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China Securities

Retail normalizing, institutional accelerating, tech upcycle favor leading brokers

China brokers enter 2H26 with a more bifurcated setup: Retail-driven revenue lines are normalizing as A-share ADT and system margin financing ease from recent peaks, while institutional businesses are accelerating on stronger demand, policy supports and a more diversified business mix. Following CXMT's A-share IPO, we expect a technology sector upcycle to bring incremental upside to brokers' revenues through IB fees and investment income. Leading brokers with stronger institutional exposure and tech-financing franchises are set to benefit more from the above trends. Against this backdrop, we downgrade East Money to Neutral and upgrade CITIC Sec-H to OW. Top picks: CICC, Citic Sec.

- Diverging 2H26 setup: Retail moderates, institutional accelerates:** A-share ADT and system margin financing have both trended lower in 3Q26 QTD, and ongoing commission rate compression should further dilute the operating leverage from volume growth, leading to a moderation in retail business momentum. In contrast, institutional franchises continue to build momentum on: (1) stronger demand; (2) a supportive regulatory environment; and (3) a more diversified business mix. Notably, both A- and H-share IPO issuance reached a multi-year high in July, and we continue to see upside skew in derivatives and overseas businesses.
- Technology sector upcycle to bring incremental upside to broker revenues:** Policy support for technology and innovation enterprise financing should translate into a sustained pipeline of tech listings and related capital markets activity, benefiting brokers across IB fees, IPO co-investment and pre-IPO investment gains. Using ChangXin Memory Technologies (CXMT) as a case study, we estimate that its recent A-share IPO could bring Rmb240mn of underwriting fees and Rmb65bn of IPO co-investment and pre-IPO investment gains to China brokers, with CMS and CICC expected to benefit more. Within our coverage, we see CICC and Citic Sec as structural beneficiaries, given their robust pipeline and execution track record in tech financing, while CMS has greater near-term earnings upside, given its higher CXMT exposure.
- Stock view: Constructive on the sector; prefer leading brokers.** We forecast that China brokers will deliver ~17% y/y earnings growth in 2H26, and our 2026 estimates are 12ppt above consensus. We expect ongoing consensus upgrades to be a key catalyst for re-rating. Within the space, we prefer leading full-service brokers (e.g., CICC, Citic Sec) over retail-heavy names, as we believe leaders are better positioned to capture the institutional recovery and the tech-led ECM cycle. CICC has the leading A-/H-share IPO franchise, and we see its ongoing consolidation of two smaller brokers as potentially ROE-accretive. Citic Sec remains a franchise leader across major business lines, holds a robust IPO pipeline and has relatively lower sensitivity to ADT declines.
- Preference order:** CICC-H (OW & top pick) = Citic Sec A&H (OW & top pick) > CMS A&H (OW) > Guangfa Sec A&H (OW) > Huatai A&H (OW) > Galaxy H (OW) > GTHT A&H (Neutral) > East Money (Neutral).

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See page 64 for analyst certification and important disclosures, including non-US analyst disclosures.

Equity Ratings and Price Targets

Company	Ticker	Mkt Cap (\$ mn)	Price CCY	Price	Rating		Price Target			
					Cur	Prev	Cur	End Date	Prev	End Date
CITIC Securities - A	600030 CH	44,985	CNY	27.54	OW	n/c	37.40	Jun-27	33.00	Dec-26
CITIC Securities - H	6030 HK	37,542	HKD	26.74	OW	N	34.40	Jun-27	29.60	Dec-26
East Money - A	300059 CH	30,005	CNY	19.58	N	OW	22.00	Jun-27	30.00	Dec-26
China Merchants Securities Company Ltd - A	600999 CH	18,197	CNY	18.32	OW	n/c	23.00	Jun-27	19.30	Dec-26
China Merchants Securities Company Ltd - H	6099 HK	12,849	HKD	15.05	OW	n/c	20.50	Jun-27	17.20	Dec-26
GF Securities Co Ltd - A	000776 CH	23,966	CNY	21.21	OW	n/c	27.90	Jun-27	23.60	Dec-26
GF Securities Co Ltd - H	1776 HK	16,821	HKD	17.32	OW	n/c	24.20	Jun-27	20.30	Dec-26
Huatai Securities - A	601688 CH	20,571	CNY	19.37	OW	n/c	26.60	Jun-27	22.50	Dec-26
Huatai Securities - H	6886 HK	15,518	HKD	17.00	OW	n/c	23.60	Jun-27	19.80	Dec-26
Guotai Haitong Securities - A	601211 CH	23,818	CNY	18.04	N	n/c	20.30	Jun-27	17.00	n/c
Guotai Haitong Securities - H	2611 HK	16,284	HKD	14.35	N	n/c	16.30	Jun-27	13.70	n/c

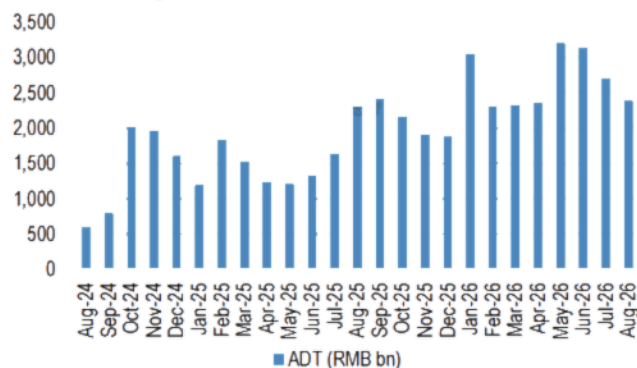
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 17 Aug 26.

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Guotai Haitong Securities - A	55
Guotai Haitong Securities - H	59

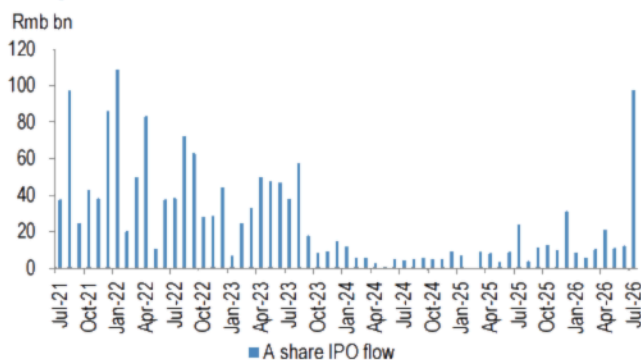
Chart talks

Figure 1: ADT has trended down for two consecutive months, to Rmb2.4tn in August MTD



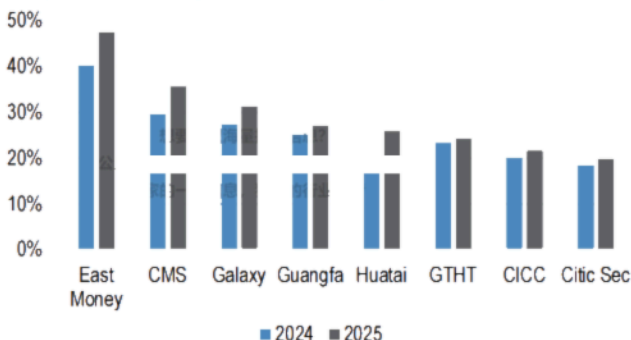
Source: CEIC. Data as of 16 August 2026.

Figure 3: A-share IPOs reached Rmb97.6bn in July, the highest monthly level since Jan-22



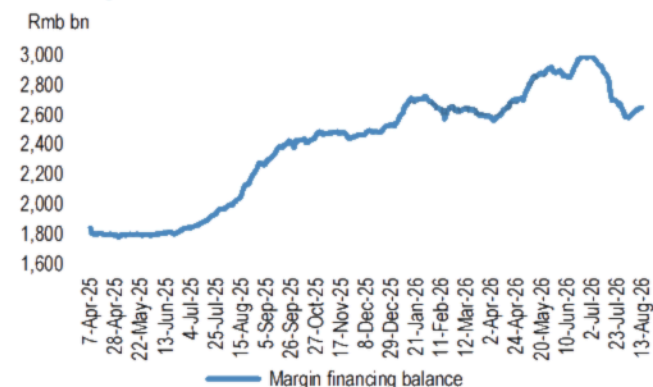
Source: Wind. Data as of 16 August 2026.

Figure 5: Brokerage contribution to total revenues by broker – East Money is more leveraged toward brokerage revenues



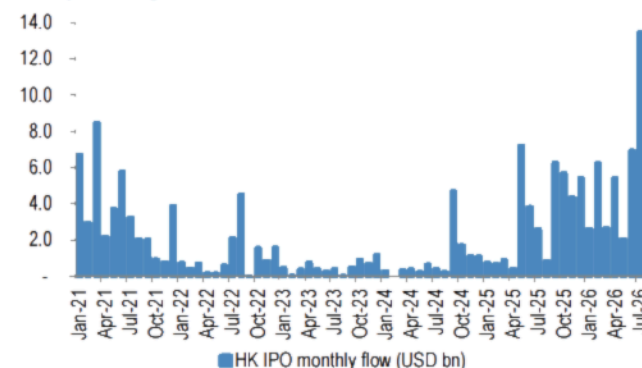
Source: 2024-2025 company reports of CMS, Huatai, GTHT, Galaxy, CiticSec, Guangfa, CICC, East Money.

Figure 2: Margin financing has dropped 11% in 3Q QTD, indicating moderating retail sentiment



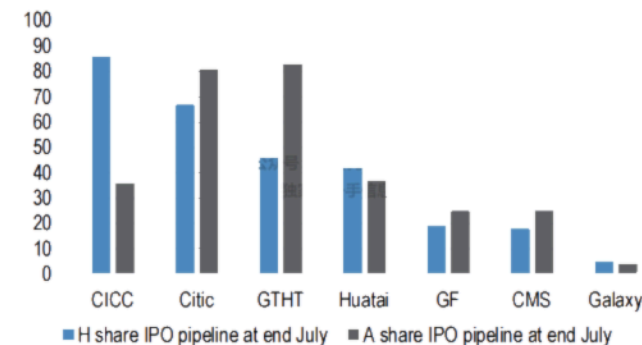
Source: CEIC. Data as of 16 August 2026.

Figure 4: H-share IPOs reached US\$13.4bn in July, the highest level in the past few years



Source: Bloomberg Finance L.P. Data as of 16 August 2026.

Figure 6: CICC and Citic Sec have robust IPO pipelines in both A- and H-share markets



Source: Wind. Data as of 16 August 2026.

Table 1: Summary of China brokers IPO co-investment and pre-IPO investment in CXMT – this indicates upside to brokers' 3Q26 results

Broker (English)	Broker (Chinese)	Shares held in CXMT (mn)	Market value (Rmb bn)	Unrealized gain (Rmb bn)	2025 net profits (Rmb bn)	JPM 2026E profits (Rmb bn)	Unrealized gain as % of 2025 profits
IPO co investment							
CICC	中金公司	115	6.4	5.4	15.7	21.2	34%
CSC	中信建投证券	115	6.4	5.4	9.4	NA	57%
Pre-IPO investments							
CMS	招商证券	505	27.9	26.7	12.3	19.4	216%
Hu'an Sec	华安证券	264	14.6	14.0	2.1	NA	663%
CSC	中信建投证券	89	4.9	4.7	9.4	NA	50%
GF Sec	广发证券	62	3.4	3.3	13.7	19.5	24%
Guotai Haitong	国泰海通证券	57	3.2	3.0	27.8	33.0	11%
Founder Sec	方正证券	42	2.3	2.2	4.0	NA	56%
Guoyuan Sec	国元证券	20	1.1	1.1	2.4	NA	43%
Aggregate				65.7	87.5		

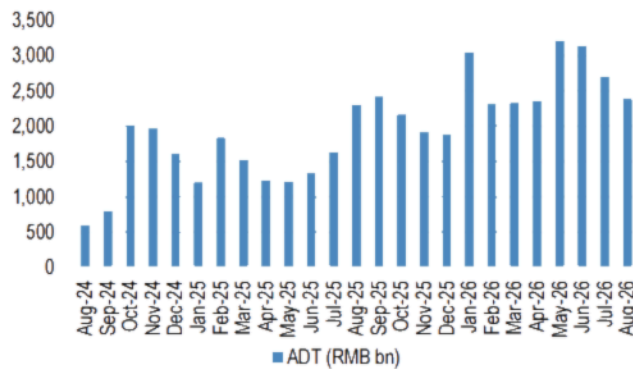
Source: SSE, J.P. Morgan. Note: market value calculation is based on the Aug 14 closing price. Note: brokers will apply an illiquidity discount when recognizing the investment gain in the 3Q26 results.

Retail business growth to moderate in 2H26E

- **Expect ADT to normalize in 2H26:** A-share ADT exceeded RMB3.0trn in May–June 2026, implying >700% turnover velocity, supported by strong risk appetite and the market rally in 2Q26. While we see structural drivers supporting a higher baseline ADT, we do not view >700% velocity as sustainable; instead, we view ~550% as a more sustainable level (in line with the average since Sep-2024). Consistent with this, A-share ADT has already eased from >RMB3.0trn in May–June to ~RMB2.4trn in Aug MTD. We expect ADT to stabilize around RMB2.4trn for the remainder of 2026, versus RMB2.74trn in 1H26.
- **Regulatory scrutiny could cap margin financing business growth:** Bloomberg reported that China brokers are tightening scrutiny on new accounts and stepping up reviews for margin financing, securities lending, and options trading ([link](#)). On the back of this and the moderating sentiment in July, system margin financing has declined from Rmb3.0trn at end June to Rmb2.68trn lately (or -11%). We expect retail-focused brokers (e.g.: East Money) to be more affected.
- **Commission fee rates continue to grind lower:** Industry commission rates remain under pressure amid intensifying competition. Data from the Shanghai Securities Association indicate the blended commission rate in Shanghai fell ~15% y/y to ~1.7bps ([link](#)). We expect the downtrend to continue. As a result, while we forecast industry ADT to grow ~20% y/y in 2H26, declining take rates should offset part of the volume uplift, implying more muted brokerage revenue growth in 2H26.
- **Structural supports remain intact; further ADT downside appears limited.** As discussed in our recent note ([link](#)), key drivers of resilient ADT remain in place: (1) a continued shift in household asset allocation from deposits to financial products (equities, funds, insurance), and (2) higher allocation and

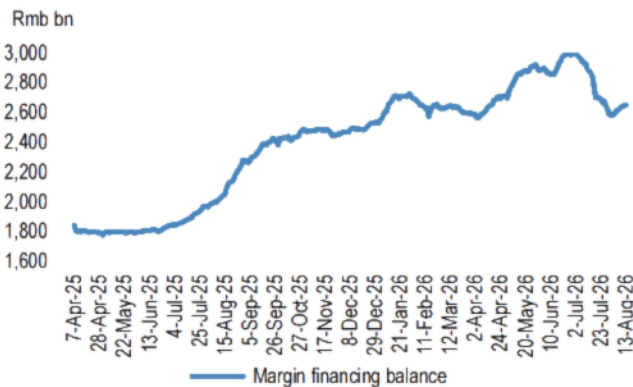
trading activity in the Tech sector, which tends to carry higher turnover. We expect these to help stabilize ADT staying at the current level (i.e.: ~Rmb2.4trn), and further downside should be limited.

Figure 7: ADT has trended down for two consecutive months to Rmb2.4trn in August MTD



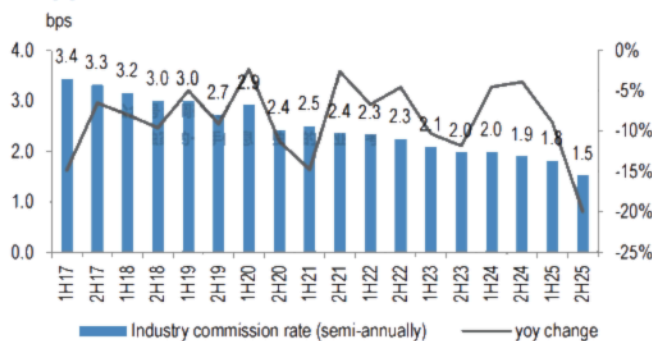
Source: CEIC. Data as of 16 August 2026.

Figure 9: Margin financing has dropped by 11% in 3Q QTD, indicating moderating retail sentiment



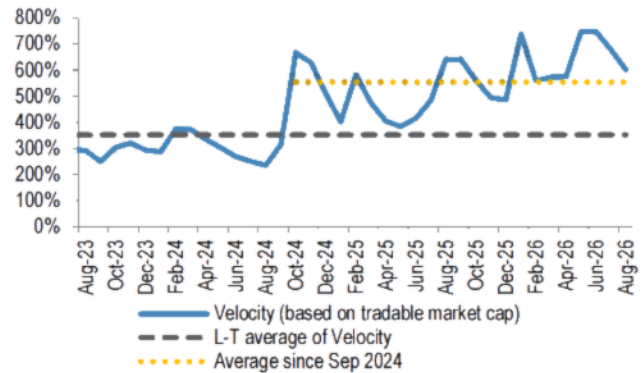
Source: CEIC. Data as of 16 August 2026.

Figure 11: Industry commission rates have fallen to 1.5bps in 2H25, -20% y/y



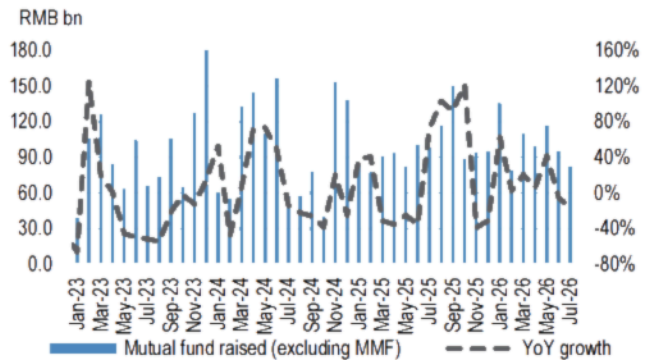
Source: WIND, SAC, J.P. Morgan.

Figure 8: Trading velocity was at ~600% in August MTD



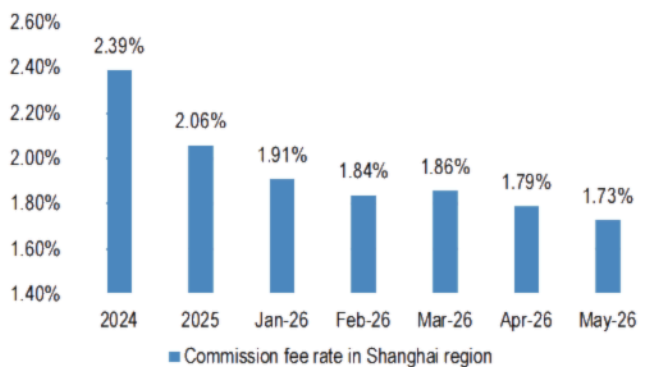
Source: CEIC. Data as of 16 August 2026.

Figure 10: Monthly new mutual funds sales moderated in July



Source: Wind. Data as of 16 August 2026.

Figure 12: Commission fee rates in Shanghai region continued to decline in 2026 YTD

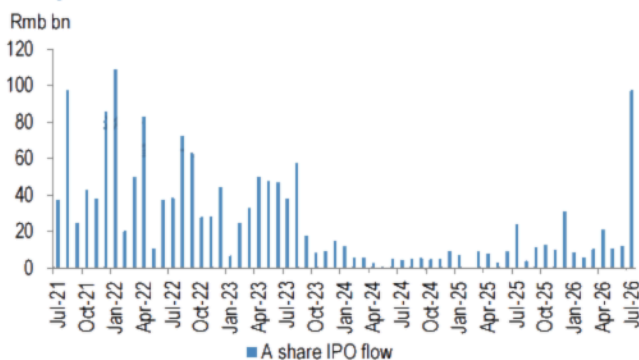


Source: Shanghai Securities Association. Note: the above commission fee rate calculation excludes high frequency trading.

Institutional business to gain further momentum in 2H26

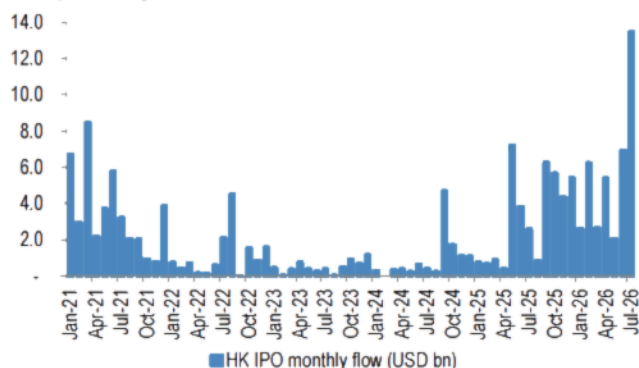
- IPO issuance rebounded sharply in July.** Both A- and H-share IPO activity accelerated meaningfully in July, reaching the strongest monthly level in the past 4–5 years, partly driven by several mega deals (e.g., CXMT in A share and Zhongji Innolight in H share). This should support brokers' underwriting and sponsorship fees, and also lift investment income via IPO cornerstone/co-investments and pre-IPO investments. We expect momentum to extend into 2H26, supported by a robust pipeline and a supportive regulatory environment.
- Regulatory tailwinds remain intact for institutional franchises.** Since 2025, we have observed a more constructive policy backdrop for brokers' institutional businesses. Beyond the measures outlined in our prior note ([link](#)), we highlight several incremental 2026 developments: (1) a set of financial opening-up initiatives announced at the Lujiazui Forum in June, including further reforms to ChiNext and STAR to support financing for innovative companies and permitting active ETFs on the Shanghai and Shenzhen exchanges([link](#)).; (2) the CSRC's new derivatives rules announced in May, which we view as supportive of industry-wide derivatives growth and likely to favor leading brokers with scale, risk management and product capability ([link](#)).; and (3) the SFC and CSRC's Aug-3 announcements on deepening cross-market cooperation, including supporting eligible Mainland enterprises to raise capital via Hong Kong listings and measures aimed at enhancing the international visibility of Chinese indices and Chinese assets (see Table 3).
- International business remains a key growth lever and ROE enhancer.** China brokers have delivered strong growth in overseas businesses in recent years, with offshore revenue mix trending higher. We expect this to continue throughout 2026, supported by sustained Hong Kong IPO activity and rising demand for cross-border investment flows from both onshore and offshore investors. Given international businesses typically generate higher ROE than domestic operations, we view faster international business growth as structurally ROE-accretive for the sector.

Figure 13: A share IPO reached Rmb97.6bn in July, the highest monthly level since Jan 2022



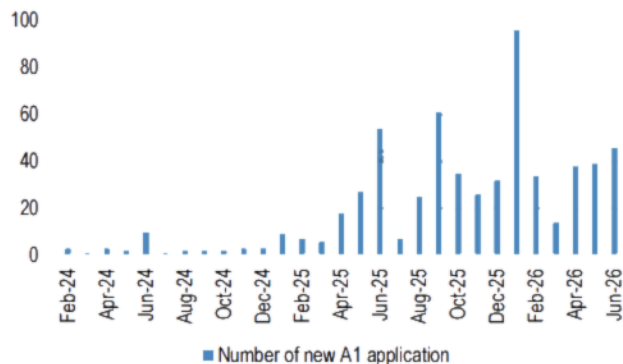
Source: Wind. Data as of 16 August 2026.

Figure 14: H share IPO reached US\$13.4bn in July, the highest level in the past few years



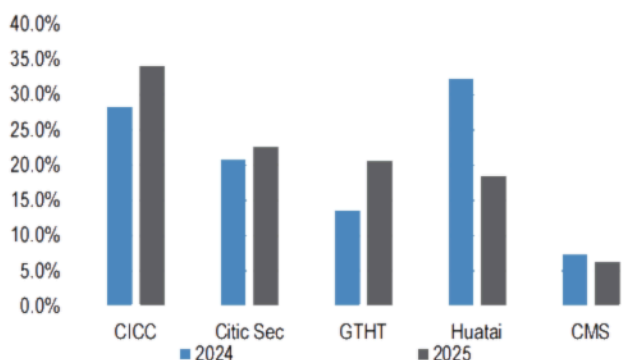
Source: Bloomberg Finance L.P. Data as of 16 August 2026.

Figure 15: Number of new HK IPO applications were up ~100% y/y in 1H26



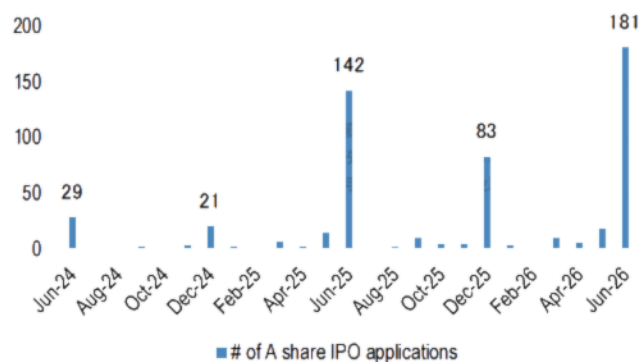
Source: Wind. Data as of 16 August 2026.

Figure 17: Overseas revenues contribution to total revenues by brokers



Source: CICC, Citic Sec, GTHT, Huatai, CMS, 2024-25 financial reports. Note: Galaxy and Guangfa Sec didn't disclose geographical revenues breakdown. We expect overseas revenues contribution to be mid-to-high single digit % for Guangfa, and mid single digit % for Galaxy. The decline in overseas revenues contribution for Huatai is due to AssetMark disposal in 2024.

Figure 16: Number of new A share IPO applications was up ~30% y/y in 1H26



Source: Wind. Data as of 16 August 2026.

Table 2: China brokers' key overseas subsidiaries revenues and profits growth in 2025

Rmb bn	2025 revenues	2025 net profits	revenues yoy	profits yoy
CITIC Securities International	23.5	6.4	48%	72%
CICC International	13.7	4.6	41%	78%
Guotai Haitong Financial Holdings	9.2	2.4	31%	85%
Huatai International	8.4	3.0	-54%	-54%
CGS International	2.6	0.5	18%	62%
GF Holdings (Hong Kong)	2.1	1.1	115%	54%
CMS International	1.2	0.5	5%	19%

Source: GTHT, CiticSec, Huatai, Galaxy, Guangfa, CMS, CICC 2024-25 financial reports. Media reports ([link](#)). The decline in revenues and profits for Huatai's overseas subsidiary is due to AssetMark disposal in 2024.

Table 3: Summary of the new measures announced by the SFC and the CSRC

New measures announced by the SFC and the CSRC

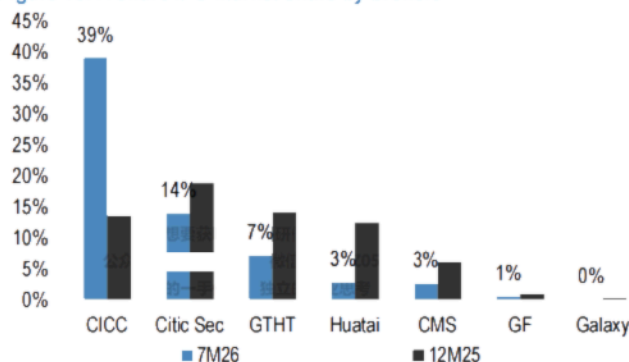
1. Continuing to support eligible Mainland enterprises in raising funds through listings in Hong Kong, eligible Hong Kong-listed companies in seeking listings in the Mainland, and eligible Hong Kong enterprises in issuing bonds in the Mainland, so as to enable them to better leverage the markets and resources of both places for financing and development;
2. Supporting index providers in both places to strengthen cooperation and launch more indices based on Chinese assets, thereby enhancing the international profile of Chinese indices and Chinese assets;
3. Deepening cooperation between the futures markets of both places to support the launch of a wider range of RMB-denominated and settled futures products in Hong Kong;
4. Supporting institutions in both places to launch more ETF products based on the two markets and oriented toward China's modern industrial system, and implementing a fast-track registration mechanism for conventional equity ETF products;
5. Supporting securities firms and fund companies with solid capabilities, sound operations and high management standards in expanding overseas in accordance with the law and using Hong Kong as a base to develop their international business in an orderly manner, with a view to advancing the development of first-class investment banks and investment institutions;
6. Promoting pilot programmes for listed companies in both places to disclose climate-related transition plans, with a view to jointly advancing the development of green finance; and
7. Exploring ways to encourage and support securities and futures professionals working at Hong Kong banks in applying for relevant Mainland professional qualifications through a streamlined process.

Source: SFC, CSRC.

Technology-sector growth cycle to be a long-term driver for brokers' revenues

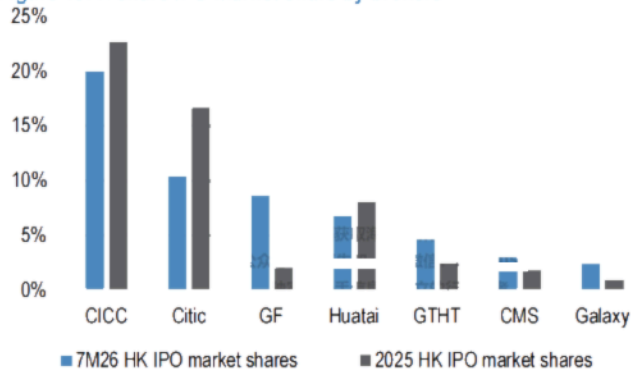
- Policy tailwinds underpin a sustained tech investment cycle.** Our China strategy team has argued that China's national AI strategy could foster a more self-sustaining tech growth cycle that is less dependent on global tech rhythms, supported by explicit policy objectives and accelerating end-market penetration ([link](#)). A key pillar is the "six networks" initiative—an RMB7trn+ investment program this year aimed at strengthening domestic infrastructure across AI, power grid, telecom, water supply, urban underground pipelines, and logistics ([link](#)). There has been strong policy support on technology enterprises' financing, with policymakers calling for deepening ChiNext and STAR board reforms to support innovative companies' financing at the recent Lujiazui Forum ([link](#)).
- We see multi-pronged revenues optionality for brokers.** We expect brokers to benefit across three main revenue lines: **(1)** a rising number of tech listings should support investment banking fees; **(2)** strong 2026 performance of listed tech names could lift brokers' investment income via IPO co-investments and pre-IPO investments; and **(3)** continued policy emphasis on tech should help sustain higher equity market activity/turnover, supporting brokerage revenues through stronger trading velocity.
- CICC and CITIC Sec as structural winners; CMS see nearer-term upside via CXMT exposure:** We view CICC and CITIC Sec as key long-term beneficiaries given their leading market shares across A- and H-share equity capital markets and robust pipelines, including leadership roles in marquee tech deals (e.g., CICC as lead underwriter for CXMT's IPO; CITIC Securities as lead underwriter for Unitree Robotics). Near term, we see potential upside risk to CMS' 3Q results given its higher investment exposure to CXMT (see next section for details).

Figure 18: A share IPO market share by brokers



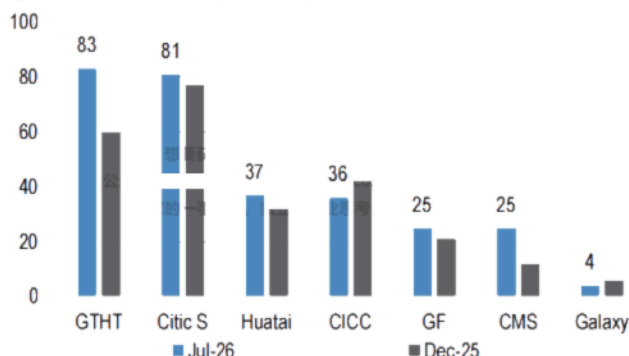
Source: Wind. Data as of 16 August 2026.

Figure 19: H share IPO market share by brokers



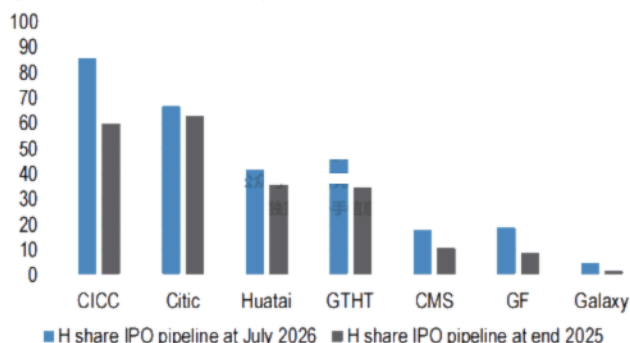
Source: Wind. Data as of 16 August 2026.

Figure 20: A share IPO pipeline by brokers



Source: Wind. Data as of 16 August 2026.

Figure 21: HK IPO pipeline by brokers



Source: Wind. Data as of 16 August 2026.

Case Study: How CXMT's IPO will likely bring incremental revenue upside to China brokers

ChangXin Memory Technologies (CXMT) was listed in Shanghai on July 27. The company raised Rmb57.9bn after pricing at Rmb8.66 per share, making it Asia's biggest public offering this year. Its share price soared more than 500% on its first trading day and was trading at Rmb55.18 on Aug 14 close. Against this backdrop, we see the following revenue upside for China brokers.

- IPO underwriting fee:** CXMT's IPO underwriting fee is ~RMB 227m, rising to ~RMB 240m if the overallotment (greenshoe) is fully exercised. The underwriting fee will be shared by CICC and CSC (lead underwriters), and Guotai Haitong, Guoyuan, Huatai, CMS (joint underwriters).
- IPO co-investment income:** As lead underwriters, CICC and CSC were required to make IPO co-investments (2% of issuance, capped at RMB 1bn per sponsor, 24-month lock-up). CICC Wealth and CSC Investment each subscribed ~RMB 1bn and received 115mn shares. Based on Aug 14 closing price, the implied unrealized gain for CICC and CSC amounted to ~Rmb5.4bn.
- Pre-IPO investment income:** Several brokers were pre-IPO shareholders of CXMT via alternative investment subsidiaries, PE subsidiaries, and industrial funds. CMS has the largest exposure and holds ~505mn shares through its subsidiaries, and the implied unrealized gain of Rmb26.7bn. Please refer to Table 4 for other brokers pre-IPO investment exposure in CXMT.
- Other revenue streams:** This includes the performance/carry fee for brokers' PE and alternative funds invested in CXMT. Within our coverage, CICC may earn a carry fee as its PE products invested into CXMT.
- Implications for 3Q26 earnings.** Underwriting fees should be largely recognized in 3Q26. For IPO co-investment and pre-IPO stakes that remain under lock-up, recognized gains will likely reflect valuation haircuts/illiquidity discounts (potentially 50%+). Overall, we see the most meaningful upside skew to 3Q26 results for CMS given its larger CXMT exposure.

Table 4: Summary of China brokers IPO co-investment and pre-IPO investment in CXMT

Broker (English)	Broker (Chinese)	Shares held in CXMT (mn)	Market value (Rmb bn)	Unrealized gain (Rmb bn)	2025 net profits (Rmb bn)	JPM 2026E profits (Rmb bn)	Unrealized gain as % of 2025 profits
IPO co investment							
CICC	中金公司	115	6.4	5.4	15.7	21.2	34%
CSC	中信建投证券	115	6.4	5.4	9.4	NA	57%
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CMS	招商证券	505	27.9	26.7	12.3	19.4	216%
Hu'an Sec	华安证券	264	14.6	14.0	2.1	NA	663%
CSC	中信建投证券	89	4.9	4.7	9.4	NA	50%
GF Sec	广发证券	62	3.4	3.3	13.7	19.5	24%
Guotai Haitong	国泰海通证券	57	3.2	3.0	27.8	33.0	11%
Founder Sec	方正证券	42	2.3	2.2	4.0	NA	56%
Guoyuan Sec	国元证券	20	1.1	1.1	2.4	NA	43%
Aggregate				65.7	87.5		

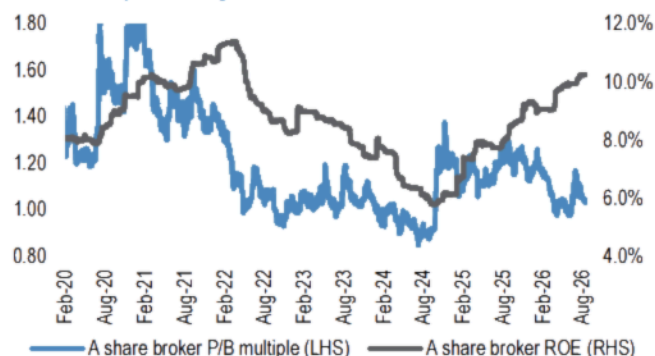
Source: SSE, J.P. Morgan. Note: market value calculation is based on the Aug 14 closing price.

Sector view – stay positive, but prefer leading brokers over retail brokers

- Policy efforts to stabilize the market underpin a “slow bull” market backdrop.** On 19 Jul, two state-owned capital platforms (China Reform Holding and China Chengtong) announced RMB60bn of purchases in onshore equities and ETFs, while indicating they would continue to add to holdings ([link](#)). Since mid-July, a number of listed companies have announced share repurchase plans ([link](#), [link](#)), with the announced amounts exceeding RMB70bn. CSRC Chairman Wu Qing also held a series of discussion meetings, noting that regulators would “use a comprehensive set of measures to ensure stable market operations and enhance capital market resilience” ([link](#)).
- ADT likely to stabilize; institutional lines of business still offer upside.** After two months of decline, we expect A-share ADT to stabilize around the current ~RMB2.4trn level, implying turnover velocity broadly in line with the post-Sep-2024 average. In our view, this limits further downside risk to brokerage revenues from here. By contrast, we continue to see upside skew in institutional and capital markets-related revenues (e.g., IPO underwriting, derivatives, investment income), supported by a constructive regulatory stance, a strong IPO pipeline, and the ongoing technology upcycle discussed earlier.
- Consensus upgrade to support re-rating:** While we have assumed ADT to moderate from Rmb2.74trn in 1H26 to Rmb2.4trn in 2H26, we still forecast China brokers to deliver 17% y/y profits growth in 2H26, and our 2026-28E profits estimates were still 12%/11%/8% above the BBG consensus. Yet, China brokers were trading at 1.03x P/B and 0.67x P/B in A and H share, respectively, the lowest level since the Sep 2024 rally. We consider the current valuation undemanding, and the ongoing consensus upward revisions could support the re-rating.

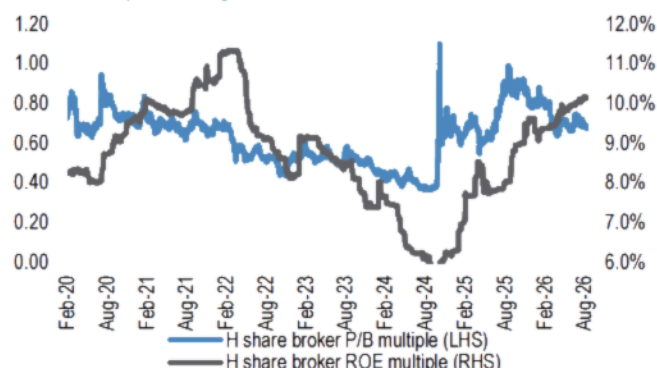
- **Stock view – prefer leading brokers:** We have a positive view on the sector on the back of undemanding valuations, institutional business upsides, and expect the ongoing consensus upward revisions could support the re-rating. We prefer leading brokers (i.e.: CICC, Citic Sec) over retail focused brokers, as the leading brokers are benefiting more from the institutional business recovery and the technology sector growth cycle, whereas the retail brokers could see more pressure from the declining ADT and margin financing. CICC has the largest market share in both A and H share IPO market, and we expect its ongoing merger with two brokers to be ROE accretive. Citic Sec has held a leading position across multiple business lines, has a robust IPO pipeline, and is less affected by the declining ADT.
- **Preference order:** CICC-H (OW & top pick) = Citic Sec A&H (OW & top pick) > CMS A&H (OW) > Guangfa Sec A&H (OW) > Huatai A&H (OW) > Galaxy H (OW) > GTHT A&H (Neutral) > East Money (Neutral).

Figure 22: A share brokers were trading at 1.03x P/B, lowest level since the Sep 2024 rally



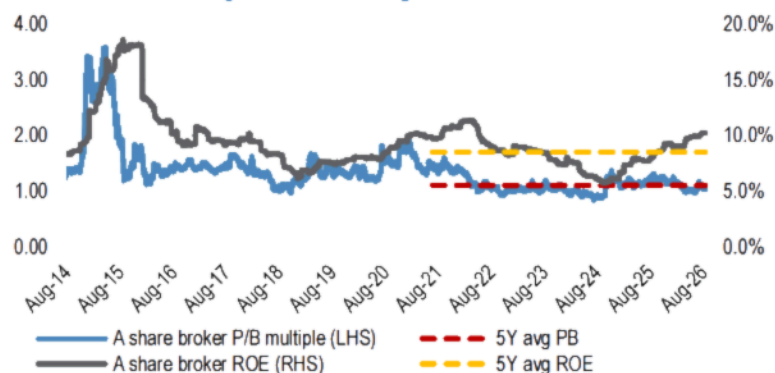
Source: Bloomberg Finance L.P. Data as of 16 August 2026.

Figure 23: H share brokers were trading at 0.67x P/B, lowest level since the Sep 2024 rally



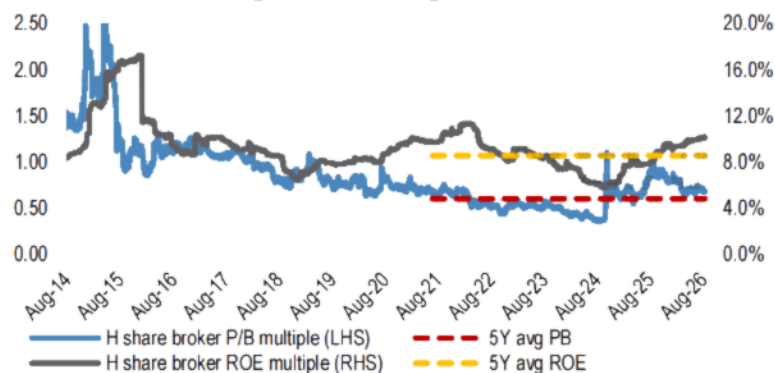
Source: Bloomberg Finance L.P. Data as of 16 August 2026.

Figure 24: A share brokers were trading at 1.03x P/B, below 5Y average P/B of 1.1x, while its forward ROE level is higher than 5Y average level of 9%



Source: Bloomberg Finance L.P. Data as of 16 August 2026.

Figure 25: H share brokers were trading at 0.67x P/B, slightly above 5Y average P/B of 0.6x, while its forward ROE level is higher than 5Y average level of 9%



Source: Bloomberg Finance L.P. Data as of 16 August 2026.

Rating changes and pair trade ideas

Upgrade Citic Sec-H to OW

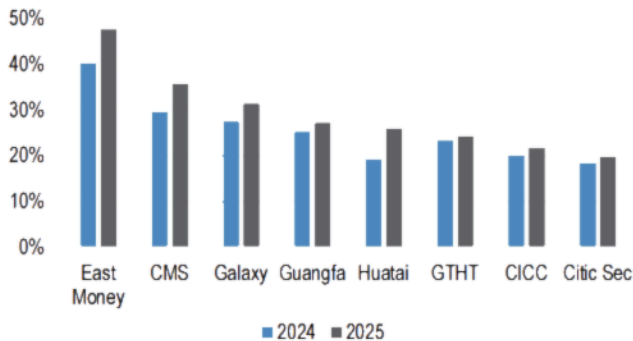
- **Improving IPO activities as a key tailwind:** Citic Sec has top 3 market share in both A and H share IPO market in 2026 YTD, and has robust IPO pipelines in both A and H markets (Figure 10), thus it should benefit more from the improving IPO markets.
- **Less sensitivity to declining ADT:** Citic Sec has a diversified revenue structure, and only 20% of Citic Sec revenues were from brokerage revenues (lowest in our coverage). Thus, we expect it to be less affected by the declining ADT.
- **Widening ROE gap support a re-rating:** Fig 12 shows that we're forecasting Citic Sec ROE gap over peers to widen from 0.7% in 2025 to 1.8% in 2028E (Figure 12), supported by institutional and international business growth. This could support a re-rating for Citic Sec.
- We revised up 2026-28E earnings by 13%/12%/11%, our 2026-28E earnings were 6%/6%/4% above BBG consensus. We upgrade Citic Sec-H to OW with a new PT of HK\$34.40, implying c.30% upside.

Downgrade East Money to Neutral

- **Declining ADT to drag brokerage revenues:** Figure 9 shows that East Money has the highest exposure to brokerage revenues among brokers in our coverage. Thus, East Money should be more adversely affected by the declining ADT in 3Q.
- **Potential slowdown in margin financing growth:** Bloomberg reported that China brokers are tightening scrutiny on new accounts and stepping up reviews for margin financing, securities lending, and options trading ([link](#)). This, in our view, could lead to slowdown in margin financing growth, and East Money could be more affected, given its higher retail exposure.
- **Narrowing ROE gap over peers could leading to a de-rating:** East Money was trading at a premium to its China broker peers, due mainly to its higher ROE over peers (ROE gap over peers was 9% in 2021). On the back of the above headwinds, we're forecasting East Money's ROE gap over peers to narrow from 3.6% in 2025 to 1.7% in 2028E (Figure 11), which could lead to a de-rating.

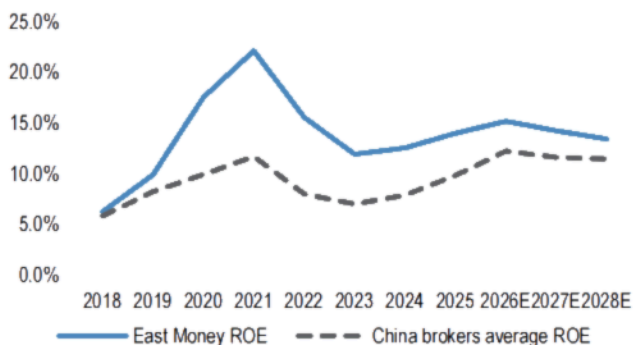
- Our 2026-28 earnings estimates were largely unchanged, and our 2026-28 earnings were +1/-3%/-5% below BBG consensus. We cut our PT to Rmb22.00 and downgrade to Neutral, as we cut our PE multiple from 30x to 22x, to reflect its narrowing ROE gap over peers and our preference for brokers' institutional business over retail.

Figure 26: Brokerage contribution to total revenues by brokers



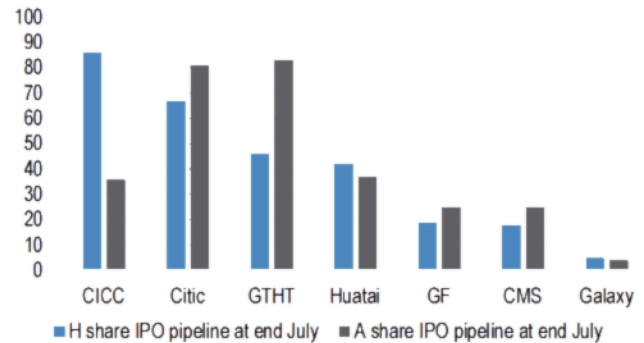
Source: 2024-2025 company reports of CMS, Huatai, GTHT, Galaxy, CiticSec, Guangfa, CICC, East Money.

Figure 28: We expect East Money ROE gap over peers to narrow from 3.6% in 2025 to 1.7% in 2028E



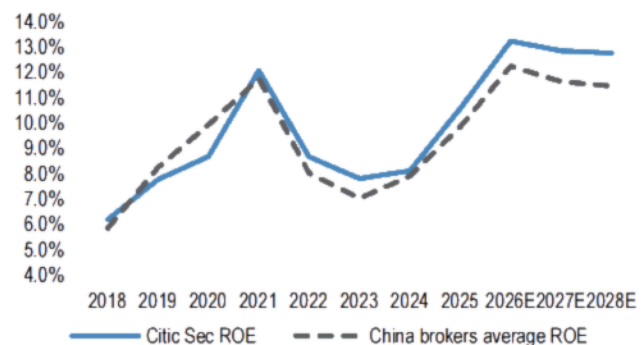
Source: 2018-2025 company reports of CMS, Huatai, GTHT, Galaxy, CiticSec, Guangfa, CICC, East Money, J.P. Morgan estimates

Figure 27: Citic Sec has robust IPO pipelines in both A and H share market



Source: Wind, Data as of 16 August 2026.

Figure 29: We expect Citic Sec ROE gap over peers to widen from 0.7% in 2025 to 1.3% in 2028E



Source: 2018-2025 company reports of CMS, Huatai, GTHT, Galaxy, CiticSec, Guangfa, CICC, East Money, J.P. Morgan estimates

3M pair-trade to long Citic-Sec A and short East Money

- **Citic Sec is a key beneficiary of the improving IPO flow and institutional business recovery:** Citic Sec has a top 3 market share in both the A and H share IPO market in 2026 YTD, and has a robust IPO pipeline in both A and H markets, thus it should benefit more from the improving IPO markets.
- **East Money is more affected by the moderating ADT:** East Money has the highest exposure to brokerage revenues among brokers in our coverage. Thus, East Money should be more adversely affected by the declining ADT in 3Q. In comparison, Citic Sec has a more diversified revenue structure and is less affected.
- We have a fundamental Neutral rating on East Money, as we hold a positive view on the broker sector.

3M pair-trade to long CMS-H and short Galaxy-H

- **Expect CMS to see more upside in 3Q26 results due to its investment in CXMT:** CMS has the highest exposure to CXMT, and our analysis suggests the implied unrealized gain is reaching Rmb26.7bn. This shall bring upside to CXMT's 3Q26 result through higher investment income.
- **Galaxy may see sequential moderation in 3Q26 result:** We expect Galaxy to see a sequential moderation in 3Q26 results as: 1) it has higher exposure to the retail business, thus may be more affected by the declining ADT and margin financing balance; 2) it doesn't have much exposure in IPO co-investment and pre-IPO investments, thus we expect limited upside to its investment income.
- We have a fundamental OW rating on Galaxy-H, as we hold a positive view on the broker sector and its valuation is undemanding (0.6x 2026E P/B, lowest among H share brokers in our coverage).

Table 5: H-share valuation table

	BBG	Price (LC)	Rating	Jun-27 PT (LC)	Mkt Cap (USD bn)	P/E		P/BV		Div Yield (%)		ROE(%)	
						FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
GTHT - H	2611 HK	14.35	N	16.30	44	7.1	6.6	0.7	0.6	4.5	4.8	9.8	9.8
Huatai - H	6886 HK	17.00	OW	23.60	25	6.5	6.1	0.6	0.6	4.6	5.0	11.4	11.2
CMS - H	6099 HK	15.05	OW	20.50	23	6.4	7.0	0.9	0.8	6.3	5.7	14.7	12.3
CITIC - H	6030 HK	26.74	OW	34.40	62	9.0	8.4	1.0	1.0	3.7	4.1	13.2	12.9
GFS - H	1776 HK	17.32	OW	24.20	23	6.3	6.0	0.7	0.7	4.3	4.6	13.3	12.6
Galaxy - H	6881 HK	7.60	OW	10.80	17	5.2	4.9	0.6	0.5	5.9	6.3	11.0	10.7
CICC - H	3908 HK	21.28	OW	30.00	20	7.3	7.5	0.9	0.9	1.7	2.3	12.4	11.9
Average						6.8	6.6	0.8	0.7	4.4	4.7	12.3	11.6

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Note: As of Aug 17, 2026.

Table 6: A-share valuation table

	BBG	Price (LC)	Rating	Jun-27 PT (LC)	Mkt Cap (USD bn)	P/E		P/BV		Div Yield (%)		ROE(%)	
						FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
GTHT - A	601211 CH	18.04	N	20.30	44	8.9	8.3	0.8	0.8	3.6	3.8	9.8	9.8
CMS - A	600999 CH	18.32	OW	23.00	23	8.5	9.2	1.2	1.1	4.7	4.3	14.7	12.3
CITIC - A	600030 CH	27.54	OW	37.40	62	10.1	9.5	1.2	1.1	3.3	3.6	13.2	12.9
GFS - A	000776 CH	21.21	OW	27.90	23	8.4	8.0	0.9	0.9	3.3	3.5	13.3	12.6
Huatai - A	601688 CH	19.37	OW	26.60	25	8.1	7.6	0.8	0.7	3.7	4.0	11.4	11.2
East Money	601211 CH	18.04	N	20.30	44	8.9	8.3	0.8	0.8	3.6	3.8	9.8	9.8
Average						8.8	8.5	1.0	0.9	3.7	3.9	12.5	11.8

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Note: As of Aug 17, 2026.

2Q26 results preview

Six brokers in our coverage have announced 1H26 profit alerts in July, with 1H26 profit growth of ~70% y/y, and 2Q26 profit growth of ~125%. This is driven by the robust ADT, strong investment income on the back of the strong capital market performance in 2Q26. Please refer to Table 8 for 2Q earnings schedules, and Table 9-Table 16 for our forecasts for brokers in our coverage.

More importantly, such strong earnings momentum is tracking ahead of the market expectation, with 1H26 pre-announced net profits accounting for 58-76% of the consensus FY26 net profits. And the implied 1H26 ROE of 14.4% is materially higher than the consensus FY26 ROE of 10.3%. This indicates room for upward revisions of consensus earnings, in our view.

We revised up 2026-2028 net profits estimates by 13%/9%/7% on average for brokers in our coverage, as we actualize the strong 1H26 operating trends. Our 2026-28 net profits estimates were 12%/11%/8% above consensus estimates.

Table 7: China brokers' 1H26 results profit alerts

Rmb bn	1H25 net profits	1H26 net profits	yoy	1H26 as % of FY26 consensus	2Q25 net profits	Implied 2Q26 net profits	yoy	2025 ROE	Implied 1H26 ROE	Consensus 2026E ROE	Delta
Citic Sec	13.8	23.3	70%	62%	7.2	13.1	82%	10.6%	15.7%	11.9%	3.7%
GTHT	15.7	20.0-20.5	27-30%	74-76%	3.5	13.6-14.1	290-304%	9.8%	11.9%	8.5%	3.4%
CMS	5.2	10.0-11.0	93-112%	64-70%	5.2	6.7-7.7	134-169%	10.0%	16.9%	10.9%	6.0%
CICC	4.3	7.7-8.2	78-90%	61-65%	2.3	4.1-4.6	79-102%	9.4%	14.8%	10.4%	4.4%
Huatai	7.5	11.3-11.7	50-55%	58-60%	3.9	6.5-6.9	67-76%	9.3%	12.0%	9.4%	2.6%
Guangfa	6.5	11.0-12.0	70-85%	63-69%	3.7	5.6-6.6	51-78%	10.2%	15.2%	10.9%	4.3%
Average			~70%				~125%	9.9%	14.4%	10.3%	4.1%

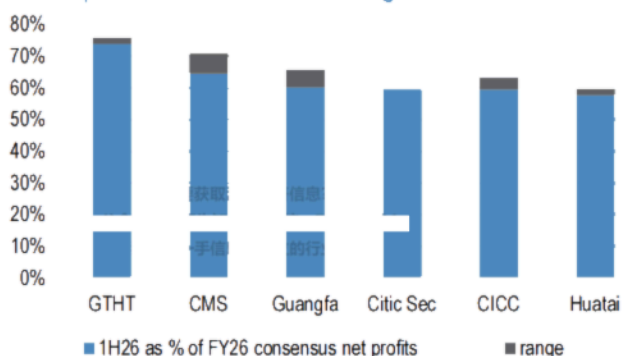
Source: SSE, Data as of 16 August 2026.

Table 8: China brokers 2Q26 reporting schedule

China Brokers	Ticker (CH)	Ticker (HK)	Expected date	Week day
GTHT	601211 CH	2611 HK	8/18/2026	Tue
CiticS	600030 CH	6030 HK	8/20/2026	Thu
East Money	300059 CH		8/21/2026	Fri
CMS	600999 CH	6099 HK	8/25/2026	Tue
GF	000776 CH	1776 HK	8/28/2026	Fri
Huatai	601688 CH	6886 HK	8/28/2026	Fri
Galaxy	601881 CH	6881 HK	8/28/2026	Fri
CICC	601995 CH	3908 HK	8/28/2026	Fri

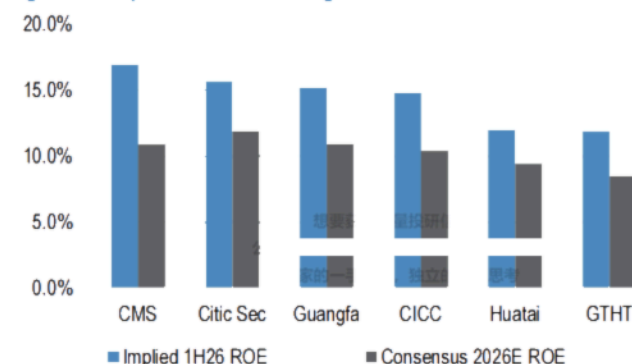
Source: SSE, Data as of 16 August 2026..

Figure 30: 1H26 net profits accounted for 58-76% of the consensus FY26 net profits for brokers in our coverage



Source: SSE, Bloomberg Finance L.P., Data as of 16 August 2026

Figure 31: Implied 1H26 ROE is higher than consensus FY26 ROE



Source: SSE, Bloomberg Finance L.P., Data as of 16 August 2026.

Table 9: East Money quarterly forecasts

in million Rmb unless stated	2Q25	3Q25	4Q25	1Q26	2Q26E	QoQ	YoY
Key PnL items							
Operating revenue	3,371	4,733	4,479	5,031	5,713	14%	69%
Business revenue (fund sales, data, internet Ads)	767	966	989	1,063	1,116	5%	46%
Net interest income (securities service and others)	714	974	1,030	1,101	1,156	5%	62%

Net fee income (securities service and others)	1,890	2,793	2,460	2,867	3,440	20%	82%
Operating expense	1,082	1,228	1,420	1,309	1,406	7%	30%
Gross Operating Profit	2,289	3,505	3,059	3,722	4,306	16%	88%
Other income & expense	1,024	599	414	668	601	-10%	-41%
PBT	3,313	4,104	3,473	4,390	4,908	12%	48%
tax	458	573	477	640	687	7%	50%
Attributable income	2,852	3,530	2,988	3,738	4,220	13%	48%

Source: East Money 2Q25-1Q26 financial reports. J.P. Morgan estimates.

Table 10: CICC quarterly forecasts

<i>In Rmb mm unless otherwise stated</i>	2Q25	3Q25	4Q25	1Q26	2Q26E	QoQ	YoY
P&L item							
Net commission and fees income	3,586	4,141	4,874	4,637	4,938	6%	38%
Net brokerage income	1,354	1,863	1,655	2,005	2,406	20%	78%
Net investment banking income	1,265	1,273	2,091	1,545	1,390	-10%	10%
Net asset mgmt fee	372	382	520	397	417	5%	12%
Other	595	623	608	689	724	5%	22%
Net interest income	(336)	(169)	(18)	108	158	46%	147%
Investment gains	3,900	3,725	3,244	4,201	5,378	28%	38%
Other income	(42)	236	(380)	(121)	200	265%	571%
Total revenue and other income	7,107	7,933	7,720	8,825	10,673	21%	50%
Operating expenses	(4,437)	(5,198)	(3,608)	(4,308)	(5,337)	-24%	-20%
Impairment loss	31	(152)	(190)	(54)	(70)	-30%	-327%
Profit before tax	2,742	2,570	3,986	4,471	5,267	18%	92%
Income Tax	(452)	(339)	(751)	(870)	(922)	-6%	-104%
Net profits	2,290	2,231	3,235	3,601	4,344	21%	90%
Minority interest	(2)	5	(11)	(24)	(20)	16%	-1135%
Attributable profits	2,288	2,236	3,224	3,577	4,324	21%	89%

Source: CICC 2Q25-1Q26 financial reports. J.P. Morgan estimates.

Table 11: Citic Sec quarterly forecasts

<i>In Rmb mm unless otherwise stated</i>	2Q25	3Q25	4Q25	1Q26	2Q26E	QoQ	YoY
P&L item							
Net commission and fees income	7,523	9,742	10,286	10,270	12,460	21%	66%
Net brokerage income	3,077	4,537	3,814	4,915	5,898	20%	92%
Net investment banking income	1,122	1,591	2,647	1,207	1,268	5%	13%
Net asset mgmt fee	2,880	3,259	3,474	3,505	3,610	3%	25%
Other	443	355	351	642	578	-10%	31%
Net interest income	424	542	866	1,053	1,106	5%	161%
Investment gains	10,437	12,704	7,032	11,929	15,278	28%	46%
Other income	(3,106)	(213)	855	(97)	100	203%	103%
Total revenue and other income	15,278	22,775	19,040	23,155	28,944	25%	89%
Operating expenses	(6,424)	(9,228)	(8,993)	(9,518)	(11,867)	-25%	-85%
Impairment loss	607	(920)	(189)	(417)	(200)	52%	-133%
Operating income	9,461	12,627	9,857	13,220	16,877	28%	78%
Non operating income	(13)	2	(409)	7	5	-28%	140%
Profit before tax	9,448	12,629	9,448	13,227	16,882	28%	79%
Income Tax	(2,064)	(2,859)	(2,357)	(2,768)	(3,545)	-28%	-72%
Net profits	7,384	9,769	7,091	10,459	13,337	28%	81%
Minority interest	(210)	(330)	(174)	(243)	(210)	14%	0%
Attributable profits	7,174	9,440	6,917	10,216	13,127	28%	83%

Source: Citic Sec 2Q25-1Q26 financial reports. J.P. Morgan estimates.

Table 12: CMS quarterly forecasts

<i>In Rmb mm unless otherwise stated</i>	2Q25	3Q25	4Q25	1Q26	2Q26E	QoQ	YoY
P&L item							
Net commission and fees income	2,373	3,372	3,214	3,156	3,712	18%	56%
Net brokerage income	1,767	2,867	2,293	2,590	3,108	20%	76%
Net investment banking income	216	107	518	180	198	10%	-8%
Net asset mgmt fee	218	213	220	194	204	5%	-6%
Other	172	185	183	193	202	5%	18%
Net interest income	422	648	662	721	757	5%	80%
Investment gains	2,967	3,604	2,719	3,154	9,463	200%	219%
Other income	45	99	133	(59)	150	354%	230%
Total revenue and other income	5,807	7,723	6,728	6,973	14,082	102%	142%
Operating expenses	(2,632)	(3,439)	(2,381)	(3,075)	(5,915)	-92%	-125%
Impairment loss	15	8	(283)	(78)	(90)	-15%	-684%
Profit before tax	3,189	4,292	4,100	3,820	8,168	114%	156%
Income Tax	(310)	(606)	(656)	(549)	(1,143)	-108%	-269%
Net profits	2,879	3,686	3,444	3,271	7,024	115%	144%
Minority interest	1	1	(34)	1	0	-100%	-100%
Attributable profits	2,878	3,686	3,478	3,271	7,024	115%	144%

Source: CMS 2Q25-1Q26 financial reports. J.P. Morgan estimates.

Table 13: Galaxy quarterly forecasts

<i>In Rmb mm unless otherwise stated</i>	2Q25	3Q25	4Q25	1Q26	2Q26E	QoQ	YoY
P&L item							
Net commission and fees income	2,027	3,004	3,164	2,964	3,523	19%	74%
Net brokerage income	1,725	2,658	2,541	2,701	3,242	20%	88%
Net investment banking income	165	159	354	106	116	10%	-30%
Net asset mgmt fee	138	128	121	115	121	5%	-12%
Other	(1)	59	148	42	45	5%	6382%
Net interest income	1,032	1,267	1,276	1,280	1,344	5%	30%
Investment gains	4,247	4,695	1,038	2,988	4,034	35%	-5%
Other income	(1,117)	39	74	122	150	23%	113%
Total revenue and other income	6,189	9,004	5,552	7,355	9,051	23%	46%
Operating expenses	(2,017)	(3,372)	(4,386)	(3,299)	(3,892)	-18%	-93%
Impairment loss	227	(25)	(994)	4	(50)	-1452%	-122%
Profit before tax	4,157	5,619	1,159	4,053	5,109	26%	23%
Income Tax	(685)	(1,139)	393	(733)	(817)	-11%	-19%
Net profits	3,472	4,481	1,551	3,320	4,292	29%	24%
Minority interest	0	0	(0)	0	0	-100%	-100%
Attributable profits	3,472	4,480	1,551	3,320	4,292	29%	24%

Source: Galaxy 2Q25-1Q26 financial reports. J.P. Morgan estimates.

Table 14: GTHT quarterly forecasts

<i>In Rmb mm unless otherwise stated</i>	2Q25	3Q25	4Q25	1Q26	2Q26E	QoQ	YoY
P&L item							
Net commission and fees income	5,373	8,186	8,724	7,515	8,745	16%	63%
Net brokerage income	3,081	5,081	4,324	4,727	5,672	20%	84%
Net investment banking income	684	1,237	2,028	754	942	25%	38%
Net asset mgmt fee	1,410	1,695	2,121	1,757	1,845	5%	31%
Other	198	172	251	277	285	3%	44%
Net interest income	2,493	2,021	3,070	1,760	1,848	5%	-26%
Investment gains	5,580	11,560	5,303	6,081	19,154	215%	243%
Other income	(1,347)	253	119	877	300	-66%	122%
Total revenue and other income	12,099	22,019	17,216	16,232	30,047	85%	148%
Operating expenses	(5,301)	(9,093)	(8,478)	(7,428)	(12,019)	-62%	-127%
Impairment loss	(878)	(1,132)	(1,555)	(435)	(300)	31%	66%
Profit before tax	5,341	11,773	8,093	8,405	17,728	111%	232%
Income Tax	(1,529)	(5,035)	(1,982)	(1,700)	(3,546)	-109%	-132%
Net profits	3,813	6,738	6,111	6,704	14,183	112%	272%
Minority interest	317	401	376	316	300	-5%	-5%
Attributable profits	3,495	6,337	5,735	6,388	13,883	117%	297%

Source: GTHT 2Q25-1Q26 financial reports. J.P. Morgan estimates.

Table 15: Guangfa quarterly forecasts

<i>In Rmb mm unless otherwise stated</i>	2Q25	3Q25	4Q25	1Q26	2Q26E	QoQ	YoY
P&L item							
Net commission and fees income	4,151	5,438	5,233	6,004	6,791	13%	64%
Net brokerage income	1,876	3,058	2,618	3,140	3,767	20%	101%
Net investment banking income	166	195	369	165	190	15%	14%
Net asset mgmt fee	1,977	1,992	2,043	2,461	2,584	5%	31%
Other	133	193	204	238	250	5%	88%
Net interest income	528	631	534	446	468	5%	-11%
Investment gains	3,439	4,198	3,620	5,607	6,729	20%	96%
Other income	40	499	(58)	(375)	100	127%	148%
Total revenue and other income	8,158	10,766	9,328	11,682	14,088	21%	73%
Operating expenses	(3,451)	(4,919)	(4,727)	(4,770)	(6,340)	-33%	-84%
Impairment loss	78	41	(33)	10	(0)	-105%	-101%
Profit before tax	4,772	5,876	3,778	6,917	7,748	12%	62%
Income Tax	(737)	(1,004)	(703)	(1,127)	(1,240)	-10%	-68%
Net profits	4,035	4,872	3,075	5,790	6,509	12%	61%
Minority interest	(323)	(408)	(307)	(405)	(430)	-6%	-33%
Attributable profits	3,713	4,465	2,767	5,386	6,079	13%	64%

Source: Guangfa 2Q25-1Q26 financial reports. J.P. Morgan estimates.

Table 16: Huatai quarterly forecasts

<i>In Rmb mm unless otherwise stated</i>	2Q25	3Q25	4Q25	1Q26	2Q26E	QoQ	YoY
P&L item							
Net commission and fees income	2,997	4,179	4,254	4,366	4,892	12%	63%

Net brokerage income	1,817	2,835	2,534	2,913	3,496	20%	92%
Net investment banking income	626	780	1,151	861	775	-10%	24%
Net asset mgmt fee	469	462	443	480	504	5%	7%
Other	85	103	125	111	116	5%	37%
Net interest income	1,072	1,233	1,126	1,071	1,125	5%	5%
Investment gains	4,816	4,867	3,996	5,231	7,323	40%	52%
Other income	(897)	629	(694)	(246)	300	222%	133%
Total revenue and other income	7,987	10,909	8,681	10,422	13,639	31%	71%
Operating expenses	(3,609)	(4,619)	(4,517)	(4,480)	(5,728)	-28%	-59%
Impairment loss	6	(298)	(295)	(69)	(100)	-45%	-1731%
Profit before tax	4,388	5,989	3,891	5,870	7,911	35%	80%
Income Tax	(480)	(818)	(240)	(1,059)	(1,266)	-19%	-164%
Net profits	3,908	5,170	3,652	4,810	6,645	38%	70%
Minority interest	(1)	13	(1)	(10)	(10)	-1%	-777%
Attributable profits	3,907	5,183	3,651	4,800	6,635	38%	70%

Source: Huatai 2Q25-1Q26 financial reports. J.P. Morgan estimates.

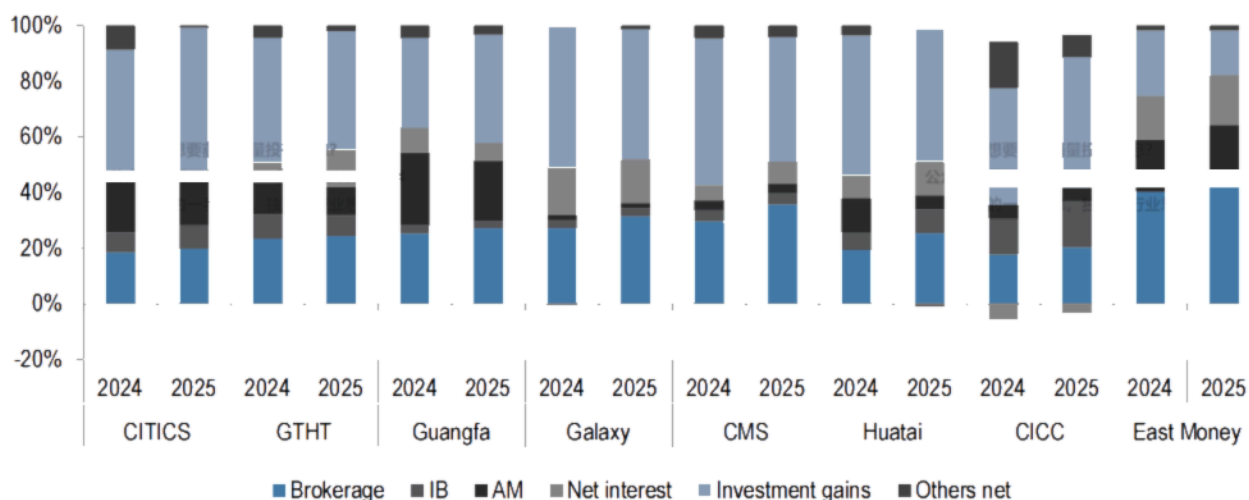
Key businesses by broker

Table 17: Brokers ranking in key business lines

		Citic	GTHT	Guangfa	CMS	CICC	Galaxy	Huatai	East Money
Equity brokerage*	Market share %	7.0%	7.7%	4.7%	4.7%	2.8%	4.1%	4.8%	4.5%
Stock trading	Ranking	1	2	3	5	Out of top 5	Out of top 5	4	Out of top 5
volume by mutual funds using trading seats (v)	Market share %	6.8%	6.1%	6.0%	3.2%	2.9%	1.1%	5.0%	1.1%
Margin finance	Ranking	2	1	5	Out of top 5	Out of top 5	4	3	Out of top 5
(2025)	Market share %	8.7%	10.6%	6.0%	5.6%	2.8%	6.1%	7.8%	3.4%
Equity underwriting	Ranking	1	2	Out of top 5	5	4	Out of top 5	3	Out of top 5
(1H26)	Market share %	30.4%	13.5%	0.8%	1.5%	9.6%	0.5%	10.5%	NA
Bond underwriting	Ranking	1	2	Out of top 5	Out of top 5	4	5	3	Out of top 5
(1H26)	Market share %	13.9%	10.4%	2.7%	3.2%	7.9%	4.5%	8.3%	NA
IPO underwriting	Ranking	3	2	Out of top 5	4	1	Out of top 5	5	Out of top 5
(1H26)	Market share %	14.2%	15.1%	1.0%	4.4%	29.1%	0.3%	2.1%	NA
Asset management	Ranking	1	2	Out of top 5	5	4	Out of top 5	3	Out of top 5
(2025)	Market share %	27.4%	11.7%	3.3%	4.1%	9.3%	1.4%	11.0%	NA
WM financial	Ranking	2	4	5	Out of top 5	3	Out of top 5	Out of top 5	1
product sales	Revenue	2.03	1.14	1.09	0.64	1.38	0.59	0.76	3.47
(2025)	(Rmbbn)								

Source: Citic Sec, GTHT, GF, CMS, CICC, Galaxy, Huatai, East Money 2025 and 1H26 financial reports; WIND, AMAC, J.P. Morgan. *We use brokerage commission revenues to calculate equity brokerage market share. Data as of June 30, 2026.

Figure 32: Net operating revenue breakdown 2025 vs. 2024



Source: 2024 vs. 2025 company reports of CMS, Huatai, GTHT, Galaxy, CiticSec, Guangfa, CICC, East Money. Note: mutual funds-related revenues contributed to ~17% of East Money's total revenues, which is parked in brokerage revenues in above table.

Overweight

600030.SS,600030 CH

Price (17 Aug 26): Rmb27.54

▲ **Price Target (Jun-27): Rmb37.40**
Prior (Dec-26): Rmb33.00

China

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J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.47	2.73	10.4%
Adj. EPS - 27E (Rmb)	2.72	2.90	6.6%

Style Exposure

Quant	Current	Hist %Rank (1=Top)				
Factors	%Rank	6M	1Y	3Y	5Y	
Value	40	61	73	65	66	
Growth	58	37	69	77	68	
Momentum	15	34	33	36	74	
Quality	48	38	55	69	65	
Low Vol	19	31	31	12	18	
ESGQ	27	23	9	10	21	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

CITIC Securities - A

A key beneficiary of institutional recovery and tech upcycle

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 13%/12%/11%. We view Citic Sec as a key beneficiary of the institutional business recovery and technology upcycle, and expect its international business to continue to gain momentum. We rolled over our PT valuation date to June 2027 and revised up PT to Rmb37.40. Maintain OW.

Investment Thesis, Valuation and Risks

CITIC Securities - A (Overweight: Price Target: Rmb37.40)

Investment Thesis

We have an OW rating on Citic Sec-A with a Jun-27 PT of Rmb37.40. We view CiticSec as a key beneficiary of the institutional business recovery and overseas business growth. In addition, Citic Sec is gaining market share in margin financing and has maintained a strong market share in equity brokerage. We expect the strong momentum to be sustained in 2H26.

Valuation

Our Jun-27 PT of Rmb37.40 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb29.9 for Jun-27 from the current fair value of Rmb27.3. We apply a one-year moving-average A/H premium on top of the fair value. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8%, a beta of 1.15x and a long-term growth rate of 4.5%.

Valuation Summary

DDM valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.15x
Cost of capital	11.0%
Long-term growth	4.5%
Fair terminal P/BV multiple	1.14x
BVPS - 2026E (Rmb)	23.5
DPS - 2026E (Rmb)	0.9
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	24.6
PV of dividends (Rmb per share)	2.7
Current fair value (Rmb)	27.3
Jun-27 fair value (Rmb)	29.9
Jun-27 price target (Rmb)	37.4
*A/H premium	125%

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: (1) faster-than-expected capital consumption, leading to rising capital replenishment needs; (2) losses on investments; (3) an inability to exit principal investments due to sluggish capital markets; and (4) deteriorating trends in A-shares.

Upside risks include: (1) stronger-than-expected equity market performance and market sentiment; (2) stronger-than-expected institutional business recovery; and (3) strong increase in trading turnover volume.

Price Performance



Company Data

Shares O/S (mn)	11,017
52-week range (Rmb)	32.53-23.77
Market cap (\$ mn)	44,985
Exchange rate	6.74
Free float (%)	71.4%
3M ADV (mn)	182.44
3M ADV (\$ mn)	744.7
Volatility (90 Day)	30
Index	SHASHR
BBG ANR (Buy Hold Sell)	24 1 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	6,298	7,366	8,581	9,966
Brokerage commissions	25,641	34,125	35,241	36,938
Asset management income	12,770	15,029	16,986	18,908
Trading income	38,604	47,686	49,519	51,890
Total non-interest income	1,132	2,173	2,297	2,428
Net interest income	1,630	5,911	8,403	9,796
Net revenue	86,076	112,291	121,027	129,925
Operating expense	(64,531)	(74,355)	(78,576)	(82,569)
Adj. pre provision profit	40,150	57,165	62,307	67,529
Adj. PBT	39,823	57,011	62,298	67,570
Adj. net income	30,076	41,475	45,321	49,156
Adj. EPS	2.03	2.73	2.90	3.15
BBG EPS	2.01	2.58	2.81	3.13
DPS	0.70	0.92	1.00	1.09
BVPS	21.59	23.52	25.51	27.67
Total Assets	2,081,903	2,480,234	2,672,170	2,880,821
Margins and Growth				
Net margin	28.7%	31.5%	32.2%	32.7%
Adj. EPS growth	38.6%	34.3%	6.5%	8.5%
Ratios				
Adj. tax rate	22.1%	25.0%	25.0%	25.0%
Cost to income ratio	61.6%	56.5%	55.8%	55.0%
Dividend payout	34.5%	33.6%	34.5%	34.5%
Commission / Avg. asset	2.5%	2.6%	2.4%	2.4%
ROA	1.6%	1.8%	1.8%	1.8%
Valuation				
Dividend yield	2.5%	3.3%	3.6%	3.9%
Adj. P/E	13.6	10.1	9.5	8.7

Summary Investment Thesis and Valuation

Investment Thesis

We have an OW rating on Citic Sec-A with a Jun-27 PT of Rmb37.40. We view CiticSec as a key beneficiary of the institutional business recovery and overseas business growth. In addition, Citic Sec is gaining market share in margin financing and has maintained a strong market share in equity brokerage. We expect the strong momentum to be sustained in 2H26.

Valuation

Our Jun-27 PT of Rmb37.40 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb29.9 for Jun-27 from the current fair value of Rmb27.3. We apply a one-year moving-average A/H premium on top of fair value. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8%, a beta of 1.15x and a long-term growth rate of 4.5%.

Performance Drivers

Market	9%
Region	0%
Macro	23%
Style	2%
Idiosyn.	66%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.46	0.40
Region: China	0.04	0.14
Macro:		
JPM Global Equity Sentiment	0.43	0.33
JP Morgan EMBI Global Spread	-0.31	-0.23
JPM China A-shares Sentiment	0.28	0.21
Quant Styles:		
Value	-0.11	-0.18
DivYld	-0.07	-0.16
Quality	-0.20	-0.15

CITIC Securities - A: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	67,033	86,076	112,291	121,027	129,925	Cash and cash equivalents	432,255	550,399	790,068	840,619	894,404
o/w Commission and fee income	34,877	46,494	58,394	62,775	67,877	Accounts receivable	2,291	3,114	3,911	4,204	4,546
o/w Net trading income	26,435	38,604	47,686	49,519	51,890	Other current assets	205,072	222,151	228,678	234,458	239,977
o/w Net interest income	1,084	1,630	5,911	8,403	9,796	Current assets	1,336,978	1,569,692	1,891,377	2,026,420	2,172,660
SG&A	(20,267)	(23,098)	(26,373)	(27,692)	(29,027)	PP&E	8,272	8,607	9,833	10,101	10,287
o/w Compensation expense	(21,041)	(21,777)	(25,029)	(26,388)	(27,662)	Other non current assets	353,690	491,929	567,349	623,974	686,199
o/w Non-compensation expense	774	(1,321)	(1,343)	(1,304)	(1,364)	Total assets	1,710,711	2,081,903	2,480,234	2,672,170	2,880,821
Adj. Operating income	28,301	39,313	56,451	61,681	66,891	Short term borrowings	449,259	458,879	493,948	531,740	572,470
Adj. PBT	28,418	39,823	57,011	62,298	67,570	Payables	362,449	518,683	761,857	816,648	875,508
Tax	(5,829)	(8,816)	(14,253)	(15,574)	(16,892)	Other short term liabilities	848,634	1,172,167	1,475,265	1,584,160	1,702,927
Minority Interest	(886)	(931)	(1,283)	(1,402)	(1,521)	Current liabilities	1,297,892	1,631,047	1,969,214	2,115,901	2,275,397
Adj. Net Income	21,704	30,076	41,475	45,321	49,156	Long-term debt	95,923	102,129	112,341	123,574	135,931
Reported EPS	1.46	2.03	2.73	2.90	3.15	Other long term liabilities	18,129	22,904	25,306	27,834	30,611
Adj. EPS	1.46	2.03	2.73	2.90	3.15	Total liabilities	1,411,944	1,756,080	2,106,860	2,267,308	2,441,939
DPS	0.52	0.70	0.92	1.00	1.09	Shareholders' equity	293,109	319,930	367,187	398,366	432,062
Payout ratio	35.5%	34.5%	33.6%	34.5%	34.5%	Minority interests	5,658	5,892	6,187	6,496	6,821
Shares outstanding	14,821	14,821	15,218	15,615	15,615	Total liabilities & equity	1,710,711	2,081,903	2,480,234	2,672,170	2,880,821
						BVPS	19.78	21.59	23.52	25.51	27.67
						y/y growth	9.0%	9.2%	8.9%	8.5%	8.5%
						Net debt/(cash)	112,926	10,609	(183,778)	(185,304)	(186,003)
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	1.3%	28.4%	30.5%	7.8%	7.4%	Net profit margin	25.3%	28.7%	31.5%	32.2%	32.7%
Adj. Net Income y/y growth	10.1%	38.6%	37.9%	9.3%	8.5%	ROE	7.7%	9.8%	12.1%	11.8%	11.8%
EPS y/y growth	10.1%	38.6%	34.3%	6.5%	8.5%	ROA	1.4%	1.6%	1.8%	1.8%	1.8%
DPS y/y growth	9.5%	34.6%	30.9%	9.3%	8.5%	ROCE	-	-	-	-	-
Fee income / Avg assets	2.2%	2.5%	2.6%	2.4%	2.4%	Net debt/equity	0.4	0.0	NM	NM	NM
Interest income / Avg assets	1.3%	1.1%	1.1%	1.1%	1.1%	Tax rate	20.5%	22.1%	25.0%	25.0%	25.0%
Net trading income / Avg assets	1.7%	2.0%	2.1%	1.9%	1.9%	P/E (x)	18.8	13.6	10.1	9.5	8.7
						P/BV (x)	1.4	1.3	1.2	1.1	1.0
						Dividend yield	1.9%	2.5%	3.3%	3.6%	3.9%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

▲ Overweight

Previous: Neutral

6030.HK, 6030 HK

Price (17 Aug 26): HK\$26.74

▲ Price Target (Jun-27): HK\$34.40

Prior (Dec-26): HK\$29.60

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J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.47	2.73	10.4%
Adj. EPS - 27E (Rmb)	2.72	2.90	6.6%

Style Exposure

Quant	Current	Hist %Rank (1=Top)				
Factors	%Rank	6M	1Y	3Y	5Y	
Value	33	54	62	36	41	
Growth	49	39	65	79	65	
Momentum	21	30	9	66	55	
Quality	41	38	51	70	56	
Low Vol	55	92	91	30	35	
ESGQ	27	23	9	10	21	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

CITIC Securities - H

A key beneficiary of the institutional recovery and tech upcycle

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 13%/12%/11%. We view Citic Sec as a key beneficiary of the institutional business recovery and technology upcycle, and expect its international business to continue to gain momentum. We rolled over our PT valuation date to June 2027 and revised up PT to H\$34.40. Upgrade to OW.

Investment Thesis, Valuation and Risks

CITIC Securities - H (Overweight: Price Target: HK\$34.40)

Investment Thesis

We have an OW rating on Citic-H with a Jun-27 PT of HK\$34.40. We view CiticSec as a key beneficiary of the institutional business recovery and overseas business growth. In addition, Citic Sec is gaining market share in margin financing and has maintained a strong market share in equity brokerage. We expect the strong momentum to be sustained in 2H26.

Valuation

Our Jun-27 PT of HK\$34.40 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb29.9 for Jun-27 from the current fair value of Rmb27.3 and use spot CNY/HKD to convert to HKD for our H-share PT. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.15x and a long-term growth rate of 4.5%.

Valuation Summary

DDM valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.15x
Cost of capital	11.0%
Long-term growth	4.5%
Fair terminal P/BV multiple	1.14x
BVPS - 2026E (Rmb)	23.5
DPS - 2026E (Rmb)	0.9
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	24.6
PV of dividends (Rmb per share)	2.7
Current fair value (Rmb)	27.3
Jun-27 fair value (Rmb)	29.9
Jun-27 price target (HKD)	34.4
*CNYHKD Currency	1.15

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: (1) faster-than-expected capital consumption, leading to rising capital replenishment needs; (2) losses on investments; (3) an inability to exit principal investments due to sluggish capital markets; and (4) deteriorating trends in A-shares.

Upside risks include: (1) stronger-than-expected equity market performance and market sentiment; (2) stronger-than-expected institutional business recovery; and (3) strong increase in trading turnover volume.

Price Performance



Company Data

Shares O/S (mn)	11,017
52-week range (HK\$)	32.90-23.24
Market cap (\$ mn)	37,542
Exchange rate	7.85
Free float (%)	47.2%
3M ADV (mn)	12.63
3M ADV (\$ mn)	43.6
Volatility (90 Day)	35
Index	HSI
BBG ANR (Buy Hold Sell)	12 3 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	6,298	7,366	8,581	9,966
Brokerage commissions	25,641	34,125	35,241	36,938
Asset management income	12,770	15,029	16,986	18,908
Trading income	38,604	47,686	49,519	51,890
Total non-interest income	1,132	2,173	2,297	2,428
Net interest income	1,630	5,911	8,403	9,796
Net revenue	86,076	112,291	121,027	129,925
Operating expense	(64,531)	(74,355)	(78,576)	(82,569)
Adj. pre provision profit	40,150	57,165	62,307	67,529
Adj. PBT	39,823	57,011	62,298	67,570
Adj. net income	30,076	41,475	45,321	49,156
Adj. EPS	2.03	2.73	2.90	3.15
BBG EPS	2.01	2.64	2.91	3.23
DPS	0.70	0.92	1.00	1.09
BVPS	21.59	23.52	25.51	27.67
Total Assets	2,081,903	2,480,234	2,672,170	2,880,821
Margins and Growth				
Net margin	28.7%	31.5%	32.2%	32.7%
Adj. EPS growth	38.6%	34.3%	6.5%	8.5%
Ratios				
Adj. tax rate	22.1%	25.0%	25.0%	25.0%
Cost to income ratio	61.6%	56.5%	55.8%	55.0%
Dividend payout	34.5%	33.6%	34.5%	34.5%
Commission / Avg. asset	2.5%	2.6%	2.4%	2.4%
ROA	1.6%	1.8%	1.8%	1.8%
Valuation				
Dividend yield	3.0%	4.0%	4.4%	4.7%
Adj. P/E	11.3	8.4	7.9	7.3

Summary Investment Thesis and Valuation

Investment Thesis

We have an OW rating on Citic-H with a Jun-27 PT of HK\$34.40. We view CiticSec as a key beneficiary of the institutional business recovery and overseas business growth. In addition, Citic Sec is gaining market share in margin financing and has maintained a strong market share in equity brokerage. We expect the strong momentum to be sustained in 2H26.

Valuation

Our Jun-27 PT of HK\$34.40 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb29.9 for Jun-27 from the current fair value of Rmb27.3 and use spot CNY/HKD to convert to HKD for our H-share PT. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.15x and a long-term growth rate of 4.5%.

Performance Drivers

Market	17%
Region	2%
Macro	13%
Style	2%
Idiosyn.	66%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.53	0.49
Region: China	0.05	0.20
Macro:		
JP Morgan EMBI Global Spread	-0.18	-0.18
Emerging Economies CPI(YoY)	0.29	0.17
JP Morgan GBI-EM Global Div	0.16	0.15
Quant Styles:		
Growth	-0.15	-0.10
DivYld	0.14	0.06
LowVol	0.21	0.06

CITIC Securities - H: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	67,033	86,076	112,291	121,027	129,925	Cash and cash equivalents	432,255	550,399	790,068	840,619	894,404
o/w Commission and fee income	34,877	46,494	58,394	62,775	67,877	Accounts receivable	2,291	3,114	3,911	4,204	4,546
o/w Net trading income	26,435	38,604	47,686	49,519	51,890	Other current assets	205,072	222,151	228,678	234,458	239,977
o/w Net interest income	1,084	1,630	5,911	8,403	9,796	Current assets	1,336,978	1,569,692	1,891,377	2,026,420	2,172,660
SG&A	(20,267)	(23,098)	(26,373)	(27,692)	(29,027)	PP&E	8,272	8,607	9,833	10,101	10,287
o/w Compensation expense	(21,041)	(21,777)	(25,029)	(26,388)	(27,662)	Other non current assets	353,690	491,929	567,349	623,974	686,199
o/w Non-compensation expense	774	(1,321)	(1,343)	(1,304)	(1,364)	Total assets	1,710,711	2,081,903	2,480,234	2,672,170	2,880,821
Adj. Operating income	28,301	39,313	56,451	61,681	66,891	Short term borrowings	449,259	458,879	493,948	531,740	572,470
Adj. PBT	28,418	39,823	57,011	62,298	67,570	Payables	362,449	518,683	761,857	816,648	875,508
Tax	(5,829)	(8,816)	(14,253)	(15,574)	(16,892)	Other short term liabilities	848,634	1,172,167	1,475,265	1,584,160	1,702,927
Minority Interest	(886)	(931)	(1,283)	(1,402)	(1,521)	Current liabilities	1,297,892	1,631,047	1,969,214	2,115,901	2,275,397
Adj. Net Income	21,704	30,076	41,475	45,321	49,156	Long-term debt	95,923	102,129	112,341	123,574	135,931
Reported EPS	1.46	2.03	2.73	2.90	3.15	Other long term liabilities	18,129	22,904	25,306	27,834	30,611
Adj. EPS	1.46	2.03	2.73	2.90	3.15	Total liabilities	1,411,944	1,756,080	2,106,860	2,267,308	2,441,939
DPS	0.52	0.70	0.92	1.00	1.09	Shareholders' equity	293,109	319,930	367,187	398,366	432,062
Payout ratio	35.5%	34.5%	33.6%	34.5%	34.5%	Minority interests	5,658	5,892	6,187	6,496	6,821
Shares outstanding	14,821	14,821	15,218	15,615	15,615	Total liabilities & equity	1,710,711	2,081,903	2,480,234	2,672,170	2,880,821
						BVPS	19.78	21.59	23.52	25.51	27.67
						y/y growth	9.0%	9.2%	8.9%	8.5%	8.5%
						Net debt/(cash)	112,926	10,609	(183,778)	(185,304)	(186,003)
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	1.3%	28.4%	30.5%	7.8%	7.4%	Net profit margin	25.3%	28.7%	31.5%	32.2%	32.7%
Adj. Net Income y/y growth	10.1%	38.6%	37.9%	9.3%	8.5%	ROE	7.7%	9.8%	12.1%	11.8%	11.8%
EPS y/y growth	10.1%	38.6%	34.3%	6.5%	8.5%	ROA	1.4%	1.6%	1.8%	1.8%	1.8%
DPS y/y growth	9.5%	34.6%	30.9%	9.3%	8.5%	ROCE	-	-	-	-	-
Fee income / Avg assets	2.2%	2.5%	2.6%	2.4%	2.4%	Net debt/equity	0.4	0.0	NM	NM	NM
Interest income / Avg assets	1.3%	1.1%	1.1%	1.1%	1.1%	Tax rate	20.5%	22.1%	25.0%	25.0%	25.0%
Net trading income / Avg assets	1.7%	2.0%	2.1%	1.9%	1.9%	P/E (x)	15.7	11.3	8.4	7.9	7.3
						P/BV (x)	1.2	1.1	1.0	0.9	0.8
						Dividend yield	2.3%	3.0%	4.0%	4.4%	4.7%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

▼ Neutral

Previous: Overweight

300059.SZ, 300059 CH

Price (17 Aug 26): Rmb19.58

▼ Price Target (Jun-27): Rmb22.00

Prior (Dec-26): Rmb30.00

China

Banks & Financial Services

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 26E (Rmb mn)	19,278	20,476	6.2%
Revenue - 27E (Rmb mn)	20,908	21,834	4.4%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	88	100	99	98	99
Growth	69	41	56	29	32
Momentum	46	49	13	73	21
Quality	49	35	35	23	52
Low Vol	44	81	81	55	74
ESGQ	90	89	97	100	97

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

East Money - A

Downgrade to Neutral as retail business momentum moderates in 2H26

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 3%/2%/1%. East Money is more leveraged toward brokerage revenues. Thus, it may be more affected by the declining ADT and margin financing in July and August. More important, we expect its ROE gap over China brokers peers to narrow, and expect this could lead to a de-rating on its trading multiple. On the back of this, we downgrade East Money to Neutral with a new PT of Rmb 22.00.

Investment Thesis, Valuation and Risks

East Money Information Co., Ltd - A (Neutral: Price Target: Rmb22.00)

Investment Thesis

East Money (EM) started as one of the largest online information platforms and discussion forums for retail equity investors. Its acquisition of a fund sales license in 2012 and securities license in 2015 vastly improved its monetization channels. With strong tech innovation, a good user experience and a comprehensive ecosystem, EM ranked #1 in fund sales among brokers as of 4Q24, per AMAC.

East Money is more leveraged toward brokerage revenues. Thus, we expect it to be more affected by the declining ADT and margin financing in July and August. More important, we expect its ROE gap over China broker peers to narrow and expect this could lead to a de-rating on its trading multiple. As such, we rate East Money Neutral.

Valuation

Our Jun-27 PT of Rmb22.00 is based on a P/E-by-segment valuation method using 2026E EPS of Rmb0.95, implying a 23x P/E.

Risks to Rating and Price Target

Key downside risks include: (1) a capital market downcycle, which could lead to a decline in East Money's valuation and earnings growth – due to the cyclical nature of East Money's businesses, if the market were to enter a bear cycle, this would negatively affect not only East Money's earnings growth, but also market confidence in its long-term growth prospects, in our view; and (2) lower-than-expected growth in AM and investment advisory business in the long run – East Money faces intense market competition and high uncertainty in both markets and would lose its new growth engine if it has difficulties converting traffic into revenue in its AM and investment advisory business.

Upside risks include: (1) stronger-than-expected equity market performance and market sentiment; (2) stronger-than-expected retail business growth; and (3) strong increase in trading turnover volume.

Price Performance



	YTD	1m	3m	12m
Abs	-15.5%	-0.6%	-0.8%	-26.8%
Rel	-15.9%	-6.4%	2.9%	-33.7%

Company Data

Shares O/S (mn)	10,336
52-week range (Rmb)	29.36-17.22
Market cap (\$ mn)	30,005
Exchange rate	6.74
Free float (%)	75.5%
3M ADV (mn)	379.82
3M ADV (\$ mn)	1,123.6
Volatility (90 Day)	39
Index	SHASHR
BBG ANR (Buy Hold Sell)	26 2 1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	16,068	20,476	21,834	23,459
Adj. EBITDA	14,036	17,550	18,761	19,959
Adj. EBIT	14,036	17,550	18,761	19,959
Adj. net income	12,085	14,992	16,027	17,052
Adj. EPS	0.76	0.95	1.01	1.08
BBG EPS	0.79	0.94	1.05	1.13
Cashflow from operations	-	-	-	-
FCFF	-	-	-	-
Margins and Growth				
Revenue Growth Y/Y (%)	38.5%	27.4%	6.6%	7.4%
EBITDA margin	87.4%	85.7%	85.9%	85.1%
EBITDA Growth Y/Y (%)	26.8%	25.0%	6.9%	6.4%
EBIT margin	87.4%	85.7%	85.9%	85.1%
Net margin	75.2%	73.2%	73.4%	72.7%
Adj. EPS growth	25.6%	24.1%	6.9%	6.4%
Ratios				
Adj. tax rate	13.8%	14.5%	14.5%	14.5%
Interest cover	-	-	-	-
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	7.8%	7.8%	7.3%	7.2%
ROE	14.0%	15.2%	14.3%	13.4%
Valuation				
FCFF yield	-	-	-	-
Dividend yield	0.5%	0.5%	0.6%	0.7%
EV/Revenue	241.0	189.8	177.8	165.3
EV/EBITDA	275.9	221.5	206.9	194.3
Adj. P/E	25.6	20.6	19.3	18.1

Summary Investment Thesis and Valuation

East Money (EM) started as one of the largest online information platforms and discussion forums for retail equity investors. Its acquisition of a fund sales license in 2012 and securities license in 2015 vastly improved its monetization channels. With strong tech innovation, a good user experience and a comprehensive ecosystem, EM ranked #1 in fund sales among brokers as of 4Q25, per AMAC.

East Money is more leveraged toward brokerage revenues. Thus, we expect it to be more affected by the declining ADT and margin financing in July and August. More important, we expect its ROE gap over China brokers peers to narrow and expect this could lead to a de-rating on its trading multiple. As such, we rate East Money Neutral rating.

Our Jun-27 PT of Rmb22.00 is based on a P/E-by-segment valuation method using 2026E EPS of Rmb0.95, implying a 23x P/E.

Performance Drivers

Market	15%
Region	2%
Macro	14%
Style	12%
Idiosyn.	57%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.43	0.38
Region: China	-0.04	0.17
Macro:		
JPM Global Equity Sentiment	0.42	0.31
Citi Economic Surprise - EM	-0.18	-0.28
JPM China A-shares Sentiment	0.37	0.25
Quant Styles:		
Value	-0.22	-0.35
DivYld	-0.18	-0.31
Quality	-0.42	-0.26

Overweight

600999.SS, 600999.CH

Price (17 Aug 26): Rmb18.32

▲ **Price Target (Jun-27): Rmb23.00**
Prior (Dec-26): Rmb19.30

China

Banks & Financial Services

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J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.59	2.17	36.1%
Adj. EPS - 27E (Rmb)	1.74	1.98	13.8%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	50	64	71	78	66
Growth	87	56	78	73	70
Momentum	10	52	53	34	80
Quality	70	52	65	66	58
Low Vol	20	21	16	7	31
ESGQ	91	17	21	91	94

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

China Merchants Securities Company Ltd - A

Expect upside to 3Q26 results due to its CXMT investments

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 36%/14%/11%. CMS has the highest exposure to CXMT among the China brokers. We expect CMS to see more upside in 3Q26 through investment income from the CXMT investment. We raised price target to Rmb23.00. Reiterate OW.

Investment Thesis, Valuation and Risks

China Merchants Securities Company Ltd - A (Overweight: Price Target: Rmb23.00)

We have an OW rating on CMS-A. Our analysis suggests CMS is gaining market share in the brokerage business and will benefit from mutual fund business growth. CMS has the highest exposure to CXMT among the China brokers. We expect CMS to see more upside in 3Q26 through investment income from the CXMT investment.

Valuation

Our Jun-27 PT of Rmb23.00 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COF-g methodology. We compound the time value to derive a fair value of Rmb17.9 for Jun-27 from the current fair value of Rmb16.3 and use spot CNY/HKD to convert to HKD for our H-share PT. For the A-share PT, we apply the one-year moving average A/H premium on top of our fair value estimate. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8%, a beta of 1.2x and a long-term growth rate of 4.5%.

Valuation Summary

DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.2x
Cost of capital	11.4%
Long-term growth	4.5%
Fair terminal P/BV multiple	1.01x
BVPS - 2026E (Rmb)	15.5
DPS - 2026E (Rmb)	0.9
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	14.0
PV of dividends (Rmb per share)	2.2
Current fair value (Rmb)	16.3
Jun-27 fair value (Rmb)	17.9
Jun-27 price target (Rmb)	23.0
*A/H premium	129%

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: (1) risks related to contributions to the government stabilization fund (the CSFC) and the ban on hedging; (2) tighter regulatory supervision of the rapidly emerging domestic asset management businesses; and (3) long-term pressure on brokerage commission rates due to the development of

online/mobile industry platforms and fragmented market conditions, combined with uncertainties from the potential deregulation of brokerage fee structures.

Upside risks include: (1) higher-than-expected brokerage commissions; (2) higher-than-expected income from new business; and (3) improving ADT.

Price Performance



Company Data

Shares O/S (mn)	6,699
52-week range (Rmb)	23.21-14.93
Market cap (\$ mn)	18,197
Exchange rate	6.74
Free float (%)	31.2%
3M ADV (mn)	103.60
3M ADV (\$ mn)	294.8
Volatility (90 Day)	38
Index	SHASHR
BBG ANR (Buy Hold Sell)	14 0 1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	965	1,237	1,558	1,718
Brokerage commissions	11,413	15,376	15,741	16,316
Asset management income	894	984	1,082	1,190
Trading income	9,785	16,337	12,535	12,617
Total non-interest income	2,111	2,317	2,543	2,792
Net interest income	9,448	11,191	12,836	13,869
Net revenue	34,616	47,441	46,296	48,501
Operating expense	(21,928)	(26,605)	(27,259)	(28,654)
Adj. pre provision profit	12,689	20,836	19,036	19,847
Adj. PBT	14,076	22,293	20,566	21,454
Adj. net income	11,753	18,832	17,227	17,887
Adj. EPS	1.35	2.17	1.98	2.06
BBG EPS	1.36	1.89	1.93	1.90
DPS	0.57	0.87	0.79	0.82
BVPS	13.91	15.51	16.63	17.89
Total Assets	753,477	886,270	951,761	1,023,079
Margins and Growth				
Net margin	34.0%	39.7%	37.2%	36.9%
Adj. EPS growth	19.8%	60.2%	(8.5%)	3.8%
Ratios				
Adj. tax rate	12.5%	13.0%	13.5%	14.0%
Cost to income ratio	63.3%	56.1%	58.9%	59.1%
Dividend payout	40.0%	38.8%	38.7%	38.7%
Commission / Avg. asset	2.0%	2.4%	2.2%	2.2%
ROA	1.6%	2.3%	1.9%	1.8%
Valuation				
Dividend yield	3.1%	4.7%	4.3%	4.5%
Adj. P/E	13.6	8.5	9.2	8.9

Summary Investment Thesis and Valuation

Investment Thesis

We have an OW rating on CMS-A. Our analysis suggests CMS is gaining market share in the brokerage business and will benefit from mutual fund business growth. CMS has the highest exposure to CXMT among the China brokers. We expect CMS to see more upside in 3Q26 through investment income from the CXMT investment.

Valuation

Our Jun-27 PT of Rmb23.00 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb17.9 for Jun-27 from the current fair value of Rmb16.3 and use spot CNY/HKD to convert to HKD for our H-share PT. For the A-share PT, we apply the one-year moving average A/H premium on top of the fair value estimate.

Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8%, a beta of 1.2x and a long-term growth rate of 4.5%.

Performance Drivers

Market	4%
Region	6%
Macro	14%
Style	23%
Idiosyn.	52%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.20	0.20
Region: China	-0.39	-0.26
Macro:		
Emerging Economies CPI(YoY)	0.29	0.26
Generic 1st 'CO' Future	-0.31	-0.24
JPM China A-shares Sentiment	0.18	0.20
Quant Styles:		
Value	-0.57	-0.48
DivYld	-0.49	-0.40
Momentum	0.42	0.40

China Merchants Securities Company Ltd - A: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	30,622	34,616	47,441	46,296	48,501	Cash and cash equivalents	144,322	132,789	194,144	205,621	217,777
o/w Commission and fee income	10,692	14,948	19,435	20,398	21,436	Accounts receivable	6,432	4,335	4,552	4,779	5,018
o/w Net trading income	9,527	9,785	16,337	12,535	12,617	Other current assets	39,664	44,361	62,847	66,516	70,399
o/w Net interest income	10,020	9,448	11,191	12,836	13,869	Current assets	541,000	534,442	639,567	681,865	727,073
SG&A	(6,359)	(7,118)	(9,733)	(9,440)	(9,836)	PP&E	1,665	1,631	1,713	1,799	1,889
o/w Compensation expense	(6,359)	(7,118)	(9,733)	(9,440)	(9,836)	Other non current assets	177,830	216,474	244,014	267,072	293,042
o/w Non-compensation expense	-	-	-	-	-	Total assets	721,160	753,477	886,270	951,761	1,023,079
Adj. Operating income	9,736	12,689	20,836	19,036	19,847	Short term borrowings	218,295	222,660	238,830	256,253	275,029
Adj. PBT	11,219	14,076	22,293	20,566	21,454	Payables	151,611	155,016	235,624	249,761	264,747
Tax	(830)	(1,758)	(2,896)	(2,774)	(3,001)	Other short term liabilities	297,923	305,192	399,408	428,429	459,697
Minority Interest	(4)	31	31	31	31	Current liabilities	516,217	527,852	638,238	684,681	734,727
Adj. Net Income	9,814	11,753	18,832	17,227	17,887	Long-term debt	72,214	85,208	93,604	102,833	112,979
Reported EPS	1.19	1.42	2.23	2.05	2.13	Other long term liabilities	2,477	2,370	2,489	2,613	2,744
Adj. EPS	1.13	1.35	2.17	1.98	2.06	Total liabilities	590,908	615,430	734,331	790,128	850,449
DPS	0.48	0.57	0.87	0.79	0.82	Shareholders' equity	115,179	121,005	134,897	144,591	155,588
Payout ratio	40.0%	40.0%	38.8%	38.7%	38.7%	Minority interests	74	42	42	42	42
Shares outstanding	8,697	8,697	8,697	8,697	8,697	Total liabilities & equity	721,160	753,477	886,270	951,761	1,023,079
						BVPS	13.24	13.91	15.51	16.63	17.89
						y/y growth	7.7%	5.1%	11.5%	7.2%	7.6%
						Net debt/(cash)	146,187	175,079	138,291	153,465	170,231
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	2.0%	13.0%	37.0%	(2.4%)	4.8%	Net profit margin	32.0%	34.0%	39.7%	37.2%	36.9%
Adj. Net Income y/y growth	19.8%	19.8%	60.2%	(8.5%)	3.8%	ROE	8.8%	10.0%	14.7%	12.3%	11.9%
EPS y/y growth	19.8%	19.8%	60.2%	(8.5%)	3.8%	ROA	1.4%	1.6%	2.3%	1.9%	1.8%
DPS y/y growth	89.7%	18.8%	52.5%	(8.5%)	3.8%	ROCE	-	-	-	-	-
Fee income / Avg assets	1.5%	2.0%	2.4%	2.2%	2.2%	Net debt/equity	1.3	1.4	1.0	1.1	1.1
Interest income / Avg assets	1.4%	1.3%	1.4%	1.4%	1.4%	Tax rate	7.4%	12.5%	13.0%	13.5%	14.0%
Net trading income / Avg assets	1.3%	1.3%	2.0%	1.4%	1.3%	P/E (x)	16.2	13.6	8.5	9.2	8.9
						P/BV (x)	1.4	1.3	1.2	1.1	1.0
						Dividend yield	2.6%	3.1%	4.7%	4.3%	4.5%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

6099.HK, 6099 HK

Price (17 Aug 26): HK\$15.05

▲ **Price Target (Jun-27): HK\$20.50**
Prior (Dec-26): HK\$17.20

China

Banks & Financial Services

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J.P. Morgan Securities (Asia Pacific) Limited/
J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.59	2.17	36.1%
Adj. EPS - 27E (Rmb)	1.74	1.98	13.8%

Style Exposure

Quant	Current	Hist %Rank (1=Top)				
Factors	%Rank	6M	1Y	3Y	5Y	
Value	36	46	63	32	28	
Growth	58	65	86	78	52	
Momentum	30	47	15	54	67	
Quality	44	61	72	69	56	
Low Vol	61	99	99	22	60	
ESGQ	91	17	21	91	94	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

China Merchants Securities Company Ltd - H

Expect upside to 3Q26 results due to its CXMT investments

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 36%/14%/11%. CMS has the highest exposure to CXMT among the China brokers. We expect CMS to see more upside in 3Q26 through investment income from the CXMT investment. We raised price target to HK\$20.50. Reiterate OW.

Investment Thesis, Valuation and Risks

China Merchants Securities Company Ltd - H (Overweight: Price Target: HK\$20.50)

Investment Thesis

We have an OW rating on CMS-H. Our analysis suggests CMS is gaining market share in the brokerage business and will benefit from mutual fund business growth. CMS has the highest exposure to CXMT among the China brokers. We expect CMS to see more upsides in 3Q26 through investment income from the CXMT investment.

Valuation

Our Jun-27 PT of HK\$20.50 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb17.9 for Jun-27 from the current fair value of Rmb16.3 and use spot CNY/HKD to convert to HKD for our H-share PT. Key assumptions include: a risk-free rate of 1.80%, an equity risk premium of 8.0%, a beta of 1.2x and a long-term growth rate of 4.5%.

Valuation Summary

DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.2x
Cost of capital	11.4%
Long-term growth	4.5%
Fair terminal P/BV multiple	1.01x
BVPS - 2026E (Rmb)	15.5
DPS - 2026E (Rmb)	0.9
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	14.0
PV of dividends (Rmb per share)	2.2
Current fair value (Rmb)	16.3
Jun-27 fair value (Rmb)	17.9
Jun-27 price target (HKD)	20.5
*CNYHKD Currency	1.15

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: (1) risks related to contributions to the government stabilization fund (the CSFC) and the ban on hedging; (2) tighter regulatory supervision of the rapidly emerging domestic asset management businesses; and (3) long-term pressure on brokerage commission rates due to the development of

online/mobile industry platforms and fragmented market conditions, combined with uncertainties from the potential deregulation of brokerage fee structures.

Upside risks include: (1) higher-than-expected brokerage commissions; (2) higher-than-expected income from new business; and (3) improving ADT.

Price Performance



Company Data

Shares O/S (mn)	6,699
52-week range (HK\$)	19.00-12.60
Market cap (\$ mn)	12,849
Exchange rate	7.85
Free float (%)	19.1%
3M ADV (mn)	7.75
3M ADV (\$ mn)	15.8
Volatility (90 Day)	42
Index	HSI
BBG ANR (Buy Hold Sell)	5 0 1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	965	1,237	1,558	1,718
Brokerage commissions	11,413	15,376	15,741	16,316
Asset management income	894	984	1,082	1,190
Trading income	9,785	16,337	12,535	12,617
Total non-interest income	2,111	2,317	2,543	2,792
Net interest income	9,448	11,191	12,836	13,869
Net revenue	34,616	47,441	46,296	48,501
Operating expense	(21,928)	(26,605)	(27,259)	(28,654)
Adj. pre provision profit	12,689	20,836	19,036	19,847
Adj. PBT	14,076	22,293	20,566	21,454
Adj. net income	11,753	18,832	17,227	17,887
Adj. EPS	1.35	2.17	1.98	2.06
BBG EPS	1.39	1.74	1.89	1.98
DPS	0.57	0.87	0.79	0.82
BVPS	13.91	15.51	16.63	17.89
Total Assets	753,477	886,270	951,761	1,023,079
Margins and Growth				
Net margin	34.0%	39.7%	37.2%	36.9%
Adj. EPS growth	19.8%	60.2%	(8.5%)	3.8%
Ratios				
Adj. tax rate	12.5%	13.0%	13.5%	14.0%
Cost to income ratio	63.3%	56.1%	58.9%	59.1%
Dividend payout	40.0%	38.8%	38.7%	38.7%
Commission / Avg. asset	2.0%	2.4%	2.2%	2.2%
ROA	1.6%	2.3%	1.9%	1.8%
Valuation				
Dividend yield	4.4%	6.7%	6.1%	6.4%
Adj. P/E	9.6	6.0	6.5	6.3

Summary Investment Thesis and Valuation

Investment Thesis

We have an OW rating on CMS-H. Our analysis suggests CMS is gaining market share in the brokerage business and will benefit from mutual fund business growth. CMS has the highest exposure to CXMT among the China brokers. We expect CMS to see more upsides in 3Q26 through investment income from the CXMT investment.

Valuation

Our Jun-27 PT of HK\$20.50 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb17.9 for Jun-27 from the current fair value of Rmb16.3 and use spot CNY/HKD to convert to HKD for our H-share PT.

Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.2x and a long-term growth rate of 4.5%.

Performance Drivers

Market	14%
Region	0%
Macro	9%
Style	14%
Idiosyn.	63%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.29	0.37
Region: China	-0.23	0.06
Macro:		
Generic 1st 'CO' Future	-0.48	-0.28
Citi Economic Surprise - EM	-0.02	-0.20
JPM China A-shares Sentiment	0.28	0.18
Quant Styles:		
Momentum	0.26	0.26
Value	-0.37	-0.21
Growth	0.33	0.17

China Merchants Securities Company Ltd - H: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	30,622	34,616	47,441	46,296	48,501	Cash and cash equivalents	144,322	132,789	194,144	205,621	217,777
o/w Commission and fee income	10,692	14,948	19,435	20,398	21,436	Accounts receivable	6,432	4,335	4,552	4,779	5,018
o/w Net trading income	9,527	9,785	16,337	12,535	12,617	Other current assets	39,664	44,361	62,847	66,516	70,399
o/w Net interest income	10,020	9,448	11,191	12,836	13,869	Current assets	541,000	534,442	639,567	681,865	727,073
SG&A	(6,359)	(7,118)	(9,733)	(9,440)	(9,836)	PP&E	1,665	1,631	1,713	1,799	1,889
o/w Compensation expense	(6,359)	(7,118)	(9,733)	(9,440)	(9,836)	Other non current assets	177,830	216,474	244,014	267,072	293,042
o/w Non-compensation expense	-	-	-	-	-	Total assets	721,160	753,477	886,270	951,761	1,023,079
Adj. Operating income	9,736	12,689	20,836	19,036	19,847	Short term borrowings	218,295	222,660	238,830	256,253	275,029
Adj. PBT	11,219	14,076	22,293	20,566	21,454	Payables	151,611	155,016	235,624	249,761	264,747
Tax	(830)	(1,758)	(2,896)	(2,774)	(3,001)	Other short term liabilities	297,923	305,192	399,408	428,429	459,697
Minority Interest	(4)	31	31	31	31	Current liabilities	516,217	527,852	638,238	684,681	734,727
Adj. Net Income	9,814	11,753	18,832	17,227	17,887	Long-term debt	72,214	85,208	93,604	102,833	112,979
Reported EPS	1.19	1.42	2.23	2.05	2.13	Other long term liabilities	2,477	2,370	2,489	2,613	2,744
Adj. EPS	1.13	1.35	2.17	1.98	2.06	Total liabilities	590,908	615,430	734,331	790,128	850,449
DPS	0.48	0.57	0.87	0.79	0.82	Shareholders' equity	115,179	121,005	134,897	144,591	155,588
Payout ratio	40.0%	40.0%	38.8%	38.7%	38.7%	Minority interests	74	42	42	42	42
Shares outstanding	8,697	8,697	8,697	8,697	8,697	Total liabilities & equity	721,160	753,477	886,270	951,761	1,023,079
						BVPS	13.24	13.91	15.51	16.63	17.89
						y/y growth	7.7%	5.1%	11.5%	7.2%	7.6%
						Net debt/(cash)	146,187	175,079	138,291	153,465	170,231
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	2.0%	13.0%	37.0%	(2.4%)	4.8%	Net profit margin	32.0%	34.0%	39.7%	37.2%	36.9%
Adj. Net Income y/y growth	19.8%	19.8%	60.2%	(8.5%)	3.8%	ROE	8.8%	10.0%	14.7%	12.3%	11.9%
EPS y/y growth	19.8%	19.8%	60.2%	(8.5%)	3.8%	ROA	1.4%	1.6%	2.3%	1.9%	1.8%
DPS y/y growth	89.7%	18.8%	52.5%	(8.5%)	3.8%	ROCE	-	-	-	-	-
Fee income / Avg assets	1.5%	2.0%	2.4%	2.2%	2.2%	Net debt/equity	1.3	1.4	1.0	1.1	1.1
Interest income / Avg assets	1.4%	1.3%	1.4%	1.4%	1.4%	Tax rate	7.4%	12.5%	13.0%	13.5%	14.0%
Net trading income / Avg assets	1.3%	1.3%	2.0%	1.4%	1.3%	P/E (x)	11.5	9.6	6.0	6.5	6.3
						P/BV (x)	1.0	0.9	0.8	0.8	0.7
						Dividend yield	3.7%	4.4%	6.7%	6.1%	6.4%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

000776.SZ,000776 CH

Price (17 Aug 26): Rmb21.21

▲ **Price Target (Jun-27): Rmb27.90**
Prior (Dec-26): Rmb23.60

China

Banks & Financial Services

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J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.10	2.52	20.1%
Adj. EPS - 27E (Rmb)	2.25	2.65	17.5%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	39	56	61	66	46
Growth	59	36	75	62	74
Momentum	19	18	17	61	67
Quality	58	50	67	59	45
Low Vol	39	37	19	31	12
ESGQ	87	88	93	95	20

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

GF Securities Co Ltd - A

Model update

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 20%/18%/17%. We also rolled over PT valuation date to June 2027 and revised up PT to Rmb27.90. Maintain OW.

Investment Thesis, Valuation and Risks

GF Securities Co Ltd - A (Overweight; Price Target: Rmb27.90)

Investment Thesis

We have an OW rating on Guangfa-A with a Jun-27 PT of Rmb27.90. Guangfa has the largest exposure to mutual funds and should benefit more than peers from the steady AUM growth of the past two years. Guangfa completed a capital raising in Jan 2026, and will use the proceeds for overseas investment, which we expect to support its ROE as Guangfa HK has higher ROE than the group Guangfa level ROE. We view its valuation as attractive compared to its peers.

Valuation

Our Jun-27 PT of Rmb27.90 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb21.0 for Jun-27 from the current fair value of Rmb19.0 and use spot CNY/HKD to convert to HKD for our H-share PT. For our A-share PT, we apply the one-year moving average A/H premium on top of the fair value. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

Valuation Summary

DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.30x
Cost of capital	12.2%
Long-term growth	4.5%
Fair terminal P/BV multiple	0.85x
BVPS - 2026E (Rmb)	22.5
DPS - 2026E (Rmb)	0.7
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	17.0
PV of dividends (Rmb per share)	2.0
Current fair value (Rmb)	19.0
Jun-27 fair value (Rmb)	21.0
Jun-27 price target (Rmb)	27.9
*A/H premium	133%

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: (1) a material market correction that triggers government intervention, such as contributions to stabilization funds and the suspension of IPO reviews; (2) higher earnings volatility; and (3) long-term pressure on brokerage commission rates due to the development of online/mobile platforms and fragmented market conditions.

Upside risks include: (1) higher-than-expected brokerage commissions; (2) higher-than-expected income from new business; and (3) higher-than-expected ADT.

Price Performance



Company Data

Shares O/S (mn)	7,621
52-week range (Rmb)	25.43-17.66
Market cap (\$ mn)	23,966
Exchange rate	6.74
Free float (%)	41.7%
3M ADV (mn)	88.92
3M ADV (\$ mn)	285.0
Volatility (90 Day)	41
Index	SHASHR
BBG ANR (Buy Hold Sell)	18 1 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	802	837	1,003	1,199
Brokerage commissions	9,134	12,785	13,224	13,669
Asset management income	7,703	8,628	9,491	10,250
Trading income	12,784	17,402	17,839	19,155
Total non-interest income	1,833	2,156	2,346	2,554
Net interest income	2,225	3,160	4,214	4,536
Net revenue	34,481	44,968	48,115	51,362
Operating expense	(27,930)	(32,990)	(35,569)	(38,212)
Adj. pre provision profit	16,583	23,579	25,181	26,818
Adj. PBT	17,973	25,038	26,714	28,428
Adj. net income	13,702	19,454	20,711	21,985
Adj. EPS	1.80	2.52	2.65	2.81
BBG EPS	1.83	2.27	2.46	2.63
DPS	0.50	0.69	0.73	0.78
BVPS	20.53	22.46	24.41	26.49
Total Assets	975,484	1,159,743	1,258,969	1,368,831
Margins and Growth				
Net margin	-	-	-	-
Adj. EPS growth	42.2%	40.0%	5.0%	6.2%
Ratios				
Adj. tax rate	16.8%	16.8%	16.8%	16.8%
Cost to income ratio	62.7%	58.3%	58.5%	58.8%
Dividend payout	27.8%	27.4%	27.8%	27.8%
Commission / Avg. asset	2.2%	2.2%	2.1%	2.1%
ROA	1.6%	1.8%	1.7%	1.7%
Valuation				
Dividend yield	2.4%	3.3%	3.5%	3.7%
Adj. P/E	11.8	8.4	8.0	7.5

Summary Investment Thesis and Valuation

Investment Thesis

We have an OW rating on Guangfa-A with a Jun-27 PT of Rmb27.90. Guangfa has the largest exposure to mutual funds and should benefit more than peers from the steady AUM growth of the past two years. Guangfa completed a capital raising in Jan 2026, and will use the proceeds for overseas investment, which we expect to support its ROE as Guangfa HK has higher ROE than the group Guangfa level ROE. We view its valuation as attractive compared to its peers.

Valuation

Our Jun-27 PT of Rmb27.90 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb21.0 for Jun-27 from the current fair value of Rmb19.0 and use spot CNY/HKD to convert to HKD for our H-share PT. For our A-share PT, we apply the one-year moving average A/H premium on top of the fair value.

Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

Performance Drivers

Market	8%
Region	0%
Macro	14%
Style	3%
Idiosyn.	75%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.28	0.29
Region: China	-0.06	0.05
Macro:		
JPM Global Equity Sentiment	0.41	0.31
JPM China A-shares Sentiment	0.14	0.22
Citi Economic Surprise - EM	0.06	-0.17
Quant Styles:		
Quality	-0.17	-0.21
Value	-0.21	-0.19
DivYld	-0.19	-0.18

GF Securities Co Ltd - A: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	26,343	34,481	44,968	48,115	51,362	Cash and cash equivalents	169,396	195,735	278,095	295,316	313,613
o/w Commission and fee income	-	-	-	-	-	Accounts receivable	8,604	13,594	14,273	14,987	15,736
o/w Net trading income	7,784	12,784	17,402	17,839	19,155	Other current assets	71,427	104,826	125,868	137,261	151,550
o/w Net interest income	2,348	2,225	3,160	4,214	4,536	Current assets	599,729	771,317	921,247	997,115	1,081,282
SG&A	(9,580)	(10,552)	(13,330)	(14,259)	(15,203)	PP&E	3,271	3,137	3,137	3,137	3,137
o/w Compensation expense	(9,580)	(10,552)	(13,330)	(14,259)	(15,203)	Other non current assets	153,228	198,673	232,884	256,119	281,684
o/w Non-compensation expense	-	-	-	-	-	Total assets	758,745	975,484	1,159,743	1,258,969	1,368,831
Adj. Operating income	11,066	16,583	23,579	25,181	26,818	Short term borrowings	294,916	359,307	394,068	434,377	478,889
Adj. PBT	11,852	17,973	25,038	26,714	28,428	Payables	175,340	227,639	337,129	357,357	378,798
Tax	(1,307)	(3,021)	(4,208)	(4,490)	(4,778)	Other short term liabilities	232,359	355,878	480,226	517,955	560,832
Minority Interest	(908)	(1,251)	(1,376)	(1,513)	(1,664)	Current liabilities	527,276	715,185	874,295	952,332	1,039,721
Adj. Net Income	9,637	13,702	19,454	20,711	21,985	Long-term debt	70,602	88,848	93,291	97,955	102,853
Reported EPS	1.27	1.80	2.52	2.65	2.81	Other long term liabilities	7,782	8,993	9,771	10,652	11,640
Adj. EPS	1.27	1.80	2.52	2.65	2.81	Total liabilities	605,660	813,026	977,357	1,060,940	1,154,214
DPS	0.40	0.50	0.69	0.73	0.78	Shareholders' equity	147,602	156,111	175,722	191,033	207,270
Payout ratio	31.6%	27.8%	27.4%	27.8%	27.8%	Minority interests	5,483	6,346	6,664	6,997	7,347
Shares outstanding	7,606	7,606	7,715	7,825	7,825	Total liabilities & equity	758,745	975,484	1,159,743	1,258,969	1,368,831
						BVPS	19.37	20.53	22.46	24.41	26.49
						y/y growth	8.8%	6.0%	9.4%	8.7%	8.5%
						Net debt/(cash)	196,123	252,420	209,264	237,016	268,130
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	15.1%	30.9%	30.4%	7.0%	6.7%	Net profit margin	-	-	-	-	-
Adj. Net Income y/y growth	38.1%	42.2%	42.0%	6.5%	6.2%	ROE	6.8%	9.0%	11.7%	11.3%	11.0%
EPS y/y growth	38.1%	42.2%	40.0%	5.0%	6.2%	ROA	1.3%	1.6%	1.8%	1.7%	1.7%
DPS y/y growth	33.3%	25.0%	38.0%	6.5%	6.2%	ROCE	-	-	-	-	-
Fee income / Avg assets	-	-	-	-	-	Net debt/equity	1.3	1.6	1.1	1.2	1.2
Interest income / Avg assets	1.7%	1.4%	1.4%	1.4%	1.4%	Tax rate	11.0%	16.8%	16.8%	16.8%	16.8%
Net trading income / Avg assets	1.1%	1.5%	1.6%	1.5%	1.5%	P/E (x)	16.7	11.8	8.4	8.0	7.5
						P/BV (x)	1.1	1.0	0.9	0.9	0.8
						Dividend yield	1.9%	2.4%	3.3%	3.5%	3.7%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which



Overweight

1776.HK, 1776 HK

Price (17 Aug 26): HK\$17.32

▲ **Price Target (Jun-27): HK\$24.20**
Prior (Dec-26): HK\$20.30

China

Banks & Financial Services

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J.P. Morgan Securities (Asia Pacific) Limited/
J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.10	2.52	20.1%
Adj. EPS - 27E (Rmb)	2.25	2.65	17.5%

Style Exposure

Quant	Current	Hist %Rank (1=Top)				
Factors	%Rank	6M	1Y	3Y	5Y	
Value	24	32	46	36	21	
Growth	64	42	76	61	74	
Momentum	28	16	4	60	67	
Quality	57	58	67	59	44	
Low Vol	58	89	88	46	26	
ESGQ	87	88	93	95	20	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

GF Securities Co Ltd - H

Model update

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 20%/18%/17%. We also rolled over PT valuation date to June 2027 and revised up PT to H\$24.20. Maintain OW rating.

Investment Thesis, Valuation and Risks

GF Securities Co Ltd - H (Overweight; Price Target: HK\$24.20)

Investment Thesis

We have an OW rating on Guangfa-H with a Jun-27 PT of HK\$24.20. Guangfa has the largest exposure to mutual funds and should benefit more than peers from the steady AUM growth of the past two years. Guangfa completed a capital raising in Jan 2026, and will use the proceeds for overseas investment, which we expect to support its ROE as Guangfa HK has higher ROE than the group Guangfa level ROE. We view its valuation as attractive compared to its peers.

Valuation

Our Jun-27 PT of HK\$24.20 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive our fair value of Rmb21.0 for Jun-27 from the current fair value of Rmb19.0 and use spot CNY/HKD to convert to HKD for our H-share PT. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

Valuation Summary

DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.30x
Cost of capital	12.2%
Long-term growth	4.5%
Fair terminal P/BV multiple	0.85x
BVPS - 2026E (Rmb)	22.5
DPS - 2026E (Rmb)	0.7
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	17.0
PV of dividends (Rmb per share)	2.0
Current fair value (Rmb)	19.0
Jun-27 fair value (Rmb)	21.0
Jun-27 price target (HKD)	24.2
*CNYHKD Currency	1.15

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: (1) a material market correction that triggers government intervention, such as contributions to stabilization funds and the suspension of IPO reviews; (2) higher earnings volatility; and (3) long-term pressure on brokerage commission rates due to the development of online/mobile platforms and fragmented market conditions.

Upside risks include: (1) higher-than-expected brokerage commissions; (2) higher-than-expected income from new business; and (3) higher-than-expected ADT.

Price Performance



Company Data

Shares O/S (mn)	7,621
52-week range (HK\$)	21.40-14.15
Market cap (\$ mn)	16,821
Exchange rate	7.85
Free float (%)	72.2%
3M ADV (mn)	8.41
3M ADV (\$ mn)	18.3
Volatility (90 Day)	36
Index	HSI
BBG ANR (Buy Hold Sell)	7 2 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	802	837	1,003	1,199
Brokerage commissions	9,134	12,785	13,224	13,669
Asset management income	7,703	8,628	9,491	10,250
Trading income	12,784	17,402	17,839	19,155
Total non-interest income	1,833	2,156	2,346	2,554
Net interest income	2,225	3,160	4,214	4,536
Net revenue	34,481	44,968	48,115	51,362
Operating expense	(27,930)	(32,990)	(35,569)	(38,212)
Adj. pre provision profit	16,583	23,579	25,181	26,818
Adj. PBT	17,973	25,038	26,714	28,428
Adj. net income	13,702	19,454	20,711	21,985
Adj. EPS	1.80	2.52	2.65	2.81
BBG EPS	1.82	2.37	2.43	2.76
DPS	0.50	0.69	0.73	0.78
BVPS	20.53	22.46	24.41	26.49
Total Assets	975,484	1,159,743	1,258,969	1,368,831
Margins and Growth				
Net margin	-	-	-	-
Adj. EPS growth	42.2%	40.0%	5.0%	6.2%
Ratios				
Adj. tax rate	16.8%	16.8%	16.8%	16.8%
Cost to income ratio	62.7%	58.3%	58.5%	58.8%
Dividend payout	27.8%	27.4%	27.8%	27.8%
Commission / Avg. asset	2.2%	2.2%	2.1%	2.1%
ROA	1.6%	1.8%	1.7%	1.7%
Valuation				
Dividend yield	3.4%	4.6%	4.9%	5.2%
Adj. P/E	8.3	5.9	5.6	5.3

Summary Investment Thesis and Valuation

Investment Thesis

We have an OW rating on Guangfa-H with a Jun-27 PT of HK\$20.30. Guangfa has the largest exposure to mutual funds and should benefit more than peers from the steady AUM growth of the past two years. Guangfa completed a capital raising in Jan 2026, and will use the proceeds for overseas investment, which we expect to support its ROE as Guangfa HK has higher ROE than the group Guangfa level ROE. We view its valuation as attractive compared to its peers.

Valuation

Our Jun-27 PT of HK\$24.20 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive our fair value of Rmb21.0 for Jun-27 from the current fair value of Rmb19.0 and use spot CNY/HKD to convert to HKD for our H-share PT. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

Performance Drivers

Market	26%
Region	6%
Macro	5%
Style	1%
Idiosyn.	62%

Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.51	0.51
Region: China	0.25	0.31
Macro:		
Citi Economic Surprise - EM	-0.03	-0.19
JPM Global Equity Sentiment	0.34	0.19
JPM China A-shares Sentiment	0.15	0.16
Quant Styles:		
Size	-0.24	-0.13
Growth	-0.12	-0.09
LowVol	0.15	0.05

GF Securities Co Ltd - H: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	26,343	34,481	44,968	48,115	51,362	Cash and cash equivalents	169,396	195,735	278,095	295,316	313,613
o/w Commission and fee income	-	-	-	-	-	Accounts receivable	8,604	13,594	14,273	14,987	15,736
o/w Net trading income	7,784	12,784	17,402	17,839	19,155	Other current assets	71,427	104,826	125,868	137,261	151,550
o/w Net interest income	2,348	2,225	3,160	4,214	4,536	Current assets	599,729	771,317	921,247	997,115	1,081,282
SG&A	(9,580)	(10,552)	(13,330)	(14,259)	(15,203)	PP&E	3,271	3,137	3,137	3,137	3,137
o/w Compensation expense	(9,580)	(10,552)	(13,330)	(14,259)	(15,203)	Other non current assets	153,228	198,673	232,884	256,119	281,684
o/w Non-compensation expense	-	-	-	-	-	Total assets	758,745	975,484	1,159,743	1,258,969	1,368,831
Adj. Operating income	11,066	16,583	23,579	25,181	26,818	Short term borrowings	294,916	359,307	394,068	434,377	478,889
Adj. PBT	11,852	17,973	25,038	26,714	28,428	Payables	175,340	227,639	337,129	357,357	378,798
Tax	(1,307)	(3,021)	(4,208)	(4,490)	(4,778)	Other short term liabilities	232,359	355,878	480,226	517,955	560,832
Minority Interest	(908)	(1,251)	(1,376)	(1,513)	(1,664)	Current liabilities	527,276	715,185	874,295	952,332	1,039,721
Adj. Net Income	9,637	13,702	19,454	20,711	21,985	Long-term debt	70,602	88,848	93,291	97,955	102,853
Reported EPS	1.27	1.80	2.52	2.65	2.81	Other long term liabilities	7,782	8,993	9,771	10,652	11,640
Adj. EPS	1.27	1.80	2.52	2.65	2.81	Total liabilities	605,660	813,026	977,357	1,060,940	1,154,214
DPS	0.40	0.50	0.69	0.73	0.78	Shareholders' equity	147,602	156,111	175,722	191,033	207,270
Payout ratio	31.6%	27.8%	27.4%	27.8%	27.8%	Minority interests	5,483	6,346	6,664	6,997	7,347
Shares outstanding	7,606	7,606	7,715	7,825	7,825	Total liabilities & equity	758,745	975,484	1,159,743	1,258,969	1,368,831
						BVPS	19.37	20.53	22.46	24.41	26.49
						y/y growth	8.8%	6.0%	9.4%	8.7%	8.5%
						Net debt/(cash)	196,123	252,420	209,264	237,016	268,130
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	15.1%	30.9%	30.4%	7.0%	6.7%	Net profit margin	-	-	-	-	-
Adj. Net Income y/y growth	38.1%	42.2%	42.0%	6.5%	6.2%	ROE	6.8%	9.0%	11.7%	11.3%	11.0%
EPS y/y growth	38.1%	42.2%	40.0%	5.0%	6.2%	ROA	1.3%	1.6%	1.8%	1.7%	1.7%
DPS y/y growth	33.3%	25.0%	38.0%	6.5%	6.2%	ROCE	-	-	-	-	-
Fee income / Avg assets	-	-	-	-	-	Net debt/equity	1.3	1.6	1.1	1.2	1.2
Interest income / Avg assets	1.7%	1.4%	1.4%	1.4%	1.4%	Tax rate	11.0%	16.8%	16.8%	16.8%	16.8%
Net trading income / Avg assets	1.1%	1.5%	1.6%	1.5%	1.5%	P/E (x)	11.7	8.3	5.9	5.6	5.3
						P/BV (x)	0.8	0.7	0.7	0.6	0.6
						Dividend yield	2.7%	3.4%	4.6%	4.9%	5.2%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

601688.SS, 601688.CH

Price (17 Aug 26): Rmb19.37

▲ **Price Target (Jun-27): Rmb26.60**
Prior (Dec-26): Rmb22.50

China

Banks & Financial Services

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.16	2.39	10.5%
Adj. EPS - 27E (Rmb)	2.36	2.56	8.8%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	34	51	51	54	44
Growth	43	58	79	70	71
Momentum	30	28	32	25	79
Quality	37	54	61	58	53
Low Vol	32	36	24	10	10
ESGQ	9	24	3	13	5

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Huatai Securities - A

Model update

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 11%/9%/7%. We also rolled over PT valuation date to June 2027 and revised up PT to Rmb26.60. Maintain OW.

Investment Thesis, Valuation and Risks

Huatai Securities - A (Overweight; Price Target: Rmb26.60)

Investment Thesis

We have an OW rating on Huatai-A. Huatai has strong retail brokerage exposure with the largest mobile app MAU among peers, and should benefit more from improving retail investment sentiment in 2026 YTD. Huatai has also increased its share in the HK IPO market and is trading at an undemanding valuation. Recent convertible bond issuance should have a limited dilution impact on Huatai, even if fully converted.

Valuation

Our Jun-27 PT of Rmb26.60 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb20.5 for Jun-27 from the current fair value of Rmb18.6 and use spot CNY/HKD to convert to HKD for our H-share PT. For our A-share PT, we apply the one-year moving average A/H premium on top of the fair value. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

Valuation Summary

DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.3x
Cost of capital	12.2%
Long-term growth	4.5%
Fair terminal P/BV multiple	0.76x
BVPS - 2026E (Rmb)	24.8
DPS - 2026E (Rmb)	0.7
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	16.5
PV of dividends (Rmb per share)	2.1
Current fair value (Rmb)	18.6
Jun-27 fair value (Rmb)	20.5
Jun-27 price target (Rmb)	26.6
*A/H premium	130%

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) lower-than-expected ADT due to weak A-share market performance; 2) increasing competition from banks and Internet companies in the brokerage business; 3) continued commission rate compression; and 4) higher-than-expected credit risks of margin loans due to a sharp correction in the A-share market.

Price Performance



Company Data

Shares O/S (mn)	7,163
52-week range (Rmb)	25.75-17.54
Market cap (\$ mn)	20,571
Exchange rate	6.74
Free float (%)	68.2%
3M ADV (mn)	104.26
3M ADV (\$ mn)	307.0
Volatility (90 Day)	33
Index	SHASHR
BBG ANR (Buy Hold Sell)	24 1 0

Key Metrics (FYE Dec)

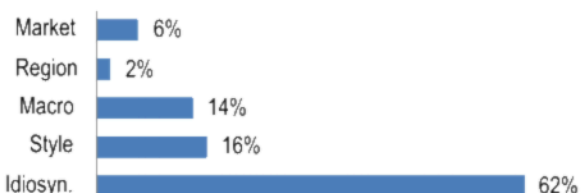
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	2,733	3,470	3,880	4,338
Brokerage commissions	12,683	17,632	18,108	18,825
Asset management income	1,802	1,982	2,180	2,398
Trading income	13,829	15,398	16,084	16,781
Total non-interest income	2,259	3,436	3,685	3,958
Net interest income	4,396	5,806	6,958	8,108
Net revenue	37,702	47,725	50,895	54,407
Operating expense	(32,172)	(37,470)	(39,904)	(41,900)
Adj. pre provision profit	15,048	21,215	22,890	24,830
Adj. PBT	18,405	24,740	26,591	28,716
Adj. net income	16,383	21,538	23,151	25,005
Adj. EPS	1.82	2.39	2.56	2.77
BBG EPS	1.86	2.14	2.38	2.60
DPS	0.55	0.72	0.78	0.84
BVPS	22.92	24.84	26.60	28.68
Total Assets	1,077,348	1,272,620	1,355,106	1,442,839
Margins and Growth				
Net margin	34.7%	36.7%	36.9%	37.5%
Adj. EPS growth	6.6%	31.4%	7.5%	8.0%
Ratios				
Adj. tax rate	11.0%	12.5%	12.5%	12.5%
Cost to income ratio	68.1%	63.8%	63.5%	62.8%
Dividend payout	30.3%	30.3%	30.3%	30.3%
Commission / Avg. asset	2.1%	2.2%	2.1%	2.1%
ROA	1.7%	1.8%	1.8%	1.8%
Valuation				
Dividend yield	2.8%	3.7%	4.0%	4.3%
Adj. P/E	10.7	8.1	7.6	7.0

Summary Investment Thesis and Valuation

We have an OW rating on Huatai-A. Huatai has strong retail brokerage exposure with the largest mobile app MAU among peers, and should benefit more from improving retail investment sentiment in 2026 YTD. Huatai has also increased its share in the HK IPO market and is trading at an undemanding valuation. Recent convertible bond issuance should have a limited dilution impact on Huatai, even if fully converted.

Our DDM-derived Jun-27 PT is Rmb26.60. Key assumptions include: a risk-free rate of 1.8%, an equity premium of 8.0%, long-term growth of 4.5%, a normalized ROE 10.3%, and a cost of capital of 12.2%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.31	0.31
Region: China	0.09	0.19
Macro:		
JPM Global Equity Sentiment	0.24	0.25
JPM China A-shares Sentiment	0.17	0.21
JP Morgan EMBI Global Spread	-0.20	-0.14
Quant Styles:		
Momentum	0.01	0.16
Size	-0.16	-0.10
DivYld	0.04	-0.08

Huatai Securities - A: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	35,482	37,702	47,725	50,895	54,407	Cash and cash equivalents	210,402	269,432	387,120	409,847	433,912
o/w Commission and fee income	17,259	19,565	25,750	27,101	28,787	Accounts receivable	8,467	16,683	17,517	18,393	19,312
o/w Net trading income	14,414	13,829	15,398	16,084	16,781	Other current assets	29,595	36,466	42,785	45,680	48,790
o/w Net interest income	2,705	4,396	5,806	6,958	8,108	Current assets	555,469	701,663	845,778	892,545	941,959
SG&A	(10,075)	(9,771)	(11,383)	(12,070)	(12,708)	PP&E	6,489	6,750	7,087	7,441	7,813
o/w Compensation expense	(10,075)	(9,771)	(11,383)	(12,070)	(12,708)	Other non current assets	250,225	366,551	417,513	452,766	490,595
o/w Non-compensation expense	-	-	-	-	-	Total assets	814,270	1,077,348	1,272,620	1,355,106	1,442,839
Adj. Operating income	12,998	15,048	21,215	22,890	24,830	Short term borrowings	295,474	428,884	468,904	503,153	537,785
Adj. PBT	15,352	18,405	24,740	26,591	28,716	Payables	184,587	240,910	366,184	388,155	411,444
Tax	167	(2,032)	(3,102)	(3,335)	(3,601)	Other short term liabilities	307,985	425,519	562,619	594,412	628,195
Minority Interest	(168)	11	(100)	(105)	(110)	Current liabilities	603,459	854,402	1,031,523	1,097,564	1,165,980
Adj. Net Income	15,351	16,383	21,538	23,151	25,005	Long-term debt	-	-	-	-	-
Reported EPS	1.70	1.82	2.39	2.56	2.77	Other long term liabilities	18,918	15,949	16,788	17,343	17,930
Adj. EPS	1.70	1.82	2.39	2.56	2.77	Total liabilities	622,377	870,351	1,048,311	1,114,907	1,183,910
DPS	0.52	0.55	0.72	0.78	0.84	Shareholders' equity	191,674	206,939	224,249	240,137	258,863
Payout ratio	30.5%	30.3%	30.3%	30.3%	30.3%	Minority interests	220	57	60	63	66
Shares outstanding	9,009	9,022	9,027	9,027	9,027	Total liabilities & equity	814,270	1,077,347	1,272,620	1,355,106	1,442,839
						BVPS	21.23	22.92	24.84	26.60	28.68
						y/y growth	7.6%	8.0%	8.4%	7.1%	7.8%
						Net debt/(cash)	85,072	159,452	81,784	93,306	103,874
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	(8.1%)	6.3%	26.6%	6.6%	6.9%	Net profit margin	33.1%	34.7%	36.7%	36.9%	37.5%
Adj. Net Income y/y growth	20.4%	6.7%	31.5%	7.5%	8.0%	ROE	8.3%	8.2%	10.0%	10.0%	10.0%
EPS y/y growth	20.2%	6.6%	31.4%	7.5%	8.0%	ROA	1.8%	1.7%	1.8%	1.8%	1.8%
DPS y/y growth	21.5%	5.8%	31.5%	7.5%	8.0%	ROCE	-	-	-	-	-
Fee income / Avg assets	2.0%	2.1%	2.2%	2.1%	2.1%	Net debt/equity	0.4	0.8	0.4	0.4	0.4
Interest income / Avg assets	1.6%	1.5%	1.4%	1.4%	1.5%	Tax rate	1.1%	11.0%	12.5%	12.5%	12.5%
Net trading income / Avg assets	1.7%	1.5%	1.3%	1.2%	1.2%	P/E (x)	11.4	10.7	8.1	7.6	7.0
						P/BV (x)	0.9	0.8	0.8	0.7	0.7
						Dividend yield	2.7%	2.8%	3.7%	4.0%	4.3%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Overweight

6886.HK, 6886 HK

Price (17 Aug 26): HK\$17.00

▲ **Price Target (Jun-27): HK\$23.60**
Prior (Dec-26): HK\$19.80

China

Banks & Financial Services

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J.P. Morgan Securities (Asia Pacific) Limited/
J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.16	2.39	10.5%
Adj. EPS - 27E (Rmb)	2.36	2.56	8.8%

Style Exposure

Quant	Current	Hist %Rank (1=Top)				
Factors	%Rank	6M	1Y	3Y	5Y	
Value	21	29	38	25	21	
Growth	39	59	81	67	73	
Momentum	25	27	11	42	76	
Quality	35	53	64	56	54	
Low Vol	54	89	87	20	18	
ESGQ	9	24	3	13	5	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Huatai Securities - H

Model update

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 11%/9%/7%. We also rolled over PT valuation date to June 2027 and revised up PT to HK\$23.60. Maintain OW.

Investment Thesis, Valuation and Risks

Huatai Securities - H (Overweight; Price Target: HK\$23.60)

Investment Thesis

We have an OW rating on Huatai-H. Huatai has strong retail brokerage exposure with the largest mobile app MAU among peers, and should benefit more from improving retail investment sentiment in 2026 YTD. Huatai has also increased its share in the HK IPO market and is trading at an undemanding valuation. Recent convertible bond issuance should have a limited dilution impact on Huatai, even if fully converted.

Valuation

Our Jun-27 PT of HK\$23.60 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive our fair value of Rmb20.5 for Jun-27 from the current fair value of Rmb18.6 and use spot CNY/HKD to convert to HKD for our H-share PT. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

Valuation Summary

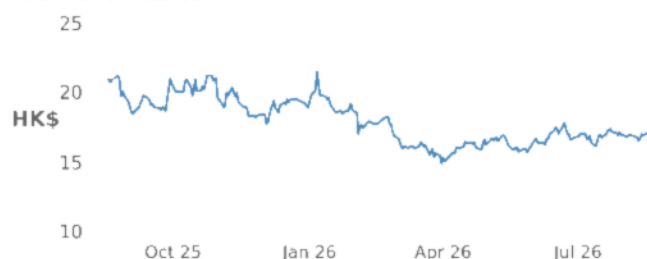
DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.3x
Cost of capital	12.2%
Long-term growth	4.5%
Fair terminal P/BV multiple	0.76x
BVPS - 2026E (Rmb)	24.8
DPS - 2026E (Rmb)	0.7
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	16.5
PV of dividends (Rmb per share)	2.1
Current fair value (Rmb)	18.6
Jun-27 fair value (Rmb)	20.5
Jun-27 price target (HKD)	23.6
*CNYHKD Currency	1.15

Source: J.P. Morgan estimates

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) lower-than-expected ADT due to weak A-share market performance; 2) increasing competition from banks and Internet companies in the brokerage business; 3) continued commission rate compression; and 4) higher-than-expected credit risks for margin loans due to a sharp correction in the A-share market.

Price Performance



Company Data

Shares O/S (mn)	7,163
52-week range (HK\$)	21.94-14.74
Market cap (\$ mn)	15,518
Exchange rate	7.85
Free float (%)	75.7%
3M ADV (mn)	9.45
3M ADV (\$ mn)	20.1
Volatility (90 Day)	25
Index	HSI
BBG ANR (Buy Hold Sell)	10 1 0

Key Metrics (FYE Dec)

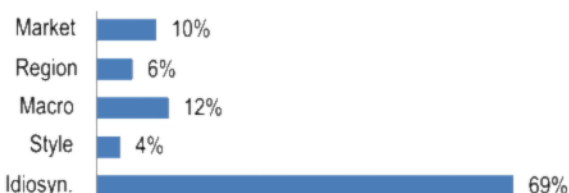
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	2,733	3,470	3,880	4,338
Brokerage commissions	12,683	17,632	18,108	18,825
Asset management income	1,802	1,982	2,180	2,398
Trading income	13,829	15,398	16,084	16,781
Total non-interest income	2,259	3,436	3,685	3,958
Net interest income	4,396	5,806	6,958	8,108
Net revenue	37,702	47,725	50,895	54,407
Operating expense	(32,172)	(37,470)	(39,904)	(41,900)
Adj. pre provision profit	15,048	21,215	22,890	24,830
Adj. PBT	18,405	24,740	26,591	28,716
Adj. net income	16,383	21,538	23,151	25,005
Adj. EPS	1.82	2.39	2.56	2.77
BBG EPS	1.86	2.14	2.38	2.60
DPS	0.55	0.72	0.78	0.84
BVPS	22.92	24.84	26.60	28.68
Total Assets	1,077,348	1,272,620	1,355,106	1,442,839
Margins and Growth				
Net margin	34.7%	36.7%	36.9%	37.5%
Adj. EPS growth	6.6%	31.4%	7.5%	8.0%
Ratios				
Adj. tax rate	11.0%	12.5%	12.5%	12.5%
Cost to income ratio	68.1%	63.8%	63.5%	62.8%
Dividend payout	30.3%	30.3%	30.3%	30.3%
Commission / Avg. asset	2.1%	2.2%	2.1%	2.1%
ROA	1.7%	1.8%	1.8%	1.8%
Valuation				
Dividend yield	3.8%	4.9%	5.3%	5.7%
Adj. P/E	8.0	6.1	5.7	5.3

Summary Investment Thesis and Valuation

We have an OW rating on Huatai-H. Huatai has strong retail brokerage exposure with the largest mobile app MAU among peers, and should benefit more from improving retail investment sentiment in 2026 YTD. Huatai has also increased its share in the HK IPO market and is trading at an undemanding valuation. Recent convertible bond issuance should have a limited dilution impact on Huatai, even if fully converted.

Our DDM-derived Jun-27 PT is HK\$23.60. Key assumptions include: a risk-free rate of 1.8%, an equity premium of 8.0%, long-term growth of 4.5%, a normalized ROE of 10.3% and a cost of capital of 12.2%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.41	0.38
Region: China	0.32	0.33
Macro:		
Citi Economic Surprise - EM	0.02	-0.21
JP Morgan EMBI Global Spread	-0.30	-0.19
US 10 Year Yield	0.31	0.16
Quant Styles:		
Growth	-0.28	-0.15
Value	0.30	0.14
Quality	0.26	0.13

Huatai Securities - H: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	35,482	37,702	47,725	50,895	54,407	Cash and cash equivalents	210,402	269,432	387,120	409,847	433,912
o/w Commission and fee income	17,259	19,565	25,750	27,101	28,787	Accounts receivable	8,467	16,683	17,517	18,393	19,312
o/w Net trading income	14,414	13,829	15,398	16,084	16,781	Other current assets	29,595	36,466	42,785	45,680	48,790
o/w Net interest income	2,705	4,396	5,806	6,958	8,108	Current assets	555,469	701,663	845,778	892,545	941,959
SG&A	(10,075)	(9,771)	(11,383)	(12,070)	(12,708)	PP&E	6,489	6,750	7,087	7,441	7,813
o/w Compensation expense	(10,075)	(9,771)	(11,383)	(12,070)	(12,708)	Other non current assets	250,225	366,551	417,513	452,766	490,595
o/w Non-compensation expense	-	-	-	-	-	Total assets	814,270	1,077,348	1,272,620	1,355,106	1,442,839
Adj. Operating income	12,998	15,048	21,215	22,890	24,830	Short term borrowings	295,474	428,884	468,904	503,153	537,785
Adj. PBT	15,352	18,405	24,740	26,591	28,716	Payables	184,587	240,910	366,184	388,155	411,444
Tax	167	(2,032)	(3,102)	(3,335)	(3,601)	Other short term liabilities	307,985	425,519	562,619	594,412	628,195
Minority Interest	(168)	11	(100)	(105)	(110)	Current liabilities	603,459	854,402	1,031,523	1,097,564	1,165,980
Adj. Net Income	15,351	16,383	21,538	23,151	25,005	Long-term debt	6,973	3,052	3,052	3,052	3,052
Reported EPS	1.70	1.82	2.39	2.56	2.77	Other long term liabilities	11,945	12,897	13,737	14,291	14,878
Adj. EPS	1.70	1.82	2.39	2.56	2.77	Total liabilities	622,377	870,351	1,048,311	1,114,907	1,183,910
DPS	0.52	0.55	0.72	0.78	0.84	Shareholders' equity	191,674	206,939	224,249	240,137	258,863
Payout ratio	30.5%	30.3%	30.3%	30.3%	30.3%	Minority interests	220	57	60	63	66
Shares outstanding	9,009	9,022	9,027	9,027	9,027	Total liabilities & equity	814,270	1,077,347	1,272,620	1,355,106	1,442,839
						BVPS	21.23	22.92	24.84	26.60	28.68
						y/y growth	7.6%	8.0%	8.4%	7.1%	7.8%
						Net debt/(cash)	92,045	162,504	84,836	96,358	106,925
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	(8.1%)	6.3%	26.6%	6.6%	6.9%	Net profit margin	33.1%	34.7%	36.7%	36.9%	37.5%
Adj. Net Income y/y growth	20.4%	6.7%	31.5%	7.5%	8.0%	ROE	8.3%	8.2%	10.0%	10.0%	10.0%
EPS y/y growth	20.2%	6.6%	31.4%	7.5%	8.0%	ROA	1.8%	1.7%	1.8%	1.8%	1.8%
DPS y/y growth	21.5%	5.8%	31.5%	7.5%	8.0%	ROCE	-	-	-	-	-
Fee income / Avg assets	2.0%	2.1%	2.2%	2.1%	2.1%	Net debt/equity	0.5	0.8	0.4	0.4	0.4
Interest income / Avg assets	1.6%	1.5%	1.4%	1.4%	1.5%	Tax rate	1.1%	11.0%	12.5%	12.5%	12.5%
Net trading income / Avg assets	1.7%	1.5%	1.3%	1.2%	1.2%	P/E (x)	8.6	8.0	6.1	5.7	5.3
						P/BV (x)	0.7	0.6	0.6	0.5	0.5
						Dividend yield	3.6%	3.8%	4.9%	5.3%	5.7%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Neutral

601211.SS,601211 CH

Price (17 Aug 26): Rmb18.04

▲ **Price Target (Jun-27): Rmb20.30**
Prior (Jun-27): Rmb17.00

China

Banks & Financial Services

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J.P. Morgan Securities (Asia Pacific) Limited/
J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.59	1.85	16.7%
Adj. EPS - 27E (Rmb)	1.76	1.99	12.8%

Style Exposure

Quant	Current	Hist %Rank (1=Top)				
Factors	%Rank	6M	1Y	3Y	5Y	
Value	46	63	62	52	45	
Growth	80	45	79	74	75	
Momentum	21	27	44	35	48	
Quality	54	52	79	62	63	
Low Vol	22	24	17	5	8	
ESGQ	85	26	3	90	93	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Guotai Haitong Securities - A

Model update

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 36%/14%/11%. We also rolled over PT valuation date to June 2027 and revised up PT to Rmb20.30. Maintain Neutral.

Investment Thesis, Valuation and Risks

Guotai Haitong Securities Co Ltd - A (Neutral; Price Target: Rmb20.30)

Investment Thesis

We rate GTHT-A Neutral. We view GTHT as a key beneficiary of the recent STAR board rally and expect this to support a recovery in its investment income. However, valuation is unconvincing, in our view, as GTHT is trading on par with its peers, yet its ROE is the lowest among the China brokers in our coverage.

Valuation

Our Jun-27 PT of Rmb20.30 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb14.2 for Jun-27 from the current fair value of Rmb12.8 and use spot CNY/HKD to convert to HKD for our H-share PT. For our A-share PT, we apply the one-year moving average A/H premium on top of the fair value. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%

Valuation Summary

DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.3x
Cost of capital	12.2%
Long-term growth	4.5%
Fair terminal P/BV multiple	0.65x
BVPS - 2026E (Rmb)	19.5
DPS - 2026E (Rmb)	0.6
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	11.1
PV of dividends (Rmb per share)	1.7
Current fair value (Rmb)	12.8
Jun-27 fair value (Rmb)	14.2
Jun-27 price target (Rmb)	20.3
<i>*A/H premium</i>	<i>143%</i>

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Upside risks to our rating and price target include: 1) higher-than-expected brokerage commissions; 2) higher-than-expected income from new business; and 3) higher-than-expected ADT.

Downside risks include: 1) higher-than-expected investment risks on the prop book; and 2) new entrants, particularly Internet banking/brokerage providers, banks and

subsidiaries of global players, may take market share from GTJA and further drive down commission rates.

Price Performance



Company Data

Shares O/S (mn)	8,905
52-week range (Rmb)	22.35-14.91
Market cap (\$ mn)	23,818
Exchange rate	6.74
Free float (%)	59.8%
3M ADV (mn)	131.89
3M ADV (\$ mn)	343.6
Volatility (90 Day)	29
Index	SHASHR
BBG ANR (Buy Hold Sell)	19 1 0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	4,331	5,749	6,363	7,044
Brokerage commissions	18,506	27,970	29,056	30,183
Asset management income	6,491	7,790	8,724	9,597
Trading income	25,404	32,447	32,656	34,617
Total non-interest income	19,491	13,107	14,327	15,636
Net interest income	29,489	35,252	39,380	41,680
Net revenue	103,713	122,316	130,505	138,757
Operating expense	(66,312)	(78,024)	(82,966)	(88,123)
Adj. pre provision profit	37,401	44,292	47,538	50,634
Adj. PBT	38,554	45,502	48,810	51,969
Adj. net income	27,417	32,607	35,038	37,353
Adj. EPS	1.74	1.85	1.99	2.12
BBG EPS	1.60	1.75	1.90	2.07
DPS	0.50	0.59	0.63	0.68
BVPS	18.18	19.53	20.93	22.41
Total Assets	2,114,338	2,549,069	2,740,578	2,948,887
Margins and Growth				
Net margin	26.4%	26.7%	26.8%	26.9%
Adj. EPS growth	25.5%	6.2%	7.5%	6.6%
Ratios				
Adj. tax rate	24.3%	24.3%	24.3%	24.3%
Cost to income ratio	63.9%	63.8%	63.6%	63.5%
Dividend payout	28.5%	31.9%	31.9%	31.9%
Commission / Avg. asset	1.2%	1.2%	1.1%	1.1%
ROA	1.7%	1.4%	1.3%	1.3%
Valuation				
Dividend yield	2.8%	3.3%	3.5%	3.8%
Adj. P/E	10.4	9.8	9.1	8.5

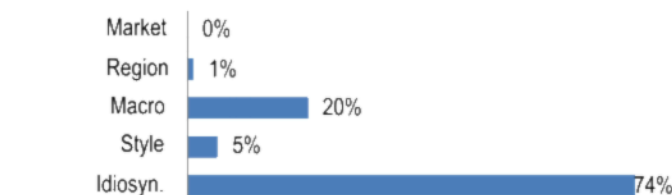
Summary Investment Thesis and Valuation

We rate GTHT-A Neutral. We view GTHT as a key beneficiary of the recent STAR board rally and expect this to support a recovery in its investment income. However, valuation is unconvincing, in our view, as GTHT is trading on par with its peers, yet its ROE is the lowest among the China brokers in our coverage.

Our Jun-27 PT of Rmb20.30 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb14.2 for Jun-27 from the current fair value of Rmb12.8 and use spot CNY/HKD to convert to HKD for our H-share PT. For our A-share PT, we apply the one-year moving average A/H premium on top of the fair value.

Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.17	0.14
Region: China	0.15	0.13
Macro:		
Emerging Economies CPI(YoY)	0.38	0.30
JPM China A-shares Sentiment	0.38	0.29
JP Morgan EMBI Global Spread	-0.23	-0.21
Quant Styles:		
Size	-0.24	-0.19
Quality	0.28	0.15
LowVol	0.20	0.14

Guotai Haitong Securities - A: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	52,035	103,713	122,316	130,505	138,757	Cash and cash equivalents	229,282	492,372	742,285	786,024	832,348
o/w Commission and fee income	21,080	38,624	52,256	55,991	59,858	Accounts receivable	17,269	40,968	43,017	45,167	47,426
o/w Net trading income	14,773	25,404	32,447	32,656	34,617	Other current assets	38,719	132,905	178,140	214,706	256,929
o/w Net interest income	15,064	29,489	35,252	39,380	41,680	Current assets	742,345	1,427,476	1,786,300	1,935,834	2,099,653
SG&A	(10,476)	(17,950)	(22,425)	(24,062)	(25,998)	PP&E	4,330	20,257	20,257	20,257	20,257
o/w Compensation expense	(10,476)	(17,950)	(22,425)	(24,062)	(25,998)	Other non current assets	296,091	660,903	736,728	778,615	823,015
o/w Non-compensation expense	-	-	-	-	-	Total assets	1,047,745	2,114,338	2,549,069	2,740,578	2,948,887
Adj. Operating income	16,356	37,401	44,292	47,538	50,634	Short term borrowings	297,845	569,554	621,482	678,500	741,154
Adj. PBT	16,662	38,554	45,502	48,810	51,969	Payables	252,070	514,587	818,722	867,845	919,916
Tax	(3,113)	(9,384)	(11,075)	(11,880)	(12,649)	Other short term liabilities	458,411	951,181	1,303,271	1,406,005	1,518,079
Minority Interest	(525)	(1,361)	(1,429)	(1,501)	(1,576)	Current liabilities	756,256	1,520,734	1,924,754	2,084,506	2,259,233
Adj. Net Income	12,322	27,417	32,607	35,038	37,353	Long-term debt	112,161	231,972	238,063	244,385	250,955
Reported EPS	1.39	1.74	1.85	1.99	2.12	Other long term liabilities	114,016	247,401	254,262	261,395	268,815
Adj. EPS	1.39	1.74	1.85	1.99	2.12	Total liabilities	870,272	1,768,135	2,179,016	2,345,901	2,528,048
DPS	0.70	0.50	0.59	0.63	0.68	Shareholders' equity	155,828	320,442	344,292	368,915	395,078
Payout ratio	50.7%	28.5%	31.9%	31.9%	31.9%	Minority interests	6,698	15,786	15,786	15,786	15,786
Shares outstanding	8,882	15,748	17,629	17,629	17,629	Total liabilities & equity	1,047,745	2,114,339	2,549,069	2,740,578	2,948,887
						BVPS	17.50	18.18	19.53	20.93	22.41
						y/y growth	6.0%	3.9%	7.4%	7.2%	7.1%
						Net debt/(cash)	180,724	309,154	117,260	136,862	159,760
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	(0.5%)	99.3%	17.9%	6.7%	6.3%	Net profit margin	23.7%	26.4%	26.7%	26.8%	26.9%
Adj. Net Income y/y growth	41.7%	122.5%	18.9%	7.5%	6.6%	ROE	8.1%	11.5%	9.8%	9.8%	9.8%
EPS y/y growth	44.4%	25.5%	6.2%	7.5%	6.6%	ROA	1.2%	1.7%	1.4%	1.3%	1.3%
DPS y/y growth	75.7%	(29.3%)	18.9%	7.5%	6.6%	ROCE	-	-	-	-	-
Fee income / Avg assets	2.1%	2.4%	2.2%	2.1%	2.1%	Net debt/equity	1.1	0.9	0.3	0.4	0.4
Interest income / Avg assets	1.5%	1.9%	1.5%	1.5%	1.5%	Tax rate	18.7%	24.3%	24.3%	24.3%	24.3%
Net trading income / Avg assets	1.5%	1.6%	1.4%	1.2%	1.2%	P/E (x)	13.0	10.4	9.8	9.1	8.5
						P/BV (x)	1.0	1.0	0.9	0.9	0.8
						Dividend yield	3.9%	2.8%	3.3%	3.5%	3.8%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Neutral

2611.HK, 2611 HK

Price (17 Aug 26): HK\$14.35

▲ **Price Target (Jun-27): HK\$16.30**
Prior (Jun-27): HK\$13.70

China

Banks & Financial Services

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J.P. Morgan Securities (Asia Pacific) Limited/
J.P. Morgan Broking (Hong Kong) Limited

Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.59	1.85	16.7%
Adj. EPS - 27E (Rmb)	1.76	1.99	12.8%

Style Exposure

Quant	Current	Hist %Rank (1=Top)				
Factors	%Rank	6M	1Y	3Y	5Y	
Value	32	43	44	21	18	
Growth	20	62	88	58	57	
Momentum	34	10	43	38	72	
Quality	8	79	80	45	35	
Low Vol	49	77	76	13	23	
ESGQ	85	26	3	90	93	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

Guotai Haitong Securities - H

Model update

We updated our model to reflect 2Q and 3Q QTD operating trends and revised up 2026-28 net profits by 36%/14%/11%. We also rolled over PT valuation date to June 2027 and revised up PT to HK\$16.30. Maintain Neutral.

Investment Thesis, Valuation and Risks

Guotai Haitong Securities Co Ltd - H (Neutral; Price Target: HK\$16.30)

Investment Thesis

We rate GTHT-H Neutral. We view GTHT as a key beneficiary of the recent STAR board rally and expect this to support a recovery in its investment income. However, valuation is unconvincing, in our view, as GTHT is trading on par with its peers, yet its ROE is the lowest among the China brokers in our coverage.

Valuation

Our Jun-27 PT of HK\$16.30 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb14.2 for June-27 from the current fair value of Rmb12.8 and use spot CNY/HKD to convert to HKD for our H-share PT. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

Valuation Summary

DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.3x
Cost of capital	12.2%
Long-term growth	4.5%
Fair terminal P/BV multiple	0.65x
BVPS - 2026E (Rmb)	19.5
DPS - 2026E (Rmb)	0.6
Valuation date	17-Aug-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	11.1
PV of dividends (Rmb per share)	1.7
Current fair value (Rmb)	12.8
Jun-27 fair value (Rmb)	14.2
Jun-27 price target (HKD)	16.3
*CNY/HKD Currency	1.15

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Upside risks to our rating and price target include: 1) higher-than-expected brokerage commissions; 2) higher-than-expected income from new business; and 3) higher-than-expected ADT.

Downside risks include: 1) higher-than-expected investment risks on the prop book; and 2) new entrants, particularly Internet banking/brokerage providers, banks and subsidiaries of global players, may take market share from GTJA and further drive down commission rates.

Price Performance



Company Data

Shares O/S (mn)	8,905
52-week range (HK\$)	18.56-12.73
Market cap (\$ mn)	16,284
Exchange rate	7.85
Free float (%)	67.9%
3M ADV (mn)	12.80
3M ADV (\$ mn)	23.5
Volatility (90 Day)	31
Index	HSI
BBG ANR (Buy Hold Sell)	7 2 0

Key Metrics (FYE Dec)

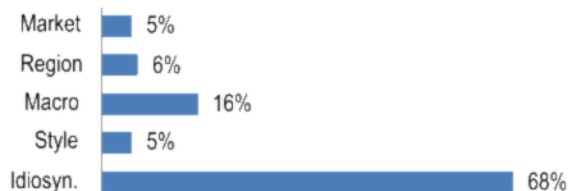
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	4,331	5,749	6,363	7,044
Brokerage commissions	18,506	27,970	29,056	30,183
Asset management income	6,491	7,790	8,724	9,597
Trading income	25,404	32,447	32,656	34,617
Total non-interest income	19,491	13,107	14,327	15,636
Net interest income	29,489	35,252	39,380	41,680
Net revenue	103,713	122,316	130,505	138,757
Operating expense	(66,312)	(78,024)	(82,966)	(88,123)
Adj. pre provision profit	37,401	44,292	47,538	50,634
Adj. PBT	38,554	45,502	48,810	51,969
Adj. net income	27,417	32,607	35,038	37,353
Adj. EPS	1.74	1.85	1.99	2.12
BBG EPS	1.70	1.59	1.80	1.88
DPS	0.50	0.59	0.63	0.68
BVPS	18.18	19.53	20.93	22.41
Total Assets	2,114,338	2,549,069	2,740,578	2,948,887
Margins and Growth				
Net margin	26.4%	26.7%	26.8%	26.9%
Adj. EPS growth	25.5%	6.2%	7.5%	6.6%
Ratios				
Adj. tax rate	24.3%	24.3%	24.3%	24.3%
Cost to income ratio	63.9%	63.8%	63.6%	63.5%
Dividend payout	28.5%	31.9%	31.9%	31.9%
Commission / Avg. asset	1.2%	1.2%	1.1%	1.1%
ROA	1.7%	1.4%	1.3%	1.3%
Valuation				
Dividend yield	4.0%	4.8%	5.1%	5.5%
Adj. P/E	7.1	6.7	6.2	5.8

Summary Investment Thesis and Valuation

We rate GTHT-H Neutral. We view GTHT as a key beneficiary of the recent STAR board rally and expect this to support a recovery in its investment income. However, valuation is unconvincing, in our view, as GTHT is trading on par with its peers, yet its ROE is the lowest among the China brokers in our coverage.

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Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.19	0.30
Region: China	0.19	0.29
Macro:		
JPM China A-shares Sentiment	0.44	0.27
JP Morgan GBI-EM Global Div	0.14	0.20
JP Morgan EMBI Global Spread	-0.25	-0.19
Quant Styles:		
Growth	-0.38	-0.24
DivYld	0.40	0.23
Value	0.36	0.18

Guotai Haitong Securities - H: Summary of Financials

Income Statement						Balance Sheet					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	52,035	103,713	122,316	130,505	138,757	Cash and cash equivalents	229,282	492,372	742,285	786,024	832,348
o/w Commission and fee income	21,080	38,624	52,256	55,991	59,858	Accounts receivable	17,269	40,968	43,017	45,167	47,426
o/w Net trading income	14,773	25,404	32,447	32,656	34,617	Other current assets	38,719	132,905	178,140	214,706	256,929
o/w Net interest income	15,064	29,489	35,252	39,380	41,680	Current assets	742,345	1,427,476	1,786,300	1,935,834	2,099,653
SG&A	(10,476)	(17,950)	(22,425)	(24,062)	(25,998)	PP&E	4,330	20,257	20,257	20,257	20,257
o/w Compensation expense	(10,476)	(17,950)	(22,425)	(24,062)	(25,998)	Other non current assets	296,091	660,903	736,728	778,615	823,015
o/w Non-compensation expense	-	-	-	-	-	Total assets	1,047,745	2,114,338	2,549,069	2,740,578	2,948,887
Adj. Operating income	16,356	37,401	44,292	47,538	50,634	Short term borrowings	297,845	569,554	621,482	678,500	741,154
Adj. PBT	16,662	38,554	45,502	48,810	51,969	Payables	252,070	514,587	818,722	867,845	919,916
Tax	(3,113)	(9,384)	(11,075)	(11,880)	(12,649)	Other short term liabilities	458,411	951,181	1,303,271	1,406,005	1,518,079
Minority Interest	(525)	(1,361)	(1,429)	(1,501)	(1,576)	Current liabilities	756,256	1,520,734	1,924,754	2,084,506	2,259,233
Adj. Net Income	12,322	27,417	32,607	35,038	37,353	Long-term debt	112,161	231,972	238,063	244,385	250,955
Reported EPS	1.39	1.74	1.85	1.99	2.12	Other long term liabilities	114,016	247,401	254,262	261,395	268,815
Adj. EPS	1.39	1.74	1.85	1.99	2.12	Total liabilities	870,272	1,768,135	2,179,016	2,345,901	2,528,048
DPS	0.70	0.50	0.59	0.63	0.68	Shareholders' equity	155,828	320,442	344,292	368,915	395,078
Payout ratio	50.7%	28.5%	31.9%	31.9%	31.9%	Minority interests	6,698	15,786	15,786	15,786	15,786
Shares outstanding	8,882	15,748	17,629	17,629	17,629	Total liabilities & equity	1,047,745	2,114,339	2,549,069	2,740,578	2,948,887
						BVPS	17.50	18.18	19.53	20.93	22.41
						y/y growth	6.0%	3.9%	7.4%	7.2%	7.1%
						Net debt/(cash)	180,724	309,154	117,260	136,862	159,760
Ratio Analysis						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	(0.5%)	99.3%	17.9%	6.7%	6.3%	Net profit margin	23.7%	26.4%	26.7%	26.8%	26.9%
Adj. Net Income y/y growth	41.7%	122.5%	18.9%	7.5%	6.6%	ROE	8.1%	11.5%	9.8%	9.8%	9.8%
EPS y/y growth	44.4%	25.5%	6.2%	7.5%	6.6%	ROA	1.2%	1.7%	1.4%	1.3%	1.3%
DPS y/y growth	75.7%	(29.3%)	18.9%	7.5%	6.6%	ROCE	-	-	-	-	-
Fee income / Avg assets	2.1%	2.4%	2.2%	2.1%	2.1%	Net debt/equity	1.1	0.9	0.3	0.4	0.4
Interest income / Avg assets	1.5%	1.9%	1.5%	1.5%	1.5%	Tax rate	18.7%	24.3%	24.3%	24.3%	24.3%
Net trading income / Avg assets	1.5%	1.6%	1.4%	1.2%	1.2%	P/E (x)	8.9	7.1	6.7	6.2	5.8
						P/BV (x)	0.7	0.7	0.6	0.6	0.6
						Dividend yield	5.7%	4.0%	4.8%	5.1%	5.5%

Source: Company reports and J.P. Morgan estimates.

Note: Rmb in millions (except per-share data). Fiscal year ends Dec. o/w - out of which