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China Financials | Asia Pacific

Upcoming PBOC Liquidity Support Has Lifted Broker Shares

MORGAN STANLEY ASIA LIMITED+

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CHINA FINANCIALS

Asia Pacific
Industry View **Attractive**

Key Takeaways

- PBOC will conduct a third round of securities, fund, and insurance firm swap facility tomorrow, which effectively provides funding for them to buy stocks/ ETFs.
- This round of swaps could exceed Rmb100bn; PBOC's overall market-supporting facility has Rmb800bn quota and Rmb210bn had been used as of June 2026.
- We see this as another market and sentiment support effort, following ~Rmb300bn inflow to EFTs MTD, likely from sovereign players.
- CICC-H (OW) was +8.9% and GFS-H (OW) +8% today (vs. HSI +0.4%) as brokers benefit from improving sentiment and expectation of liquidity support...
- ...while the earnings trend in 3Q has been resilient and continues to show market share consolidation in wealth, asset management and investment banking.

We therefore expect brokers to continue to rally after a derating recently, which has made their valuations undemanding, on the market support theme near term. CICC-H now trades at less than 0.6x (26e) P/B on a proforma basis; GFS-H and GFS-A trade at 0.6x, 0.8x P/B respectively.

We think the stock buying itself should be neutral to modestly positive to broker earnings over a longer holding period. Brokers have previously participated in PBOC's swap to buy stocks and ETFs too, in late 2024 and early 2025. We think they have realized good returns. They typically book the added position in OCI accounts, which shields their book from mark-to-market impact while the dividends contribute to earnings.

China International Capital Corp. Ltd.: 3Q26: Resilient Franchise Beyond the CXMT Related Gains (30 Oct 2026)

GF Securities: Sticky Asset Management Income Offset Volatile Investment Income (30 Oct 2026)

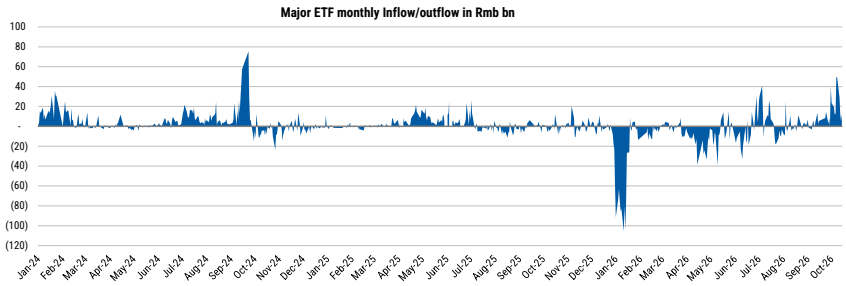
CITIC Securities Co.: 3Q26: Investment Income Dragged; Other Core Revenue on Track (26 Oct 2026)

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Exhibit 1: We see ETF inflows have accelerated since October



Source: Refinitiv, Morgan Stanley Research

No investment recommendation is made with respect to any of the ETFs or mutual funds referenced herein. Investors should not rely on the information included in making investment decisions with respect to those funds.

Valuation Methodology and Risks

GF Securities (000776.SZ)

P/B ROE regression analysis, weighted 60% base, 20% bull and 20% bear. The weightings are more balanced as we apply a notably higher ROE assumption in our base case, implying part of the upside in our bull case has already been factored in our base case.

Key assumptions:

ROE: base 12.1%, bull 14.4%, bear 5.4%

P/B: base 0.99x, bull 1.95x, bear 0.39x - benchmarked to global peers

Target P/B (blended): 1.06x

Risks to Upside

- Faster-than-expected macro recovery.
- Large shareholders raising stakes.
- Sooner-than-expected growth in asset management fee income.

Risks to Downside

- Slower-than-expected economic recovery and geopolitical risk.
- Slower-than-expected investment banking recovery post the ban.
- Further reimbursement to investors related to Kangmei event.
- ADT cooling down further.

GF Securities (1776.HK)

P/B ROE regression analysis, weighted 60% base, 20% bull and 20% bear. The weightings are more balanced as we apply a notably higher ROE assumption in our base case, implying part of the upside in our bull case has already been factored in our base case.

Key assumptions:

ROE: base 12.1%, bull 14.4%, bear 5.4%

P/B: base 0.76x, bull 1.50x, bear 0.30x - benchmarked to global peers

Target P/B (blended): 0.82x

Risks to Upside

- Faster-than-expected macro recovery.
- Large shareholders raising stakes.
- Sooner-than-expected growth in asset management fee income.

Risks to Downside

- Slower-than-expected economic recovery and geopolitical risk.
- Slower-than-expected investment banking recovery post the ban.
- Further reimbursement to investors related to Kangmei event.
- ADT cooling down further.

China International Capital Corp. Ltd. (3908.HK)

P/B ROE regression analysis, weighted 60% base, 20% bull and 20% bear. The weightings are more balanced as we apply a notably higher ROE assumption in our base case, implying part of the upside in our bull case has already been factored in our base case.

Key assumptions:

ROE: base 13.4%, bull 15.0%, bear 4.9%

- P/B: base 1.01x, bull 1.50x, bear 0.30x - benchmarked to global peers

Risks to Upside

- Faster macro recovery and reduced geopolitical risks
- Stronger-than-expected growth in IPO and follow-on financing
- Normalizing onshore regulatory tightening

Risks to Downside

- Slower-than-expected macro recovery weighing on equity market performance and equity investor risk appetite
- Stagnant cross-border business from offshore market volatility

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(as of October 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1575	43%	460	49%	29%	742	44%
Equal-weight/Hold	1537	42%	393	42%	26%	720	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	92	10%	16%	218	13%
Total	3,684		946			1681	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

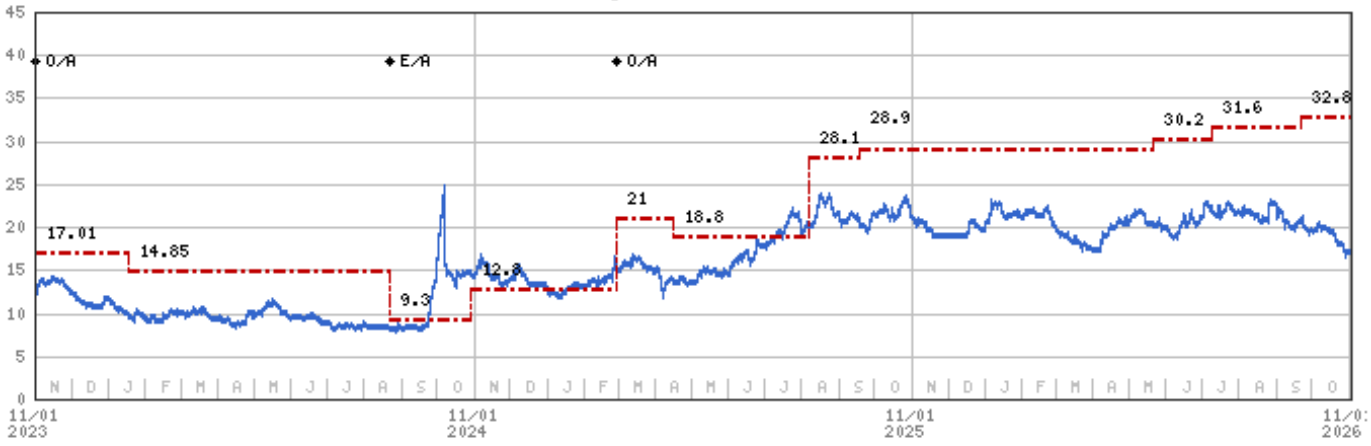
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Stock Price, Price Target and Rating History (See Rating Definitions)

China International Capital Corp. Ltd. (3908.HK) - As of 11/02/26 GMT in HKD
Industry : China Financials



Stock Rating History: 11/1/21 : O/A; 5/20/22 : E/A; 1/6/23 : O/A; 8/22/24 : E/A; 2/28/25 : O/A

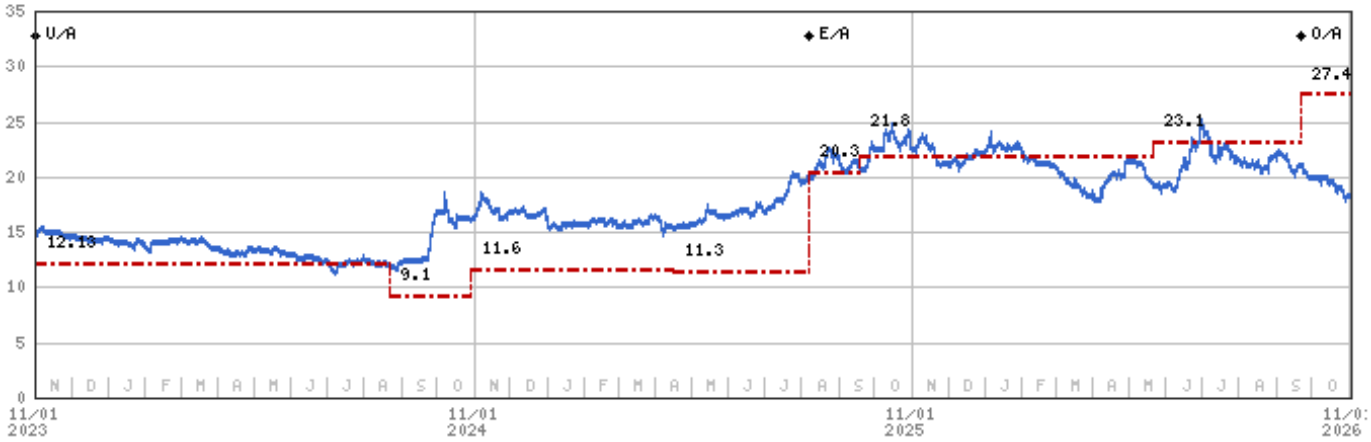
Price Target History: 9/30/21 : 26.55; 12/7/21 : 27.93; 5/20/22 : 14.75; 9/29/22 : 13.29; 1/6/23 : 17.47; 3/2/23 : 19.71; 5/15/23 : 20.8; 10/12/23 : 17.01; 1/17/24 : 14.85; 8/22/24 : 9.3; 10/29/24 : 12.8; 2/28/25 : 21; 4/16/25 : 18.8; 8/7/25 : 28.1; 9/19/25 : 28.9; 5/22/26 : 30.2; 7/10/26 : 31.6; 9/22/26 : 32.8

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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GF Securities (000776.SZ) - As of 11/02/26 GMT in CNY
Industry : China Financials



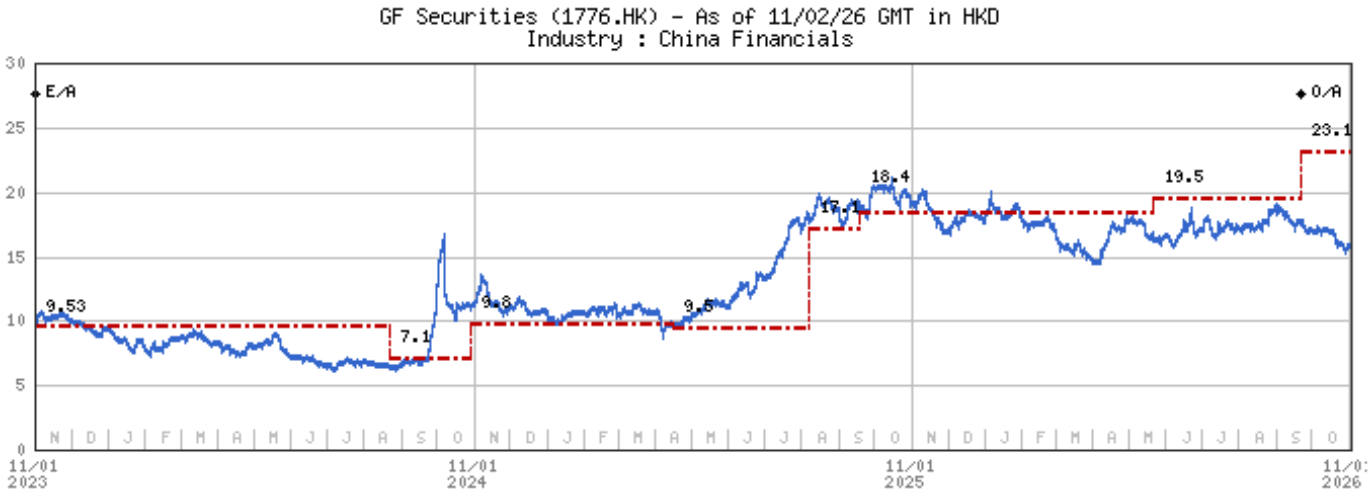
Stock Rating History: 11/1/21 : E/A; 5/20/22 : U/A; 8/7/25 : E/A; 9/22/26 : O/A

Price Target History: 10/8/21 : 21.66; 12/7/21 : 29.88; 5/20/22 : 12.09; 9/29/22 : 12.22; 1/6/23 : 12.72; 5/18/23 : 13.12; 10/12/23 : 12.13; 8/22/24 : 9.1; 10/29/24 : 11.6; 4/16/25 : 11.3; 8/7/25 : 20.3; 9/19/25 : 21.8; 5/22/26 : 23.1; 9/22/26 : 27.4

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
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Stock Rating History: 11/1/21 : O/A; 5/20/22 : U/A; 1/6/23 : E/A; 9/22/26 : O/A

Price Target History: 10/8/21 : 14.98; 12/7/21 : 17.78; 5/20/22 : 7.39; 9/29/22 : 7.47; 1/6/23 : 9.99; 5/18/23 : 10.3; 10/12/23 : 9.53; 8/22/24 : 7.1; 10/29/24 : 9.8; 4/16/25 : 9.5; 8/7/25 : 17.1; 9/19/25 : 18.4; 5/22/26 : 19.5; 9/22/26 : 23.1

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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INDUSTRY COVERAGE: China Financials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/02/2026)
Chiyao Huang		
China International Capital Corp. Ltd. (3908.HK)	O (02/28/2025)	HK$18.48
China Merchants Securities Co Ltd (600999.SS)	U (09/29/2022)	Rmb16.32
China Merchants Securities Co Ltd (6099.HK)	U (10/29/2024)	HK$12.98
CITIC Securities Co. (6030.HK)	O (07/10/2026)	HK$21.02
CITIC Securities Co. (600030.SS)	O (08/07/2025)	Rmb25.56
East Money Information Co Ltd (300059.SZ)	U (09/22/2026)	Rmb18.71
Futu Holdings Ltd (FUTU.O)	O (11/18/2024)	US$98.45
Galaxy Securities (6881.HK)	E (02/27/2020)	HK$6.96
Galaxy Securities (601881.SS)	U (09/29/2022)	Rmb11.76
GF Securities (000776.SZ)	O (09/22/2026)	Rmb19.30
GF Securities (1776.HK)	O (09/22/2026)	HK$16.90
HTSC (601688.SS)	E (09/23/2024)	Rmb17.54
HTSC (6886.HK)	E (09/23/2024)	HK$14.87
Richard Xu, CFA		
Agricultural Bank of China Limited (601288.SS)	E (05/07/2019)	Rmb7.47
Agricultural Bank of China Limited (1288.HK)	O (10/19/2020)	HK$6.75
Bank of Beijing Co Ltd (601169.SS)	E (08/17/2022)	
Bank of Chengdu Co Ltd (601838.SS)	O (08/17/2022)	
Bank of China Limited (601988.SS)	E (05/07/2019)	
Bank of China Limited (3988.HK)	O (01/10/2020)	
Bank of Communications (3328.HK)	U (05/20/2022)	
Bank of Communications (601328.SS)	U (09/05/2014)	
Bank of Hangzhou Co Ltd (600926.SS)	E (08/17/2022)	
Bank of Ningbo Co. Ltd (002142.SZ)	O (08/17/2022)	



China CITIC Bank Corporation Limited (601998.SS)	E (04/16/2025)	Rmb9.33
China CITIC Bank Corporation Limited (0998.HK)	O (04/16/2025)	HK$8.17
China Construction Bank Corp. (0939.HK)	O (10/11/2012)	HK$10.14
China Construction Bank Corp. (601939.SS)	E (05/07/2019)	Rmb12.06
China Everbright Bank Co Ltd (6818.HK)	U (05/12/2023)	HK$2.78
China Everbright Bank Co Ltd (601818.SS)	U (05/20/2022)	Rmb3.14
China Merchants Bank (600036.SS)	O (01/07/2019)	Rmb43.18
China Merchants Bank (3968.HK)	O (09/20/2018)	HK$53.00
China Minsheng Banking Corp. (600016.SS)	O (08/28/2025)	Rmb3.42
China Minsheng Banking Corp. (1988.HK)	O (05/12/2023)	HK$3.01
Chongqing Rural Commercial Bank (3618.HK)	U (05/12/2023)	HK$6.61
Hua Xia Bank (600015.SS)	U (06/30/2015)	Rmb6.54
Industrial and Commercial Bank of China (1398.HK)	O (10/09/2026)	HK$7.78
Industrial and Commercial Bank of China (601398.SS)	E (10/09/2026)	Rmb8.69
Industrial Bank Co. Ltd. (601166.SS)	O (02/25/2019)	Rmb19.60
Lufax (LU.N)		US$8.26
Ping An Bank (000001.SZ)	O (05/07/2019)	Rmb11.54
Postal Savings Bank of China Co Ltd (1658.HK)	O (11/01/2016)	HK$5.44
Qfin Holdings, Inc. (QFIN.O)	E (08/26/2026)	US$5.17
Shanghai Pudong Development Bank (600000.SS)	E (08/05/2025)	Rmb10.06

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* Historical prices are not split adjusted.

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