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BFW 10/10 08:53 Central Huijin Buys Shares of ICBC, Bank of China, CCB,
Agbank BN 10/10 08:44 *CENTRAL HUIJIN BUYS SHARES OF ICBC, BANK OF
CHINA, CCB, AGBANK

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Chinese Banks Rally After Huijin Begins Increasing Holdings (2)
2011-10-11 09:00:39.172 GMT

(Updates with closing share prices from first paragraph.)

By Stephanie Tong

Oct. 11 (Bloomberg) -- Agricultural Bank of China Ltd. jumped a record 12.8 percent in Hong Kong, leading a rally in the nation's financial shares after state-run Central Huijin Investment Ltd. started buying the stocks.

Industrial & Commercial Bank of China Ltd., the world's biggest lender by market value, gained 6.7 percent to close at HK\$4.31 while Bank of China Ltd. climbed 7.7 percent after the arm of China's sovereign wealth fund said it began buying shares yesterday in the four biggest banks. The cost of protecting China's bank debt fell.

Central Huijin, set up to hold the government's stakes in the banks, boosted its holdings after valuations sank below the level reached during the global financial crisis. Huijin helped spur a 21 percent week-long rally in the Shanghai Composite Index when it bought bank shares in 2008 as part of a series of steps taken by China aimed at supporting the market.

"Huijin's move shows that banks are still a priority for the Chinese government," Grace Wu, head of Hong Kong and China bank research at Daiwa Capital Markets Hong Kong Ltd., said by telephone today. "Huijin is supporting the share prices of the state-owned banks."

The investment company didn't provide details about how much it will invest and whether it will buy the shares in Hong Kong or Shanghai. Huijin also didn't say why it was increasing its stake in the lenders.

Plunging Valuations

The MSCI China Financials Index traded as low as 5.6 times estimated earnings earlier this month, below the 6.9 reached during the 2008 crisis, after slumping on speculation defaults will rise as the economy slows. The gauge has lost 32 percent this year as China's property market showed signs of cooling and concern grew that \$1.7 trillion of local-government debt will lead to bad loans.

Huijin bought 14.6 million shares in ICBC, 7.38 million shares of China Construction Bank Corp., 39.1 million shares in Agricultural Bank and 3.5 million shares in Bank of China on the Shanghai exchange, the

four Beijing-based lenders said in separate statements to the Hong Kong stock exchange yesterday.

Those purchases would have cost Huijin about 197.5 million yuan (\$31.1 million), based on yesterday's closing prices for the lenders' Shanghai-listed shares, according to data compiled by Bloomberg. The banks and Huijin didn't disclose the price the shares were acquired at.

The cost of protecting debt of Bank of China against non-payment for five years declined 13.5 basis points to 297.5 basis points as of 4:17 p.m. in Hong Kong, according to data provider CMA. A decrease signals improving perceptions of credit quality.

Not Warren Buffett

Last month's announcement that Warren Buffett's Berkshire Hathaway Inc. would repurchase stock for the first time in four decades was very different from what Huijin is doing, said Vitaliy Katsenelson, chief investment officer at Denver-based Investment Management Associates, which manages \$60 million.

"China's sovereign wealth fund is not Warren Buffett," said Katsenelson, who said his long-only fund has avoided investments that have any exposure to China. "When Warren Buffett says he's buying Berkshire Hathaway, he actually thinks it's undervalued. China says that, but it doesn't necessarily mean that, they're just trying to create confidence."

While the purchases didn't significantly increase Huijin's holdings of 35.4 percent in ICBC, 57.1 percent in Construction Bank, 40 percent in Agricultural Bank and 67.6 percent in Bank of China, the fund plans to make further acquisitions over the next 12 months, the lenders said.

Huijin sold 40 billion yuan of bonds in August as it increased investment in banks, according to the website of Chinabond, the official bond clearing house. The Beijing-based investment company, set up in 2003, became a subsidiary of CIC in 2007 when the sovereign wealth fund was established.

Bolstering Confidence

China's home transactions fell during last week's public holidays after residential prices posted their first monthly decline in a year, according to Soufun Holdings Ltd., the country's biggest real estate website owner. The decline in sales volume during Golden Week, traditionally a peak period for developers, may mark a turning point for the property market.

Emerging-market stocks are "cheap" and Pacific Investment Management Co. is buying in China after the nation's shares tumbled this year, Maria Gordon, an emerging-market equity-fund manager at Pimco, said in an interview yesterday.

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