

Banks - China

Weekly wrap: China banks unveiled TLAC bond issuance plans

Industry Overview

Sector performance: H/A banks outperformed markets

H-share bank sector fell 0.9% (vs MSCI China/HSI -5.3%/-2.6%). CNCB (+2.1%) led and CMB (-4.8%) lagged. Sector P/B: 0.36x, P/E: 3.5x, dividend yield: 9.0%. **A-share bank sector** rose 0.7% (vs CSI300 -4.6%). BONJ (+2.3%) led and PAB (-3.6%) lagged. Sector P/B: 0.51x, P/E: 5.0x, dividend yield: 6.1%. H/A share banks continued to outperform the broader markets on defensiveness, high dividend yield and better earnings visibility.

Sector focus: TLAC bonds on the way

Big 4 banks are required to meet TLAC stage 1/2 requirements by end-2024/2027, while BoComm, a newly designated G-SIB, is required to fulfill by end-2026/2028. Of which, TLAC RWA minimum requirement is 16%/18% in stage 1/2. Big 4 banks may not have much difficulty to satisfy the stage 1 requirements, given the capital boost from the New Capital Rules and supports of Deposit Insurance Funds (which could be counted as TLAC, potentially up to 2.5%/3.5% of RWAs in stage 1/2, instead of capping at the actual contribution). ABC/BOC/ICBC unveiled their TLAC bond issuance plans in the past 2 weeks (size: ≤RMB50bn/150bn/60bn), which only accounted for around 0.2-0.7% of their 2024E RWA. The incremental cost of TLAC bond issuance is manageable, as big 5 banks can use TLAC bonds to replace NCDs, and even some AT1s/T2 capital bonds.

Exhibit 1: TLAC capital shortfall of Chinese G-SIBs (stage 1)

TLAC shortfall can be mitigated by the New Capital Rules and potentially Deposit Insurance Funds

	Capital Adequacy Ratio (3Q23)	Buffer required in stage 1				Shortfall vs RWA				Announced TLAC bond size as % of 2024E RWA
		G-SIB capital buffer	Capital Conservat ion Buffer	TLAC buffer	Total buffer	3Q23	Case 1	Case 2	Case 3	
ABC	16.6%	1.5%	2.5%	16.0%	20.0%	3.4%	2.9%	2.4%	0.0%	~0.2%
BOC	17.3%	1.5%	2.5%	16.0%	20.0%	2.7%	2.2%	1.7%	0.0%	~0.7%
CCB	17.6%	1.5%	2.5%	16.0%	20.0%	2.4%	1.9%	1.4%	0.0%	TBA
ICBC	18.8%	1.5%	2.5%	16.0%	20.0%	1.2%	0.7%	0.2%	0.0%	~0.2%
BoComm	14.7%	1.0%	2.5%	16.0%	19.5%	4.9%	4.4%	3.9%	1.4%	TBA

Source: company reports, Case 1/2 assume the New Capital Rules add 0.5ppt/1.0ppt to Big 5 bank's capital ratios, Case 3 assumes the New Capital Rules add 1.0ppt to Big 5 bank's capital ratios and Deposit Insurance Funds can be counted as 2.5% of RWA in stage 1.

BofA GLOBAL RESEARCH

Bank specific: China Financials Meeting Series

We hosted major banks in the past 4 weeks. Most banks expected stable new loan size with smoother allocation, milder NIM decline, stable asset quality, continued revenue pressure, but positive profit growth in 2024. They also guided stable or higher dividend payout for 2023. See detailed takeaways for [week 1&2](#), [week3](#) and week 4. **Calls:** ICBC on 4pm HKT, Feb 5th, HSB on 10am HKT, Feb 23rd. **Group lunch** with HSBC CFO on 12:15pm HKT, Feb 23rd. RSVP. *This weekly will pause during Spring Festival Holiday. Wishing you a happy and prosperous Year of the Dragon!*

05 February 2024

Equity
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AT1: Additional Tier 1

Div: Dividend

G-SIB: Global Systemically Important Banks

NCD: Negotiated Certificate of Deposit

NIM: Net Interest Margin

RWA: Risk Weighted Asset

T2: Tier 2

TBA: To be announced

TLAC: Total Loss Absorbing Capacity

See company acronym at the end of this report

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Refer to important disclosures on page 11 to 13.

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Timestamp: 04 February 2024 05:00PM EST

Performance and valuation

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

CNCB/BONJ/HSBC outperformed, while CMB/PAB/BOCHK 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	187.2	3.05	+1.0%	+1.7%	+4.1%	+12.5%	+18.6%	+1.3%	0.37x	3.7x	8.4%
BOC	3988 HK	157.9	2.91	-2.0%	-1.4%	+3.9%	+3.6%	+5.9%	-2.3%	0.32x	3.4x	9.2%
BoComm	3328 HK	53.8	4.66	-0.2%	-3.1%	-0.6%	+2.0%	+4.2%	-4.3%	0.32x	3.5x	9.2%
CCB	939 HK	151.0	4.61	-1.1%	+1.5%	+2.7%	+6.0%	-0.2%	-0.9%	0.33x	3.1x	9.7%
ICBC	1398 HK	236.2	3.79	-0.8%	+1.3%	+0.3%	+3.3%	-0.3%	-0.8%	0.33x	3.4x	9.1%
PSBC	1658 HK	61.5	3.77	+0.5%	+3.3%	+3.3%	-14.1%	-24.4%	+1.1%	0.40x	3.8x	8.1%
CEB	6818 HK	24.0	2.32	-0.0%	+1.8%	+3.6%	+2.2%	+1.7%	-0.0%	0.25x	2.8x	9.6%
CMB	3968 HK	103.0	27.55	-4.8%	+4.0%	-7.1%	-25.0%	-42.0%	+1.3%	0.60x	4.2x	7.9%
CNCB	998 HK	36.3	3.90	+2.1%	+7.1%	+10.5%	+7.1%	+12.7%	+6.0%	0.28x	2.6x	10.1%
MSB	1988 HK	22.3	2.58	-2.3%	-1.9%	-1.1%	-10.1%	-5.7%	-2.6%	0.18x	3.1x	9.8%
CQRB	3618 HK	6.3	3.04	+0.3%	-0.0%	+2.4%	+7.4%	+19.5%	+0.3%	0.25x	2.6x	10.6%
Weighted average				-0.9%	+1.3%	+1.7%	+1.3%	-0.8%	-0.3%	0.36x	3.5x	9.0%
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	187.2	3.94	+2.1%	+7.7%	+7.7%	+12.3%	+43.8%	+8.2%	0.52x	5.2x	6.0%
BOC	601988 CH	157.9	4.32	+0.9%	+7.7%	+9.4%	+13.1%	+42.9%	+8.3%	0.52x	5.6x	5.7%
BoComm	601328 CH	53.8	6.03	+1.0%	+4.3%	+4.7%	+6.5%	+32.9%	+5.1%	0.44x	4.9x	6.5%
CCB	601939 CH	151.0	6.92	+1.2%	+5.6%	+9.1%	+15.5%	+31.4%	+6.3%	0.53x	5.0x	5.9%
ICBC	601398 CH	236.2	5.17	+1.6%	+7.9%	+8.2%	+10.7%	+28.2%	+8.2%	0.49x	5.1x	6.1%
PSBC	601658 CH	61.5	4.70	+0.9%	+8.8%	+0.6%	-4.7%	+4.6%	+8.0%	0.54x	5.2x	6.0%
CEB	601818 CH	24.0	3.13	+0.0%	+7.9%	+5.0%	+1.6%	+9.3%	+7.9%	0.36x	4.1x	6.5%
CMB	600036 CH	103.0	30.23	-2.9%	+9.6%	-1.5%	-11.2%	-20.3%	+8.7%	0.71x	5.0x	6.6%
CNCB	601998 CH	36.3	6.08	+0.8%	+14.9%	+10.5%	+4.3%	+28.0%	+14.9%	0.47x	4.5x	6.0%
MSB	600016 CH	22.3	3.95	-1.2%	+5.1%	+3.9%	-0.3%	+20.1%	+5.6%	0.30x	5.2x	5.9%
CIB	601166 CH	45.5	15.71	+0.4%	+5.9%	+3.0%	-4.0%	-3.0%	-3.1%	0.41x	3.7x	7.0%
SPDB	600000 CH	28.0	6.84	-0.4%	+3.6%	-1.4%	-8.6%	-2.9%	+3.3%	0.30x	6.2x	3.3%
PAB	000001 CH	25.1	9.27	-3.6%	+0.7%	-11.5%	-22.9%	-34.9%	-1.3%	0.39x	3.4x	3.7%
BOCD	601838 CH	6.6	12.43	+0.2%	+11.2%	+1.4%	-10.0%	-8.2%	+10.4%	0.62x	3.4x	9.2%
BOHZ	600926 CH	8.8	10.66	-0.3%	+8.2%	+0.2%	-10.7%	-14.5%	+6.5%	0.58x	4.0x	6.7%
BOJS	600919 CH	18.7	7.30	+0.8%	+9.1%	+6.7%	+2.4%	+5.5%	+9.1%	0.54x	3.5x	10.2%
BONB	002142 CH	19.5	21.20	-1.9%	+7.5%	-14.7%	-23.3%	-32.9%	+5.4%	0.69x	4.8x	3.1%
BONJ	601009 CH	12.1	8.40	+2.3%	+12.9%	+8.2%	-1.3%	-12.9%	+13.8%	0.54x	4.4x	8.1%
BOSZ	002966 CH	3.6	6.97	-0.3%	+8.6%	+11.3%	-1.4%	-5.5%	+7.9%	0.57x	4.5x	7.0%
CQRB	601077 CH	6.3	4.30	+0.0%	+3.1%	+3.1%	+11.4%	+28.6%	+5.4%	0.39x	4.1x	7.1%
CSRB	601128 CH	2.6	6.82	-1.9%	+7.6%	-7.1%	-4.2%	-3.1%	+6.7%	0.66x	4.8x	5.3%
Weighted average				+0.7%	+7.5%	+5.6%	+5.6%	+21.7%	+7.3%	0.51x	5.0x	6.1%
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	25.1	18.58	-3.3%	-10.7%	-11.5%	-18.0%	-24.9%	-12.4%	0.58x	5.5x	9.7%
BEA	23 HK	3.0	8.91	-3.2%	-6.2%	-7.2%	-23.3%	-7.4%	-7.6%	0.24x	4.4x	10.5%
HSB	11 HK	19.8	80.80	-3.1%	-8.7%	-10.8%	-25.5%	-33.0%	-11.3%	0.88x	8.3x	8.0%
HSBC	5 HK	149.9	61.35	+1.1%	-2.5%	+9.1%	-1.9%	+14.1%	-2.6%	0.83x	5.9x	9.9%
StanChart	2888 HK	20.3	59.60	+0.8%	-9.7%	+1.4%	-17.8%	-7.0%	-8.8%	0.43x	5.0x	3.9%
Weighted average				+0.1%	-4.8%	+4.0%	-7.7%	+3.1%	-5.2%	0.76x	6.0x	9.1%
Major indices	Bloomberg ticker	Price		1W	1M	3M	6M	1Y	YTD			
MSCI China	MXCN Index	50.4		-5.3%	-9.9%	-9.8%	-23.3%	-31.7%	-9.9%			
HSI	HSI Index	15,534		-2.6%	-7.5%	-9.8%	-20.4%	-29.3%	-8.9%			
HK Financials	H-FIN Index	11,172		-2.7%	-2.1%	-5.5%	-13.0%	-21.0%	-3.9%			
Hang Seng TECH	HSTECH Index	3,044		-4.5%	-18.1%	-20.2%	-30.6%	-35.2%	-19.1%			
China Internet ETF	KWEB US	23.7		-4.3%	-12.4%	-7.3%	-22.6%	-31.6%	-12.4%			
SSE50	SSE50 Index	2,229		-3.7%	-2.8%	-7.8%	-14.9%	-20.7%	-4.2%			
CSI300	SHSZ300 Index	3,180		-4.6%	-6.1%	-10.5%	-19.9%	-24.0%	-7.3%			
CSI500	SH000905 Index	4,563		-9.2%	-15.6%	-16.4%	-24.9%	-28.4%	-16.0%			
S&P500	SPX Index	4,906		+0.2%	+2.9%	+15.8%	+7.2%	+19.1%	+2.9%			
NASDAQ	CCMP Index	15,362		-1.0%	+2.3%	+17.6%	+7.5%	+30.0%	+2.3%			
US banks	BX Index	94.1		-2.2%	-2.0%	+27.1%	+6.3%	+17.2%	-2.0%			
EU banks	SX7P Index	167.4		-0.3%	-0.9%	+9.7%	+3.0%	+3.7%	-0.9%			

Source: Bloomberg; as of February 2 except for US/EU ones which were as of February 1



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

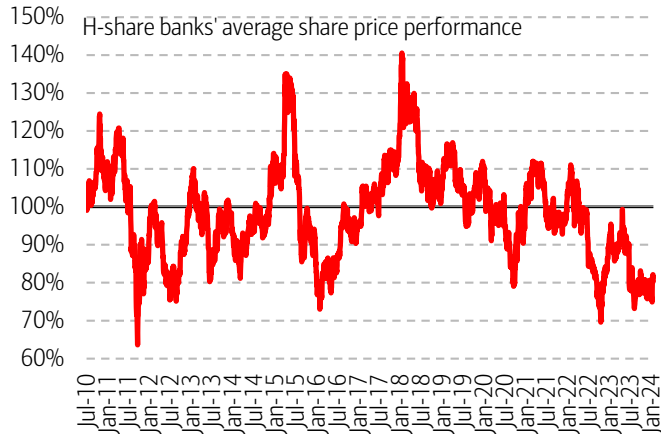
PICC P&C/China Life-A/China Securities/China Merchants Securities-A/FinVolution outperformed, while Zhong An/New China Life-A/GF Securities/China Galaxy Securities-A/Lufax underperformed among H-share China insurance/A-share China insurance/H-share China brokers/A-share China brokers/China diversified financials

				Price performance					
H-Share Insurance	Bloomberg ticker	Market cap (USD bn)	Price (HKD)	1W	1M	3M	6M	1Y	YTD
China Life	2628 HK	90.3	8.95	-3.2%	-9.5%	-15.7%	-33.0%	-33.9%	-11.6%
China Pacific	2601 HK	27.8	14.04	-5.6%	-8.9%	-26.6%	-31.0%	-30.7%	-10.9%
New China Life	1336 HK	10.3	13.90	-3.3%	-6.6%	-17.4%	-37.0%	-27.3%	-8.7%
PICC Group	1339 HK	27.3	2.43	-2.8%	+1.7%	-5.8%	-14.7%	-1.6%	+1.3%
PICC P&C	2328 HK	27.5	9.68	-0.4%	+5.0%	+5.6%	+14.3%	+40.5%	+4.3%
Ping An	2318 HK	90.4	31.80	-5.8%	-6.7%	-21.0%	-39.3%	-44.5%	-10.0%
Zhong An	6060 HK	2.3	12.06	-11.2%	-30.8%	-44.3%	-47.9%	-54.0%	-32.4%
AIA	1299 HK	86.8	59.75	-8.0%	-9.0%	-12.5%	-20.1%	-28.5%	-12.2%
Weighted average				-5.0%	-6.8%	-15.0%	-26.6%	-26.9%	-9.2%
A-share Insurance	Bloomberg ticker	Market cap (USD bn)	Price (RMB)	1W	1M	3M	6M	1Y	YTD
China Life	601628 CH	90.3	28.20	-1.5%	+0.8%	-13.3%	-22.9%	-15.6%	-0.5%
China Pacific	601601 CH	27.8	23.95	-3.7%	+0.5%	-11.7%	-18.8%	-3.7%	+0.7%
New China Life	601336 CH	10.3	29.20	-6.9%	-6.4%	-10.3%	-33.5%	-3.1%	-6.2%
PICC Group	601319 CH	27.3	4.97	-2.7%	+4.4%	-6.2%	-20.4%	-0.9%	+2.7%
Ping An	601318 CH	90.4	40.10	-2.8%	+1.6%	-11.0%	-20.4%	-17.0%	-0.5%
Weighted average				-2.6%	+1.1%	-11.4%	-21.7%	-12.6%	-0.3%
H-Share Brokers	Bloomberg ticker	Market cap (USD bn)	Price (HKD)	1W	1M	3M	6M	1Y	YTD
China Galaxy Securities	6881 HK	12.8	3.73	-7.4%	-8.6%	-7.2%	-16.2%	-6.4%	-9.7%
China Merchants Securities	6099 HK	14.6	5.77	-4.9%	-8.8%	-9.8%	-25.2%	-30.6%	-9.7%
China Securities	6066 HK	20.6	5.95	-3.3%	-12.0%	-15.4%	-34.5%	-26.8%	-13.8%
CICC	3908 HK	14.9	9.05	-9.0%	-17.6%	-26.3%	-45.6%	-50.3%	-21.0%
CITIC Securities	6030 HK	39.2	14.74	-7.6%	-7.1%	-4.5%	-9.5%	-18.0%	-7.5%
Everbright Securities	6178 HK	8.7	4.81	-7.7%	-5.9%	-9.1%	-19.4%	-16.1%	-7.0%
GF Securities	1776 HK	12.7	7.48	-10.0%	-18.3%	-24.8%	-37.8%	-40.0%	-19.9%
Guotai Junan Securities	2611 HK	16.5	8.41	-5.2%	-2.9%	-3.3%	-12.3%	-8.0%	-4.3%
Haitong Securities	6837 HK	12.9	3.55	-7.8%	-13.8%	-19.9%	-33.6%	-31.9%	-14.9%
Huatai Securities	6886 HK	15.6	9.06	-6.6%	-5.9%	-10.5%	-17.5%	-2.6%	-8.1%
Orient Securities	3958 HK	8.9	3.07	-6.1%	-10.5%	-15.0%	-36.7%	-32.7%	-11.0%
Weighted average				-6.8%	-9.7%	-12.0%	-23.8%	-22.9%	-11.0%
A-share Brokers	Bloomberg ticker	Market cap (USD bn)	Price (RMB)	1W	1M	3M	6M	1Y	YTD
China Galaxy Securities	601881 CH	12.8	10.90	-9.9%	-7.5%	-9.2%	-17.8%	+12.8%	-9.5%
China Merchants Securities	600999 CH	14.6	13.22	-2.2%	-2.5%	-5.6%	-11.2%	-6.7%	-3.1%
China Securities	601066 CH	20.6	21.73	-4.4%	-5.5%	-9.6%	-17.5%	-20.1%	-8.2%
CICC	601995 CH	14.9	31.12	-9.2%	-16.6%	-14.7%	-22.0%	-23.8%	-18.2%
CITIC Securities	600030 CH	39.2	20.18	-3.1%	+0.5%	-6.3%	-13.6%	-3.8%	-0.9%
Everbright Securities	601788 CH	8.7	15.12	-6.4%	-0.7%	-6.7%	-15.2%	-4.5%	-1.9%
GF Securities	000776 CH	12.7	13.37	-5.1%	-5.8%	-8.7%	-15.7%	-21.2%	-6.4%
Guotai Junan Securities	601211 CH	16.5	14.34	-4.8%	-3.6%	-3.6%	-7.3%	+3.6%	-3.6%
Haitong Securities	600837 CH	12.9	8.47	-8.9%	-9.1%	-12.9%	-17.3%	-8.5%	-9.6%
Huatai Securities	601688 CH	15.6	13.37	-6.4%	-2.6%	-17.0%	-17.3%	+5.2%	-4.2%
Orient Securities	600958 CH	8.9	8.16	-6.8%	-4.2%	-7.7%	-24.4%	-21.9%	-6.2%
Weighted average				-5.6%	-4.5%	-9.0%	-15.6%	-7.5%	-5.9%
Diversified Financials	Bloomberg ticker	Market cap (USD bn)	Price (HKD; USD)	1W	1M	3M	6M	1Y	YTD
HKEX	388 HK	37.8	233.40	-4.3%	-11.1%	-15.3%	-25.4%	-32.0%	-12.9%
Futu	FUTU US	6.5	46.90	-4.3%	-14.1%	-15.9%	-21.7%	-16.2%	-14.1%
Lufax	LU US	1.4	2.39	-5.2%	-22.1%	-37.7%	-63.4%	-80.7%	-22.1%
Noah	NOAH US	0.8	11.79	-4.4%	-14.6%	+3.8%	-20.9%	-40.3%	-14.6%
Qifu Technology	QFIN US	2.3	14.36	-3.2%	-9.2%	-2.1%	-20.5%	-40.1%	-9.2%
East Money	300059 CH	27.5	12.45	-5.1%	-9.8%	-17.3%	-23.0%	-34.0%	-11.3%
FinVolution	FINV US	1.4	4.83	+1.0%	-1.4%	+0.8%	-18.7%	-11.5%	-1.4%
Up Fintech	TIGR US	0.6	3.76	-4.1%	-14.9%	-16.8%	-12.1%	-12.8%	-14.9%
Weighted average				-4.5%	-10.9%	-15.6%	-24.5%	-32.0%	-12.3%

Source: Bloomberg; as of February 2, except for ADRs which were as of February 1

Exhibit 4: H-share banks' weighted average stock price performance

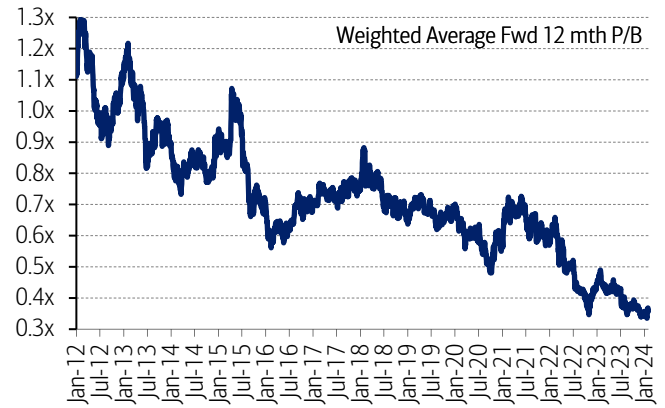
H-share banks' average share price at the low end of the LT average level



Source: Bloomberg, share price here doesn't adjust for dividend; as of Feb 2; LT=Long Term
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Exhibit 5: H-share banks' forward P/B valuation since 2012

P/B remained unchanged at 0.36x WoW



Source: Bloomberg, share price here doesn't adjust for dividend; as of Feb 2
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A-H share premium**Exhibit 5: A-H share premium**

A-H share premium changed by -2.0ppt to +4.9ppt last week

	ABC	BOC	BoComm	CCB	ICBC	PSBC	CEB	CMB	CNCB	MSB	CQRB	Average
Current	40.7%	61.7%	40.9%	63.5%	48.6%	35.8%	46.9%	19.5%	69.8%	66.7%	54.0%	49.8%
WoW	+1.6ppt	+4.9ppt	+1.8ppt	+3.8ppt	+3.6ppt	+0.5ppt	+0.1ppt	+2.5ppt	-2.0ppt	+1.9ppt	-0.4ppt	+1.7ppt
YTD	+7.6ppt	+14.4ppt	+11.3ppt	+9.5ppt	+10.9ppt	+7.5ppt	+9.4ppt	+7.0ppt	+11.6ppt	+11.5ppt	+5.9ppt	+9.7ppt
vs 2023 avg	+8.4ppt	+19.4ppt	+13.0ppt	+18.8ppt	+16.7ppt	+14.2ppt	+1.2ppt	+16.3ppt	+1.1ppt	+17.3ppt	+3.6ppt	+11.8ppt

Source: Bloomberg; as of February 2

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

Last week, Southbound investors bought PSBC/ABC while sold CQRB/CEB; Northbound investors bought BOJS/CSRB while sold BONB/CQRB/PAB

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	21.63%	8.40%	2.98%	8.28%	26.39%	10.56%	11.90%	5.86%	19.24%	22.37%	36.93%	0.32%	0.06%	0.21%	9.17%
WoW	+19bp	+8bp	+6bp	-2bp	-6bp	+27bp	-12bp	+3bp	+1bp	-3bp	-32bp	+1bp	+0bp	+1bp	-1bp
YTD	-8bp	+19bp	+21bp	+10bp	+7bp	+69bp	-3bp	+107bp	+22bp	+27bp	+25bp	-5bp	-10bp	+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	0.92%	0.73%	2.92%	6.84%	0.90%	0.89%	1.95%	5.23%	0.44%	2.30%	3.16%	2.08%	3.18%	3.67%	2.00%
WoW	+0bp	-1bp	+7bp	-9bp	-1bp	+1bp	+3bp	-4bp	-4bp	-7bp	+6bp	+5bp	-13bp	+1bp	-3bp
YTD	+7bp	+3bp	+26bp	+17bp	+7bp	-13bp	+32bp	+9bp	-8bp	+11bp	+18bp	+11bp	-63bp	-10bp	-11bp
	BOJS	BONB	BONJ	BOSZ	CQRB	CSRB									
% stake	4.62%	4.28%	1.71%	1.73%	4.55%	4.00%									
WoW	+9bp	-26bp	-2bp	+3bp	-14bp	+9bp									
YTD	+91bp	-29bp	-14bp	+9bp	+23bp	+74bp									

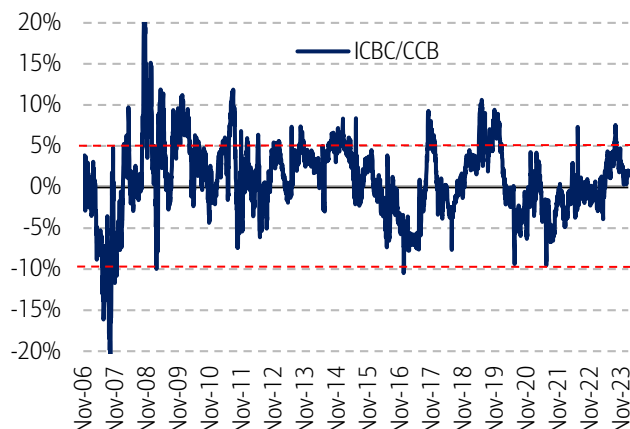
Source: Wind; as of February 1, *adjust the impact from change of tradable shares

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Relative valuation

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

ICBC and CCB have been trading closely to each other historically

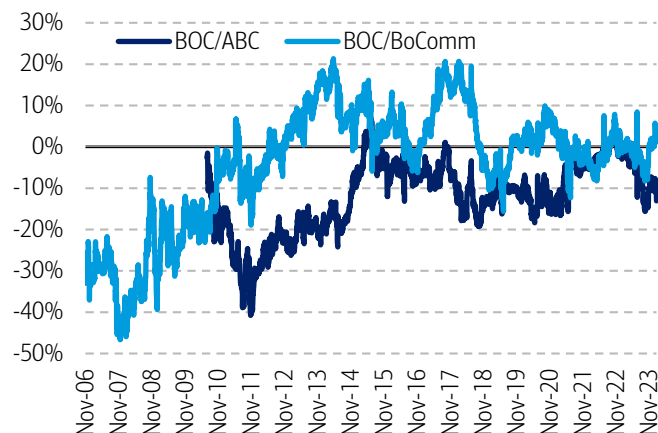


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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

BOC traded at 13% discount to ABC and 1% premium to BoComm

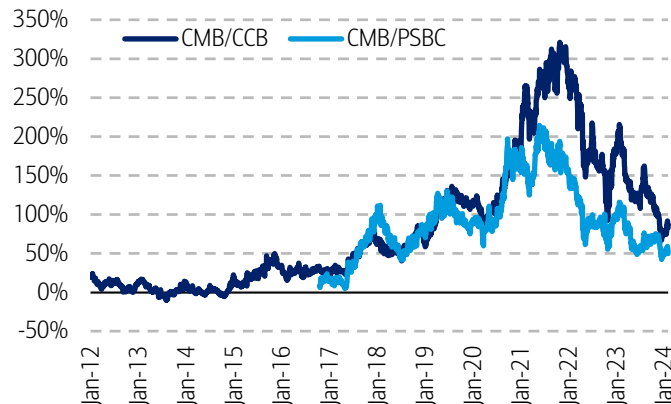


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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

CMB's P/B was 83% and 50% higher than CCB and PSBC

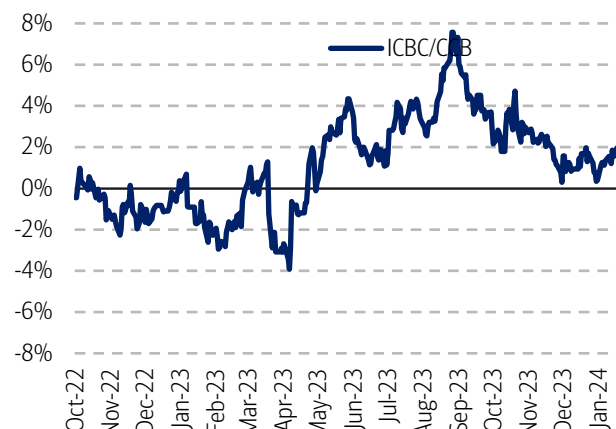


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 9: Relative P/B: ICBC's premium over CCB (LTM)

ICBC's premium over CCB increased from 1.6% to 1.9% WoW

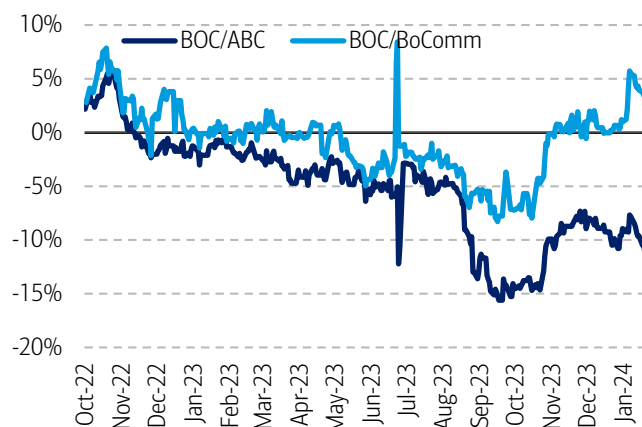


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 11: Relative P/B: BOC's premium over ABC & BoComm (LTM)

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

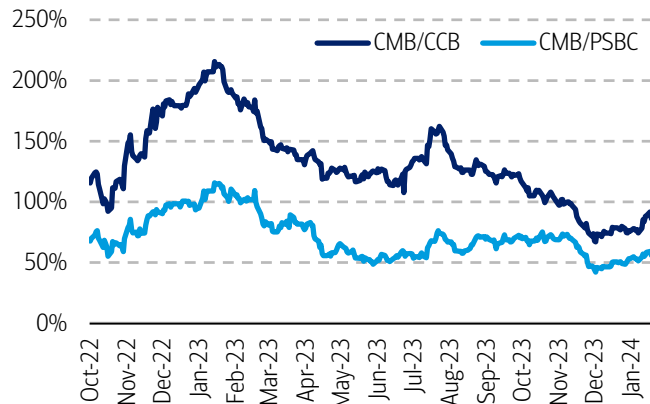


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 13: Relative P/B: CMB's premium over CCB & PSBC (LTM)

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

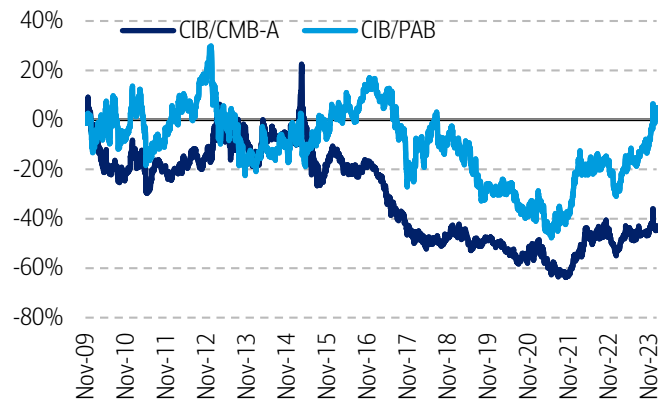


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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

CIB's P/B was 43% lower and 5% higher than CMB-A and PAB

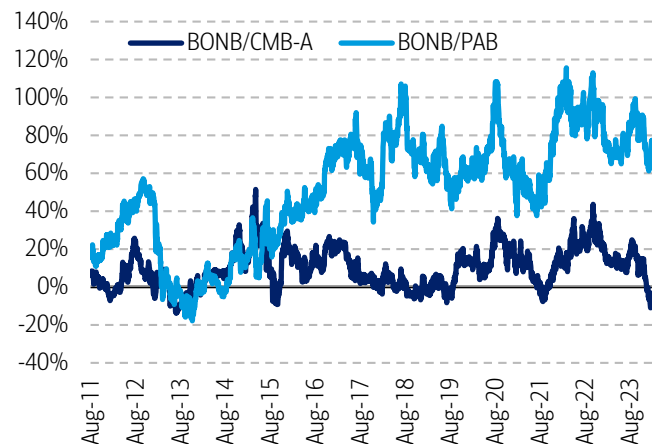


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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

BONB's P/B was 4% lower and 77% higher than CMB-A and PAB



Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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

HSB's P/B was 52% higher than BOCHK

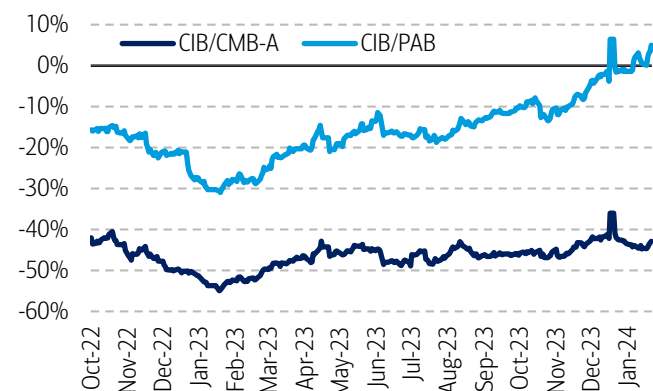


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 15: Relative P/B: CIB's discount to CMB-A & PAB (LTM)

CIB's discount to CMB narrowed and premium to PAB enlarged last week

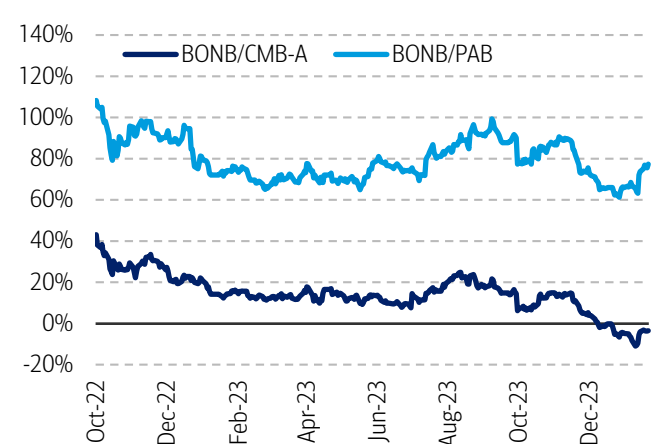


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 17: Relative P/B: BONB's premium over CMB-A & PAB (LTM)

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



Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 19: Relative P/B: HSB's premium over BOCHK (LTM)

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

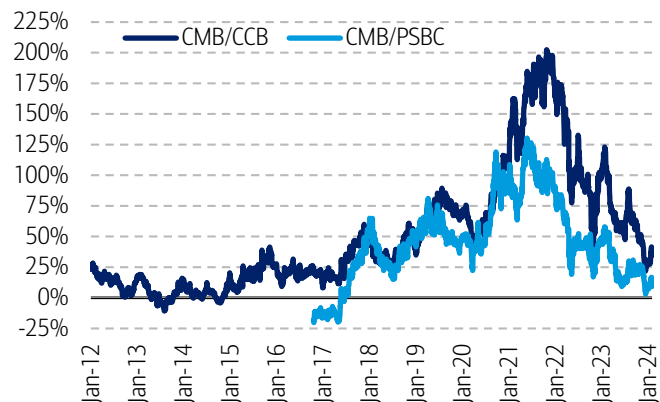


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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

CMB's P/E was 34% and 9% higher than CCB and PSBC's

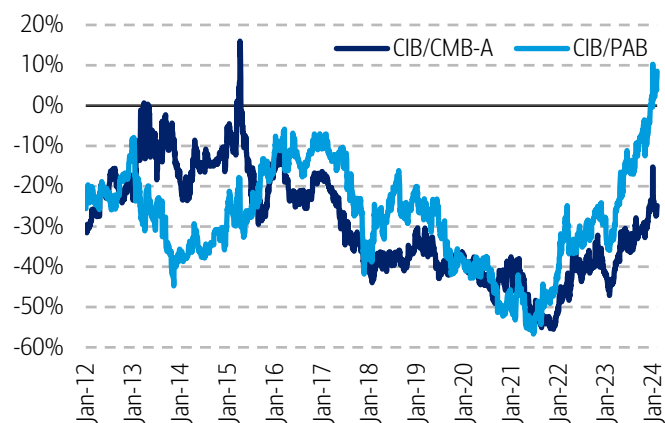


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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

CIB's P/E was 25% lower than CMB-A and 9% higher than PAB's

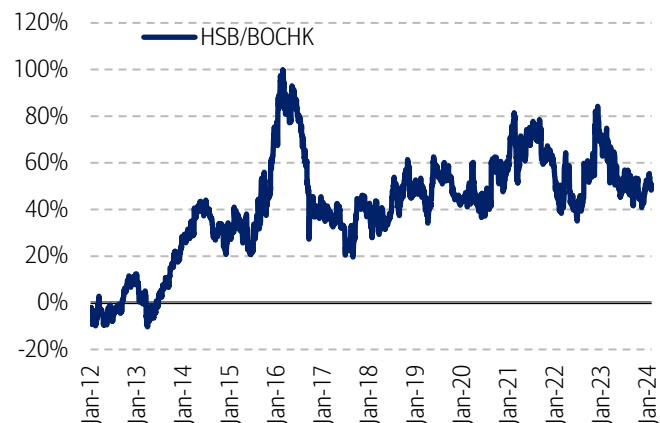


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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

HSB's P/E was 49% higher than BOCHK's

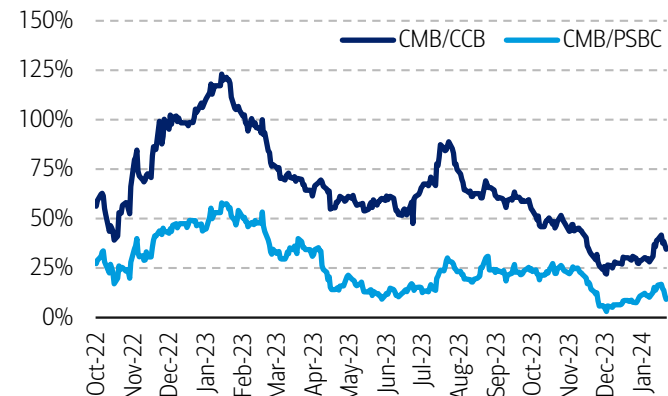


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 21: Relative P/E: CMB's premium over CCB & PSBC (LTM)

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

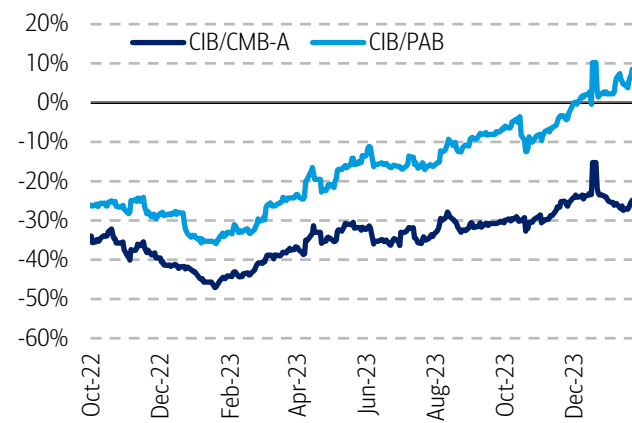


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 23: Relative P/E: CIB's discount to CMB-A and PAB (LTM)

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

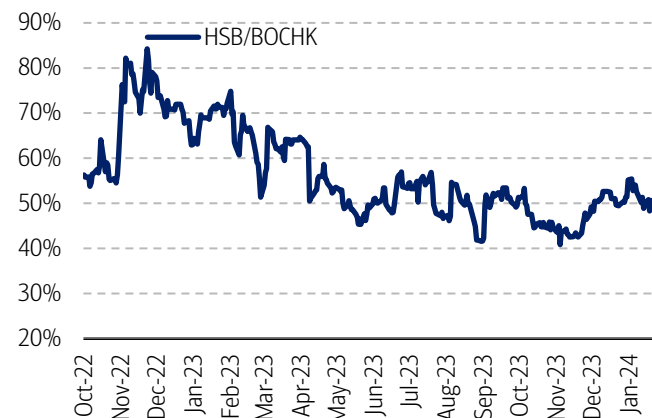


Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Exhibit 25: Relative P/E: HSB's premium over BOCHK (LTM)

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



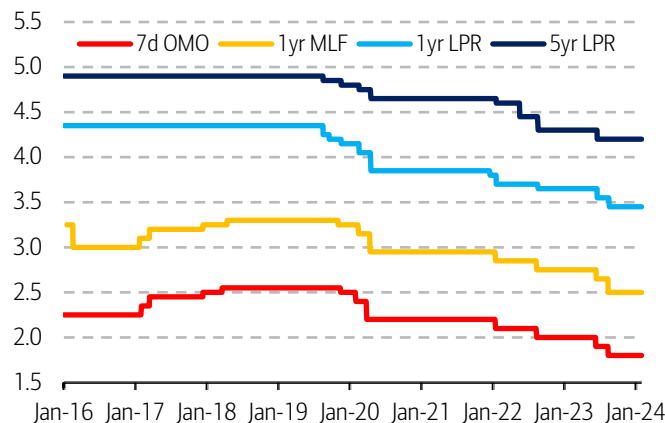
Source: Bloomberg, as of Feb 2, share price here doesn't adjust for dividend

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Interest rates and NCDs

Exhibit 26: Major policy rate (%)

Major policy rates remained unchanged WoW

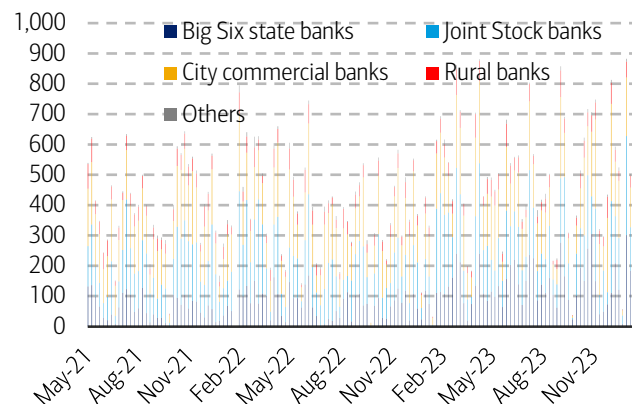


Source: Bloomberg, Wind, as of Feb 2

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Exhibit 28: Weekly NCD gross issuance by bank type (RMB bn)

Gross issuance was RMB607bn from Jan 22 to Jan 28

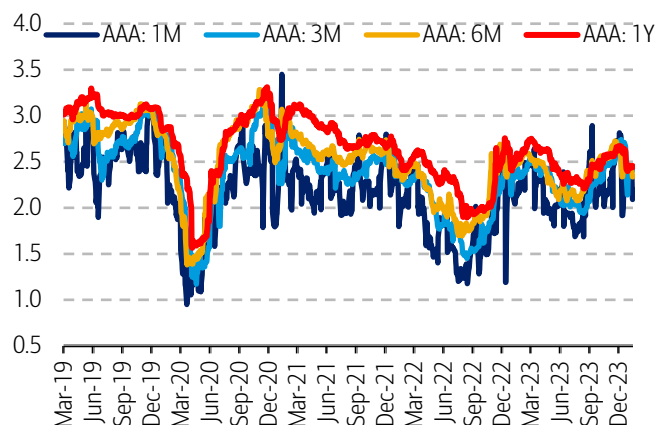


Source: Wind, as of Jan 29, *NCD: Negotiated Certificate of Deposits

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Exhibit 30: Yield to maturities of AAA rated NCD (%)

AAA rated NCD yields decreased by 6 to 14bp WoW for 1M-1Y tenors

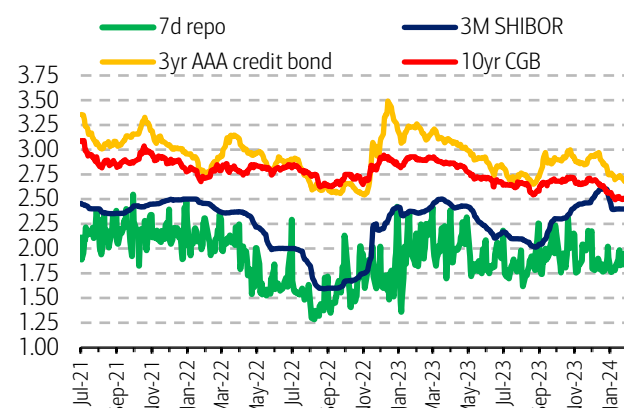


Source: CEIC, as of Feb 1, *NCD: Negotiated Certificate of Deposits

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Exhibit 27: Major market rate (%)

3yr AAA credit bond yield and 10yr CGB yield declined ~7bp WoW

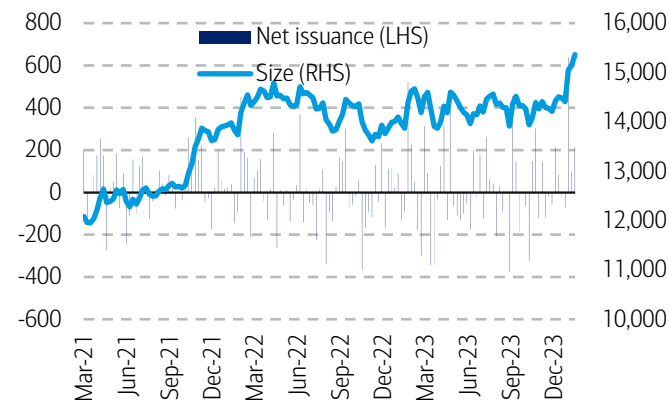


Source: Bloomberg, Wind, as of Feb 2, *CGB: China Government Bond

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Exhibit 29: Weekly NCD net issuance and outstanding size (RMB bn)

NCD size increased from RMB15.1tn to RMB15.4tn WoW

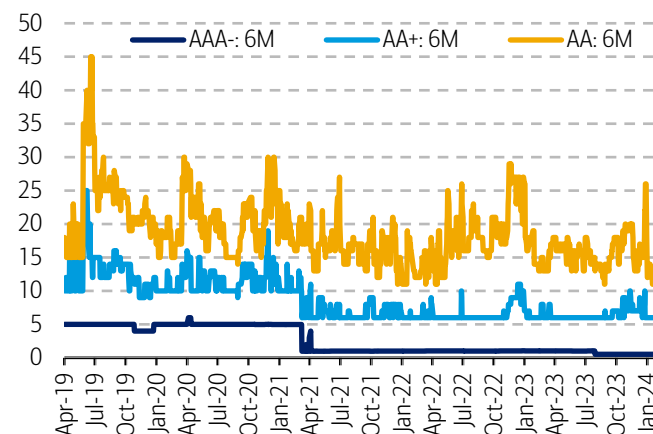


Source: Wind, as of Jan 29, *NCD: Negotiated Certificate of Deposits

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Exhibit 31: Credit spread over AAA rated NCD (bp)

Credit spread of 6M AA rated NCDs increased by 4bp last week



Source: CEIC, as of Feb 1, *NCD: Negotiated Certificate of Deposits

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Bank FY23 preliminary results

Exhibit 31: China bank FY23 preliminary results

7 out of 42 listed China banks released FY23 preliminary results

Date	Name	Ticker	Operating revenue		Net profit	
			RMB mn	YoY	RMB mn	YoY
2024/01/12, Fri	Bank of Hangzhou	600926 CH	35,016	6.3%	14,383	23.2%
2024/01/19, Fri	China Merchants Bank	600036 CH/3968 HK	339,123	-1.6%	146,602	6.2%
2024/01/19, Fri	Qilu Bank	601665 CH	11,952	8.0%	4,234	18.0%
2024/01/19, Fri	Bank of Changsha	601577 CH	24,803	8.5%	7,463	9.6%
2024/01/22, Mon	China CITIC Bank	601998 CH/0998 HK	205,896	-2.6%	67,016	7.9%
2024/01/29, Mon	Bank of Qingdao	002948 CH/3866 HK	12,472	7.1%	3,549	15.1%
2024/01/31, Wed	Xiamen Bank	601187 CH	5,610	-4.8%	2,661	6.2%

Source: Wind, as of Feb 2

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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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