



Rating  
**Buy**

Asia  
China

Banking / Finance  
Banks

Company  
**China Construction  
Bank**

Reuters	Bloomberg	Exchange	Ticker
0939.HK	939 HK	HSI	0939

Date  
23 October 2018

**Company Update**

Price at 23 Oct 2018 (HKD)	6.20
Price target - 12mth (HKD)	9.44
52-week range (HKD)	9.12 - 6.07
HANG SENG INDEX	26,153

## Solid trends in 3Q18; NIM and asset quality beat

CCB reported another quarter of decent operating results in 3Q18. Net profit came in at Rmb67bn for the quarter, up 6.6% yoy. **There are two positive surprises: 1) mild NIM expansion**, even though in a loosened monetary condition; and **2) stable NPL ratio and improved provision coverage**, against market perception of weaker asset quality. We do not believe the underperformance of CCB's share prices to the market in the past three months is justified. Buy maintained.

### Key highlights in 3Q18

- NIM expanded by 1bps qoq, or 11bps yoy to 2.34%. Previously the market expected big banks to record NIM contraction given lower interbank rates.
- Asset growth and loan growth stayed resilient at 5.9% yoy and 7.9% yoy respectively.
- Fee income growth at 7.6%, accelerating from the lows in past two quarters.
- Cost-to-income ratio was down 1.7ppt yoy.
- As a result, PPoP came in at 10.2% yoy.
- Asset quality trends remained stable. NPL ratio was down 1bps to 1.47%. NPL formation rate on our estimates was 76bps of average loans, slightly higher than past quarters. But in the same time the bank increased credit cost charge to 96bps, lifting the provision coverage ratio to 195%.
- Capital base further strengthened, with CET-1 and CAR recording at 13.34% and 16.23%.

### Valuation & Risks

**Hans Fan, CFA**  
Research Analyst  
+852-2203 6353

**Jacky Zuo, CFA**  
Research Analyst  
+852-2203 6255

**Edward Du**  
Research Associate  
+852-2203 6185

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# Appendix 1

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China Construction Bank	0939.HK	6.35 (HKD) 22 Oct 2018	14, 15

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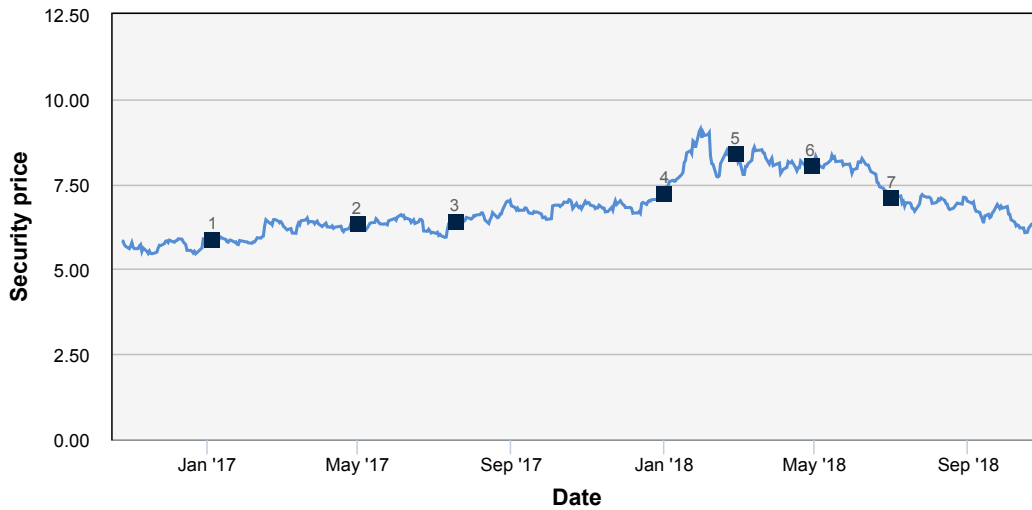
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Historical recommendations and target price. China Construction Bank (0939.HK)

(as of 10/22/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

1.	01/06/2017	Buy, Target Price Change HKD 6.67	Hans Fan, CFA	5.	02/28/2018	Buy, Target Price Change HKD 9.29	Hans Fan, CFA
2.	05/02/2017	Buy, Target Price Change HKD 7.08	Hans Fan, CFA	6.	04/29/2018	Buy, Target Price Change HKD 10.03	Hans Fan, CFA
3.	07/19/2017	Buy, Target Price Change HKD 7.68	Hans Fan, CFA	7.	07/02/2018	Buy, Target Price Change HKD 9.44	Hans Fan, CFA
4.	01/02/2018	Buy, Target Price Change HKD 8.87	Hans Fan, CFA				

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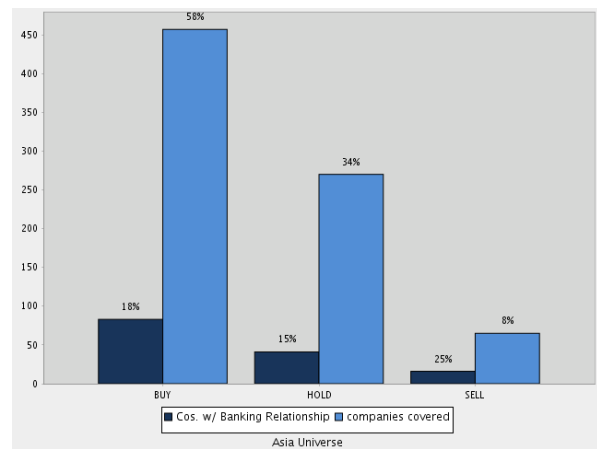
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Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

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Equity rating dispersion and banking relationships



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## David Folkerts-Landau

Group Chief Economist and Global Head of Research

Pam Finelli  
Global Chief Operating Officer  
Research

Michael Spencer  
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Steve Pollard  
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Deutsche Bank Place  
Level 16  
Corner of Hunter & Phillip Streets  
Sydney, NSW 2000  
Australia  
Tel: (61) 2 8258 1234

#### Deutsche Bank AG

Mainzer Landstrasse 11-17  
60329 Frankfurt am Main  
Germany  
Tel: (49) 69 910 00

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International Commerce Centre,  
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Sanno Park Tower  
Chiyoda-ku, Tokyo 100-6171  
Japan  
Tel: (81) 3 5156 6770

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#### Deutsche Bank AG London

1 Great Winchester Street  
London EC2N 2EQ  
United Kingdom  
Tel: (44) 20 7545 8000

#### Deutsche Bank Securities Inc.

60 Wall Street  
New York, NY 10005  
United States of America  
Tel: (1) 212 250 2500

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