CHINA BANKS

Aug TSF growth driven by stronger bond financing; bank credit demand remained subdued

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In August 2026, new Total Social Financing (TSF) and Rmb loans amounted to Rmb 1.66tn and Rmb 59bn, respectively, compared with Rmb 2.57tn and Rmb 625bn in August 2025. Outstanding TSF growth moderated slightly to 7.2% YoY from 7.4% in July, while outstanding loan growth slowed further to 4.9% YoY from 5.1% in July. For 8M26, cumulative new TSF and loans reached Rmb 23.9tn and Rmb 10.4tn, representing YoY declines of 10.0% and 20.9%, respectively.

August TSF data suggest overall financing growth remained supported by government bond issuance and direct financing channels, while bank credit creation continued to lag. Household borrowing remained weak and corporate loan demand improved only modestly from July, contributing to a further slowdown in outstanding loan growth to 4.9% YoY. The softer pace of balance-sheet expansion may help support capital preservation and mitigate RWA growth, although continued loan-growth deceleration is likely to keep asset-yield pressure in focus. Separately, the completion of the large-bank recapitalization strengthens capital positions and supports dividend sustainability. While we do not expect additional capital to translate into materially faster loan growth under the current demand environment, we believe it enhances large banks' ability to navigate a slower-growth cycle. We continue to favor large banks and maintain Buy ratings on **CCB** and **BOC**.

1. New TSF improved to Rmb 1.7tn in August, supported by government and corporate bond financing

New TSF increased to Rmb 1.66tn in August from Rmb 1.40tn in July, although remaining below Rmb 2.57tn in August 2025. Similar to recent months, bond financing remained the key driver of social financing creation.

The main contributors included:

- Government bond issuance of Rmb 1.01tn, accounting for over 60% of new TSF, versus Rmb 1.37tn in August 2025.
- Corporate bond financing of Rmb 269bn, up from Rmb 134bn a year ago.
- Non-FI equity financing of Rmb 64bn, compared with Rmb 46bn in August 2025.

By contrast, new Rmb loans increased by only Rmb 59bn, significantly below seasonal norms and down sharply from Rmb 625bn in August 2025.

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The August data suggest incremental financing continues to rely on fiscal expansion and capital-market financing rather than an improvement in private-sector credit demand, with government bonds remaining the largest contributor to TSF growth.

2. Loan growth decelerated further as household credit stayed weak and corporate demand remained soft

New Rmb loans amounted to only Rmb 60bn in August, compared with Rmb 589bn in August 2025.

Retail lending remained the key drag. New retail loans contracted by Rmb 203bn during the month, deteriorating further from Rmb 30bn growth in August 2025.

Within retail lending:

- Short-term consumer loans declined by Rmb 122bn.
- Mortgage loans declined by Rmb 82bn.

The continued contraction suggests household confidence and housing-related financing demand remain weak.

Corporate loans (excluding financial institutions) increased by Rmb 260bn, improving from Rmb -130bn in July but still below historical seasonal norms.

The composition of corporate lending remained mixed:

- Mid-to-long-term corporate loans increased by Rmb 320bn, improving from a contraction in July and indicating some stabilization in investment-related financing demand.
- Discounted bills increased by Rmb 100bn, suggesting short-duration financing demand remained an important contributor.
- Short-term corporate loans declined by Rmb 160bn.

Overall, August data indicate that corporate borrowing showed marginal improvement relative to July, but underlying credit demand remains insufficient to prevent further deceleration in aggregate loan growth, which slowed to 4.9% YoY, the weakest pace in the current cycle.

3. Deposit growth recovered, but deposit migration trends remain intact

New deposits increased by Rmb 1.2tn in August, compared with a decline of Rmb 8bn in July and growth of Rmb 2.1tn in August 2025.

At the segment level:

- Retail deposits increased by Rmb 40bn.
- Non-FI corporate deposits increased by Rmb 280bn.
- Non-bank FI deposits increased by Rmb 560bn.
- Fiscal deposits increased by Rmb 110bn.

While deposit growth improved sequentially, the composition continues to suggest ongoing migration into investment products, as non-bank financial institution deposits

again outpaced retail deposit growth.

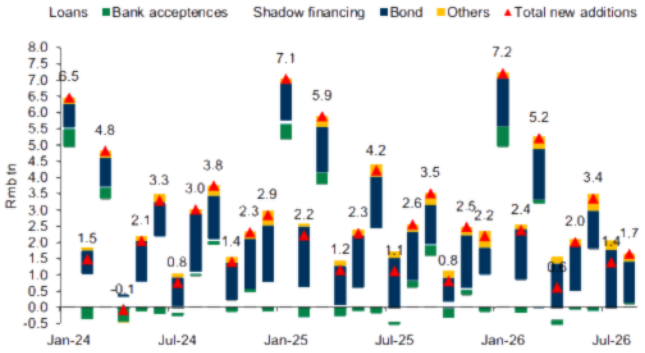
Outstanding deposit growth moderated slightly to 7.7% YoY from 8.0% in July, while non-bank FI deposits maintained strong 20.2% YoY growth, highlighting continued activity in capital markets and wealth-management products.

Overall, liquidity indicators remain broadly stable, with M2 growth at 7.5% YoY and TSF growth at 7.2% YoY, although the divergence between solid financing growth and weak loan creation continues to indicate that government-led financing remains compensating for subdued private-sector credit demand.

Key takeaways

- TSF remained more resilient than loans, supported by government and corporate bond financing.
- Loan growth slowed further to 4.9% YoY, reflecting persistent weakness in household credit demand.
- Retail loans remained the primary drag, with mortgages and consumer loans both contracting.
- Corporate loan demand improved modestly versus July, driven by medium-to-long-term lending, but remained below seasonal norms.
- Deposit growth rebounded, although deposit migration toward investment products continued.

Exhibit 1: TSF new additions breakdown



Source: PBOC

Exhibit 2: M1/M2 growth vs. TSF growth



Source: PBOC

Exhibit 3: August 2026 Loan and Deposit Summary
Rmb bn

	Balance			Monthly addition			Balance MoM (%)			Balance YoY (%)			8M addition		
(Rmb bn)	2025-08	2026-07	2026-08	2025-08	2026-07	2026-08	2025-08	2026-07	2026-08	2025-08	2026-07	2026-08	8M25	8M26	yoy
Loans	**269,099**	**282,293**	**282,353**	**589**	**-338**	**60**	**0.2%**	**-0.1%**	**0.0%**	**6.8%**	**5.1%**	**4.9%**	**13,421**	**10,440**	**-22.2%**
(1) Retail loans	**83,541**	**82,444**	**82,241**	**30**	**-460**	**-203**	**0.0%**	**-0.6%**	**-0.2%**	**2.4%**	**-1.3%**	**-1.6%**	**711**	**(1,030)**	**N/A**
S-T loans	20,859	19,468	19,346	10	-340	-122	0.1%	-1.7%	-0.6%	0.1%	-6.6%	-7.3%	(324)	(1,050)	N/A
M/L-T loans	62,682	62,976	62,894	20	-120	-82	0.0%	-0.2%	-0.1%	3.3%	0.5%	0.3%	1,035	19	-98.2%
(2) Loans to non-FI corporates	**181,914**	**196,165**	**196,425**	**595**	**-130**	**260**	**0.3%**	**-0.1%**	**0.1%**	**8.7%**	**8.2%**	**8.0%**	**12,182**	**11,260**	**-7.6%**
Short term	46,233	51,564	51,404	65	-253	-160	0.1%	-0.5%	-0.3%	9.5%	11.7%	11.2%	3,791	4,180	10.3%
Discounted bills	15,597	17,570	17,670	53	376	100	0.3%	2.2%	0.6%	12.1%	13.0%	13.3%	878	1,290	47.0%
S-T and discounted bills	61,830	69,135	69,075	118	123	-60	0.2%	0.2%	-0.1%	10.2%	12.0%	11.7%	4,669	5,470	17.2%
Mid to long term loans	116,631	123,392	123,712	473	-226	320	0.4%	-0.2%	0.3%	8.1%	6.2%	6.1%	7,371	5,640	-23.5%
(3) Loans to non-bank FIs	**1,184**	**557**	**513**	**-113**	**28**	**-44**	**-8.7%**	**5.3%**	**-7.8%**	**-4.1%**	**-57.1%**	**-56.7%**	**124**	**(438)**	**N/A**
Liabilities															
Deposits	**322,727**	**346,433**	**347,633**	**2,056**	**-8**	**1,200**	**0.6%**	**0.0%**	**0.3%**	**8.6%**	**8.0%**	**7.7%**	**20,473**	**18,990**	**-7.2%**
Retail	161,021	172,843	172,883	109	-641	40	0.1%	-0.4%	0.0%	9.8%	7.4%	7.4%	9,770	6,990	-28.5%
Non-FI corps and other sectors	78,859	82,129	82,409	300	-1,492	280	0.4%	-1.8%	0.3%	4.1%	4.5%	4.5%	494	1,850	274.2%
Retail and non-FI corps	239,881	254,973	255,293	409	-2,133	320	0.2%	-0.8%	0.1%	7.9%	6.5%	6.4%	10,265	8,840	-13.9%
Non-bank FIs' deposits	34,059	40,362	40,922	1,173	823	560	3.6%	2.1%	1.4%	16.7%	22.7%	20.2%	5,944	6,320	6.3%
Fiscal deposits	**7,835**	**8,232**	**8,342**	**190**	**938**	**110**	**2.5%**	**12.9%**	**1.3%**	**16.0%**	**7.7%**	**6.5%**	**2,254**	**2,060**	**-8.6%**
Loan/deposits	**83.4%**	**81.5%**	**81.2%**	**28.6%**	**4248.3%**	**5.0%**									

Source: PBOC

Exhibit 4: August 2026 TSF Summary
Rmb bn

New addition							Balance			
Rmb bn	Aug-25	Jul-26	Aug-26	8M26	8M25	8M26 yoy	Aug-25	Jul-26	Aug-26	yoy
Rmb loans	625	(590)	59	10,230	12,932	-20.9%	265,420	278,570	278,630	5.0%
Forex loans	(9)	9	41	210	(82)	N.M.	1,190	1,190	1,230	3.4%
Entrusted loans	(17)	(2)	23	(58)	(85)	N.M.	11,150	11,240	11,260	1.0%
Trust loans	35	(23)	(23)	(91)	194	-146.6%	4,490	4,600	4,580	2.0%
Bank acceptances	197	(53)	38	(140)	(22)	N.M.	2,120	1,970	2,010	-5.2%
Corporate bonds issue	134	454	269	2,790	1,560	78.9%	33,470	36,470	36,710	9.7%
Non-FI equities	46	113	64	470	267	76.2%	11,990	12,600	12,670	5.7%
Government bond	1,367	1,318	1,013	8,770	10,271	-14.6%	91,360	102,680	103,690	13.5%
Others	187	177	179	1,729	1,521	13.7%	12,460	13,950	14,020	12.5%
Total social financing	**2,566**	**1,402**	**1,662**	**23,910**	**26,556**	**-10.0%**	**433,650**	**463,270**	**464,800**	**7.2%**

Source: PBOC

Price Target Risks and Methodology - China Construction Bank
Valuation: We are Buy rated on CCB A/H with 12m TPs of Rmb 11.63/HK$ 10.10. Our 2027E-based target P/PPOP multiples are 4.75x/4.125x for A/H shares.

Downside risks: 1) dividend payout ratio miss, 2) worse NIM and asset quality, 3) more capital requirement.

Price Target Risks and Methodology - Bank of China
Valuation: We are Buy rated on **BOC** A/H with 12-month target prices of Rmb 6.73/HK$ 5.96. Our 2027E-based target P/PPOP multiples are 4.375x/3.875x for the A/H shares.

Downside risks: 1) significantly higher-than-expected asset growth, impacting capital accumulation, 2) dividend payout ratio cut, 3) continued deterioration in asset quality.