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China Banks

Thoughts post recent rally

Banks & Financial Services

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After a period of restriction on both ICBC and ABC, we moved ICBC and ABC to OW ratings from Not Rated designations. In general, we expect SOE banks to report robust revenue growth and resilient profit growth in the coming 2-3 quarters. In addition, as there is ongoing fund flow support amid risk-off trade, we expect SOE banks to continue to outperform the JSBs cohort and the index by year-end. Among SOE banks, our pecking order is ICBC > CCB > BOC > ABC > BoCom > PSBC. ICBC-H is our top pick as it has underperformed H-share SOE banks by 8ppt in the past three months, and we expect ongoing improvement in its profit growth trajectory. We expect ABC to deliver the strongest profit growth among SOE banks, but this is likely within market expectations. Outside of the SOE banks cohort, we believe opportunity is emerging for JSBs with stable EPS growth and relatively competitive dividend yields, such as CMB, Citic and SPDB.

- **3Q preview refresher**: We expect SOE banks to report 9% y/y revenue growth and 5% y/y profit growth, ahead of JSBs at 5%/-2% respectively. Among SOE banks, we estimate ABC to report 12% y/y revenue growth and 7% y/y profit growth, the highest among SOE peers. On the other hand, we believe PSBC is likely to see more headwinds on profit growth due to weak revenue growth (6% y/y) and a low base of impairment charges in 3Q25. We expect diverging trends among JSBs. For details, please refer to Table 2, or our 3Q26 preview note (link) published on 22 October.

- **We prefer SOE over JSBs, and prefer ICBC and CCB**: We expect SOE banks to deliver 9% revenue growth and 5% profit growth for 2H26, sustaining the momentum in 1H. While revenue growth may temper to 7% y/y in 27e from 9% in 26e, profit growth is likely to be stable (5% y/y). Dividend spread against 10Y CGB remains at the 10Y mean level, indicating China SOE banks may continue to attract fund flow while the market remains risk off. Having that said, we would advise investors to rotate from names that have outperformed (BoCom) to laggards, such as ICBC, which has underperformed SOE banks by 8ppt in the past 3M in the H-share. Market concerns on 3% dilution risk do not justify the , in our view, particularly when ICBC is committed to delivering improving y/y profit growth on a quarterly basis. Our pecking order among SOE banks is ICBC, CCB, BOC, ABC, BoCom, PSBC.

- **Opportunity emerging for JSBs with stable growth and lagging price performance – we prefer CMB, Citic and SPDB**: We would avoid JSBs which report volatile (i.e. PAB) or negative profit growth (i.e. Minsheng, Industrial, Everbright, Huaxia). However, as SOE banks have outperformed meaningfully in 2026 YTD, investors may start to revisit JSBs with relatively high dividend yields and stable EPS track records. Both CMB and Citic Bank fall into this category. On the other side, we expect SPDB to report the highest profit growth among JSBs, and its 26e dividend yield is 4.5%, 60bps higher than A-share SOE banks. Thus, despite its relatively weaker track record on EPS stability, we believe it may also benefit from fund rotation into banking sector, should the risk-off trade continue.

See page 5 for analyst certification and important disclosures, including non-US analyst disclosures.

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Table 1: Earnings reporting schedule of China Banks

Company	Ticker (CH)	Ticker (HK)	Expected date	Week day	Briefing details
Pingan	000001 CH		10/23/2026	Fri	Nil
Citic	601998 CH	998 HK	10/29/2026	Thu	14:00-15:30 on Nov 3th, Webcast link: https://s.comein.com/i5n4marv
Industrial	601166 CH		10/29/2026	Thu	Online text Q&A; 10:00-11:00 on Oct 30th; https://roadshow.sseinfo.com
SPDB	600000 CH		10/30/2026	Fri	Online text Q&A; https://roadshow.sseinfo.com
CMB	600036 CH	3968 HK	10/30/2026	Fri	9:30-11:00 on Nov 2nd; Webcast link: https://webcasting.bizconf.cn/live/watch/l880a8al
BoCom	601328 CH	3328 HK	10/30/2026	Fri	17:00-18:00 on Oct 30th; Webcast link: https://bm.p5w.net/questionnaire/detail/1977
ICBC	601398 CH	1398 HK	10/30/2026	Fri	17:30-18:30 on Oct 30th; Webcast link: https://s.comein.cn/ICBC2026Q3; Dial-in: +86-4001510269 (China); +852-51089680(Hong Kong), Passcode: 601398; Need registration in advance
PSBC	601658 CH	1658 HK	10/30/2026	Fri	17:30-18:30 on Oct 30th; Dial-in: +86-4008063263 (China); +852-30183602 (Hong Kong), Passcode: 492433897
CCB	601939 CH	939 HK	10/30/2026	Fri	Online text Q&A; 17:00-18:00 on Oct 30th; https://roadshow.sseinfo.com;
Huaxia	600015 CH		10/30/2026	Fri	Online text Q&A; 15:00-16:00 on Nov 2nd; https://roadshow.sseinfo.com
BOC	601988 CH	3988 HK	10/30/2026	Fri	17:00-18:00 on Oct 30th; Dial-in: +86-4001510269 (China); +852-51089680 (Hong Kong), Passcode: 879016
Everbright	601818 CH	6818 HK	10/30/2026	Fri	Online text Q&A; 16:45-17:45 on Oct 30th; https://roadshow.sseinfo.com
Minsheng	600016 CH	1988 HK	10/30/2026	Fri	16:00-17:00 on Nov 2nd; Dial-in: +86-4008105222 (China); +852-30051328(Hong Kong), Passcode: 6000162026
ABC	601288 CH	1288 HK	10/30/2026	Fri	Online text Q&A; 17:00-18:00 on Oct 30th; https://roadshow.sseinfo.com;

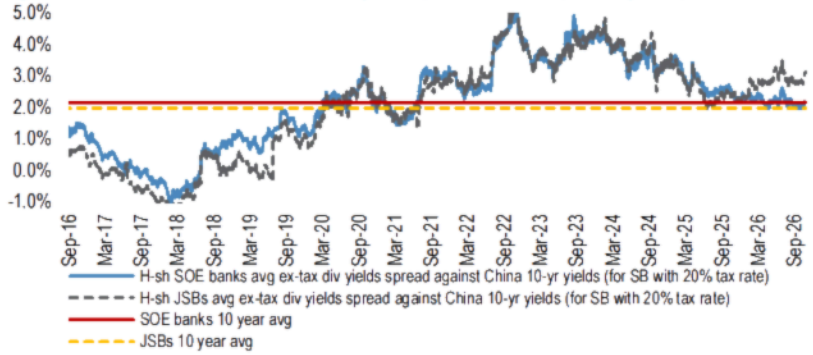
Source: SSE, SZSE, HKEX, company data.

Table 2: China banks key operating metrics – 3Q26 estimates

	NII		Fee		Revenues		Opex		PPoP		Net profits		NIM		
y/y basis	2Q26	3Q26E	2Q26	3Q26E	2Q26	3Q26E	2Q26	3Q26E	2Q26	3Q26E	2Q26	3Q26E	2Q26	3Q26E	QoQ
ABC	13%	13%	-29%	-5%	12%	12%	9%	5%	13%	15%	5%	7%	1.30%	1.30%	0 bps
BOC	13%	11%	-5%	2%	8%	7%	1%	4%	12%	9%	6%	5%	1.27%	1.27%	0 bps
CCB	9%	13%	-12%	-6%	10%	10%	4%	3%	12%	13%	6%	5%	1.38%	1.37%	-1 bps
ICBC	10%	9%	1%	1%	10%	8%	0%	1%	14%	11%	3%	4%	1.29%	1.27%	-1 bps
BoCom	10%	10%	4%	3%	9%	11%	4%	4%	12%	16%	5%	5%	1.23%	1.23%	0 bps
PSBC	4%	4%	5%	4%	7%	6%	7%	6%	15%	11%	7%	4%	1.60%	1.57%	-3 bps
CMB	6%	7%	7%	1%	4%	5%	4%	3%	4%	7%	3%	3%	1.82%	1.81%	-1 bps
PAB*	2%	2%	-5%	-8%	-1%	4%	-5%	4%	1%	4%	4%	0%	1.81%	1.79%	-2 bps
Citic	4%	3%	-2%	3%	3%	6%	-2%	3%	5%	7%	3%	3%	1.62%	1.61%	-1 bps
Everbright	2%	1%	-5%	-10%	-5%	7%	-5%	2%	-5%	9%	-40%	-15%	NA	NA	NA
Industrial	0%	-3%	10%	5%	1%	2%	0%	-1%	1%	4%	-11%	-3%	1.58%	1.57%	-2 bps
Minsheng	11%	2%	-3%	2%	6%	0%	2%	0%	8%	0%	-7%	-3%	1.51%	1.48%	-3 bps
Huaxia	12%	8%	10%	0%	-2%	9%	-5%	7%	-1%	9%	-32%	-11%	1.58%	1.55%	-3 bps
SPDB	9%	6%	2%	-2%	6%	6%	-5%	0%	10%	10%	8%	6%	1.42%	1.42%	0 bps
Big 4	**11%**	**11%**	**-11%**	**-2%**	**10%**	**9%**	**3%**	**3%**	**13%**	**12%**	**5%**	**5%**	**1.31%**	**1.30%**	**-1 bps**
SOE banks	**10%**	**10%**	**-6%**	**0%**	**9%**	**9%**	**4%**	**4%**	**13%**	**13%**	**6%**	**5%**	**1.35%**	**1.34%**	**-1 bps**
JSBs	**6%**	**3%**	**2%**	**-1%**	**1%**	**5%**	**-2%**	**2%**	**3%**	**6%**	**-9%**	**-2%**	**1.62%**	**1.60%**	**-2 bps**
Sector	**8%**	**6%**	**-2%**	**-1%**	**5%**	**7%**	**1%**	**3%**	**7%**	**9%**	**-3%**	**1%**	**1.49%**	**1.48%**	**-1 bps**

Source: Company data, J.P. Morgan estimates. Note: we used actual 3Q26 data for PAB.

Figure 1: H share SOE banks dividend yield spread is ~210bps lately, on par with the 10 year average level

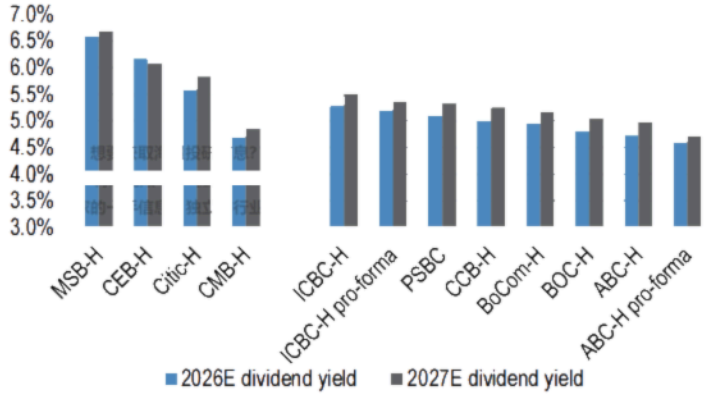


Source: J.P. Morgan estimates. Bloomberg Finance L.P. Data as of Oct 26, 2026.

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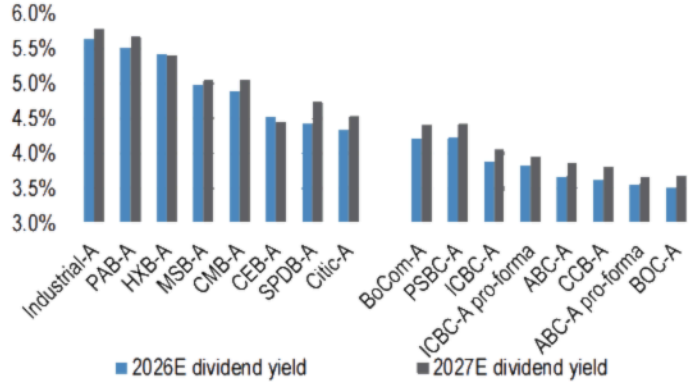
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Figure 2: H share dividend yield by banks



Source: J.P. Morgan estimates. Bloomberg Finance L.P. Data as of Oct 26, 2026. We used pro-forma dividend yields for ABC and ICBC to reflect the dilution from capital raising.

Figure 3: A share dividend yield by banks



Source: J.P. Morgan estimates. Bloomberg Finance L.P. Data as of Oct 26, 2026. We used pro-forma dividend yields for ABC and ICBC to reflect the dilution from capital raising.

Table 3: Valuation table for H-share-listed China banks

Company	Bbg code	Price (HK$)	Rating	Dec-27 PT (HK$)	% to PT	Mkt cap (US$ B)	P/E (x) FY26E	P/E (x) FY27E	P/B (x) FY26E	P/B (x) FY27E	Div. yield FY26E	Div. yield FY27E	ROE FY26E	ROE FY27E
Large banks														
BOC-H	3988 HK	6.02	OW	7.00	16%	315	6.8	6.5	0.58	0.55	4.8%	5.0%	8.7%	8.7%
CCB-H	939 HK	9.92	OW	11.50	16%	341	6.3	6.0	0.59	0.56	5.0%	5.2%	9.7%	9.5%
ICBC-H	1398 HK	7.44	OW	8.70	17%	429	6.1	5.8	0.55	0.51	5.3%	5.5%	9.3%	9.1%
BoCom-H	3328 HK	8.28	N	8.80	6%	103	6.7	6.4	0.51	0.47	5.0%	5.2%	7.9%	7.6%
ABC-H	1288 HK	6.69	OW	7.35	10%	377	6.8	6.4	0.65	0.60	4.7%	5.0%	10.1%	9.7%
PSBC	1658 HK	5.45	N	5.90	8%	98	7.6	7.2	0.52	0.49	5.1%	5.3%	8.3%	8.2%
Big 4 average							**6.5**	**6.2**	**0.59**	**0.55**	**5.0%**	**5.2%**	**9.4%**	**9.3%**
Large banks average							**6.7**	**6.4**	**0.57**	**0.53**	**5.0%**	**5.2%**	**9.0%**	**8.8%**
Joint-stock banks														
Citic-H	998 HK	8.21	OW	9.20	12%	70	5.7	5.4	0.51	0.48	5.6%			
CMB-H	3968 HK	52.15	OW	63.00	21%	162	7.5	7.3	0.94	0.86	4.7%			
MSB-H	1988 HK	3.09	N	3.35	8%	22	4.6	4.5	0.20	0.19	6.6%			
CEB-H	6818 HK	2.62	UW	2.20	-16%	25	4.9	4.9	0.22	0.22	6.2%			
JSBs average							**5.7**	**5.5**	**0.47**	**0.44**	**5.8%**			
Sector average							**6.3**	**6.1**	**0.53**	**0.49**	**5.3%**			

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Prices are as of 26 Oct, 2026.

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Table 4: Valuation table for A-share listed China banks

Company	Bbg code	Price (RMB)	Rating	Dec-27 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														
BOC-A	601988 CH	7.00	OW	7.65	9%	315	9.3	8.9	0.79	0.75	3.5%	3.7%	8.7%	8.7%
CCB-A	601939 CH	11.61	OW	13.00	12%	341	8.7	8.3	0.82	0.77	3.6%	3.8%	9.7%	9.5%
ICBC-A	601398 CH	8.58	OW	9.70	13%	429	8.3	7.9	0.74	0.70	3.9%	4.1%	9.3%	9.1%
BoCom-A	601328 CH	8.25	OW	8.80	7%	103	7.8	7.5	0.60	0.55	4.2%	4.4%	7.9%	7.6%
ABC-A	601288 CH	7.33	OW	7.85	7%	377	8.7	8.3	0.84	0.77	3.7%	3.9%	10.1%	9.7%
Big 4 average							**8.8**	**8.3**	**0.80**	**0.75**	**3.7%**	**3.9%**	**9.4%**	**9.3%**
Large banks average							**8.6**	**8.2**	**0.76**	**0.71**	**3.8%**	**4.0%**	**9.1%**	**8.9%**
Joint-stock banks														
SPDB-A	600000 CH	9.62	OW	12.30	28%	48	6.8	6.4	0.42	0.40	4.4%	4.7%	6.7%	6.2%
Citic-A	601998 CH	8.97	OW	9.80	9%	70	7.3	7.0	0.65	0.61	4.3%	4.5%	9.2%	9.0%
CMB-A	600036 CH	42.50	OW	54.00	27%	162	7.2	7.0	0.90	0.83	4.9%	5.1%	13.0%	12.4%
MSB-A	600016 CH	3.47	N	3.40	-2%	22	6.0	5.9	0.26	0.25	5.0%	5.1%	4.4%	4.3%
PAB-A	000001 CH	11.30	N	11.70	4%	33	5.3	5.1	0.46	0.43	5.5%	5.7%	9.2%	8.9%
Industrial-A	601166 CH	18.68	N	18.40	-1%	59	5.5	5.4	0.46	0.44	5.6%	5.8%	8.6%	8.4%
CEB-A	601818 CH	3.03	UW	2.30	-24%	25	6.6	6.7	0.30	0.30	4.5%	4.5%	6.4%	4.8%
HXB-A	600015 CH	6.32	UW	4.80	-24%	15	4.8	4.8	0.30	0.29	5.4%	5.4%	8.3%	6.5%
JSBs average							**6.2**	**6.0**	**0.47**	**0.44**	**5.0%**	**5.1%**	**8.2%**	**7.6%**
Sector average							**7.1**	**6.9**	**0.58**	**0.54**	**4.5%**	**4.7%**	**8.6%**	**8.1%**

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Prices are as of 26 Oct, 2026.