN US	2.5	15.22	-3.2%	+2.4%	+3.9%	-12.6%	-31.9%	-3.8%
East Money	300059 CH	29.4	13.28	-5.4%	-8.3%	-12.6%	-6.7%	-21.5%	-5.4%
FinVolution	FINV US	1.4	4.87	-1.4%	+8.7%	+2.1%	+5.6%	-3.6%	-0.6%
Up Fintech	TIGR US	0.7	4.26	-1.4%	-0.5%	-12.5%	+46.4%	+18.7%	-3.6%
Weighted average				-4.6%	-2.7%	-10.2%	-7.1%	-20.7%	-4.8%

Source: Bloomberg; as of January 5, except for ADRs which were as of January 4

Exhibit 3: H-share banks' weighted average stock price performance

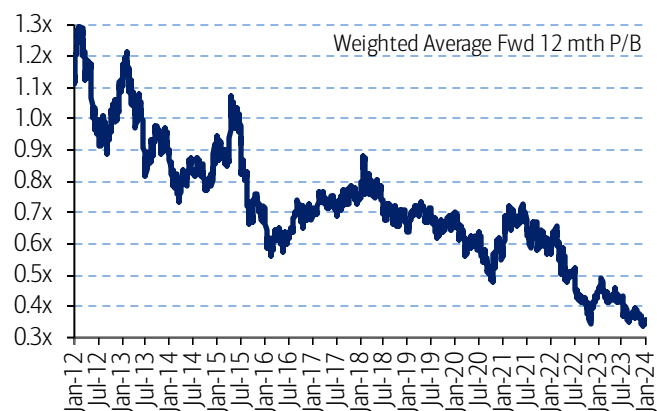
H-share banks' average share price at the low end of the LT average level



Source: Bloomberg, share price here doesn't adjust for dividend; as of Jan 5; LT=Long Term
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Exhibit 4: H-share banks' forward P/B valuation since 2012

P/B was unchanged at 0.36x WoW



Source: Bloomberg, share price here doesn't adjust for dividend; as of Jan 5
BofA GLOBAL RESEARCH

A-H share premium**Exhibit 5: A-H share premium**

A-H share premium increased by 0.5ppt to 6.0ppt last week

	ABC	BOC	BoComm	CCB	ICBC	PSBC	CEB	CMB	CNCB	MSB	CQRB	Average
Current	34.8%	51.4%	33.8%	58.8%	41.7%	30.8%	40.8%	14.8%	64.1%	55.7%	51.7%	43.5%
WoW	+1.7ppt	+4.1ppt	+4.1ppt	+4.8ppt	+4.1ppt	+2.5ppt	+3.3ppt	+2.2ppt	+6.0ppt	+0.5ppt	+3.6ppt	+3.4ppt
YTD	+1.7ppt	+4.1ppt	+4.1ppt	+4.8ppt	+4.1ppt	+2.5ppt	+3.3ppt	+2.2ppt	+6.0ppt	+0.5ppt	+3.6ppt	+3.4ppt
vs 2022 avg	+2.5ppt	+9.2ppt	+5.9ppt	+14.1ppt	+9.9ppt	+9.3ppt	-4.9ppt	+11.6ppt	-4.6ppt	+6.3ppt	+1.2ppt	+5.5ppt

Source: Bloomberg; as of January 5

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Stock connect holdings**Exhibit 6: Shanghai/Shenzhen-HK Stock Connect Holdings**

Last week, Southbound investors bought ABC while sold CQRB/BEA; Northbound investors bought CQRB/CCB/BoComm while sold PAB/CIB

Southbound holdings in H-share China banks and HK banks															
	ABC	BOC	BoComm	CCB	ICBC	PSBC	CEB	CMB	CNCB	MSB	CQRB	BOCHK	BEA	HSB	HSBC
% stake	21.74%	8.21%	2.77%	8.18%	26.32%	9.87%	11.93%	4.80%	19.01%	22.08%	36.55%	0.37%	0.12%	0.21%	9.17%
WoW	+14bp	+1bp	+1bp	-2bp	+2bp	-2bp	-1bp	+1bp	-1bp	-2bp	-14bp	+0bp	-5bp	+0bp	-3bp
YTD	+3bp	+0bp	+0bp	+0bp	+0bp	+0bp	+0bp	+1bp	-1bp	-2bp	-13bp	+0bp	-4bp	+0bp	-1bp
Northbound holdings in A-share China banks															
	ABC	BOC	BoComm	CCB	ICBC	PSBC*	CEB	CMB	CNCB	MSB	CIB	SPDB	PAB	BOCD	BOHZ
% stake	0.90%	0.74%	2.80%	6.72%	0.86%	0.87%	1.67%	5.07%	0.53%	2.22%	2.89%	1.95%	3.59%	3.72%	2.12%
WoW	+6bp	+4bp	+15bp	+18bp	+3bp	+0bp	+4bp	-9bp	+1bp	+3bp	-11bp	-3bp	-24bp	-7bp	+5bp
YTD	+5bp	+4bp	+14bp	+5bp	+3bp	-15bp	+4bp	-7bp	+1bp	+3bp	-9bp	-2bp	-22bp	-5bp	+1bp
	BOJS	BONB	BONJ	BOSZ	CQRB	CSR									
% stake	3.76%	4.55%	1.90%	1.63%	4.53%	3.35%									
WoW	+4bp	-1bp	+7bp	-1bp	+21bp	-3bp									
YTD	+5bp	-2bp	+5bp	-1bp	+21bp	+9bp									

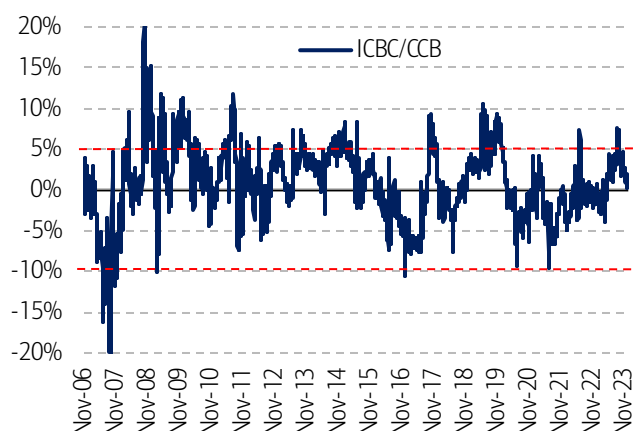
Source: Wind; as of January 4, *adjust the impact from change of tradable shares

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Relative valuation

Exhibit 7: Relative P/B: ICBC's premium over CCB

ICBC and CCB have been trading closely to each other historically

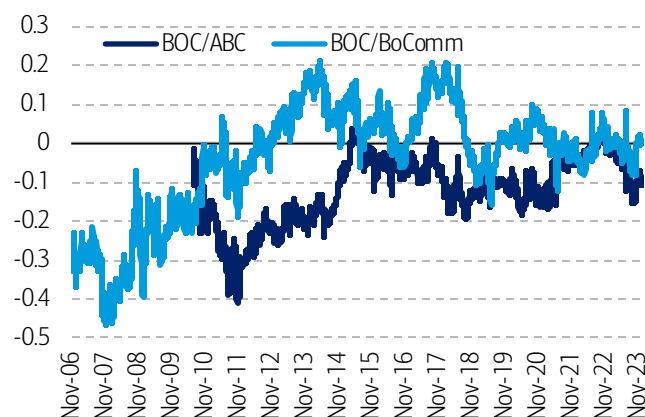


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 9: Relative P/B: BOC's premium over ABC & BoComm

BOC traded at 10% discount to ABC and 1% premium to BoComm

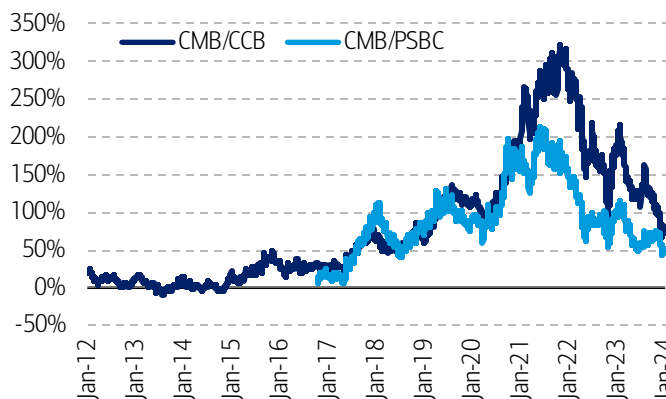


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 11: Relative P/B: CMB's premium over CCB & PSBC

CMB's P/B was 80% and 49% higher than CCB and PSBC

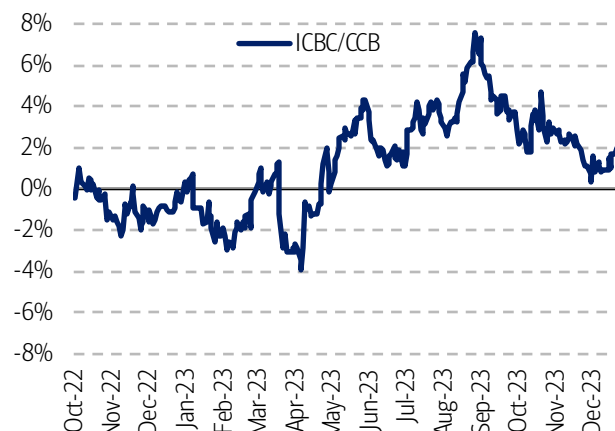


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 8: Relative P/B: ICBC's premium over CCB (LTM)

ICBC's premium over CCB fell from 1.7% to 1.6% WoW

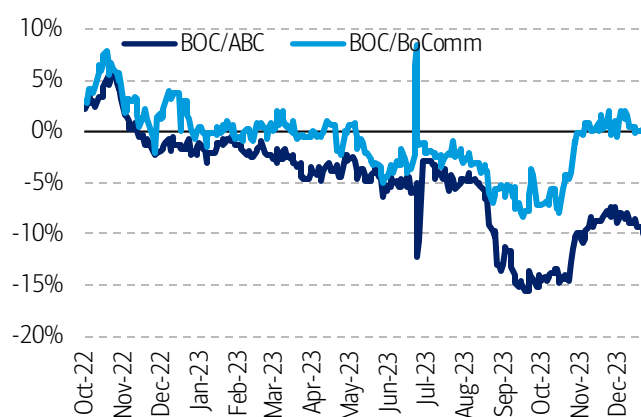


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 10: Relative P/B: BOC's premium over ABC & BoComm (LTM)

BOC's discount to ABC and premium to BoComm enlarged WoW

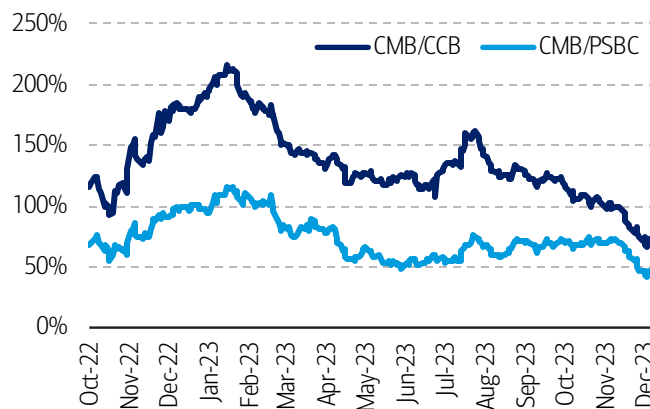


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 12: Relative P/B: CMB's premium over CCB & PSBC (LTM)

CMB's P/B premium over CCB enlarged and over PSBC narrowed WoW

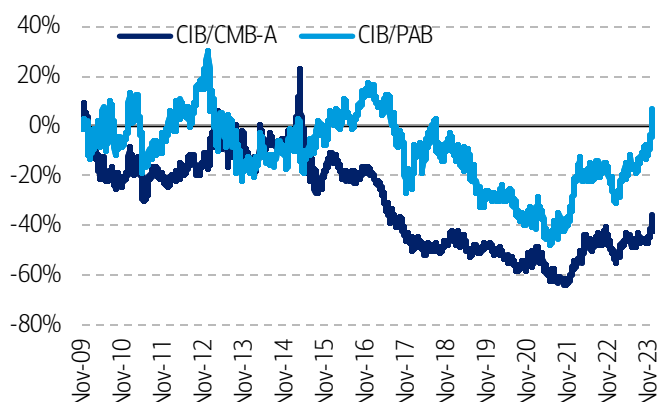


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 13: Relative P/B: CIB's discount to CMB-A & PAB

CIB's P/B was 43% and 2% lower than CMB-A and PAB

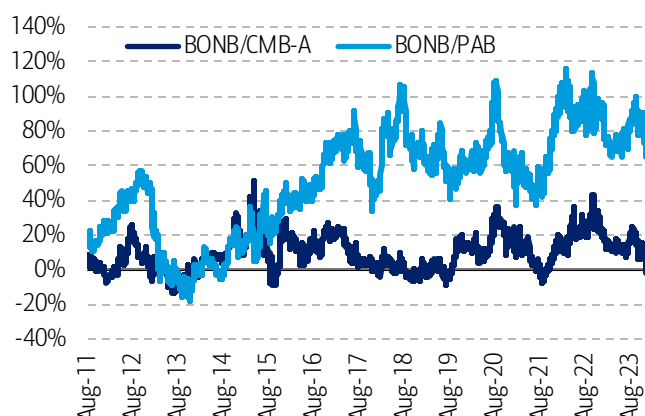


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

BoFA GLOBAL RESEARCH

Exhibit 15: Relative P/B: BONB's premium over CMB-A & PAB

BONB's P/B was 5% lower and 63% higher than CMB-A and PAB

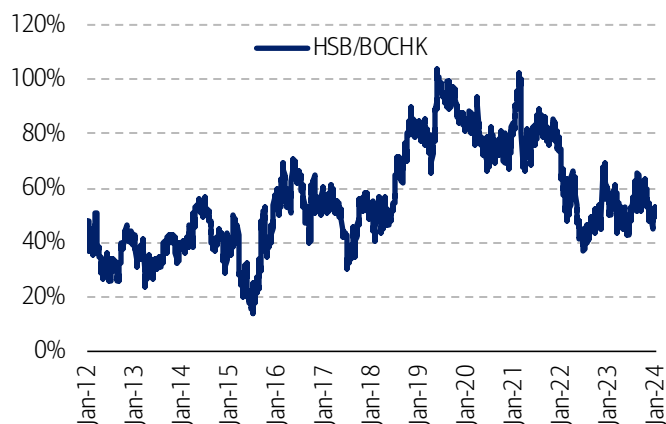


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

BoFA GLOBAL RESEARCH

Exhibit 17: Relative P/B: HSB's premium over BOCHK

HSB's P/B was 51% higher than BOCHK

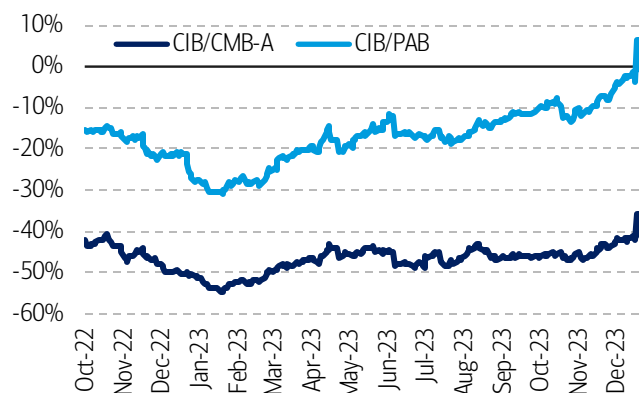


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

BoFA GLOBAL RESEARCH

Exhibit 14: Relative P/B: CIB's discount to CMB-A & PAB (LTM)

CIB's discount to CMB and PAB enlarged last week

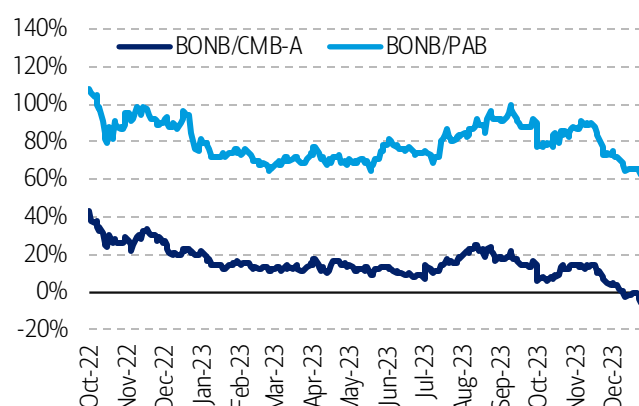


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

BoFA GLOBAL RESEARCH

Exhibit 16: Relative P/B: BONB's premium over CMB-A & PAB (LTM)

BONB's discount to CMB-A enlarged and premium to PAB narrowed WoW

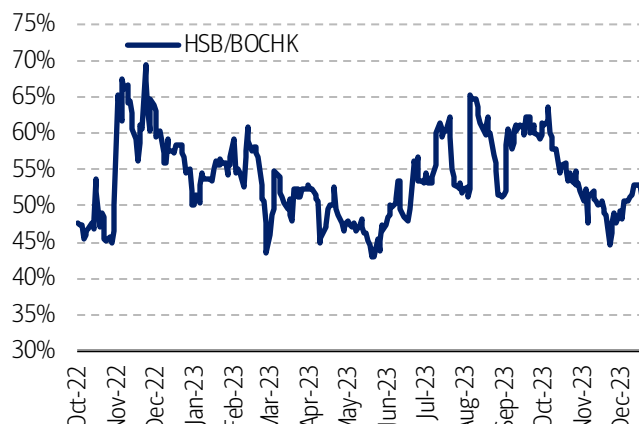


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

BoFA GLOBAL RESEARCH

Exhibit 18: Relative P/B: HSB's premium over BOCHK (LTM)

HSB's P/B premium over BOCHK was unchanged last week

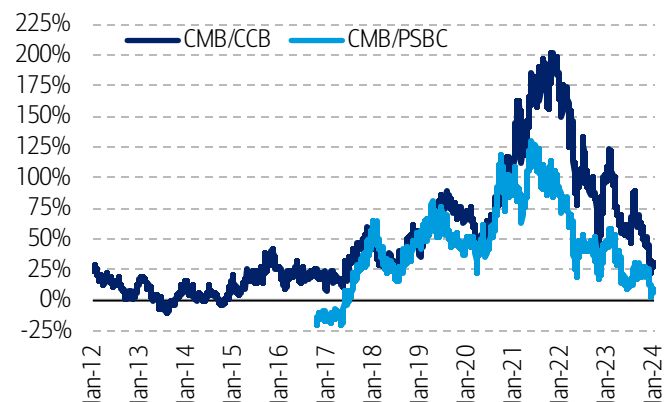


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

BoFA GLOBAL RESEARCH

Exhibit 19: Relative P/E: CMB's premium over CCB & PSBC

CMB's P/E was 31% and 8% higher than CCB and PSBC's

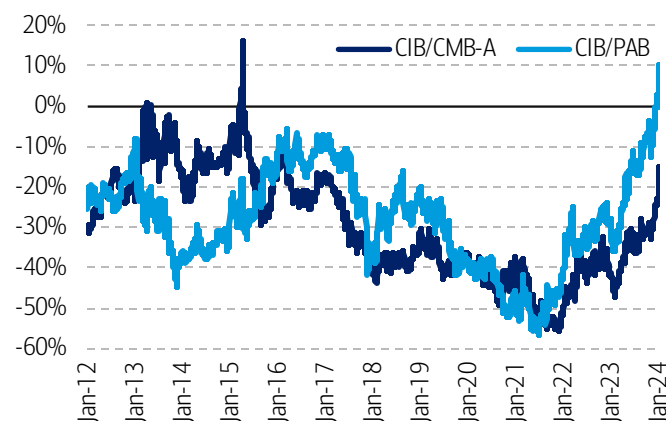


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 21: Relative P/E: CIB's discount to CMB-A and PAB

CIB's P/E was 24% lower than CMB-A and 2% higher than PAB's

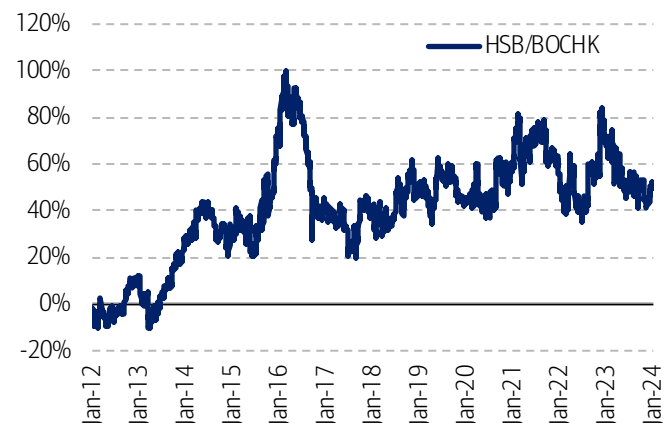


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 23: Relative P/E: HSB's premium over BOCHK

HSB's P/E was 50% higher than BOCHK's

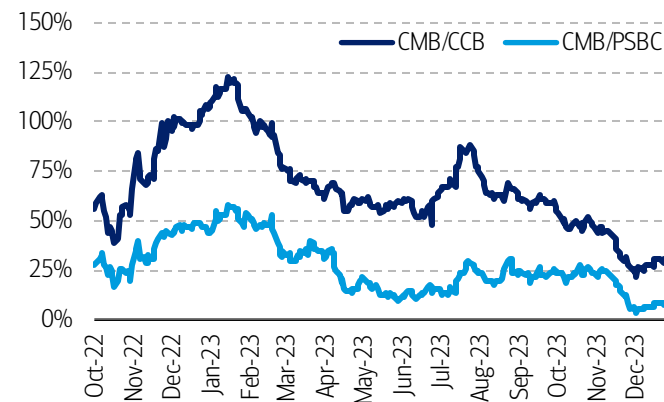


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 20: Relative P/E: CMB's premium over CCB & PSBC (LTM)

CMB's P/E premium over CCB enlarged and over PSBC narrowed WoW

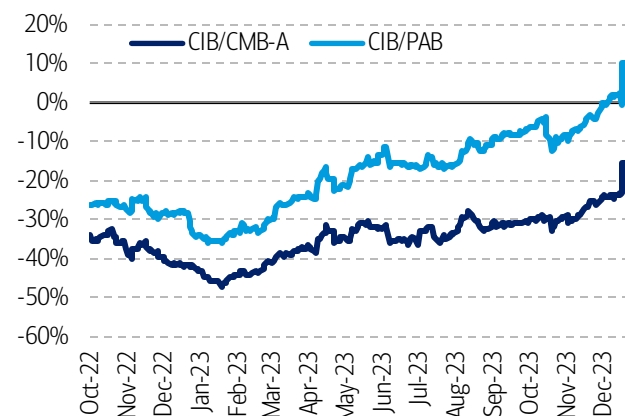


Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 22: Relative P/E: CIB's discount to CMB-A and PAB (LTM)

CIB's P/E discount to CMB-A enlarged and premium to PAB narrowed WoW



Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Exhibit 24: Relative P/E: HSB's premium over BOCHK (LTM)

HSB's P/E premium over BOCHK narrowed last week



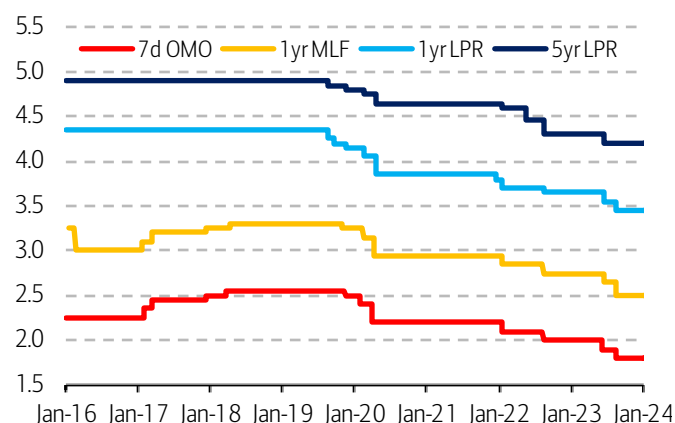
Source: Bloomberg, as of Jan 5, share price here doesn't adjust for dividend

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Interest rates and NCDs

Exhibit 25: Major policy rate (%)

Major policy rates remained unchanged WoW

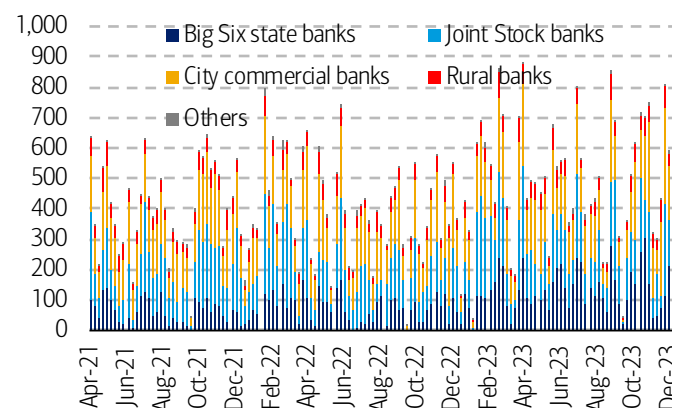


Source: Bloomberg, Wind, as of Jan 5

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Exhibit 27: Weekly NCD gross issuance by bank type (RMB bn)

Gross issuance was RMB524bn from Dec 25 to Dec 31

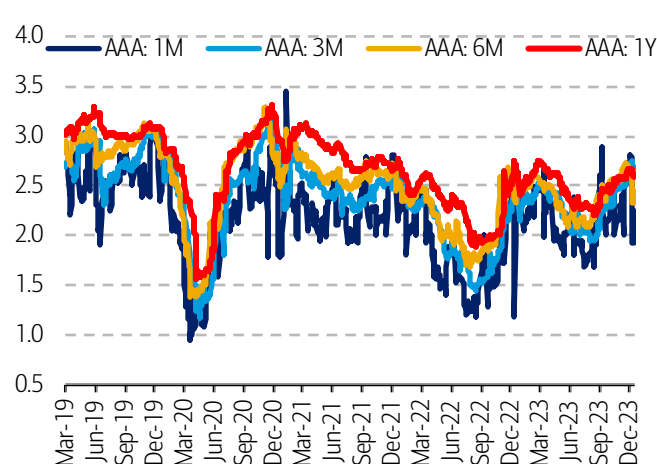


Source: Wind, as of Jan 1, *NCD: Negotiated Certificate of Deposits

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Exhibit 29: Yield to maturities of AAA rated NCD (%)

AAA rated NCD yields rose by 2-9bp WoW across maturities

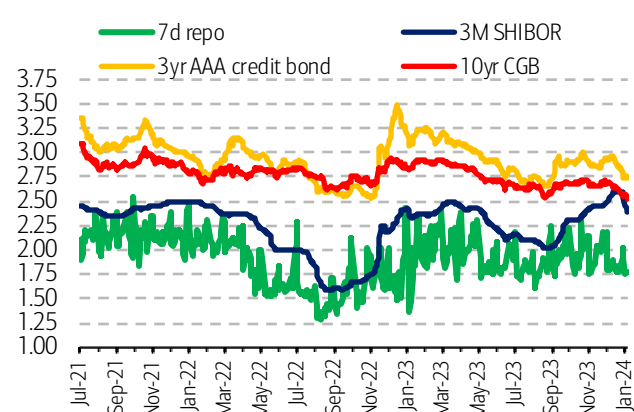


Source: CEIC, as of Jan 4, *NCD: Negotiated Certificate of Deposits

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Exhibit 26: Major market rate (%)

7d repo yield declined 12bp and 3M SHIBOR yield fell 13bp WoW

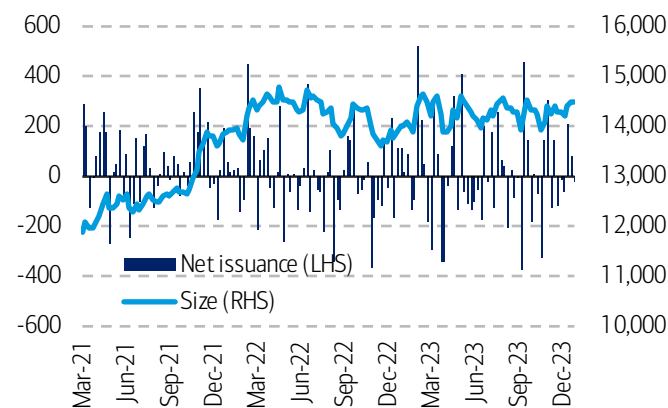


Source: Bloomberg, Wind, as of Jan 5, *CGB: China Government Bond

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Exhibit 28: Weekly NCD net issuance and outstanding size (RMB bn)

NCD size decreased from RMB14.51tn to RMB14.48tn WoW

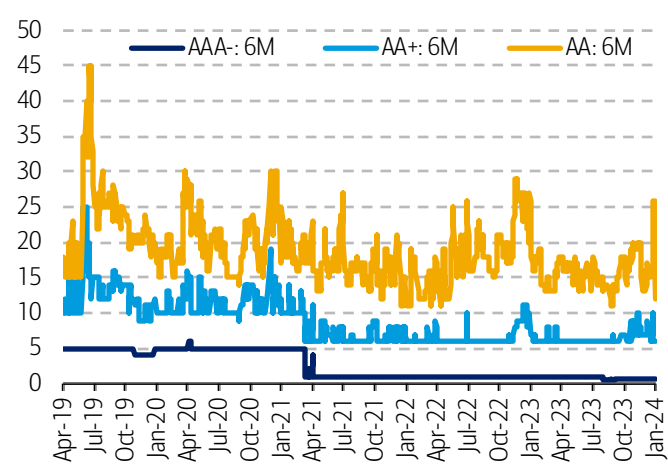


Source: Wind, as of Jan 1, *NCD: Negotiated Certificate of Deposits

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Exhibit 30: Credit spread over AAA rated NCD (bp)

Credit spread of 6M AA rated NCDs decreased by 10bp last week



Source: CEIC, as of Jan 4, *NCD: Negotiated Certificate of Deposits

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Company Acronym

ABC: Agricultural Bank of China

BOC: Bank of China

BoComm: Bank of Communications

CCB: China Construction Bank

ICBC: Industrial and Commercial Bank of China

PSBC: Postal Savings Bank of China

CEB: China Everbright Bank

CMB: China Merchants Bank

CNCB: China CITIC Bank

MSB: China Minsheng Bank

CIB: China Industrial Bank

SPDB: Shanghai Pudong Development Bank

PAB: Ping An Bank

BOCD: Bank of Chengdu

BOHZ: Bank of Hangzhou

BOJS: Bank of Jiangsu

BONB: Bank of Ningbo

BONJ: Bank of Nanjing

BOSZ: Bank of Suzhou

CQRB: Chongqing Rural Commercial Bank

CSRB: Changshu Rural Commercial Bank

BEA: Bank of East Asia

BOCHK: Bank of China (Hong Kong) Limited

HSB: Hang Seng Bank

StanChart: Standard Chartered

CITICS: CITIC Securities

CPIC: China Pacific Insurance Company

GFS: Guangfa Securities

NCI: New China Life Insurance

PICC P&C: PICC Property and Casualty Company

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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