This material is neither intended to be distributed to Mainland China investors nor to provide securities investment consultancy services within the territory of Mainland China. This material or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.

Greater China Banks

Asia Financials
Katherine Lei AC
(852) 2800-8552
katherine.lei@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited
/ J.P. Morgan Broking (Hong Kong) Limited

Asia Financials
Jemmy Huang AC
(886-2) 2725-9870
jemmy.s.huang@jpmorgan.com
J.P. Morgan Securities (Taiwan) Limited
/ J.P. Morgan Securities (Asia Pacific) Limited
/ J.P. Morgan Broking (Hong Kong) Limited

See the end pages of this presentation for analyst certification and important disclosures, including non-US analyst disclosures.

Table of content

	Page
China	**3**
Sector views	4
Key financials and valuations	13
Taiwan	**15**
Sector views	16
Key themes	18
Sector top picks – KGI, Fubon, Sinopac	23
Valuation methodology and risks	24
Key financials and valuations	25
Hong Kong	**29**
Sector views	30
Key themes	31
Sector preferred pick – BOCHK and DSBG	35
HSBC and STAN	36
Valuation methodology and risks	44
Key financials and valuations	45
Key macro forecasts	**49**

想要获取海量投研信息?
想要获取海量投研
公众号：
微信：

China

Investment summary: SOE banks continued to outperform JSBs

- **2Q26 results trends:**
  - **SOE banks outperformed, while JSB banks weakened:** SOE banks delivered an above-consensus set of results in 2Q26, with average revenue/profit growth of +9%/+6% y/y, materially ahead of JSBs at +1%/-9%. In addition, SOE banks lifted interim dividend payout ratios by 1ppt; while modest in magnitude, this marks the first increase in normalized payout since their listings and is a constructive signal for shareholder returns. Within our coverage, PSBC recorded the largest profit beat versus our estimates (+6%), while the biggest disappointments were Everbright (-37% vs JPMe), followed by Huaxia (-33%) and Industrial (-12%).

- **Rating changes post 2Q26:**
  - **We upgraded PSBC from Neutral to OW rating as AQ stabilizes and performance gap vs SOE banks is set to narrow:** PSBC delivered the strongest profit growth in 2Q (+7% y/y) among SOE banks and beat our forecast by 6%. We upgraded to OW on (1) sector-leading PPoP growth (+15% y/y); (2) early signs of retail asset-quality stabilization with declining retail NPL formation and deceleration in SML ratio rise; and (3) a stabilizing NPL coverage ratio after a multi-quarter decline. With meaningful YTD versus SOE peers, we see scope for catch-up as AQ pressure eases and earnings delivery improves.
  - **We downgraded Huaxia Bank from Neutral to Underweight rating on rising delinquency ratio and thin provision buffer:** 2Q26 was a sharp miss in our coverage (-33% vs JPMe). Profit was dragged by a sharp rise in impairment charges (+29% y/y). We are concerned about slowing NII momentum as NIM -5bps q/q, the steepest among peers, and deteriorating leading asset-quality indicators with notable spike in overdue and retail NPL, against a low NPL coverage ratio (~145%, the 2nd lowest in our universe).
  - **We downgraded Industrial Bank from Overweight to Neutral on limited EPS growth visibility:** Industrial's 2Q26 earnings contracted 11% y/y, missing JPMe by 12% despite broadly stable revenue (+1% y/y) and solid headline buffers (NPL coverage ~226%). Despite an attractive dividend yield (the highest in our coverage), we think the market will be reluctant to re-rate the stock as a "yield name" without clearer earnings visibility..

- **Sector positioning:**
  - **BOC - broad-based beat with differentiated overseas NIM support.** BOC delivered 13% y/y NII growth, 8% revenue growth, 12% PPoP growth and 6% profit growth in 2Q26. Revenue, PPoP and profits beat JPMe by 2%, 6% and 2%. BOC continues to benefit from FX NIM expansion in its overseas business, which should partly offset pressure on domestic asset yields. Overseas asset quality also improved in 1H26, while management expects further international business opportunities in 2H26 and beyond. We retain BOC as one of our preferred SOE banks given its differentiated overseas franchise, resilient NIM outlook and balanced earnings delivery..
  - **CCB - strongest underlying operating beat with industry-leading NIM.** CCB delivered 9% y/y NII growth, 10% revenue growth, 12% PPoP growth and 6% profit growth in 2Q26. Revenue and PPoP were 5% and 6% above JPMe, one of the strongest operating beat among the SOE banks. Asset quality also showed a better underlying trend, with the NPL ratio declining by 2bps q/q and NPL coverage increasing by 5ppt q/q. Management remains confident in maintaining an industry-leading NIM through asset mix optimization and further funding cost reductions, while targeting stable credit costs and sustainable shareholder returns. CCB remains one of our preferred SOE banks.

2Q26 results

SOE banks continued to outperform JSBs

China banks' 2Q26 earnings growth, and actual vs expected comparison

YoY growth	Net interest income	Fee income	Operating income	OPEX	PPoP	Impairment charge	Net profit
ABC	13%	-29%	12%	9%	13%	-10%	5%
BOC	13%	-5%	8%	1%	12%	18%	6%
CCB	9%	-12%	10%	4%	12%	15%	6%
ICBC	10%	1%	10%	0%	14%	23%	3%
PSBC	4%	5%	7%	0%	15%	67%	7%
BoCom	10%	4%	9%	4%	12%	2%	5%
Citic	4%	-2%	3%	-2%	5%	15%	3%
CEB	2%	-5%	-5%	-5%	-5%	61%	-40%
CMB	6%	7%	4%	4%	4%	22%	3%
MSB	11%	-3%	6%	2%	8%	16%	-7%
PAB	2%	-5%	-1%	-5%	1%	-1%	4%
SPDB	9%	2%	6%	-5%	10%	10%	8%
Industrial	0%	10%	1%	0%	1%	15%	-11%
Huaxia	12%	10%	-2%	-5%	-1%	29%	-32%
Big 4	**11%**	**-11%**	**10%**	**3%**	**13%**	**12%**	**5%**
Large banks	**10%**	**-6%**	**9%**	**3%**	**13%**	**19%**	**6%**
JSBs	**6%**	**2%**	**1%**	**-2%**	**3%**	**21%**	**-9%**
Sector	**8%**	**2%**	**5%**	**0%**	**7%**	**20%**	**3%**

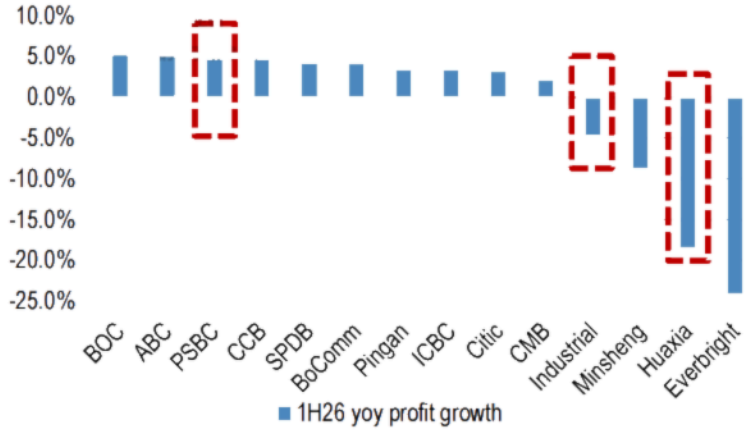
	Revenues			PPoP			Net Profits		
Rmb bn	2Q26E	2Q26A	A vs JPMe	2Q26E	2Q26A	A vs JPMe	2Q26E	2Q26A	A vs JPMe
ABC	197.4	204.8	4%	134.7	140.0	4%	70.7	71.2	1%
BOC	174.1	178.3	2%	110.7	117.5	6%	65.7	67.0	2%
CCB	210.3	219.9	5%	157.8	166.8	6%	81.7	83.3	2%
ICBC	219.7	224.2	2%	158.2	165.1	4%	86.7	86.7	0%
BoComm	71.1	72.9	3%	43.9	44.9	2%	21.3	21.7	2%
PSBC	94.8	96.3	2%	43.8	48.2	10%	24.4	25.8	6%
Citic	56.2	55.7	-1%	40.6	40.6	0%	17.5	17.5	0%
CMB	88.2	88.6	0%	58.2	57.8	-1%	38.6	38.6	0%
Minsheng	35.5	35.9	1%	24.7	25.4	3%	8.5	8.0	-6%
Industrial	55.7	55.1	-1%	39.8	39.3	-1%	19.6	17.3	-12%
Everbright	32.6	31.3	-4%	22.6	21.6	-5%	11.5	7.3	-37%
Pingan	36.8	35.3	-4%	26.0	25.4	-2%	11.2	11.2	0%
SPDB	45.9	47.2	3%	33.2	35.3	6%	12.8	13.1	2%
Huaxia	25.0	26.7	7%	16.2	17.9	11%	6.5	4.4	-33%
SOE banks Avg			**3%**			**5%**			**2%**
JSBs Avg			**0%**			**1%**			**-11%**
Sector Avg			**1%**			**3%**			**-5%**

Source: ABC, BOC, CCB, ICBC, BoCom, PSBC, Citic, CMB, Minsheng, Everbright, SPDB, PAB, Industrial, Huaxia 1H26 financial reports, J.P. Morgan estimates.

2Q26 results

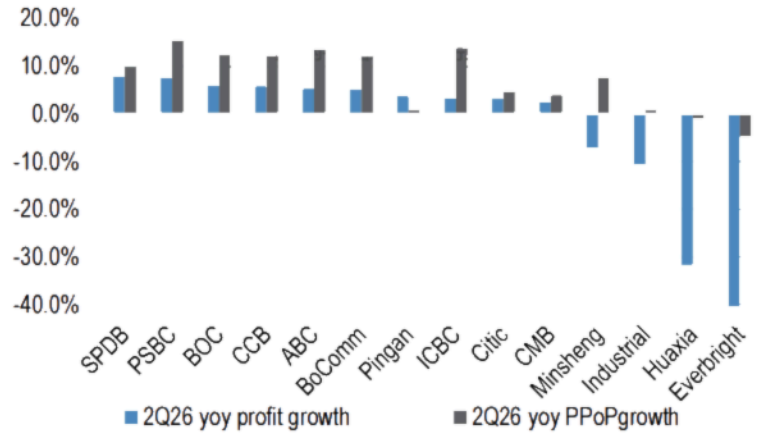
SOE banks continued to outperform JSBs

China banks 1H26 profit growth – SOE banks delivered more stable growth than JSBs



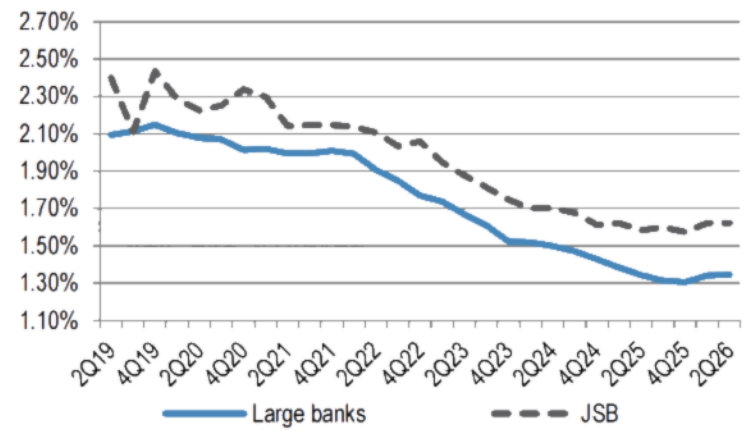
Source: PBOC, CEIC.

PPoP and profits yoy growth in 2Q26 by banks



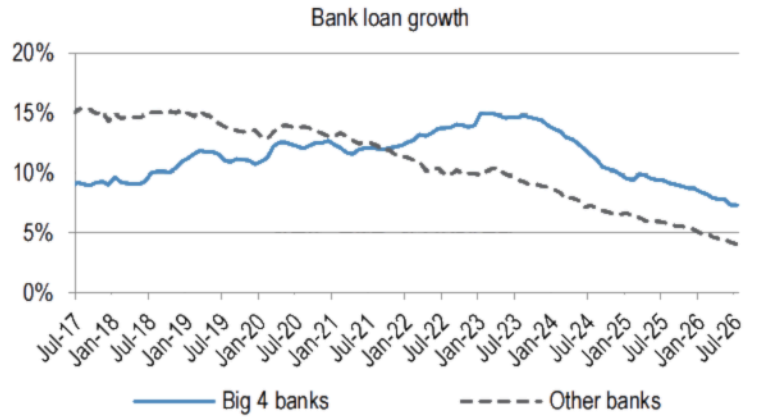
Source: PBOC, CEIC, J.P. Morgan estimates.

NIM stabilized after multi-years' contraction



Source: Company reports.

Large banks saw stronger loans growth when compared to JSBs, supporting a higher NII growth

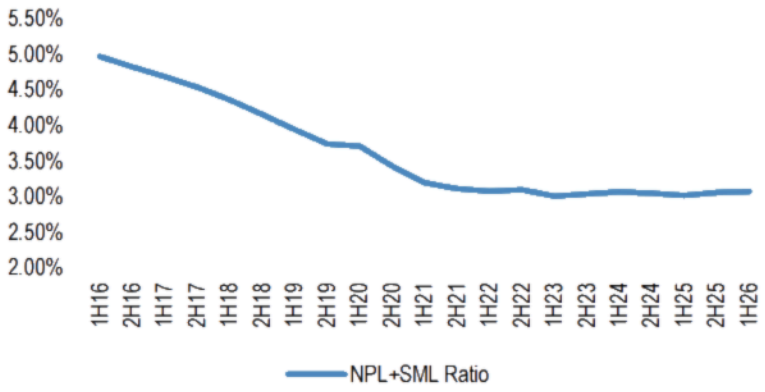


Source: PBOC, CEIC.

Asset quality

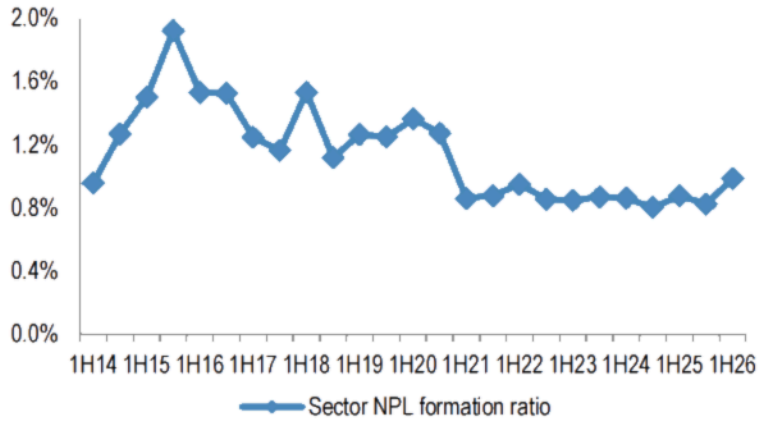
Overall asset quality largely stable, with continued pressure on retail AQ

NPL + SML ratio was edged up by 2bps h/h to 3.08% in 1H26 vs 3.06% in 2H25



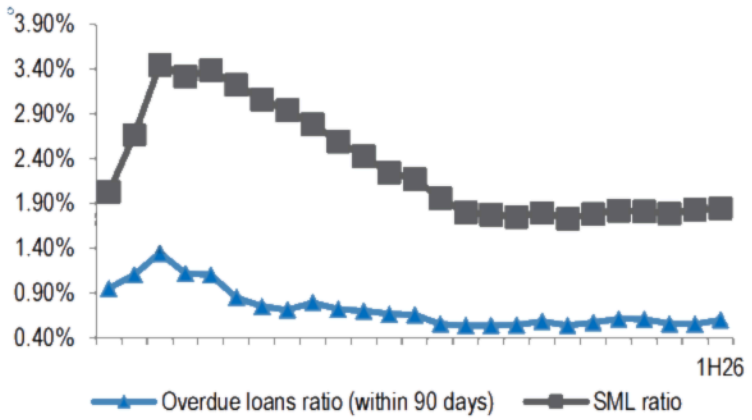
Source: Company reports.

NPL formation ratio went up h/h in 1H26



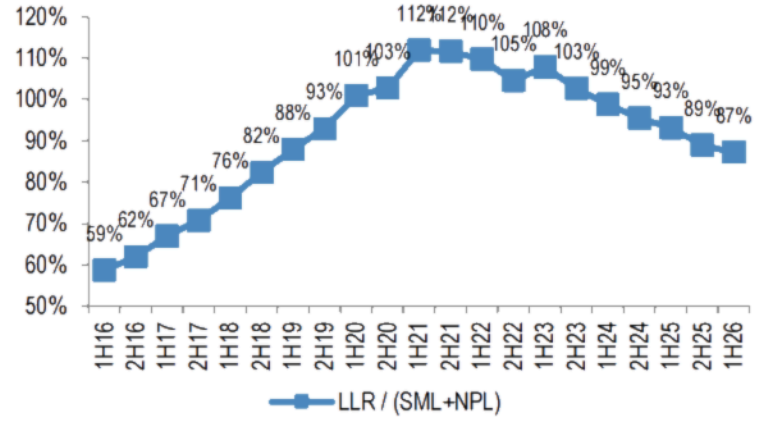
Source: Company report. (Note: NPL formation = Net increase in NPL (excl. write off)/ beginning normal and SML loans)..

SML edged up 1bp h/h in 1H26, and overdue (within 90 days ratio) ratio went up 5bps h/h in 1H26



Source: Company reports.

Coverage on (SML+NPL) declined further in 1H26

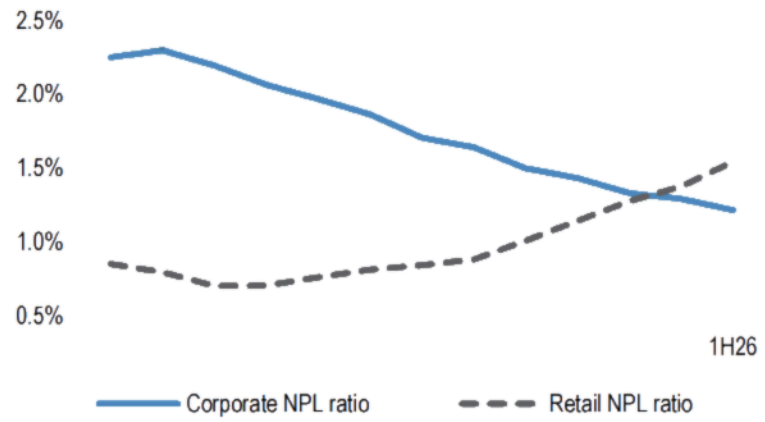


Source: Company reports.

Asset quality

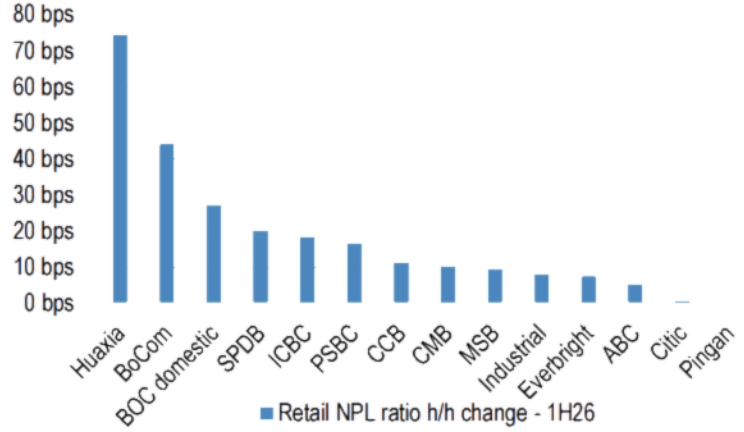
Overall asset quality largely stable, with continued pressure on retail AQ

Retail NPL ratio continued to increase, while corporate NPL ratio declined



Source: Company reports.

Huaxia bank saw the largest rise in retail NPL ratio h/h among banks in our coverage in 1H26



Source: Company report.

Corporate NPL ratio vs retail NPL ratio

	Corporate loans			Retail loans		
NPL ratio	2025	1H26	HoH	2025	1H26	HoH
ABC	1.37%	1.31%	-6 bps	1.34%	1.39%	5 bps
BOC domestic	1.46%	1.37%	-9 bps	1.10%	1.37%	27 bps
CCB	1.53%	1.46%	-8 bps	1.19%	1.31%	11 bps
ICBC	1.30%	1.21%	-9 bps	1.58%	1.77%	18 bps
PSBC	0.54%	0.52%	-2 bps	1.41%	1.58%	16 bps
BoCom	1.19%	1.05%	-14 bps	1.58%	2.02%	**44 bps**
Citic	1.17%	1.16%	-1 bps	1.36%	1.37%	1 bps
Everbright	1.21%	1.45%	24 bps	1.46%	1.54%	7 bps
Industrial	1.02%	0.97%	-4 bps	1.38%	1.46%	8 bps
CMB	0.96%	0.84%	-12 bps	1.08%	1.19%	10 bps
MSB	1.30%	1.23%	-7 bps	1.92%	2.01%	10 bps
Pingan	0.94%	0.92%	-2 bps	1.23%	1.23%	0 bps
SPDB	1.21%	1.08%	-13 bps	1.47%	1.67%	20 bps
Huaxia	1.42%	1.13%	-29 bps	2.11%	2.85%	74 bps
Big 4	**1.42%**	**1.34%**	**-8 bps**	**1.30%**	**1.46%**	**16 bps**
Large banks	**1.23%**	**1.15%**	**-8 bps**	**1.37%**	**1.57%**	**20 bps**
JSBs	**1.15%**	**1.10%**	**-5 bps**	**1.50%**	**1.66%**	**16 bps**

Asset quality

Retail asset quality by banks

Retail NPL ratio by segment

NPL ratio	Mortgages					Credit card loans				
%	1H25	2H25	1H26	HoH	YoY	1H25	2H25	1H26	HoH	YoY
ABC	0.77%	0.92%	0.89%	-3 bps	11 bps	1.51%	1.88%	2.05%	17 bps	54 bps
BOC domestic	0.74%	0.60%	0.96%	36 bps	21 bps	1.93%	2.18%	2.37%	18 bps	44 bps
CCB	0.76%	0.89%	0.98%	9 bps	22 bps	2.35%	2.36%	2.54%	17 bps	19 bps
ICBC	0.86%	1.06%	1.29%	24 bps	43 bps	NA	NA	NA	NA	NA
PSBC	0.73%	0.68%	0.81%	13 bps	9 bps	1.55%	1.44%	1.44%	0 bps	-11 bps
BoCom	0.75%	1.01%	1.16%	15 bps	41 bps	2.97%	2.68%	3.80%	113 bps	83 bps
Citic	NA	NA	NA	NA	NA	2.73%	2.62%	2.57%	-5 bps	-16 bps
Everbright	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Industrial	0.54%	0.60%	0.70%	10 bps	16 bps	3.28%	3.24%	3.79%	55 bps	51 bps
CMB	0.46%	0.51%	0.49%	-2 bps	3 bps	1.75%	1.74%	1.90%	16 bps	15 bps
MSB	0.96%	0.77%	0.77%	0 bps	-19 bps	3.68%	3.87%	4.22%	35 bps	55 bps
Pingan	0.28%	0.28%	0.22%	-6 bps	-6 bps	2.30%	2.24%	2.23%	-1 bps	-7 bps
SPDB	1.11%	NA	NA	NA	NA	2.29%	NA	NA	NA	NA
Huaxia	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Big 4	**0.78%**	**0.87%**	**1.03%**	**16 bps**	**25 bps**	**1.93%**	**2.14%**	**2.32%**	**18 bps**	**39 bps**
Large banks	**0.77%**	**0.86%**	**1.02%**	**16 bps**	**25 bps**	**2.06%**	**2.11%**	**2.44%**	**33 bps**	**38 bps**
JSBs	**0.67%**	**0.54%**	**0.54%**	**0 bps**	**-13 bps**	**2.67%**	**2.74%**	**2.94%**	**20 bps**	**27 bps**
Sector	**0.72%**	**0.73%**	**0.83%**	**10 bps**	**10 bps**	**2.39%**	**2.43%**	**2.69%**	**27 bps**	**30 bps**

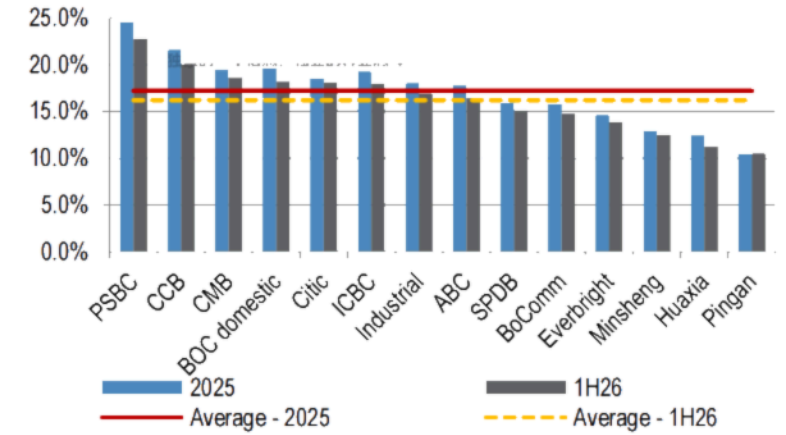
NPL ratio	Personal business loans					Personal consumption loans				
%	1H25	2H25	1H26	HoH	YoY	1H25	2H25	1H26	HoH	YoY
ABC	1.70%	1.85%	1.92%	7 bps	22 bps	1.55%	1.46%	1.57%	11 bps	3 bps
BOC domestic	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
CCB	1.51%	1.58%	1.78%	20 bps	27 bps	1.09%	1.07%	1.12%	4 bps	2 bps
ICBC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
PSBC	2.29%	2.43%	2.54%	11 bps	25 bps	NA	NA	NA	NA	NA
BoCom	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Citic	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Everbright	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Industrial	0.86%	1.29%	1.17%	-12 bps	31 bps	NA	NA	NA	NA	NA
CMB	0.95%	1.22%	1.34%	12 bps	38 bps	NA	NA	NA	NA	NA
MSB	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Pingan	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
SPDB	1.94%	1.69%	2.09%	40 bps	15 bps	NA	NA	NA	NA	NA
Huaxia	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Big 4	**1.60%**	**1.71%**	**1.85%**	**14 bps**	**24 bps**	**1.32%**	**1.27%**	**1.35%**	**8 bps**	**2 bps**
Large banks	**1.83%**	**1.95%**	**2.08%**	**13 bps**	**25 bps**	**1.32%**	**1.27%**	**1.35%**	**8 bps**	**2 bps**
JSBs	**0.91%**	**1.25%**	**1.25%**	**0 bps**	**35 bps**	**NA**	**NA**	**NA**	**NA**	**NA**
Sector	**1.46%**	**1.67%**	**1.75%**	**8 bps**	**29 bps**	**1.32%**	**1.27%**	**1.35%**	**8 bps**	**2 bps**

Source: Company reports.

Asset quality

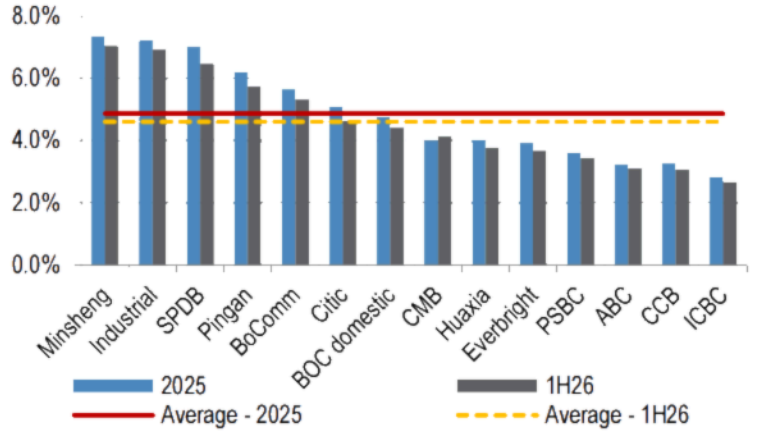
Real estate asset quality pressure is manageable

Mortgage loans as % of total loans by bank



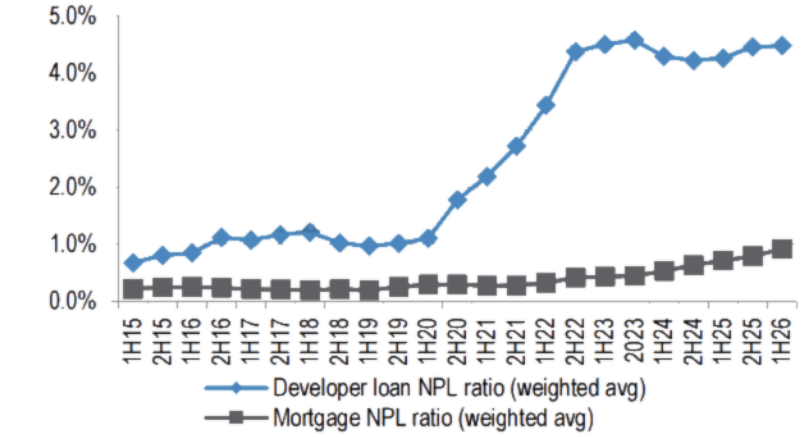
Source: Company reports.

Developer loans as % of total loans by bank



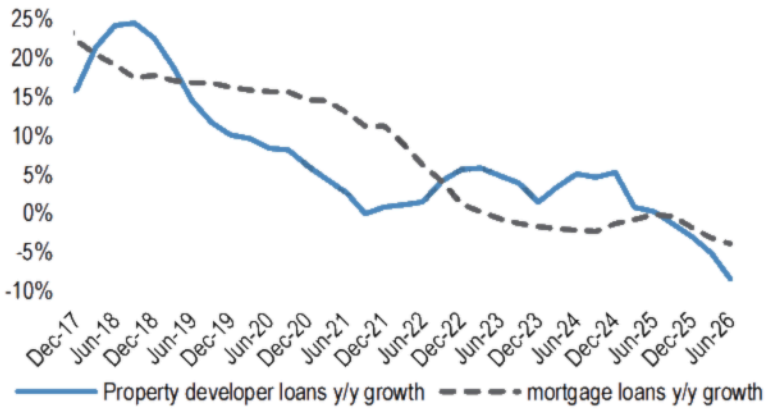
Source: Company report.

Weighted average mortgage NPL ratio increased to 0.92% at 1H26, while weighed average developer NPL ratio was 4.48%



Source: Company reports. Note: weighted average for banks in our coverage.

System mortgage loans contracted by 4% y/y in 1H26, while developer loans contracted by 8% y/y

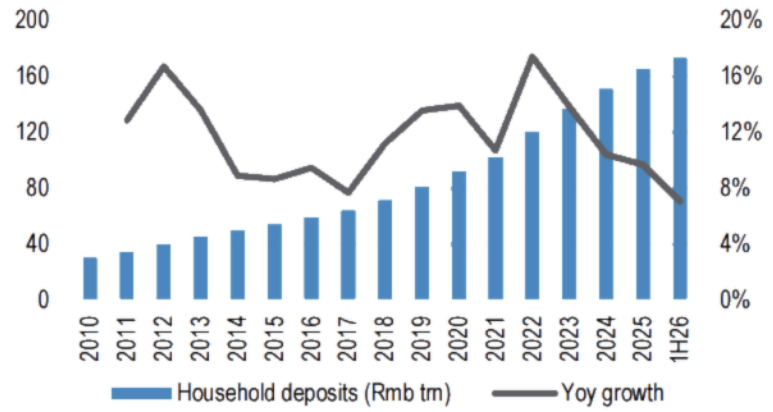


Source: PBOC, CEIC.

Yield stocks to benefit ly from rising asset allocation into equities market

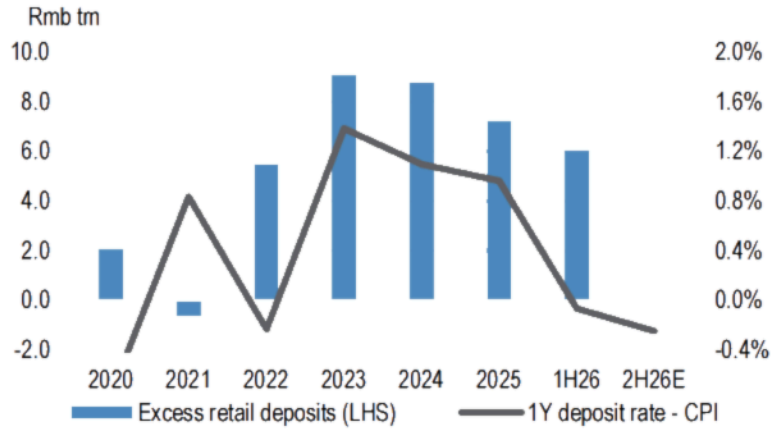
Equities are the only asset class offering improving yield

Household deposits reached Rmb170trn in 1H26



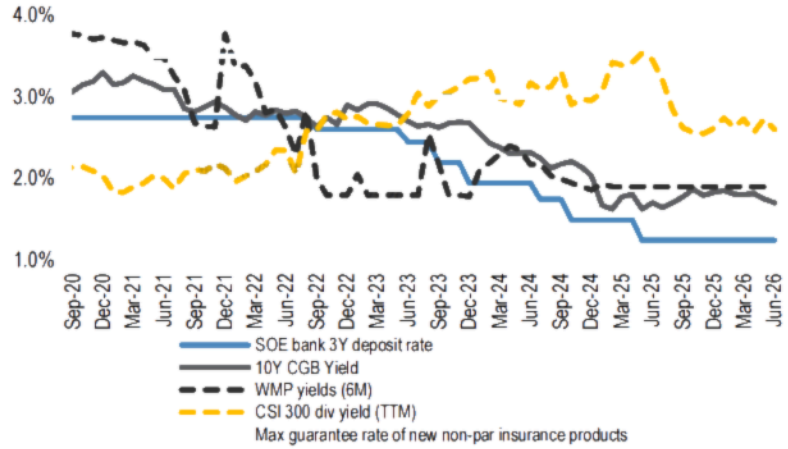
Source: PBOC, CEIC.

We estimate excess retail deposits trended down in 2026, partly explained by the decline in real interest rates



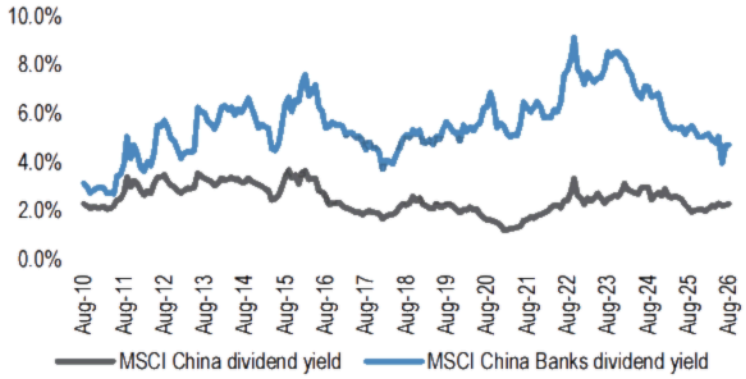
Source: PBOC, CEIC, J.P. Morgan estimates.

CSI300 dividend yield is higher than banks' 3Y deposit rate, insurance products guaranteed rate and WMP yields



Source: Wind, Bloomberg Finance L.P., J.P. Morgan. Data as of June 30, 2026.

MSCI China banks offer higher yields when compared to MSCI China Index



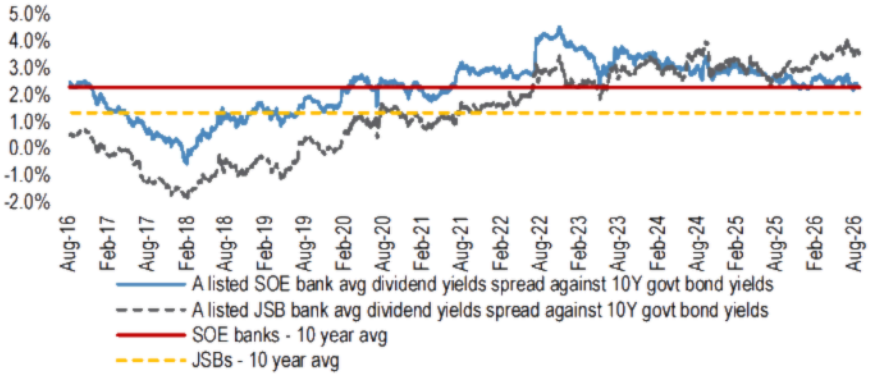
Source: Wind.

JPM

Yield stocks to gain further momentum

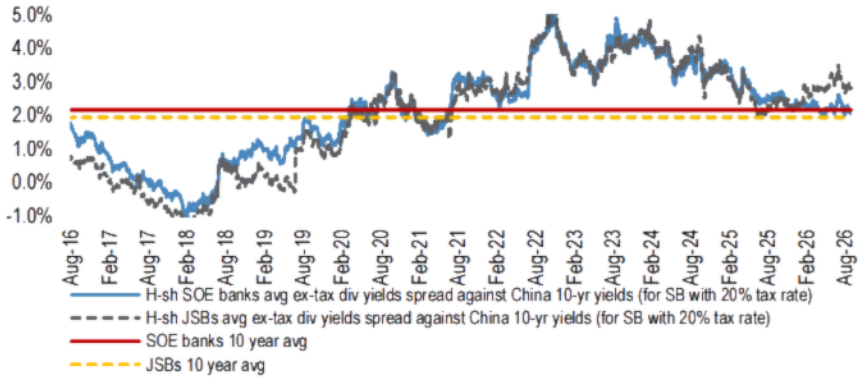
Taking a further look into dividend yields spread – declining CGB yields make A and H banks attractive to onshore investors

Dividend yield spread are turning attractive in A-shares



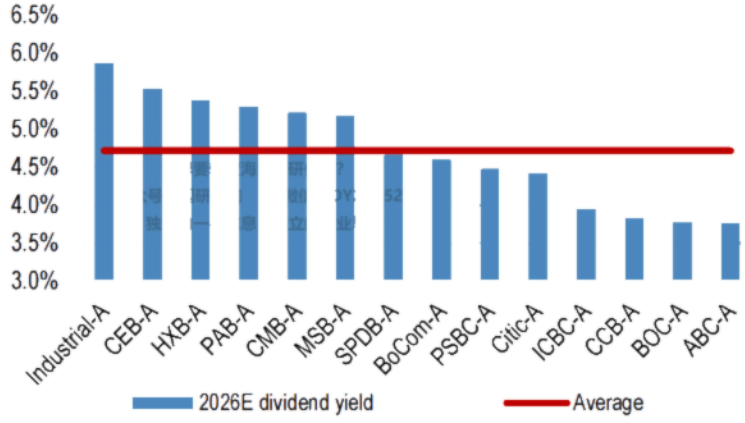
Source: Bloomberg Finance L.P., Data as of Aug 31, 2026.

H-share banks' dividend yields are attractive for onshore investors



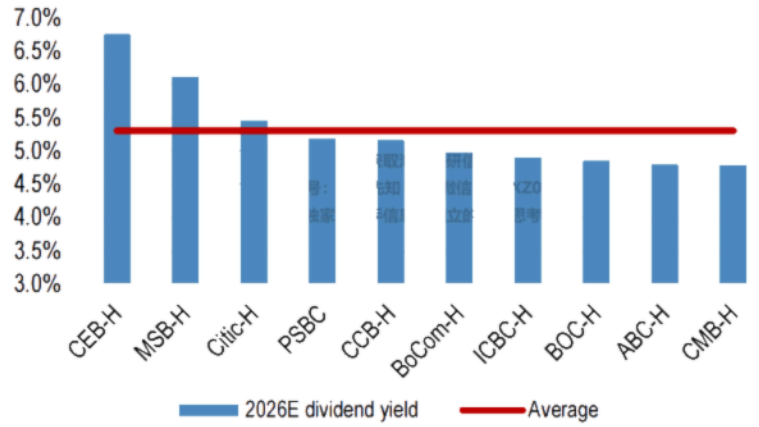
Source: Bloomberg Finance L.P., Data as of Aug 31, 2026.

A-share banks' dividend yields



Source: J.P. Morgan estimates, Bloomberg Finance L.P., Data as of Aug 31, 2026.

H-share banks' dividend yields



Source: J.P. Morgan estimates, Bloomberg Finance L.P., Data as of Aug 31, 2026.

China Banks – Valuations and ratings

Valuation summary of H share banks under our coverage

Company	Bbg code	Price (HK$)	Rating	PT (HK$)	% to PT	Mkt cap (US$ B)	P/E (x)		P/B (x)		Div. yield		ROE	
							FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Large banks														
BOC-H	3988 HK	5.90	OW	6.70	14%	294	6.7	6.4	0.57	0.54	4.9%	5.1%	8.7%	8.7%
CCB-H	939 HK	9.50	OW	11.05	16%	326	6.1	5.8	0.57	0.54	5.2%	5.4%	9.7%	9.5%
ICBC-H	1398 HK	7.57	OW	8.40	11%	408	6.3	6.1	0.56	0.53	4.9%	5.1%	9.2%	9.0%
BoCom-H	3328 HK	7.80	OW	8.10	4%	97	6.4	6.2	0.48	0.44	5.0%	5.2%	7.7%	7.4%
ABC-H	1288 HK	6.35	OW	6.55	3%	354	6.6	6.3	0.62	0.57	4.8%	5.0%	9.8%	9.4%
PSBC	1658 HK	5.30	OW	5.90	11%	92	7.4	7.0	0.51	0.48	5.2%	5.4%	8.3%	8.2%
Big 4 average							**6.5**	**6.2**	**0.58**	**0.54**	**4.9%**	**5.2%**	**9.4%**	**9.1%**
Large banks average							**6.6**	**6.3**	**0.55**	**0.52**	**5.0%**	**5.2%**	**8.9%**	**8.7%**
Joint-stock banks														
Citic-H	998 HK	8.36	OW	8.75	5%	70	5.8	5.6	0.52	0.49	5.5%	5.7%	9.2%	9.0%
CMB-H	3968 HK	50.95	OW	62.00	22%	153	7.4	7.3	0.92	0.85	4.8%	4.9%	13.1%	12.2%
MSB-H	1988 HK	3.48	N	3.65	5%	22	4.9	4.7	0.22	0.22	6.1%	6.4%	4.6%	4.7%
CEB-H	6818 HK	2.84	UW	2.60	-8%	25	4.4	4.3	0.26	0.25	6.8%	7.0%	5.9%	5.8%
JSBs average							**5.6**	**5.5**	**0.48**	**0.45**	**5.8%**	**6.0%**	**8.2%**	**7.9%**
Sector average							**6.2**	**6.0**	**0.52**	**0.49**	**5.3%**	**5.5%**	**8.6%**	**8.4%**

Source: J.P. Morgan estimates, Bloomberg Finance L.P. Prices are as of 31 Aug 2026.

Historical trading range of H-share China banks since listing

	P/B (FY1)			P/E (FY1)		
	Average	Max	Min	Average	Max	Min
ICBC-H	1.2x	4.0x	0.3x	7.4x	25.3x	3.1x
CCB-H	1.3x	4.1x	0.3x	7.4x	21.1x	3.0x
ABC-H	0.8x	2.0x	0.3x	5.1x	10.5x	2.9x
BOC-H	0.9x	2.7x	0.3x	6.7x	22.5x	3.1x
PSBC	0.7x	0.9x	0.4x	5.7x	9.5x	3.7x
Bocom-H	1.1x	4.3x	0.3x	8.0x	28.6x	3.0x
Citic-H	0.8x	3.1x	0.2x	6.3x	35.5x	2.3x
CMB-H	1.8x	7.3x	0.7x	10.0x	34.2x	4.2x
Minsheng-H	0.7x	1.8x	0.2x	5.0x	12.7x	2.8x
CEB-H	0.5x	1.0x	0.2x	4.2x	6.4x	2.4x
Sector	**1.0x**	**3.1x**	**0.3x**	**6.6x**	**20.6x**	**3.0x**

Source: Bloomberg Finance L.P. Past performance is not indicative of future results

China Banks – Valuations and ratings

Valuation summary of A-share banks under our coverage

Company	Bbg code	Price (Rmb)	Rating	PT (Rmb)	% to PT	Mkt cap (US$ B)	P/E (x)		P/B (x)		Div. yield		ROE	
							FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Large banks														
CCB-A	601939 CH	10.98	OW	12.85	17%	326	8.3	7.9	0.77	0.73	3.8%	4.0%	9.7%	9.5%
BoCom-A	601328 CH	7.24	OW	8.40	16%	97	7.0	6.7	0.52	0.48	4.6%	4.8%	7.7%	7.4%
BOC-A	601988 CH	6.51	OW	7.50	15%	294	8.7	8.2	0.74	0.70	3.8%	4.0%	8.7%	8.7%
ICBC-A	601398 CH	8.07	OW	9.50	18%	408	7.8	7.5	0.70	0.66	4.0%	4.1%	9.2%	9.0%
ABC-A	601288 CH	6.92	OW	7.35	6%	354	8.4	8.0	0.79	0.73	3.8%	4.0%	9.8%	9.4%
Big 4 average							**8.3**	**7.9**	**0.75**	**0.70**	**3.8%**	**4.0%**	**9.4%**	**9.1%**
Large banks average							**8.0**	**7.7**	**0.70**	**0.66**	**4.0%**	**4.2%**	**9.0%**	**8.8%**
Joint-stock banks														
SPDB-A	600000 CH	9.16	OW	12.60	38%	45	6.5	6.0	0.40	0.38	4.7%	5.0%	6.7%	6.3%
Citic-A	601998 CH	8.85	OW	9.50	7%	70	7.2	6.9	0.64	0.60	4.4%	4.6%	9.2%	9.0%
CMB-A	600036 CH	40.12	OW	54.00	35%	153	6.8	6.7	0.85	0.78	5.2%	5.3%	13.1%	12.2%
MSB-A	600016 CH	3.53	N	3.70	5%	22	5.8	5.6	0.26	0.26	5.2%	5.4%	4.6%	4.7%
PAB-A	000001 CH	11.72	N	11.70	0%	34	5.5	5.3	0.47	0.45	5.3%	5.5%	9.2%	8.9%
Industrial-A	601166 CH	17.54	N	18.00	3%	55	5.3	5.3	0.43	0.41	5.9%	5.9%	8.4%	8.0%
CEB-A	601818 CH	2.97	UW	2.70	-9%	25	5.4	5.2	0.31	0.30	5.5%	5.7%	6.4%	5.9%
HXB-A	600015 CH	6.23	UW	4.80	-23%	15	4.8	4.8	0.30	0.29	5.4%	5.4%	8.3%	6.4%
JSBs average							**5.9**	**5.7**	**0.46**	**0.43**	**5.2%**	**5.3%**	**8.2%**	**7.7%**
Sector average							**6.7**	**6.5**	**0.55**	**0.52**	**4.7%**	**4.9%**	**8.5%**	**8.1%**

Source: J.P. Morgan estimates, Bloomberg Finance L.P. Prices are as of 31 Aug 2026.

Historical trading range of A-share China banks since listing

	P/B (FY1)			P/E (FY1)		
	Average	Max	Min	Average	Max	Min
ICBC-A	1.3x	4.9x	0.4x	8.0x	30.5x	3.9x
CCB-A	1.2x	5.5x	0.5x	7.0x	27.5x	4.0x
ABC-A	0.8x	1.6x	0.4x	5.5x	9.3x	3.5x
BOC-A	1.1x	4.1x	0.4x	8.1x	29.2x	3.9x
Bocom-A	1.1x	5.5x	0.4x	7.5x	35.2x	3.6x
Citic-A	1.2x	5.8x	0.4x	9.5x	64.4x	3.6x
CMB-A	1.9x	8.2x	0.7x	10.4x	37.5x	3.9x
Minsheng-A	1.2x	4.8x	0.3x	8.2x	35.4x	3.9x
CEB-A	0.8x	2.3x	0.3x	5.7x	14.2x	3.4x
Industrial	1.3x	7.6x	0.4x	7.3x	34.8x	3.1x
PAB	1.5x	6.1x	0.5x	10.7x	47.5x	4.1x
SPDB	1.3x	6.6x	0.3x	8.0x	33.3x	3.5x
Huaxia	1.1x	5.9x	0.3x	8.3x	40.6x	3.2x
Sector	**1.2x**	**5.3x**	**0.4x**	**8.0x**	**33.8x**	**3.7x**

Source: Bloomberg Finance L.P. Past performance is not indicative of future results.

Taiwan

Taiwan financials: decent EPS/DPS outlook for FY26 on macro tailwinds

Key sector views

Earnings beat across banking, securities, and life insurance operations

- Strong GDP growth and ATH of equity markets have been the operational tailwinds for Taiwan financials.
- We expect earnings growth at 20-30% for the banking operations, more than doubled earnings at securities operations, and at least tripled earnings at life insurance operations on an adjusted basis by including FVOCI equity realized gains.
- Such earnings momentum should translate into decent DPS growth and allow the sector to sustain at least 4-5% yields vs. less than 2% at TWSE.

Life insurers to enjoy robust FYP growth and FVOCI equity trading gains

- FYP growth is tracking at 50% YoY for the sector due to strong demand for investment linked products, for which sales have doubled YoY in 1H26; strong volumes have allowed new business CSM to be on track or ahead of full-year targets at individual companies.
- FVOCI equity realized gains are not reflected on P&L but could be part of the distributable profits, while the amounts have been even larger than reported profits at most life insurers in 1H26.
- New dividend rules for the life operations to be finalized by year end would be critical for the FHC dividend payout flexibility.

Bank PPOP supported by strong loan growth and WM fee momentum

- Double-digit loan growth and 20-40% WM fee growth would support PPOP growth at double-digits for FY26.
- Asset quality condition has been stable, but credit costs are likely higher YoY due to higher GP amid stronger loan growth.
- The benefit of IRB adoption has been smoothed out for 5 years but still incrementally positive on CET1 ratios at individual banks, but this might not be an immediate positive on bank payout ratios.

Top picks: KGI, Fubon, and Sinopac

- KGI, Fubon, and Sinopac are our top picks: all are trading at more reasonable valuation vs. ROE outlook, and we expect all three to deliver superior DPS growth and/or carry more attractive dividend yields in the coming 6-12 months.

1Q26 result review: all beat at banking and securities operations

Key sector views

1Q26 earnings grew 20% YoY on average for Taiwan financials under coverage

- 1Q26 reported earnings increased 20% YoY, up from 1% YoY in 1Q25/FY25, mainly driven by strong banking and securities operations amid favorable equity market conditions.
- Sinopac and KGI were the top picks, benefiting from robust securities operations. Yuanta and Sinopac delivered the best underlying profit growth, while Cathay and Fubon saw YoY declines in reported profits, but adjusted profits (including FVOCI equity realized gains) were up 50-60% YoY.

Resilient PPOP momentum backed by loan growth and fee income

- PPOP growth accelerated to 20% YoY in 1Q26 (17% excluding Shinkong Bank), supported by double-digit NII growth and over 20% WM fee growth.
- Loan growth accelerated to 7.7% YoY in 1Q26 from 6.2% in 4Q25, with most banks guiding to better-than-expected corporate credit demand.
- Yuanta and Fubon outperformed peers with over 30% YoY PPOP growth.

Slightly higher credit costs on stronger loan growth

- Average credit costs rose to 16bps in 1Q26 from 14bps in 1Q25, reflecting stronger loan growth but remaining at benign levels.
- Asset quality stayed solid, with sector-wide NPL ratio at 15bps and coverage ratio over 900%.

Positive investment spreads under IFRS17 but volatility remains high

- Life insurers showed modest declines in recurring yields YoY in 1Q26, mainly due to diluted dividend yields from equity appreciation.
- Insurance costs dropped to 2.0-2.4% (as % of assets), allowing positive investment spreads even post-hedge, but monthly earnings volatility is higher than expected.

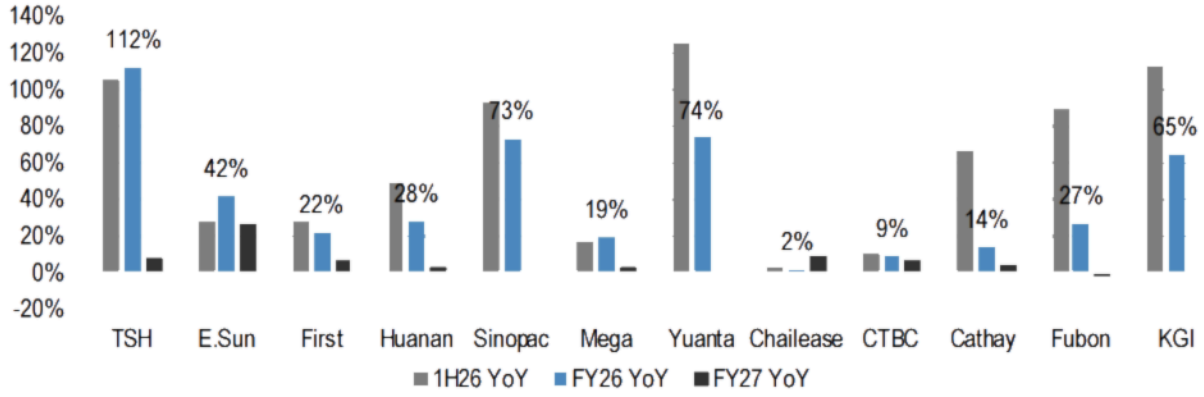
Decent FYP momentum but lower margins for investment-linked products

- Industry FYP grew 36% YoY in 1Q26, with total premium inflows exceeding policy redemption flows.
- Investment-linked and participating policies drove FYP growth, but these are lower-margin products, leading to YoY declines in CSM margins.

Earnings growth is forecast to be strong in FY26

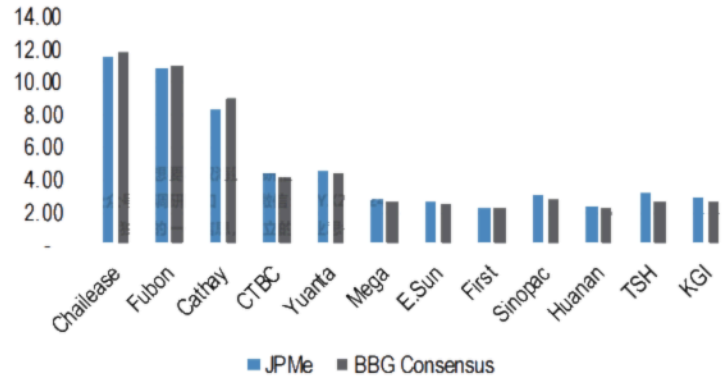
YoY earnings growth by FHC

FY27 earnings to moderate for Taiwan Financials after a strong 36% YoY growth in FY26



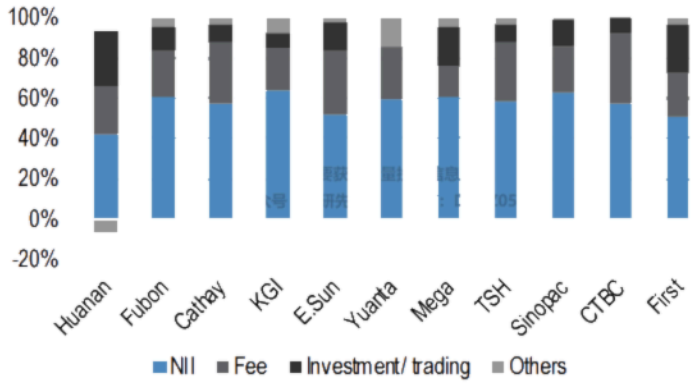
Source: Company data, J.P. Morgan estimates.

JPMe vs. consensus EPS for FY26E



Source: Bloomberg Finance L.P., J.P. Morgan estimates

Operating revenue breakdown in 1H26 by bank

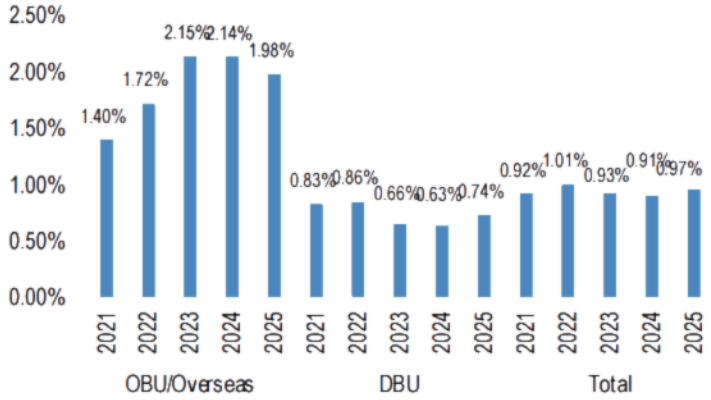


Source: Company data, J.P. Morgan

Robust NIM outlook and lower hedging costs amid more favorable FX

NIM migration by OBU/overseas branches and DBU

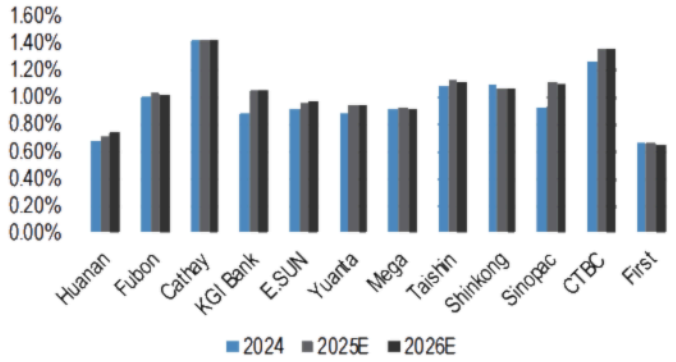
NIM migration has remained relatively resilient in recent years



Source: Central Bank in Taiwan, FSC, J.P. Morgan

NIM in FY24-26E, by bank

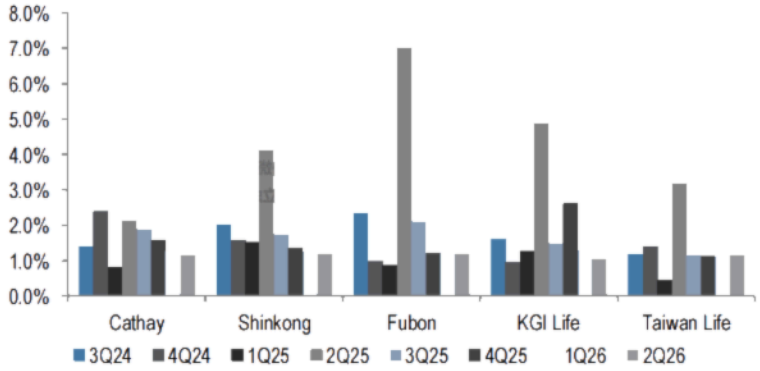
We expect reported NIMs on average to remain robust in FY26E



Source: Company data, J.P. Morgan estimates.

Hedging costs by company – 2Q26

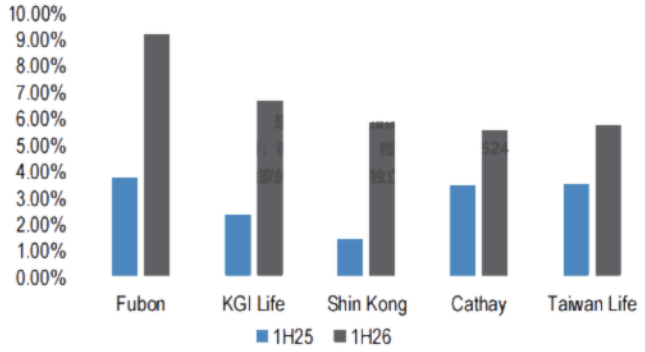
Lowered hedging costs since 2Q25 amid more favorable FX



Source: Company data, J.P. Morgan.

Investment yields after hedge by company – 1H26

Investment yields have gained strong equity performance and optimized portfolio asset mix

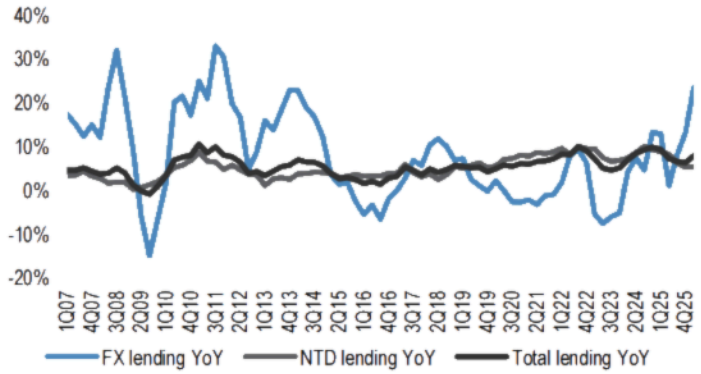


Source: Company data, J.P. Morgan.

Loan growth driven by client capex investment needs

Quarterly loan growth by currency

FX loan growth momentum grew to 23% in 1Q26, while NTD loan growth moderated to 5%



Source: CBC, TEJ, J.P. Morgan

Corporate loan growth vs. nominal GDP growth

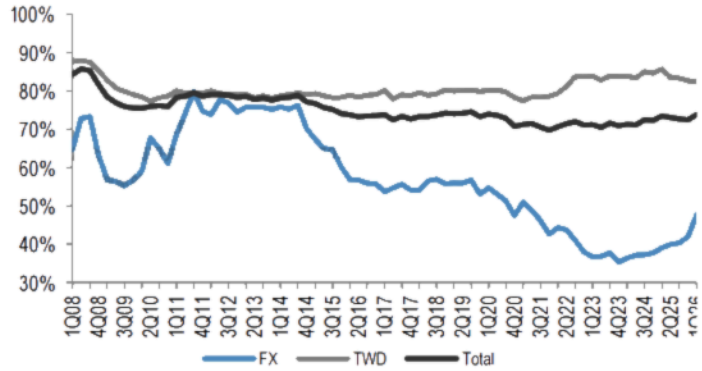
GDP increase has been driven by credit demands from tech and export-oriented sectors



Source: National Statistics, Bloomberg Finance L.P., J.P. Morgan

LDR – FX vs. NTD

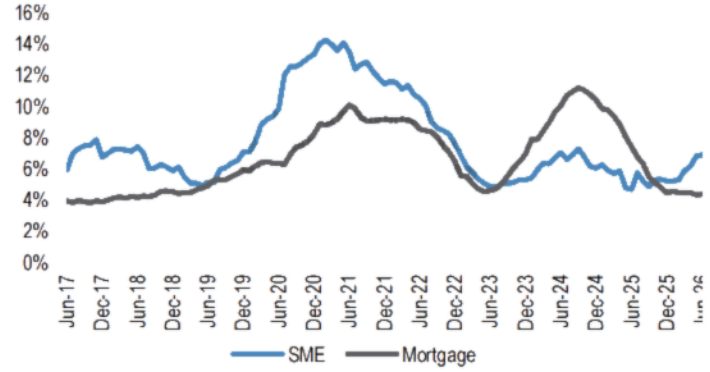
FCY loan growth momentum is improving with increased foreign capex needs



Source: Central Bank in Taiwan, TEJ, J.P. Morgan

Mortgage and SME loan growth YoY

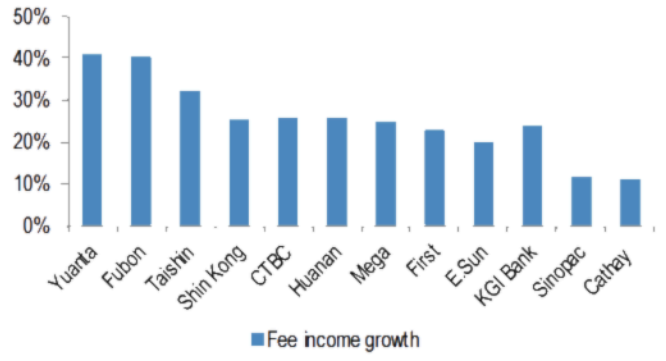
Mortgage loan growth has been moderating from the peak in 3Q24, whereas SME loan growth has seen a pick-up in 2Q26



Source: TEJ, J.P. Morgan

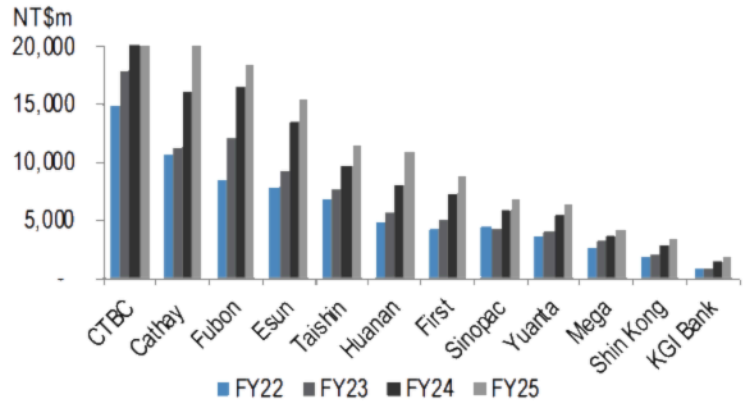
Decent fee income growth in 1H26 supported by robust WM fees

Fee income growth for 1H26



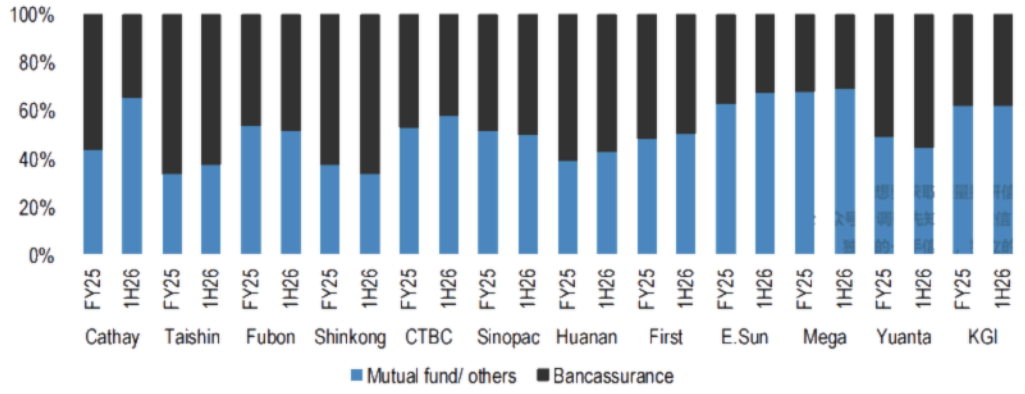
Source: Company report, J.P. Morgan

WM fees in FY22 to FY25 by banks



Source: Company data, J.P. Morgan

WM fee breakdown in 2025 vs. 1H26

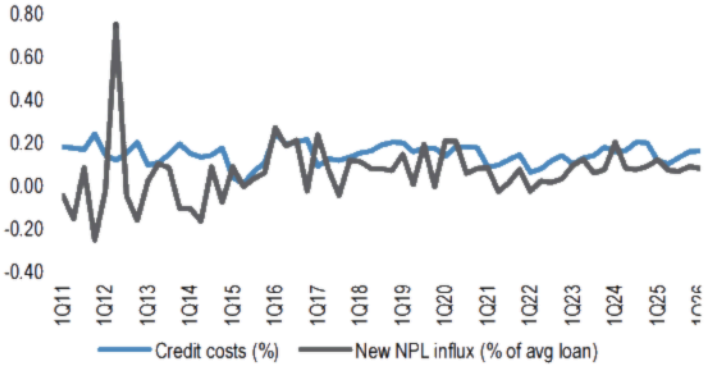


Source: Company data, J.P. Morgan

Asset quality – No sign of meaningful asset quality deterioration

Sector-wide credit costs and new NPL formation

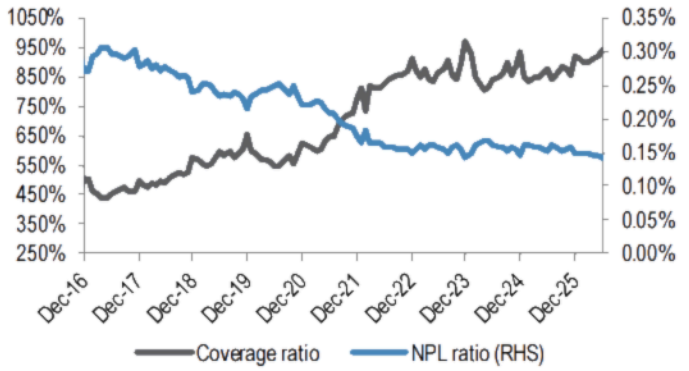
Most banks are still guiding for a relatively stable asset quality outlook and expect no meaningful volatility in credit costs



Source: TEJ, CBC, J.P. Morgan estimates

Sector NPL and coverage ratio

NPL ratio was stable at 0.14% as of Jun'26



Source: TEJ, J.P. Morgan

Effective credit costs by individual bank

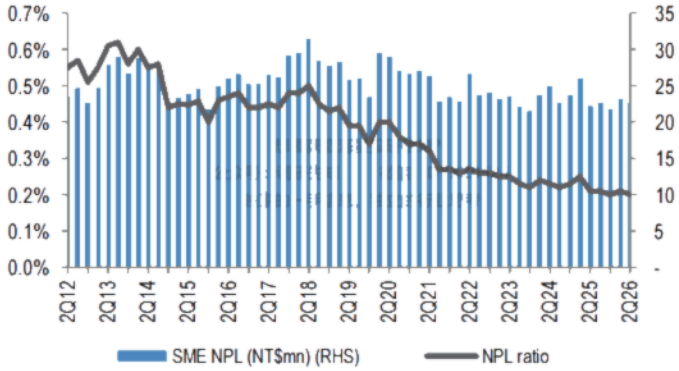
Avg. credit costs for banks under our coverage have been contained

	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
E.Sun	0.30%	0.14%	0.06%	0.28%	0.36%	0.33%	0.15%	0.26%
First	0.40%	0.25%	0.01%	0.19%	0.34%	0.37%	0.12%	0.11%
Huanan	0.24%	0.08%	0.13%	-0.24%	0.12%	0.14%	0.09%	0.15%
Sinopac	0.27%	0.32%	0.19%	0.01%	0.21%	0.31%	0.21%	0.27%
Mega	0.39%	0.56%	0.06%	0.11%	0.17%	0.51%	0.05%	0.16%
Taishin	0.14%	-0.07%	0.18%	0.09%	0.23%	-0.08%	0.25%	0.26%
CTBC	0.34%	0.19%	0.33%	0.26%	0.34%	0.22%	0.28%	0.48%
Yuanta	0.05%	0.10%	0.26%	0.12%	0.09%	-0.01%	0.08%	0.17%
Shin Kong	0.13%	0.20%	0.14%	0.09%	0.21%	0.20%	0.17%	0.00%
Cathay	0.35%	0.41%	0.20%	0.15%	0.27%	0.45%	0.27%	0.23%
Fubon	0.20%	0.23%	0.04%	0.15%	0.29%	0.28%	0.30%	0.11%
KGI Bank	0.30%	0.34%	0.27%	0.10%	0.09%	0.16%	-0.03%	0.14%
Average	**0.26%**	**0.23%**	**0.16%**	**0.11%**	**0.23%**	**0.24%**	**0.16%**	**0.21%**

Source: Company data, J.P. Morgan

NPL ratio for SME lending

NPL ratio for SME lending was down 1bps QoQ to 0.20% in 2Q26



Source: FSC, J.P. Morgan

Sector top picks – KGI, Fubon, Sinopac

Top picks

KGI (2883 TT, PT NT$41.0)

- Underlying banking and securities operations are tracking ahead of our expectations, while FVOCI equity-realized gains are already close to FY26 forecast, indicating potential upside to adjusted profits at KGI Life
- Current valuation implies more attractive risk-reward compared to peers, with implied payout ratios of 25% in our DPS assumption for FY26 subject to more upside than downside

Fubon (2881 TT, PT NT$159.0)

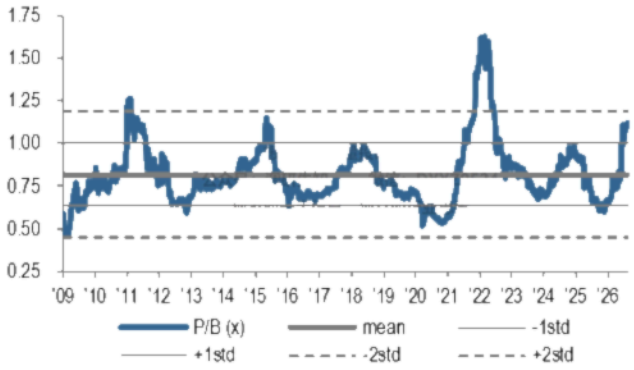
- Robust business lines earnings growth with strong capital position for dividend payout capacity
- Current valuation implies attractive risk-reward compared to peers, with superior implied yields over 5%

Sinopac (2890 TT, PT NT$43.4)

- Current valuation remains relatively attractive compared to ROE outlook and peers
- In line banking operations with upside potential from securities and KTB operations to bolster EPS growth

KGI P/B band

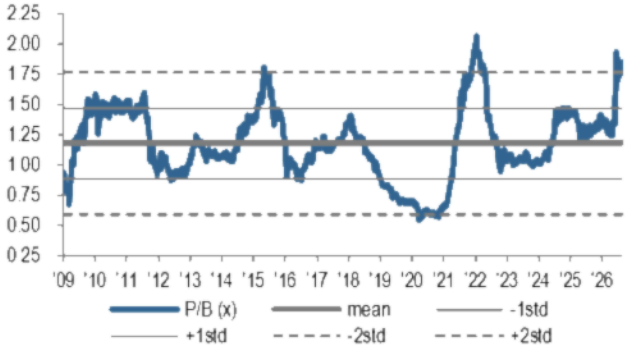
Long-term average of P/B ratio is 0.82x for KGI



Source: Bloomberg Finance L.P., J.P. Morgan estimates

Fubon P/B band

Long-term average of P/B ratio is 1.18x for Fubon



Source: Bloomberg Finance L.P., J.P. Morgan estimates

Sinopac P/B band

Long-term average of P/B ratio is 1.00x for Sinopac



Source: Bloomberg Finance L.P., J.P. Morgan estimates

Taiwan Banks – valuation methodology and risks

KGI

Valuation:

- Our Dec-27 PT of NT$41.0 is based on the SOTP method by valuing life insurance operations at adjusted equity (reported equity+CSM) and other operations at fair P/B derived from the ROE-g/COE-g approach, using 1.1x for KGI Bank, 1.8x for KGI Securities and 0.1x for CDIB Capital. The PT implies 1.4x BV (FY27E) and 14.2x EPS (FY27E).

Risks to Rating and Price Target:

- Downside risks include a material equity market correction that would result in earnings headwinds for the securities operations and capital pressure at the FHC level.
- Upside catalysts include: (1) a favorable interest rate environment; (2) an improved product mix to enhance CSM generation capability; and (3) stronger-than-expected PPOP growth at KGI Bank.

Fubon

Valuation:

- Our Dec-27 PT of NT$159.0 is based on an SOTP method by valuing life insurance operations at adjusted equity (reported equity+CSM) and other operations at fair P/B derived from ROE-g/COE-g approach, using 2.2x for Taipei Fubon Bank, 2.0x for Fubon Securities and 2.0x for Fubon Insurance. The PT implies 1.8x BV (FY27E) and 14.7x EPS (FY27E).

Risks to Rating and Price Target:

- Downside risks include: 1) a material equity market correction resulting in a bigger earnings swing and book value erosion to undermine the dividend payout capability and 2) sharp TWD appreciation, which could lead to a depletion in FX reserves.
- Upside risks include: 1) a favourable interest rate environment, and 2) an improved product mix to enhance CSM generation capability.

Sinopac

Valuation:

- Our P/BV-based Dec-27 PT of NT$43.4 is equivalent to 2.1x BV (FY27E) and implies 14.0x EPS (FY27E).

Risks to Rating and Price Target:

- Downside risks include: (1) unexpected defaults of large syndication, driving up credit costs; and (2) worse-than-expected NIM migration and fee growth.
- Upside risks include: (1) a strong market rally that boosts WM fees and earnings at Sinopac Securities; and (2) better-than-expected cash payout ratios that enhance dividend yields.

Key financials

Net Interest Income yoy growth

NII growth	2023	2024	2025	2026E	2027E	2028E
Huanan	-16%	-3%	11%	7%	8%	6%
Fubon	20%	8%	14%	17%	11%	9%
Cathay	6%	18%	12%	18%	11%	8%
KGI Bank	-19%	-5%	42%	20%	9%	6%
E.SUN	-2%	17%	21%	20%	13%	8%
Yuanta	1%	8%	23%	24%	13%	10%
Mega	1%	2%	1%	11%	8%	5%
Taishin	5%	13%	15%	16%	10%	8%
Shin Kong	-5%	8%	2%	2%	5%	5%
Sinopac	-10%	5%	43%	14%	9%	7%
CTBC	4%	0%	22%	16%	9%	8%
First	-15%	-5%	12%	12%	9%	7%
Average	**-3%**	**5%**	**18%**	**15%**	**10%**	**7%**

Source: Company data, J.P. Morgan estimates.

Fee income yoy growth

Fee income growth	2023	2024	2025	2026E	2027E	2028E
Huanan	16%	32%	20%	23%	11%	11%
Fubon	52%	37%	13%	25%	17%	14%
Cathay	14%	34%	22%	8%	12%	12%
KGI Bank	0%	43%	14%	17%	14%	14%
E.SUN	11%	28%	9%	21%	14%	12%
Yuanta	11%	35%	20%	21%	13%	13%
Mega	10%	25%	-5%	17%	9%	9%
Taishin	8%	24%	17%	22%	14%	11%
Shin Kong	10%	29%	11%	19%	13%	11%
Sinopac	0%	32%	16%	16%	13%	13%
CTBC	13%	27%	11%	15%	11%	11%
First	10%	34%	9%	17%	13%	13%
Average	**13%**	**32%**	**13%**	**18%**	**13%**	**12%**

Source: Company data, J.P. Morgan estimates.

Revenues yoy growth

Revenue Growth	2023	2024	2025	2026E	2027E	2028E
Huanan	22%	9%	10%	9%	9%	8%
Fubon	25%	20%	20%	22%	15%	13%
Cathay	16%	30%	12%	20%	14%	9%
KGI Bank	-7%	0%	31%	13%	7%	6%
E.SUN	28%	23%	30%	15%	13%	9%
Yuanta	14%	19%	8%	22%	11%	10%
Mega	33%	-6%	0%	13%	4%	5%
Taishin	22%	23%	17%	20%	13%	11%
Shin Kong	1%	7%	-20%	36%	7%	7%
Sinopac	11%	12%	15%	22%	9%	8%
CTBC	13%	17%	12%	14%	11%	9%
First	12%	10%	6%	13%	8%	9%
Average	**16%**	**14%**	**12%**	**18%**	**10%**	**9%**

Source: Company data, J.P. Morgan estimates.

PPoP yoy growth

PPoP Growth	2023	2024	2025	2026E	2027E	2028E
Huanan	14%	12%	1%	14%	10%	8%
Fubon	29%	21%	19%	23%	14%	12%
Cathay	13%	36%	7%	18%	12%	9%
KGI Bank	-1%	22%	14%	11%	9%	7%
E.SUN	28%	26%	33%	13%	12%	8%
Yuanta	20%	22%	6%	28%	14%	10%
Mega	43%	-5%	-5%	7%	7%	5%
Taishin	23%	18%	20%	21%	13%	10%
Shin Kong	3%	8%	-16%	32%	6%	7%
Sinopac	7%	19%	10%	24%	8%	8%
CTBC	12%	18%	11%	15%	10%	9%
First	7%	8%	7%	9%	8%	8%
Average	**17%**	**17%**	**9%**	**18%**	**10%**	**8%**

Source: Company data, J.P. Morgan estimates.

Key financials

Net profits yoy growth

Net profits growth	2023	2024	2025	2026E	2027E	2028E
Huanan	20%	8%	12%	9%	9%	8%
Fubon	13%	20%	19%	22%	15%	13%
Cathay	13%	31%	14%	0%	0%	0%
KGI Bank	-10%	1%	25%	12%	7%	6%
E.SUN	32%	26%	34%	13%	13%	9%
Yuanta	19%	16%	7%	27%	13%	9%
Mega	28%	-9%	2%	10%	5%	5%
Taishin	22%	24%	16%	22%	13%	11%
Shin Kong	-1%	6%	-18%	34%	7%	7%
Sinopac	9%	8%	13%	25%	9%	8%
CTBC	11%	20%	16%	12%	11%	9%
First	6%	11%	8%	14%	8%	9%
Average	**14%**	**13%**	**12%**	**17%**	**9%**	**8%**

Source: Company data, J.P. Morgan estimates.

Tier 1 ratio

Tier 1 ratio	2023	2024	2025	2026E	2027E	2028E
Huanan	12.62%	12.67%	13.64%	12.58%	12.42%	12.32%
Fubon	14.17%	13.37%	13.35%	12.80%	12.63%	12.60%
Cathay	13.27%	12.57%	13.13%	12.20%	12.62%	13.05%
KGI Bank	12.59%	11.37%	12.41%	11.60%	11.27%	10.95%
E.SUN	12.71%	12.56%	12.77%	11.64%	11.32%	11.26%
Yuanta	11.72%	11.15%	11.24%	10.97%	10.36%	9.87%
Mega	13.25%	12.65%	14.29%	12.98%	12.66%	12.34%
Taishin	12.89%	13.48%	13.54%	12.84%	12.81%	12.81%
Shin Kong	13.49%	13.01%	13.11%	13.02%	12.83%	12.65%
Sinopac	12.99%	12.26%	12.97%	11.71%	11.67%	11.65%
CTBC	11.80%	12.27%	12.38%	13.02%	12.88%	12.73%
First	12.59%	12.29%	13.19%	12.74%	12.61%	12.51%
Average	12.84%	12.47%	13.00%	12.34%	12.17%	12.06%

Source: Company data, J.P. Morgan estimates.

Gross loans yoy growth

Gross loan growth	2023	2024	2025	2026E	2027E	2028E
Huanan	10%	7%	1%	5%	7%	7%
Fubon	19%	12%	11%	14%	11%	11%
Cathay	12%	17%	8%	6%	10%	10%
KGI Bank	1%	19%	11%	8%	8%	8%
E.SUN	7%	12%	13%	9%	10%	9%
Yuanta	9%	18%	16%	13%	9%	9%
Mega	3%	8%	6%	12%	7%	7%
Taishin	8%	9%	9%	10%	9%	9%
Shin Kong	7%	6%	5%	6%	6%	6%
Sinopac	7%	13%	7%	2%	8%	8%
CTBC	8%	9%	10%	11%	10%	10%
First	4%	9%	6%	9%	8%	8%
Average	**8%**	**12%**	**8%**	**9%**	**9%**	**8%**

Source: Company data, J.P. Morgan estimates.

Deposits yoy growth

Deposits growth	2023	2024	2025	2026E	2027E	2028E
Huanan	4%	11%	0%	7%	7%	7%
Fubon	15%	12%	7%	11%	10%	10%
Cathay	9%	9%	15%	12%	8%	8%
KGI Bank	3%	13%	9%	9%	7%	7%
E.SUN	4%	11%	13%	12%	10%	8%
Yuanta	9%	13%	15%	13%	12%	10%
Mega	0%	10%	5%	7%	6%	6%
Taishin	10%	10%	6%	8%	8%	8%
Shin Kong	2%	2%	5%	6%	6%	6%
Sinopac	1%	13%	7%	7%	8%	8%
CTBC	8%	7%	7%	8%	8%	8%
First	6%	6%	7%	8%	7%	7%
Average	**6%**	**10%**	**8%**	**9%**	**8%**	**8%**

Source: Company data, J.P. Morgan estimates.

Key financials

Net interest margin

NIM	2023	2024	2025	2026E	2027E	2028E
Huanan	0.75%	0.67%	0.71%	0.74%	0.75%	0.75%
Fubon	1.03%	1.00%	1.05%	1.11%	1.12%	1.12%
Cathay	1.32%	1.42%	1.44%	1.50%	1.50%	1.51%
KGI Bank	1.00%	0.87%	1.14%	1.28%	1.30%	1.29%
E.SUN	0.84%	0.90%	0.98%	1.06%	1.08%	1.08%
Yuanta	0.89%	0.87%	0.99%	1.08%	1.09%	1.08%
Mega	0.96%	0.92%	0.87%	0.90%	0.91%	0.91%
Taishin	1.04%	1.07%	1.16%	1.27%	1.30%	1.30%
Shin Kong	1.05%	1.09%	1.06%	1.02%	1.02%	1.01%
Sinopac	0.94%	0.92%	1.23%	1.30%	1.30%	1.29%
CTBC	1.36%	1.26%	1.44%	1.56%	1.57%	1.57%
First	0.74%	0.66%	0.69%	0.72%	0.74%	0.74%
Average	0.99%	0.97%	1.06%	1.13%	1.14%	1.14%

Source: Company data, J.P. Morgan estimates.

NPL ratio

NPL ratio	2023	2024	2025	2026E	2027E	2028E
Huanan	0.15%	0.16%	0.16%	0.14%	0.15%	0.16%
Fubon	0.13%	0.13%	0.12%	0.13%	0.14%	0.15%
Cathay	0.12%	0.12%	0.16%	0.16%	0.16%	0.16%
KGI Bank	0.31%	0.21%	0.18%	0.19%	0.20%	0.20%
E.SUN	0.17%	0.16%	0.16%	0.16%	0.17%	0.18%
Yuanta	0.05%	0.09%	0.09%	0.08%	0.07%	0.05%
Mega	0.17%	0.24%	0.19%	0.17%	0.18%	0.19%
Taishin	0.13%	0.15%	0.15%	0.15%	0.16%	0.16%
Shin Kong	0.12%	0.12%	0.12%	0.14%	0.15%	0.15%
Sinopac	0.10%	0.16%	0.12%	0.18%	0.20%	0.20%
CTBC	0.52%	0.49%	0.50%	0.50%	0.49%	0.49%
First	0.17%	0.17%	0.17%	0.17%	0.18%	0.18%
Average	0.18%	0.18%	0.18%	0.18%	0.19%	0.19%

Source: Company data, J.P. Morgan estimates.

LLR ratio

LLR ratio	2023	2024	2025	2026E	2027E	2028E
Huanan	1.27%	1.25%	1.26%	1.28%	1.29%	1.30%
Fubon	1.35%	1.36%	1.34%	1.37%	1.40%	1.43%
Cathay	1.73%	1.71%	1.72%	1.71%	1.70%	1.68%
KGI Bank	1.30%	1.29%	1.27%	1.27%	1.30%	1.32%
E.SUN	1.26%	1.25%	1.27%	1.28%	1.29%	1.30%
Yuanta	1.37%	1.37%	1.25%	1.15%	1.10%	1.08%
Mega	1.67%	1.70%	1.68%	1.58%	1.58%	1.58%
Taishin	1.37%	1.33%	1.31%	1.31%	1.31%	1.31%
Shin Kong	1.31%	1.31%	1.31%	1.34%	1.37%	1.38%
Sinopac	1.34%	1.36%	1.40%	1.48%	1.51%	1.52%
CTBC	1.63%	1.63%	1.58%	1.57%	1.56%	1.56%
First	1.41%	1.39%	1.45%	1.44%	1.44%	1.44%
Average	1.42%	1.41%	1.40%	1.40%	1.40%	1.41%

Source: Company data, J.P. Morgan estimates.

NPL coverage ratio

NPL Coverage	2023	2024	2025	2026E	2027E	2028E
Huanan	846%	768%	812%	915%	860%	810%
Fubon	1056%	1043%	1080%	1050%	1000%	950%
Cathay	1437%	1384%	1056%	1070%	1060%	1050%
KGI Bank	417%	605%	701%	670%	650%	660%
E.SUN	728%	798%	789%	800%	760%	720%
Yuanta	2519%	1404%	1261%	1355%	1536%	1880%
Mega	982%	701%	865%	930%	880%	830%
Taishin	1096%	911%	849%	870%	820%	820%
Shin Kong	1108%	1090%	1052%	960%	910%	920%
Sinopac	1403%	835%	1163%	810%	740%	745%
CTBC	313%	334%	316%	315%	321%	322%
First	825%	818%	862%	845%	800%	800%
Average	1061%	891%	900%	883%	861%	876%

Source: Company data, J.P. Morgan estimates.

Key financials and valuation summary

Credit costs

Credit costs	2023	2024	2025	2026E	2027E	2028E
Huanan	0.10%	0.15%	0.04%	0.10%	0.12%	0.12%
Fubon	0.18%	0.21%	0.21%	0.24%	0.22%	0.22%
Cathay	0.24%	0.38%	0.27%	0.25%	0.22%	0.22%
KGI Bank	0.04%	0.35%	0.14%	0.13%	0.17%	0.17%
E.SUN	0.14%	0.19%	0.26%	0.23%	0.22%	0.20%
Yuanta	0.03%	0.13%	0.08%	0.10%	0.11%	0.12%
Mega	0.32%	0.32%	0.21%	0.13%	0.16%	0.17%
Taishin	0.12%	0.07%	0.11%	0.14%	0.14%	0.13%
Shin Kong	0.14%	0.16%	0.16%	0.17%	0.16%	0.16%
Sinopac	0.15%	0.25%	0.18%	0.25%	0.23%	0.22%
CTBC	0.26%	0.30%	0.29%	0.32%	0.30%	0.30%
First	0.25%	0.23%	0.23%	0.19%	0.18%	0.18%
Average	0.16%	0.23%	0.18%	0.19%	0.19%	0.18%

Source: Company data, J.P. Morgan estimates.

ROE

ROE	2023	2024	2025	2026E	2027E	2028E
Huanan	9.30%	9.21%	9.77%	10.28%	10.78%	11.06%
Fubon	10.26%	11.01%	12.47%	14.27%	15.31%	15.79%
Cathay	11.30%	13.32%	13.98%	15.39%	15.98%	15.56%
KGI Bank	8.26%	7.62%	8.93%	9.71%	10.19%	10.37%
E.SUN	9.29%	10.04%	11.86%	12.29%	13.19%	13.43%
Yuanta	7.25%	7.54%	7.26%	8.50%	9.12%	9.47%
Mega	9.99%	8.42%	8.06%	8.18%	8.20%	8.37%
Taishin	8.34%	9.38%	10.21%	11.87%	12.63%	13.08%
Shin Kong	9.81%	9.46%	7.44%	9.51%	9.75%	9.97%
Sinopac	10.34%	9.73%	10.19%	11.75%	11.97%	12.04%
CTBC	11.14%	12.33%	13.01%	13.35%	13.77%	14.14%
First	8.89%	8.99%	8.79%	9.19%	9.38%	9.59%
Average	9.51%	9.76%	10.16%	11.19%	11.69%	11.91%

Source: Company data, J.P. Morgan estimates.

Summary – TW Banks

	Ticker	Price (NT$)	Mkt Cap (US$mn)	PT (NT$)	Rating
E.Sun	2884 TT	39.90	22,302	41.10	N
Mega	2886 TT	48.50	22,711	41.20	UW
Yuanta	2885 TT	66.70	28,070	59.90	N
First	2892 TT	35.90	16,296	33.70	N
TSH	2887 TT	40.30	31,635	29.00	UW
Sinopac	2890 TT	41.50	19,366	43.40	OW
Hua Nan	2880 TT	41.95	18,615	32.80	UW
Cathay	2882 TT	111.00	51,403	130.00	OW
Fubon	2881 TT	145.00	64,118	159.00	OW
CTBC	2891 TT	66.50	41,310	75.40	OW
KGI	2883 TT	34.95	18,729	41.00	OW
Chailease	5871 TT	114.00	6,282	132.00	OW

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: Share prices are as of 1 Sep 2026.

Hong Kong

HK Banks – more tailwinds than headwinds

Key sector views

Margin tailwinds from more hawkish expectations on Fed interest rate policy

- The changing expectations on Fed interest rate policy should allow more resilient NIM migration in the coming 12-18 months, with more upside potential if Fed rate hikes come across earlier or if the SOFR-HIBOR gap further narrows.

Better-than-expected recovery in loan growth momentum

- Loan growth momentum has been improving and tracking at the high end of our expectations, driven by S-T trade finance, while there has been continued improvement in mortgage and personal lending, supported by decent residential property markets and recovering private consumption and equity market rebounds.

Declining credit costs a reaffirmed trend

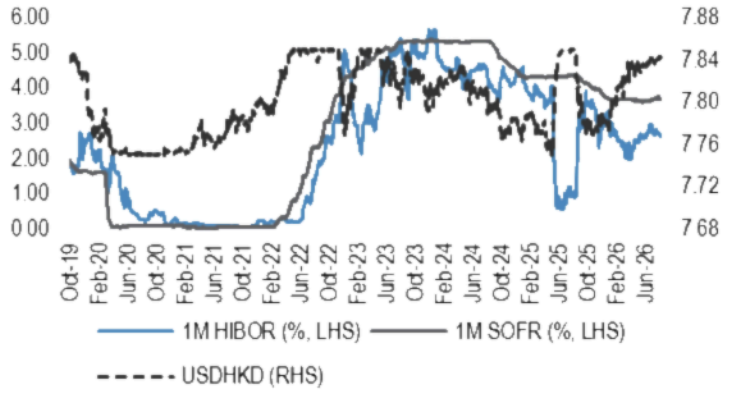
- Most banks are guiding for declining new delinquent formation in CRE portfolio, in line with market data showing stabilizing rent and vacancy rates for HK office space.
- However, declining collateral value could still keep credit costs at elevated levels in FY26, while we see a greater chance for more normalized credit costs in FY28 and onward.

Pecking order: STAN>HSBC>BOCHK

- STAN and HSBC delivered better PPOP growth in 1H26 results.
- STAN and HSBC are subject to lower HK/China CRE uncertainties.
- STAN and HSBC carry slightly better TSR than BOCHK, of which the three-year shareholder return program is just meeting the low end of the street expectation.

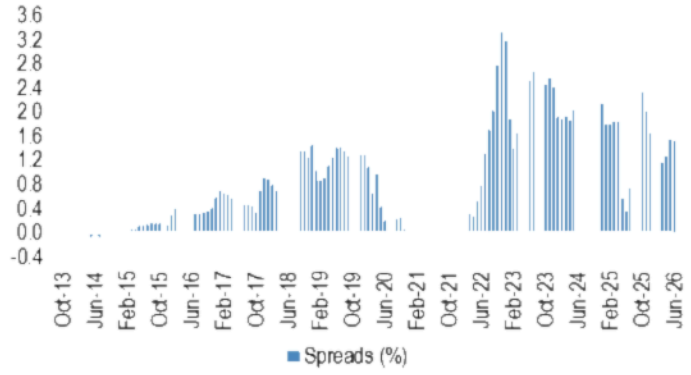
HK Banks – Resilient NIM outlook on more favorable rate environment

SOFR-HIBOR gap and USD/HKD movement



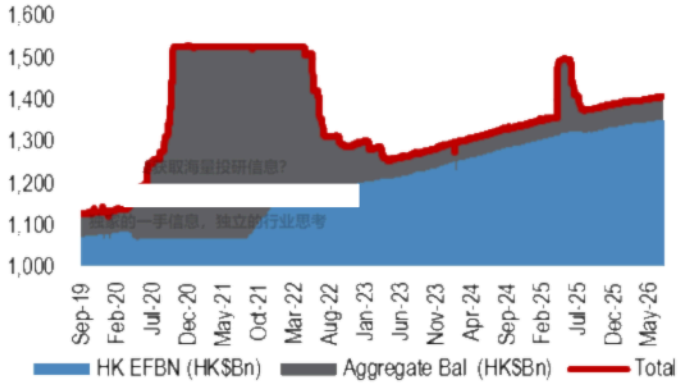
Source: Bloomberg Finance L.P.

Monthly deposit spreads (%)



Source: Bloomberg Finance L.P., HKMA, J.P. Morgan

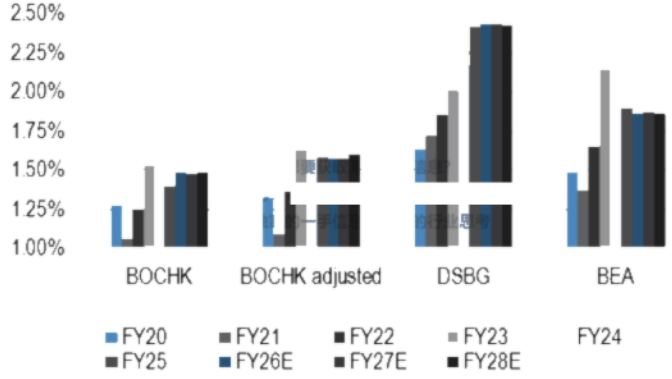
EFBN and aggregate balance in HK



Source: Bloomberg Finance L.P., J.P. Morgan.

NIM migration at HK banks

We forecast a resilient NIM outlook in FY26 and FY27

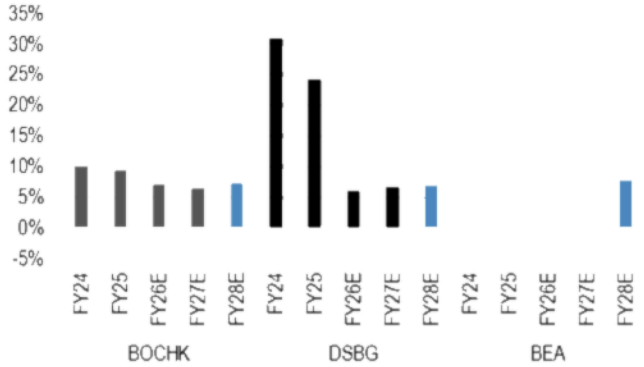


Source: Company data, J.P. Morgan estimates

HK Banks – Loan growth showing recovery signs

PPOP growth by bank in FY25-28E

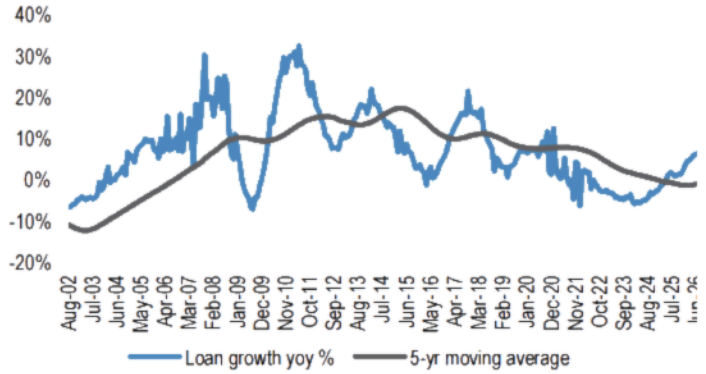
PPOP growth momentum is likely to moderate in FY26



Source: Company data, J.P. Morgan estimates

Sector YoY loan growth vs. five-year MA

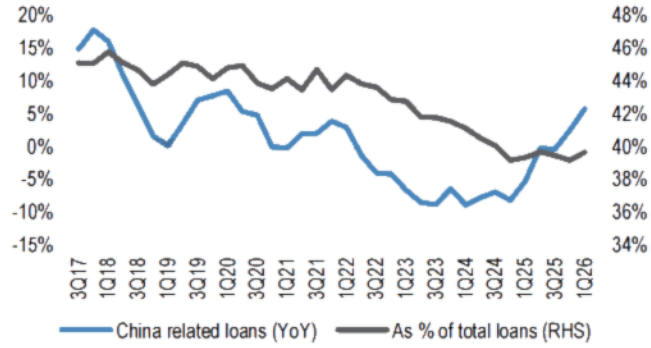
Loan growth remained subdued but showing signs of recovery with 6% YoY growth as of Jun '26



Source: HKMA, J.P. Morgan

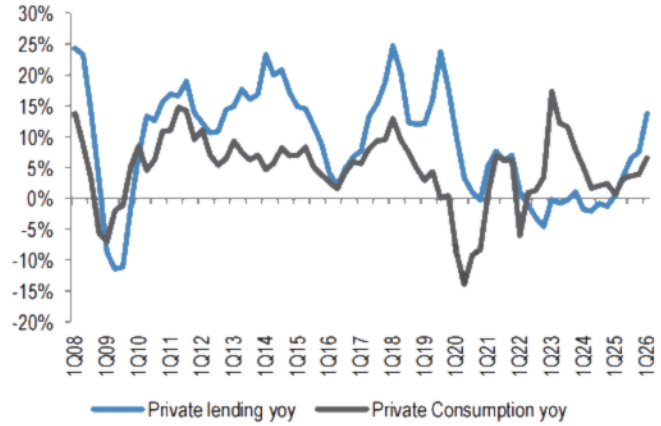
China related loans YoY growth and as a % of total loans

China related loan growth remains modest but gradually recovering amid improving macro conditions



Source: HKMA, J.P. Morgan

HK personal lending vs. private consumption

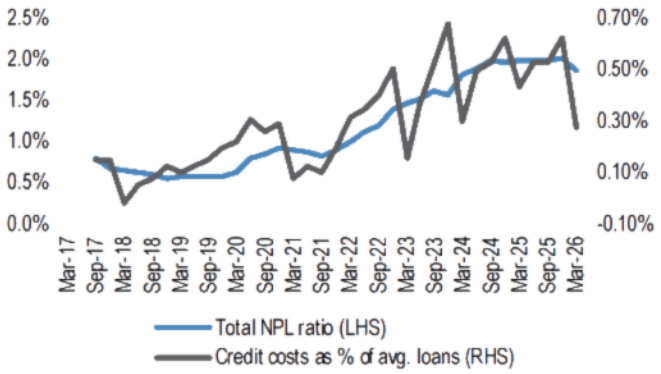


Source: HKMA, J.P. Morgan

HK Banks – Reduced asset quality concerns on CRE exposure

Quarterly sector NPL ratio and credit costs

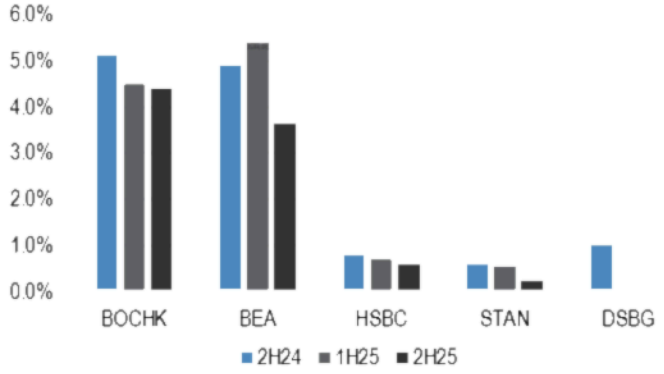
NPL ratio had been trending up but dropped to 1.87% as of 1Q26



Source: HKMA, J.P. Morgan

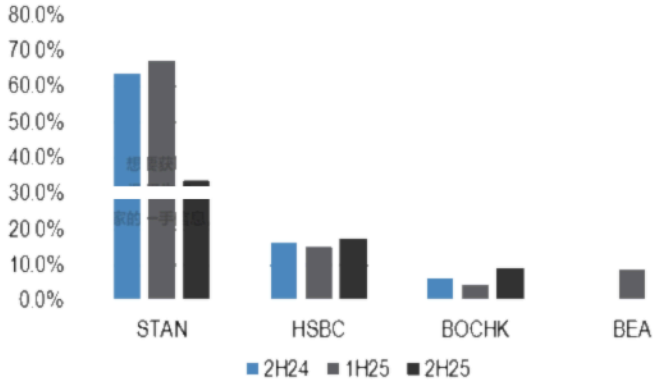
China CRE exposure as a % of total loans

China CRE exposure has been reduced gradually at most banks



Source: Company data, J.P. Morgan. Note: DSBG's 1H25, 2H25 data is unavailable.

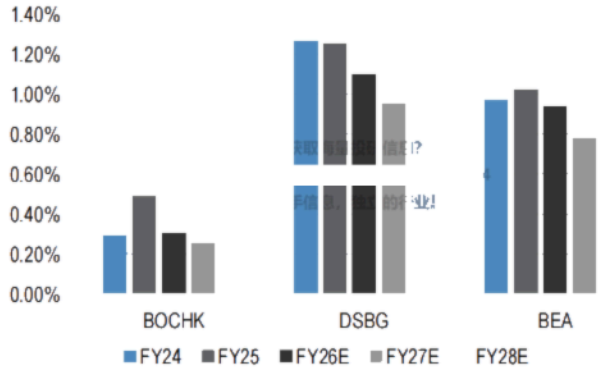
China CRE LLR/loans



Source: J.P. Morgan, Company data. Note: Data for DSBG and BEA in 2H24, 2H25 is unavailable.

Annual credit costs by bank

We forecast credit costs to decline for most banks in FY26 due to declining new delinquent formation in CRE portfolios

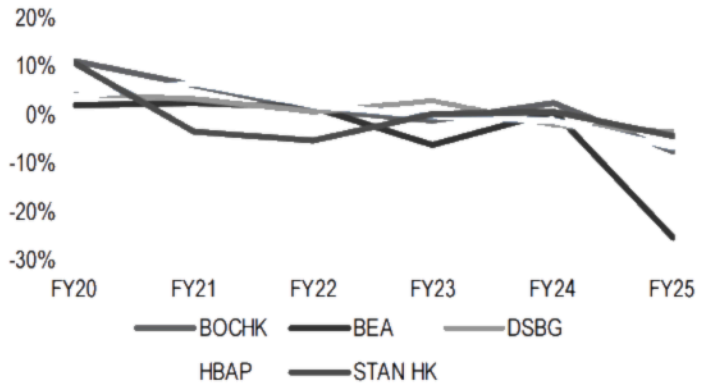


Source: Company data, J.P. Morgan estimates

HK Banks – Better capability for dividend payout with shareholder returns the main focus

RWA growth has been modest

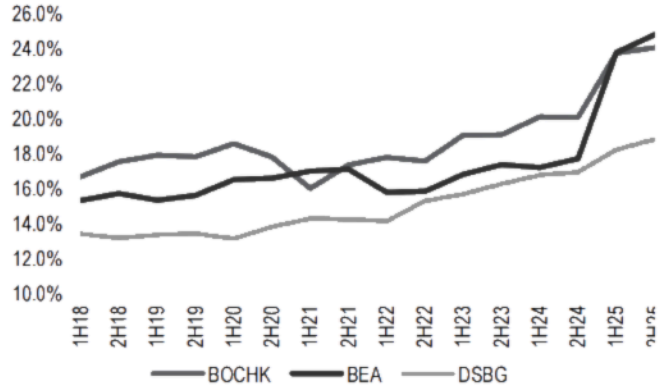
Modest balance sheet expansion has resulted in low RWA growth, allowing banks to raise payout ratios or initiate share buybacks



Source: Company data, J.P. Morgan. RWA growth in FY19 for STAN HK was 102% due to STAN HK's consolidation of STAN China subsidiary.

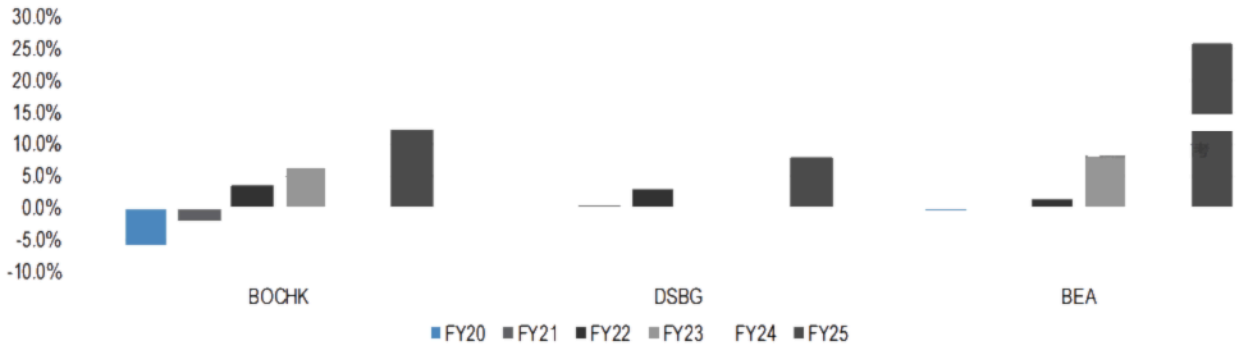
CET1 ratios reached record highs at banks

Capital position bodes well to offer flexibility for higher cash payout ratios and/or share buybacks



Source: Company data, J.P. Morgan.

Internal capital generation/consumption at individual banks



Source: Company data, J.P. Morgan.

HK local banks – preferred picks: BOCHK and DSBG

Preferred picks

Bank of China (BOCHK) (2388 HK, PT HK$53.3)

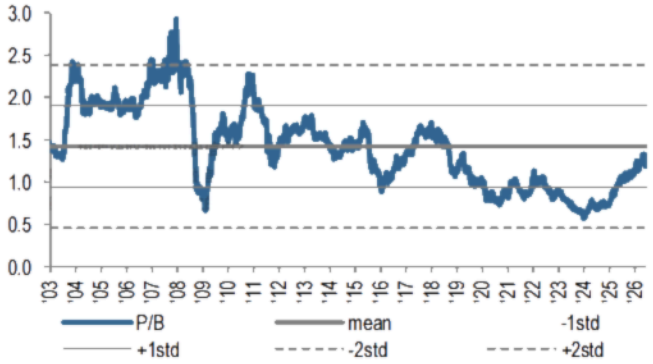
- We see upside to consensus earnings for FY26 and FY27 given improved loan growth momentum and lower credit costs
- Only 25% of the TSR commitment has been distributed, which means implied TSR is at least 6.3% for FY27E, still competitive compared to ~7% at HSBC and STAN

DSBG (2356 HK, PT HK$16.7)

- We expect PPOP growth momentum and resilient asset quality conditions, together with lower non-op losses, to drive decent EPS/DPS growth in FY26E
- Risk-reward remains attractive from the fundamental perspective by trading at 0.5-0.6x FY27E P/B with around 9% ROE outlook and 7-8% yields

BOCHK forward P/B

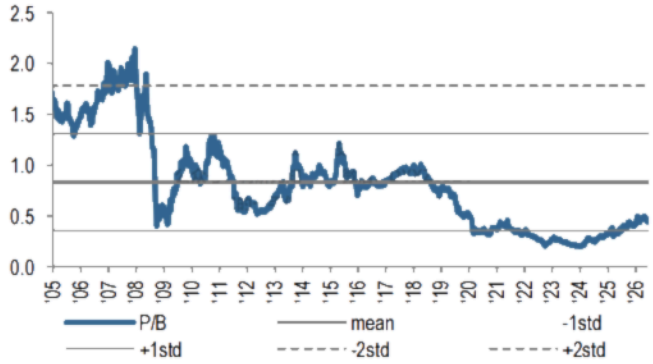
Long-term average of the P/B ratio is 1.42x for BOCHK



Source: Bloomberg Finance L.P., J.P. Morgan estimates

DSBG forward P/B

Long-term average of the P/B ratio is 0.83x for DSBG



Source: Bloomberg Finance L.P., J.P. Morgan estimates

HSBC and STAN

HSBC – Set to re-rate with ROTE staying at teens post monetary policy normalization

Key investment stance

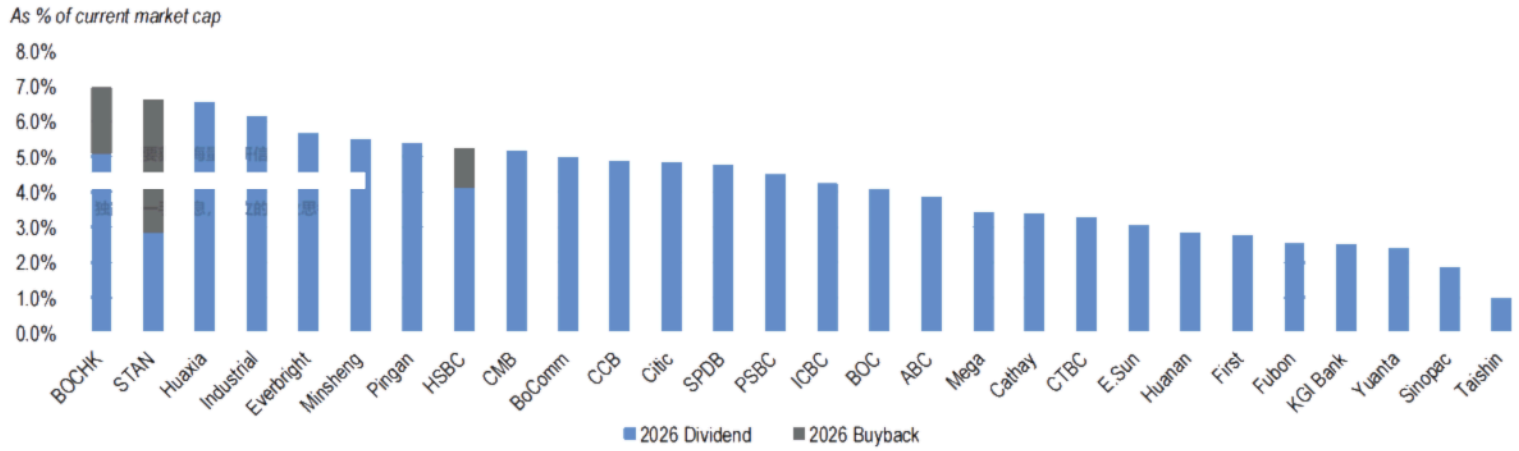
- **Improving efficiency and clarity on earnings:** HSBC's self-help initiatives over the past decade, including exit of subscale businesses and ongoing organizational simplification, have lifted normalized and through-the-cycle RoTE from c.8-9% to c.18%+. Management targets RoTE of at least 17% in each of 2026-28 and revenue growth accelerating to 5% y/y by 2028. Delivery is supported by resilient Banking NII, strong fee momentum and a simplification program, with targeted savings raised to c.US$2bn. We forecast adjusted RoTE of 18.5%/18.6%/18.5% in 2026E/27E/28E.

- **Attractive shareholder return:** We expect c.6-8% annual shareholder return yields in 2026-28, which is attractive among Greater China banks. Near-term buybacks are more measured following HSB privatization, but strong capital generation and disposal proceeds, including the Singapore Life transaction, provide potential upside from FY27.

- **Valuation supported by structurally higher profitability:** HSBC has re-rated above its historical P/B range, but improvement in normalized returns is also structural. **1)** Compared with other DM banks under JPM coverage, HSBC's normalized ROE in 2026E of 17.0% implies 2.3x P/B, while it is trading at 2.0x P/B. All else equal. **2)** Versus historical trends, HSBC's fwd PB (2.0x) is higher than the 10yr average level of 1.0x; whereas the FY26E normalized ROE (17.3%) is much higher than the 10yr average (10.0%).

Dividend and buyback as % of market cap of Greater China banks

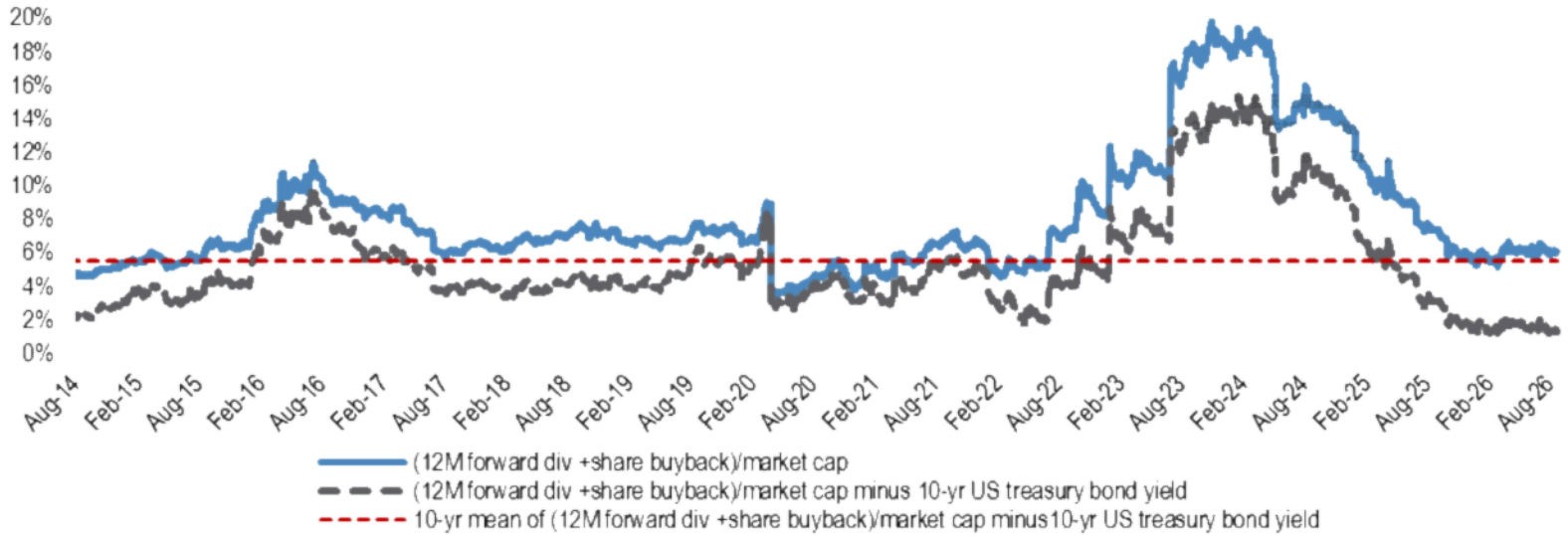
Among banks in the Greater China region, HSBC's SBB and dividend in 2026E amounts to 5.3% of market cap as of 25 Aug, vs peer avg of 4.4%.



Source: J.P. Morgan estimates, Company data, Bloomberg Finance L.P. Note: As of 25 Aug 2026 closing; only includes banks with market cap >$10bn.

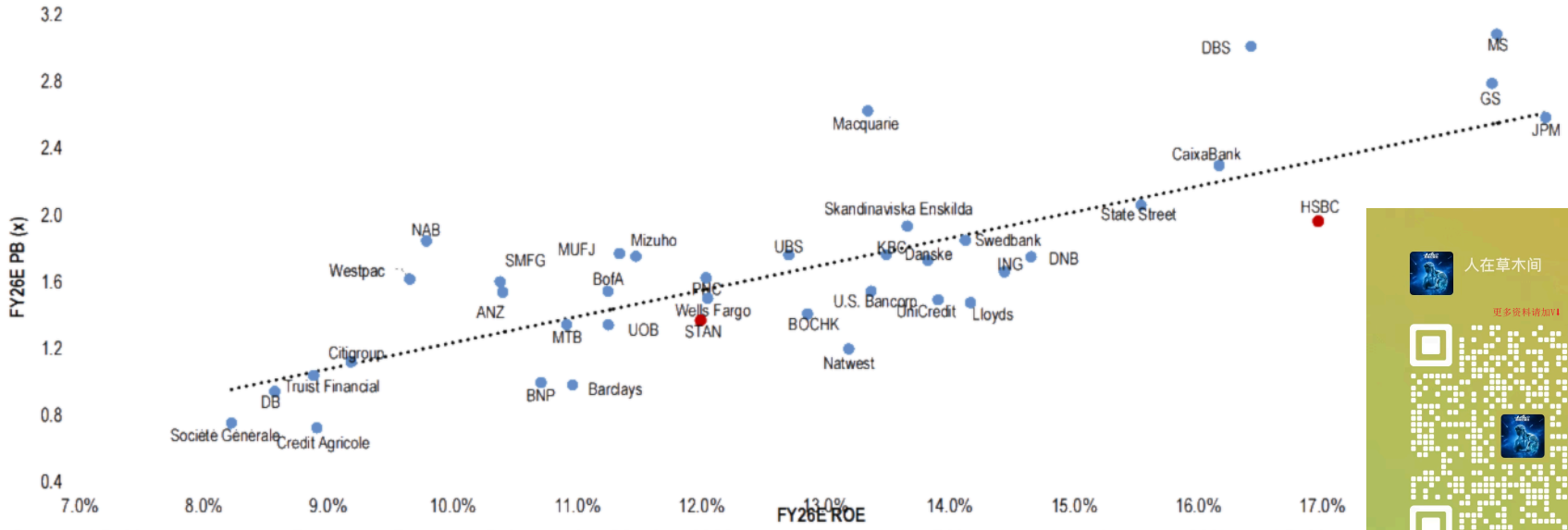
HSBC – Set to re-rate with ROTE staying at teens post monetary policy normalization

Total shareholder return (div + share buyback) in the coming 12 months as a % of current market cap is ~6.1%, per our estimates, 1.3ppt above the 10yr UST yield



Source: J.P. Morgan estimates, Bloomberg Finance L.P. Note: As of 25 Aug 2026 closing.

FY26E PB-ROE of large-cap banks in developed markets



Source: J.P. Morgan estimates, Bloomberg Finance L.P. Notes: As of 24 Aug 2026 closing. This includes DM banks with market cap > $20bn in J.P. Morgan
All based on J.P. Morgan estimates, except for J.P. Morgan itself where we use Bloomberg consensus estimates.

人在草木间
更多资料请加V

STAN - Investment summary

Why do we like STAN?

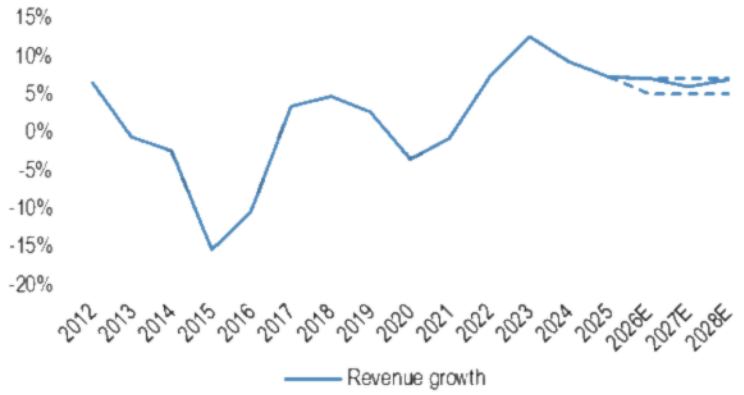
- **STAN is our top pick among Greater China banks**, given its strong EPS growth, clear ROTE expansion trajectory and undemanding valuation. We expect structural growth in Wealth, cross-border banking and Financial Markets, together with positive operating leverage, to lift ROTE from 11.9% in 2025 to above 15% by 2028, with mgmt targeting c.18% by 2030.

- **STAN's differentiated network across Asia, the Middle East and Africa positions it well to capture cross-border wealth and corporate flows.** Its Wealth franchise benefits from affluent-client acquisition and geographic diversification demand, while CIB is shifting toward higher-return Financial Institution, cross-border and originate-to-distribute activities. STAN has a 17% market share in Bond Connect, thus can benefit from RMB tion.

- **STAN is less cyclical than the market perceives**, due to meaningful changes in loan mix, reduced risk appetite and a greater contribution from client-driven flow income. Financial Markets flow income has compounded at c.10-11% since 2019 and rose 17% y/y in 1H26. Asset quality risks also manageable, with HK CRE representing only 0.5% of total loans.

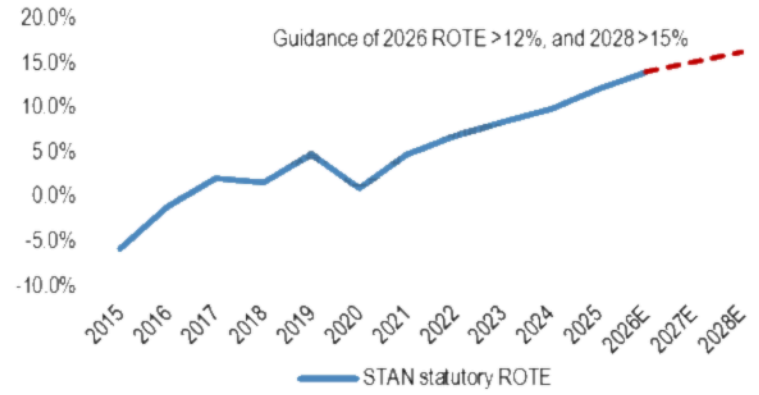
- **Digital assets provide additional strategic optionality.** STAN's joint venture has obtained HK stablecoin issuer license, complementing its existing institutional digital asset trading, custody and tokenization capabilities. We expect these initiatives to strengthen STAN's broader payments and digital asset ecosystem, which is positive to its growth outlook.

Revenue growth of STAN



Source: Company data, J.P. Morgan estimates. Note: Dotted line shows management guidance on revenue growth (5-7% revenue growth in 2026); solid line is for JPM

ROTE trajectory of STAN



Source: Company data, J.P. Morgan estimates.

China ODI rule and cross-border tightening creates overhang

What's happened?

- **1)** On 22 May, CSRC and seven other mainland regulators jointly issued a notice (link) to crack down on illegal cross-border securities, futures, and fund activities. Regulators also encouraged investors to use compliant cross-border channels, such as Stock Connect, QDII, and Wealth Management Connect, as alternatives.

- **2)** On 22 May, HKMA and HKSFC both issued a circular to all Hong Kong authorized institutions and licensed corporations (link, link) requiring retrospective review of mainland clients' investment accounts back to January 2023. The circular requires institutions to close accounts opened with suspicious documents, re-KYC dormant zero-balance accounts, and strengthen controls for new account openings. These include requiring clients to sign a written declaration confirming that all funds originated from lawful sources outside Mainland China.

- **3)** China's State Council introduced a new regulation (Doc 837) on outbound investment on Jun 1st (link). The regulation primarily targets enterprises' outbound direct investment but explicitly brings individual residents into the ODI framework for the first time. Note that Clause 33 in Doc 837 states that specific measures for the administration of outbound investment by individuals who are residents of Mainland China, etc. shall be formulated by respective authorities in charge of investment and commerce.

China has been enforcing global taxation since 2025

- China started to enforce global taxation in 2Q25, with the China State Taxation Administration having disclosed that from January to May 2026, residents paid back overseas income tax totaling Rmb13bn.

- On 24 July 2026, China's Ministry of Finance (MOF) published a notice (link) on individual income tax on offshore trusts. Effective immediately, assets placed in offshore trusts held by Mainland Chinese tax residents will be subject to a 20% tax rate.

- On 8 Aug 2026, media (link) reported anecdotal cases of mainland residents being taxed on returns from offshore insurance policies.

China ODI rule and cross-border tightening creates overhang

- **Near-term headwind to MCV income growth, but long-term structural growth trend remains intact:** Hong Kong banks have diversified revenue bases. We estimate Mainland China Visitor (MCV) wealth income (including insurance) contributes only ~2% of revenue for STAN and HSBC (of which MCV insurance income is ~0.7% for STAN vs 1.0% for HSBC). As such, even if MCV revenue growth moderates, the earnings impact should be immaterial. Notably, despite China's global-tax enforcement since 2Q25, new-to-bank customer growth and net new money growth have remained robust in recent quarters. In our view, portfolio diversification demand remains the key structural driver of MCV-related wealth income growth, and China's global-tax enforcement is unlikely to derail this trend.

Estimating revenue contribution of HK wealth business from MCV customers

In US$ mn, as of 1H26	HSBC (disclosed)*	STAN (est.)	
Group revenue	38,168	11,604	A - disclosed
HK revenue		3,000	B - disclosed
HK revenue as % of Group		26%	c=b/a
Wealth income		2,107	E - disclosed
HK wealth income*	2,100	545	f=c*e (disclosed for HSBC)
HK wealth fee income as % of Group revenue	**5.5%**	**4.7%**	**g=f/a**
HK wealth deposits income	1,122	297	H = HSBC disclosed that wealth deposit income makes up ~20% of Banking NII; we assume the same for STAN.
Total HK wealth revenue contribution	**8.4%**	**7.3%**	**I=h/a+g**
Mainland China clients' contribution to HK wealth	25%	25%	J = JPM assumption
MCV wealth revenue contribution	**2.1%**	**1.8%**	**K=-j*i**
Of which: MCV insurance revenue contribution	1.1%	0.7%	See our note here for details

Source: Company reports, J.P. Morgan estimates. Note: *HSBC disclosed HK wealth income excl. items booked in IWPB is $1.3bn, and HK IWPB income is $1.9bn of which ~40% is non-banking NII. So total HK wealth income is ~$2.1bn.

Key wealth business metrics of STAN and HSBC

STAN key wealth metrics

In US$bn unless otherwise specified	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Affluent new-to-bank clients (in thousands)	**72**	**64**	**67**	**73**	**NA**	**76**
NTB accounts y/y growth	14%	-2%	-6%	11%	NA	19%
Affluent net-new-money	**13.0**	**15.6**	**13.3**	**10.0**	**18.0**	**15.0**
Deposits	8.0	12.4	5.1	6.0	6.0	6.0
Wealth	5.0	3.2	8.2	4.0	12.0	9.0
NNM y/y growth	30%	24%	28%	0%	38%	-4%
Deposits as % of NNM	62%	79%	38%	60%	33%	40%
NNM as % of affluent AUM (annualized)	14%	16%	13%	9%	16%	14%
Affluent AUM	**389**	**420**	**438**	**447**	**443**	**473**
Deposits	180	195	200	205	210	216
Wealth	209	225	239	242	233	258
Affluent AUM y/y growth	39%	43%	37%	22%	14%	13%

Source: Company reports, J.P. Morgan.

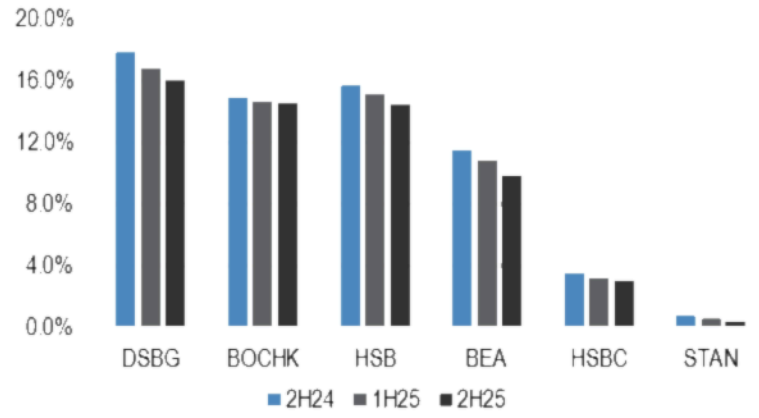
HSBC key wealth metrics

In US$bn unless otherwise specified	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Group						
Wealth balances	**1,402**	**1,475**	**1,537**	**1,563**	**1,570**	**1,577**
Wealth balance y/y growth	*NA*	*NA*	*NA*	*15%*	*12%*	*7%*
Net new money	**23**	**25**	***NA***	**26**	**39**	**25**
NNM y/y growth	*NA*	*NA*	*NA*	*NA*	*70%*	*0%*
NNM as % of Aum (annualized)	7%	7%	NA	7%	10%	6%
Insurance CSM balance	**12.8**	**13.5**	**14.6**	**14.6**	**15.2**	**15.7**
Insurance CSM balance y/y growth	*17%*	*19%*	*20%*	*21%*	*19%*	*16%*
New business CSM	1.1	0.9	0.9	0.5	1.4	1.6
CSM release	0.3	0.3	0.4	0.4	0.4	0.4
Asia						
Wealth balances	**937**	**981**	**1,038**	**1,055**	**1,068**	**1,090**
Wealth balance y/y growth	*NA*	*NA*	*NA*	*16%*	*14%*	*11%*
Net new money	**19**	**24**	***NA***	**19**	**34**	**22**
NNM y/y growth	*NA*	*NA*	*NA*	*NA*	*79%*	*-8%*
NNM as % of Aum (annualized)	8%	10%	NA	7%	13%	8%
HK						
New-to-bank customers (in thousands)	NA	NA	NA	NA	256	296

Source: Company reports, J.P. Morgan.

Hong Kong CRE exposure

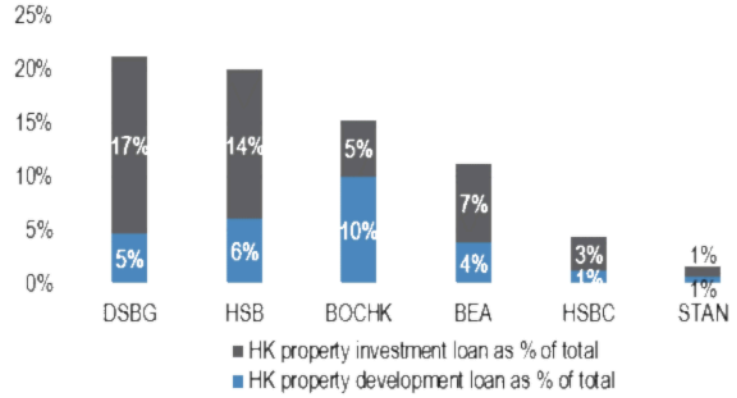
HK banks' HK CRE exposure as % of total loans



Source: Company data.

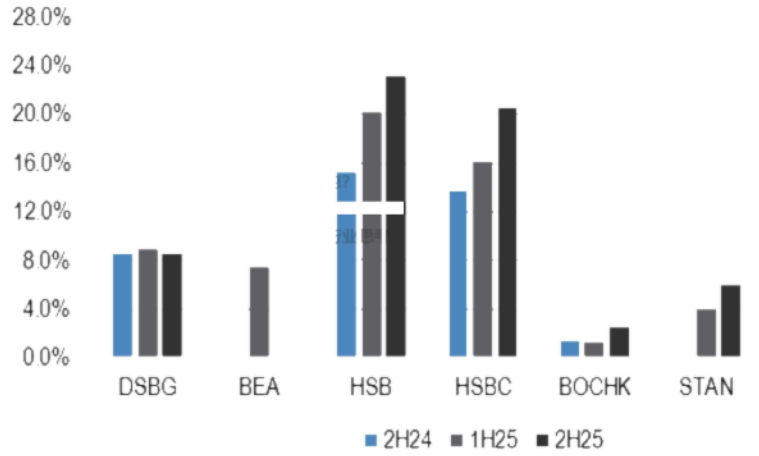
FY25 HK property development and Investment loans as a % of total loans by bank

想要获取海量投研信息?



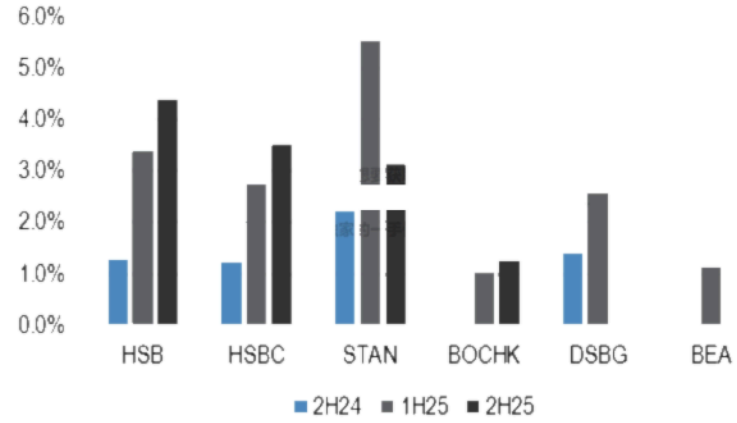
Source: Company data. Note: Includes China CRE loans booked in HK

HK CRE impaired ratio



Source: Company data.

HK CRE LLR/Loan ratio



Source: Company data.

JPM

Bank of China (BOCHK)

Valuation:
Our Dec-27 PT of HK$53.3 is based on an FY27E P/BV of 1.4x. We believe this multiple is justified by an ROE outlook of 13%. Our PT implies an FY27E P/E of 10.9x.

Risks to Rating and Price Target:
Downside risks to our rating and price target include:
- Downgrade on Vanke related lending that results in more meaningful increases in credit costs.
- More adverse ODI rule changes that dampen market sentiment.
- Weaker-than-expected HIBOR trend that causes further NIM contraction.

Upside catalysts include:
- Potential SBB/special DPS to enhance total shareholder returns.
- Better-than-expected NIM expansion and a sharp increase in HIBOR.
- Stronger syndication/WM flows to support fee income momentum.

Dah Sing Banking Group (DSBG)

Valuation
Our Dec-27 PT of HK$16.7 is based on 0.6x FY27E BV, below the company's long-term average P/BV and justified by its 9% ROE outlook, in our view. Our PT implies 6.6x FY27E EPS.

Risks to Rating and Price Target
Downside risks include: (1) lower-than-expected HIBOR trends and aggressive deposit competition, resulting in NIM contraction; (2) worse-than-expected asset quality conditions in China/HK SAR, further driving up credit costs; and (3) larger-than-expected impairment on BOCQ stakes.

Upside catalysts include: (1) stronger-than-expected WM fee income momentum; and (2) a sharp increase in HIBOR with better-than-expected NIM migration.

Key financials

Net Interest Income yoy growth

NII growth	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	-2%	-7%	5%	6%	6%
DSBG	10%	10%	2%	5%	5%
BOCHK	2%	1%	13%	6%	7%
Average	**3%**	**1%**	**6%**	**5%**	**6%**
Regional Banks					
HSBC	-10%	6%	10%	5%	5%
STAN	8%	1%	3%	3%	4%
Average	**-1%**	**3%**	**6%**	**4%**	**5%**

Source: Company data, J.P. Morgan estimates.

Non-NII yoy growth

Non-NII growth	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	15%	28%	13%	7%	9%
DSBG	50%	27%	17%	11%	11%
BOCHK	31%	27%	-7%	8%	7%
Average	**32%**	**27%**	**8%**	**9%**	**9%**
Regional Banks					
HSBC	18%	5%	5%	4%	4%
STAN	11%	16%	12%	9%	10%
Average	**14%**	**11%**	**8%**	**7%**	**7%**

Source: Company data, J.P. Morgan estimates.

Revenues yoy growth

Revenue growth	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	1%	0%	7%	6%	7%
DSBG	17%	14%	6%	7%	7%
BOCHK	9%	8%	7%	6%	7%
Average	**9%**	**7%**	**7%**	**6%**	**7%**
Regional Banks					
HSBC	3%	5%	7%	5%	5%
STAN	9%	7%	7%	6%	7%
Average	**6%**	**6%**	**7%**	**5%**	**6%**

Source: Company data, J.P. Morgan estimates.

PPoP yoy growth

PPoP growth	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	0%	-1%	11%	7%	8%
DSBG	31%	24%	6%	7%	7%
BOCHK	10%	9%	7%	7%	7%
Average	**14%**	**11%**	**8%**	**7%**	**7%**
Regional Banks					
HSBC	2%	8%	10%	5%	5%
STAN	13%	9%	17%	13%	9%
Average	**8%**	**9%**	**14%**	**9%**	**7%**

Source: Company data, J.P. Morgan estimates.

Key financials

Net profits yoy growth

NPAT growth	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	14%	-20%	62%	29%	19%
DSBG	11%	21%	27%	14%	14%
BOCHK	17%	5%	18%	9%	8%
Average	**14%**	**2%**	**36%**	**17%**	**13%**
Regional Banks					
HSBC	2%	-8%	37%	16%	-1%
STAN	19%	27%	19%	10%	10%
Average	**11%**	**9%**	**28%**	**13%**	**5%**

Source: Company data, J.P. Morgan estimates.

CET1 ratio

CET1 Ratio	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	17.7%	24.7%	24.8%	24.6%	24.4%
DSBG	16.9%	18.8%	19.1%	19.3%	19.6%
BOCHK	20.0%	24.0%	23.9%	23.9%	23.8%
Average	**17.4%**	**21.4%**	**n.a.**	**n.a.**	**n.a.**
Regional Banks					
HSBC	14.9%	14.9%	14.2%	14.3%	14.3%
STAN	14.2%	14.1%	13.8%	13.6%	13.6%
Average	**14.6%**	**14.5%**	**14.0%**	**14.0%**	**13.9%**

Source: Company data, J.P. Morgan estimates.

Gross loan yoy growth

Gross loan growth	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	0%	3%	2%	4%	5%
DSBG	-3%	1%	3%	4%	5%
BOCHK	-1%	2%	6%	6%	6%
Average	**-2%**	**2%**	**4%**	**5%**	**5%**
Regional Banks					
HSBC	-1%	6%	6%	4%	4%
STAN	-2%	2%	6%	4%	4%
Average	**-2%**	**4%**	**6%**	**4%**	**4%**

Source: Company data, J.P. Morgan estimates.

Deposit yoy growth

Deposit growth	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	2%	10%	4%	7%	7%
DSBG	-3%	2%	3%	5%	5%
BOCHK	8%	8%	6%	7%	7%
Average	**3%**	**7%**	**4%**	**6%**	**6%**
Regional Banks					
HSBC	3%	8%	3%	4%	4%
STAN	-1%	14%	6%	6%	5%
Average	**1%**	**11%**	**5%**	**5%**	**4%**

Source: Company data, J.P. Morgan estimates.

Key financials

Net interest margin

NIM	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	2.09%	1.90%	1.86%	1.87%	1.86%
DSBG	2.17%	2.41%	2.43%	2.43%	2.42%
BOCHK	1.46%	1.40%	1.48%	1.47%	1.48%
Average	**1.91%**	**1.90%**	**1.92%**	**1.93%**	**1.92%**
Regional Banks					
HSBC	1.69%	1.57%	1.59%	1.66%	1.68%
STAN	2.06%	2.03%	2.01%	1.99%	1.98%
Average	**1.88%**	**1.80%**	**1.80%**	**1.82%**	**1.83%**

Source: Company data, J.P. Morgan estimates.

NPL ratio

NPL ratio	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	2.72%	2.69%	2.64%	2.33%	2.05%
DSBG	3.21%	3.12%	2.89%	2.64%	2.26%
BOCHK	1.05%	1.14%	1.07%	0.96%	0.86%
Average	**2.33%**	**2.32%**	**2.20%**	**1.98%**	**1.72%**
Regional Banks					
HSBC	2.40%	2.26%	2.17%	2.12%	2.07%
STAN	2.17%	2.05%	1.96%	1.91%	1.87%
Average	**2.29%**	**2.16%**	**2.06%**	**2.02%**	**1.97%**

Source: Company data, J.P. Morgan estimates.

LLR / Loans

LLR / Loans	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	0.96%	1.10%	1.15%	1.08%	1.02%
DSBG	1.11%	1.59%	1.70%	1.64%	1.55%
BOCHK	0.89%	1.09%	1.07%	1.03%	0.99%
Average	**0.99%**	**1.26%**	**1.31%**	**1.25%**	**1.18%**
Regional Banks					
HSBC	1.03%	1.07%	1.03%	0.60%	0.60%
STAN	1.38%	1.06%	1.01%	0.99%	0.97%
Average	**1.21%**	**1.07%**	**1.02%**	**0.80%**	**0.79%**

Source: Company data, J.P. Morgan estimates.

NPL coverage ratio

NPL coverage ratio	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	35.2%	40.9%	43.7%	46.6%	49.7%
DSBG	34.5%	50.9%	58.8%	62.1%	68.3%
BOCHK	84.7%	95.9%	99.8%	106.8%	114.8%
Average	**51.5%**	**62.5%**	**67.4%**	**71.8%**	**77.6%**
Regional Banks					
HSBC	43.0%	47.3%	47.3%	28.3%	29.1%
STAN	63.6%	51.8%	51.8%	51.8%	51.8%
Average	**53.3%**	**49.5%**	**49.5%**	**40.0%**	**40.4%**

Source: Company data, J.P. Morgan estimates.

Key financials and valuation summary – HK

Credit costs

Credit costs	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	1.05%	1.04%	0.98%	0.82%	0.71%
DSBG	1.27%	1.28%	1.10%	0.95%	0.81%
BOCHK	0.30%	0.49%	0.31%	0.26%	0.25%
Average	**0.87%**	**0.94%**	**0.79%**	**0.68%**	**0.59%**
Regional Banks					
HSBC	0.36%	0.40%	0.42%	0.40%	0.40%
STAN	0.19%	0.23%	0.32%	0.33%	0.33%
Average	**0.28%**	**0.32%**	**0.37%**	**0.37%**	**0.37%**

Source: Company data, J.P. Morgan estimates.

ROE

ROE	2024	2025	2026E	2027E	2028E
Local Banks					
BEA	4.0%	3.1%	4.9%	6.1%	7.0%
DSBG	6.1%	7.1%	8.6%	9.3%	10.1%
BOCHK	11.6%	11.5%	12.9%	13.4%	13.7%
Average	**7.3%**	**7.2%**	**8.8%**	**9.6%**	**10.2%**
Regional Banks					
HSBC - reported	13.7%	12.3%	16.1%	18.1%	17.2%
HSBC - normalized	14.9%	15.9%	17.0%	17.3%	17.3%
STAN	8.1%	10.0%	11.6%	12.6%	13.5%
Average	**11.5%**	**13.0%**	**14.3%**	**15.0%**	**15.4%**

Source: Company data, J.P. Morgan estimates.

Valuation Summary – HK Banks

HK financials		1-Sep-26	Mkt Cap	PT	Rating	P/E		P/B		ROE		DVD yield	
Company	Ticker	Price (HK$)	US$mn	Local ccy		26E	27E	26E	27E	26E	27E	26E	27E
Local banks													
BEA	23 HK	18.82	6,349	14.0	N	9.4	7.4	0.5	0.4	4.9%	6.1%	4.8%	6.1%
DSF	440 HK	45.68	1,862	51.8	OW	5.9	5.2	0.4	0.4	6.4%	6.9%	6.8%	7.6%
DSBG	2356 HK	14.59	2,616	16.7	OW	6.6	5.8	0.6	0.5	8.6%	9.3%	7.0%	7.9%
BOCHK	2388 HK	52.05	70,203	53.3	OW	11.6	10.6	1.4	1.4	12.9%	13.2%	4.9%	5.5%
Regional banks													
HSBC	5 HK	159.90	350,171	200.0	OW	12.4	10.7	1.7	1.6	15.8%	17.5%	4.1%	4.6%
STAN	2888 HK	228.20	63,569	310.0	OW	11.7	10.2	1.3	1.2	11.6%	12.6%	2.9%	3.4%

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Note: Share prices as of 1 Sep 2026.

Summary of key macro forecasts

Summary of key macro forecasts in Greater China

		2025	2026E	1Q26	2Q26E	3Q26E	4Q26E
Mainland China							
Real GDP	%oya	5.0	4.5	5.0	4.3	4.4	4.4
CPI	%oya	0.0	0.8	0.8	1.1	0.7	0.4
PPI	%oya	-2.6	2.2	-0.6	3.6	3.3	2.7
IP	%oya	5.9	5.0	6.1	4.7	4.6	4.7
FAI	%oya	-3.8	-3.9	1.7	-9.7	-8.4	4.6
Retail sales	%oya	3.7	1.6	2.4	0.2	1.0	2.5
Exports	%oya	5.4	18.4	14.7	20.2	19.8	18.5
Hong Kong							
Real GDP	%oya	3.6	4.7	5.9	4.3	4.4	4.3
CPI	%oya	1.4	1.6	1.6	1.9	1.5	1.7
IP	%oya	2.0	2.0				
FAI	%oya	4.8	15.0				
Exports	%oya	11.2	12.8				
Taiwan							
Real GDP	%oya	8.8	11.4	15.4	12.9	11.9	6.4
CPI	%oya	1.7	2.1	1.2	2.2	2.4	2.2
PPI	%oya	-1.8	5.0	0.2	12.7	15.8	13.9
IP	%oya	16.0	9.8	23.7	16.5	20.7	19.2
FAI	%oya	10.8	8.8				
Exports	%oya	32.1	30.0				

Source: J.P. Morgan estimates. Forecasts as of 1 Sep 2026.