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China Construction Bank (939 HK/601939 CH)

H/A: Buy/Hold: Strong PPOP growth, B/S buffer increased

Equities
Commercial Banks

China

- PPOP was strong and EPS beat estimates, supported by NIM expansion in 2Q; dividend payout lifted in 1H26
- Asset quality was resilient, supported corporate, though loan demand remains subdued and fee momentum slowed
- Maintain Buy/Hold, raise TP to HKD12.50/RMB11.70 (from HKD10.70/RMB10.30)

1H26 results – CCB's 1H26 attributable profit was up 4.1% y-o-y while EPS fell 0.3% y-o-y due to capital injection in 1H25. The EPS growth run-rate remained faster than HSBC 2026e of -1.0% y-o-y. BVPS rose 0.9% q-o-q to RMB13.69. Of the key aspects we monitor, we see **four positive and two negative trends**:

1. **Net interest income positive:** NIM expanded 2bp q-o-q in 2Q26 to 1.38%, following an 8bp q-o-q expansion in 1Q26, likely due to deposit repricing. Net interest income rose 8.5% y-o-y in 1H26.
2. **Fee and other income moderately negative:** Fee income turned negative in 1H26, down 1.4% y-o-y (2Q26: -12.4% y-o-y), as weaker asset management and consultancy fees outweighed better agency, settlement, and custody fees. Other non-interest income rose 50.4% y-o-y in 1H26, driven by investment gains.
3. **PPOP and cost efficiency positive:** PPOP rose 12.7% y-o-y in 1H26 (+12.2% y-o-y in 2Q26). Revenue increased 10.5% y-o-y in 1H26, while costs rose 3.6% y-o-y; the cost-to-income ratio fell 1.5ppt y-o-y to 23.2%.
4. **Asset quality moderately positive:** NPL ratio edged down 1bp q-o-q to 1.29%. Loan loss reserves/loans rose 3bp q-o-q to 3.09%. NPL coverage rose 4.7ppt q-o-q to 238.7%. Credit costs on loans were broadly flat, but impairments on financial investments increased.
5. **Balance sheet moderately negative:** Loans grew 1.4% q-o-q in 2Q26, driven by discounted bills (+30.6% q-o-q), while corporate and retail loans both declined modestly by 0.7% q-o-q. Deposits fell 1.8% q-o-q.
6. **Capital return positive:** CCB proposed a higher 1H26 payout ratio of 31.2% (vs 30.0%/30.5% in 1H25/2025). 1H26 DPS was RMB0.201, up 8.2% y-o-y. CET1 slipped 2bp q-o-q to 14.24%.

Implications: We view the 1H26 results as a *mildly positive* event. 1H26 earnings beat our estimates. PPOP was strong, with NIM expanding and other non-interest income rising notably. Asset quality was resilient as the corporate NPL ratio declined, though retail risk still exists. Furthermore, CCB proposed a higher 1H26 payout ratio, signalling increased emphasis on rewarding shareholders. Post results, we raise our 2026-28e EPS by 3.6-8.1%. We maintain CCB H/A Buy/Hold ratings and raise TPs to HKD12.50/RMB11.70 (from HKD10.70/RMB10.30).

H: MAINTAIN BUY

TARGET PRICE (HKD)	PREVIOUS TARGET (HKD)
12.50	10.70
SHARE PRICE (HKD)	**UPSIDE/DOWNSIDE**
9.14 (as of 28 Aug 2026)	+36.8%

A: MAINTAIN HOLD

TARGET PRICE (CNY)	PREVIOUS TARGET (CNY)
11.70	10.30
SHARE PRICE (CNY)	**UPSIDE/DOWNSIDE**
10.69 (as of 28 Aug 2026)	+9.4%

MARKET DATA

BBG / RIC	939 HK / 0939.HK
Market cap (HKDm / USDm)	2,461,559 / 314,030
Free float (H / A)	100% / 100%
3m ADTV (USDm) (H / A)	280 / 196

FINANCIALS AND RATIOS (CNY)

Year to	12/2025a	12/2026e	12/2027e	12/2028e
HSBC EPS	1.30	1.33	1.39	1.46
HSBC EPS (prev)	1.30	1.29	1.32	1.35
Change (%)	0.0	3.6	5.7	8.1
Consensus EPS	1.29	1.32	1.38	1.48

Source: LSEG IBES, HSBC estimates

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This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: The Hongkong and Shanghai Banking Corporation Limited

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Financials & Valuation: CCB

939 HK	Buy	TP	HKD	12.50
Year to	**2025a**	**2026e**	**2027e**	**2028e**
H-share valuation (x)				
P/E	6.0	5.9	5.6	5.4
P/PPOP	3.9	3.5	3.4	3.2
P/B	0.6	0.6	0.5	0.5
Dividend yield	4.9%	5.4%	5.6%	5.9%
Asset quality (%)				
Credit cost	0.55	0.61	0.59	0.58
NPL ratio	1.3	1.3	1.3	1.3
LLR ratio	3.06	3.08	3.08	3.08
NPL coverage	233	236	235	235
Capital ratios (%)				
Core Tier 1	14.6	14.4	14.2	14.0
Total Tier 1	15.5	15.4	15.1	14.9
Total CAR	19.7	19.6	19.2	19.0
RWA / assets	51.9	53.4	54.4	55.1
P&L (RMBbn)				
Net interest income	573	633	669	707
Non-interest income	168	193	185	185
Revenue	741	826	854	892
Operating expenses	-227	-234	-242	-249
PPOP	514	591	612	643
Provisions	-133	-183	-186	-193
Attributable profit	333	349	364	383
B/S (RMBbn)				
Assets	45,632	48,598	51,757	55,121
Gross loans	27,722	29,579	31,502	33,486
Risk weighted assets	23,685	25,935	28,140	30,391
Deposits	30,836	32,840	34,974	37,248
Att equity	3,463	3,724	3,989	4,266
Per share (RMB)				
EPS	1.30	1.33	1.39	1.46
PPOP	2.01	2.26	2.34	2.46
NAV (excl pref shares)	13.24	14.24	15.25	16.31
DPS	0.39	0.42	0.44	0.46
Dupont analysis (%)				
Net int inc	1.3	1.3	1.3	1.3
Int income	*2.7*	*1.2*	*1.2*	*1.2*
Int expense	*-1.3*	*-0.6*	*-0.6*	*-0.6*
Net fee income	0.3	0.2	0.2	0.2
Other income	0.1	0.2	0.1	0.1
Operating income	1.7	1.8	1.7	1.7
Operating expenses	-0.5	-0.5	-0.5	-0.5
PPOP	1.2	1.3	1.2	1.2
Provisions	-0.3	-0.4	-0.4	-0.4
Taxation	-0.1	-0.1	-0.1	-0.1
Attributable profit	0.8	0.7	0.7	0.7

601939 CH	Hold	TP	RMB	11.70
Year to	**2025a**	**2026e**	**2027e**	**2028e**
A-share valuation (x)				
P/E	8.1	8.2	8.0	7.7
P/PPOP	5.3	5.3	4.7	4.6
P/B	0.8	0.8	0.8	0.7
Dividend yield	3.8%	3.6%	3.9%	4.1%
Financial ratios (%)				
NIM	1.34	1.37	1.36	1.35
Non-int inc / revenue	22.7	23.4	21.7	20.7
Cost / income	30.7	28.4	28.3	27.9
Loan / deposit	89.9	90.1	90.1	89.9
Loans / assets	60.8	60.9	60.9	60.8
IEA / assets	99.2	98.0	98.0	98.0
ROA	0.77	0.74	0.73	0.72
ROE	10.1	9.7	9.4	9.3
Leverage (x)	12.4	12.1	12.1	12.1
Growth y-o-y%				
Net interest income	-2.9	10.5	5.7	5.7
Non-interest income	21.2	14.7	-4.0	-0.3
Revenue	1.7	11.4	3.5	4.4
Operating expense	1.5	3.2	3.1	2.9
PPOP	1.8	15.1	3.6	5.0
Provisions	10.2	37.1	2.0	3.6
Attributable profit	1.5	4.7	4.3	5.1
Growth y-o-y%				
Assets	12.5	6.5	6.5	6.5
Gross loans	7.5	6.7	6.5	6.3
Risk weighted assets	8.4	9.5	8.5	8.0
Deposits	7.4	6.5	6.5	6.5
Att equity	9.5	7.5	7.1	6.9
Others (%)				
NSCA % assets	0.0	0.0	0.0	0.0
Adj gross NPL formation	0.5	0.5	0.5	0.5
Payout ratios	31	30	32	32
ESG Metrics				
Environmental Indicators				
GHG Intensity (kg/USD)				n/a
Energy Intensity (kWh/USD)				n/a
CO2 reduction policy				n/a
Social Indicators				
Employee costs as % of sales				16.5
Employee turnover (%)				1.7
Diversity policy				Yes
Governance Indicators				
No. of board members				13.0
Average board experience (years)				2.9
Female board members (%)				15.4
Board members Independence (%)				46.2

Source: Company data, HSBC estimates

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1H26 results summary

P&L summary (RMBm, q-o-q, h-o-h or y-o-y % changes)	1Q26	2Q26	q-o-q	y-o-y	1H25	2H25	1H26	h-o-h	y-o-y
Net interest income	153,468	157,490	2.6	8.8	286,709	286,065	310,958	8.7	8.5
Net fees & commissions	39,978	24,311	-39.2	-12.4	65,218	45,089	64,289	42.6	-1.4
Other non-interest income	12,969	38,117	193.9	39.3	33,978	23,812	51,086	114.5	50.4
Operating income	**206,415**	**219,918**	**6.5**	**10.0**	**385,905**	**354,966**	**426,333**	**20.1**	**10.5**
Operating expense	-45,809	-53,151	16.0	3.8	-95,503	-131,722	-98,960	-24.9	3.6
PPOP	**160,606**	**166,767**	**3.8**	**12.2**	**290,402**	**223,244**	**327,373**	**46.6**	**12.7**
Impairment	-61,661	-68,369	10.9	14.9	-107,662	-25,697	-130,030	406.0	20.8
Operating profit	**98,945**	**98,398**	**-0.6**	**10.4**	**182,740**	**197,547**	**197,343**	**-0.1**	**8.0**
Associates	252	385	52.8	na	-299	635	637	0.3	na
Profit before tax	**99,197**	**98,783**	**-0.4**	**11.2**	**182,441**	**198,182**	**197,980**	**-0.1**	**8.5**
Taxation	-12,376	-13,927	12.5	39.7	-19,803	-21,030	-26,303	25.1	32.8
Minority and preferences	-530	-2,379	348.9	1,291.2	-562	-5,742	-2,909	-49.3	417.6
Attributable profit	**86,291**	**82,477**	**-4.4**	**4.8**	**162,076**	**171,410**	**168,768**	**-1.5**	**4.1**
Other comprehensive income	-2,602	2,687	na	75.5	-14,760	-22,021	85	na	na
Total comprehensive income	**84,219**	**87,543**	**3.9**	**8.8**	**147,878**	**155,131**	**171,762**	**10.7**	**16.2**
Balance sheet items (RMBbn, q-o-q, h-o-h or y-o-y % changes)									
Total assets	47,133	47,328	0.4	6.5	44,433	45,632	47,328	3.7	6.5
Customer loans	28,891	29,287	1.4	6.9	27,395	27,722	29,287	5.6	6.9
Financial investments	13,722	13,991	2.0	18.9	11,770	12,897	13,991	8.5	18.9
Customer deposits	32,417	31,818	-1.8	4.4	30,469	30,836	31,818	3.2	4.4
Attributable equity	3,547	3,580	0.9	6.4	3,363	3,463	3,580	3.4	6.4
Ratios (%, q-o-q, h-o-h or y-o-y ppt changes)									
Net interest margin	1.36	1.38	0.02	0.00	1.40	1.28	1.37	0.09	-0.03
Loan/deposit ratio	89.1	92.0	2.9	2.1	89.9	89.9	92.0	2.1	2.1
Non-NII as % revenue	25.7	28.4	2.7	0.8	25.7	19.4	27.1	7.7	1.4
Cost/income ratio	22.2	24.2	2.0	-1.5	24.7	37.1	23.2	-13.9	-1.5
NPL ratio	1.31	1.29	-0.01	-0.04	1.33	1.31	1.29	-0.02	-0.04
SML ratio	na	1.77	na	-0.04	1.81	1.77	1.77	0.00	-0.04
NPL coverage ratio	234.0	238.7	4.7	-0.7	239.4	233.1	238.7	5.5	-0.7
NPL+ SML coverage ratio	na	100.7	na	-0.6	101.3	99.3	100.7	1.4	-0.6
Credit costs	na	na	na	na	0.87	0.24	0.88	0.64	0.01
Credit costs on assets	0.53	0.58	0.05	0.03	0.51	0.11	0.56	0.45	0.05
Loan loss reserve	3.06	3.09	0.03	-0.10	3.18	3.06	3.09	0.03	-0.10
Core Tier-1 ratio	14.26	14.24	-0.02	-0.10	14.34	14.63	14.24	-0.39	-0.10
Tier-1 ratio	15.06	15.15	0.09	-0.04	15.19	15.47	15.15	-0.32	-0.04
CAR	19.00	19.42	0.42	-0.10	19.51	19.69	19.42	-0.27	-0.10
RWA to total assets	52.8	53.1	0.3	0.3	52.9	51.9	53.1	1.2	0.3
Liquidity coverage ratio	138.1	126.6	-11.5	4.5	123.4	133.9	132.4	-1.6	8.9
ROAE	9.8	9.3	-0.6	-0.3	9.9	10.0	9.6	-0.5	-0.4
ROAA	0.74	0.70	-0.05	-0.02	0.76	0.76	0.73	-0.04	-0.04
Effective tax	12.5	14.1	1.6	2.9	10.9	10.6	13.3	2.7	2.4
Per share (RMB, q-o-q, h-o-h or y-o-y % changes)									
EPS	0.33	0.32	-4.4	-10.5	0.65	0.66	0.65	-1.5	-0.3
BVPS	13.56	13.69	0.9	6.4	12.86	13.24	13.69	3.4	6.4
DPS					0.19	0.20	0.20	-0.9	8.2
Payout ratio (%, ppt change)					30.0	31.0	31.2	0.2	1.2

Source: Company data, HSBC estimates

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Estimate revisions

We raise our 2026/27/28e EPS forecasts by 3.6%/5.7%/8.1%, driven by (1) higher NIM from continued time-deposit repricing and solid overseas performance, and (2) significant other non-interest income from equity investment gains due to listing of invested companies. This is partly offset by (3) weaker fee income and higher impairment losses on loans in 2026-27e.

Estimate changes

	Old estimates			New estimates			Changes		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Revenue (RMBbn)	768	811	862	826	854	892	7.5%	5.3%	3.4%
Attributable profit (RMBbn)	337	344	354	349	364	383	3.6%	5.7%	8.1%
NIM (%)	1.27	1.26	1.27	1.37	1.36	1.35	0.10ppt	0.10ppt	0.08ppt
NPL ratio (%)	1.30	1.23	1.17	1.31	1.31	1.31	0.01ppt	0.08ppt	0.14ppt
ROAE (%)	9.42	9.03	8.73	9.72	9.45	9.28	0.30ppt	0.42ppt	0.55ppt
EPS (RMB)	1.29	1.32	1.35	1.33	1.39	1.46	3.6%	5.7%	8.1%

Source: HSBC estimates

Valuation and risks

We use the Gordon growth model with an explicit credibility discount (GGM-CD) to derive our H- and A-share target prices for CCB. Our H-share target price is converted from our A-share target price based on a spot RMB-HKD FX rate of 1.1635 (previously 1.131). In the GGM-CD, we maintain 12.5% and 5.0% credibility discounts for the H- and A-shares. We assume a COE of 10.7% (based on a risk-free rate of 4.25%, equity risk premium of 4.75%, and a beta of 1.35), ROE of 9.3% (previously 8.8%), and sustainable growth (g) of 3%. These assumptions lead to new H- and A-share target prices of HKD12.50 and RMB11.70 (from HKD10.70 and RMB10.30). Our H-share target price implies 36.8% upside; we maintain our Buy rating. Our A-share target price implies 9.4% upside; we maintain our Hold rating given the shares offer a lower dividend yield than CCB-H.

Downside risks for the H- and A-shares: (1) stronger-than-expected NIM pressure due to negative mortgage repricing, declining corporate loan yield, and deposit competition; (2) fee income pressure may arise due to regulatory influence and market competition; (3) worse-than-expected downturn in the property sector and macro environment; and (4) fast asset growth may pressure capital ratios.

Upside risks for the A-shares: (1) faster-than-expected recovery in the property market, which could further strengthen CCB's asset quality. The bank's NPL-to-90D+ overdue loan ratio is consistently above peers, while RWA as a percentage of total assets is below peers thanks to a focus on mortgages and capital efficiency; and (2) CCB should enjoy market share gains as broader sector credit faces more constraints due to regulatory tightening and macro headwinds.



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Disclosure appendix

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Important disclosures

Equities: Stock ratings and basis for financial analysis

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HSBC assigns ratings on the following basis:

The target price is based on the analyst’s assessment of the stock’s actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Rating distribution for long-term investment opportunities

As of 30 June 2026, the distribution of all independent ratings published by HSBC is as follows:

Buy	61%	(13% of these provided with Investment Banking Services in the past 12 months)
Hold	34%	(10% of these provided with Investment Banking Services in the past 12 months)
Sell	5%	(8% of these provided with Investment Banking Services in the past 12 months)

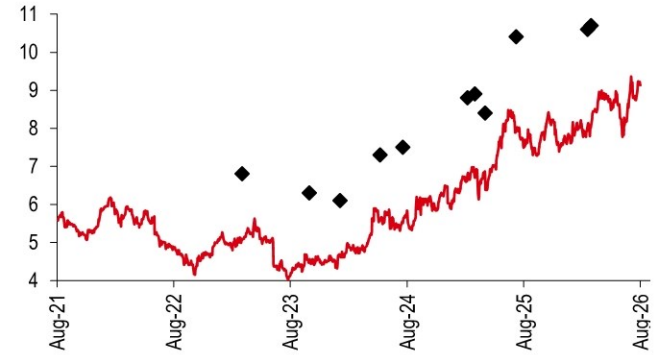
For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

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Share price and rating changes for long-term investment opportunities

China Construction Bank (0939.HK) share price performance HKD Vs HSBC rating history



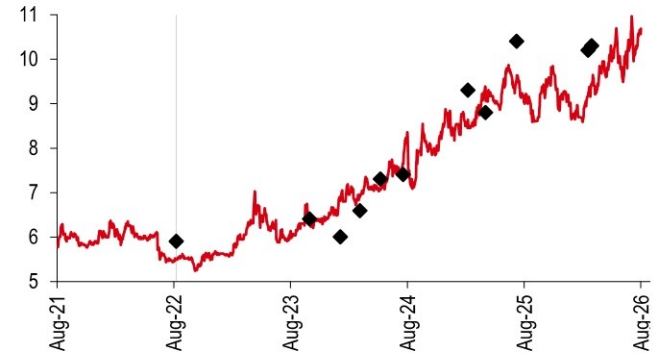
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Buy	21 Feb 2017	Michael Chu, CFA
Target price	**Value**	**Date**	**Analyst**
Price 1	6.80	30 Mar 2023	Gary Lam, CFA
Price 2	6.30	26 Oct 2023	Gary Lam, CFA
Price 3	6.10	31 Jan 2024	Gary Lam, CFA
Price 4	7.30	04 Jun 2024	Gary Lam, CFA
Price 5	7.50	14 Aug 2024	Gary Lam, CFA
Price 6	8.80	05 Mar 2025	Gary Lam, CFA
Price 7	8.90	28 Mar 2025	Gary Lam, CFA
Price 8	8.40	29 Apr 2025	Gary Lam, CFA
Price 9	10.40	04 Aug 2025	Gary Lam, CFA
Price 10	10.60	16 Mar 2026	Gary Lam, CFA
Price 11	10.70	27 Mar 2026	Gary Lam, CFA

Source: HSBC

China Construction Bank A (601939.SS) share price performance CNY Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Buy	Hold	04 Sep 2022	Gary Lam, CFA
Target price	**Value**	**Date**	**Analyst**
Price 1	5.90	04 Sep 2022	Gary Lam, CFA
Price 2	6.40	26 Oct 2023	Gary Lam, CFA
Price 3	6.00	31 Jan 2024	Gary Lam, CFA
Price 4	6.59	01 Apr 2024	Gary Lam, CFA
Price 5	7.30	04 Jun 2024	Gary Lam, CFA
Price 6	7.40	14 Aug 2024	Gary Lam, CFA
Price 7	9.30	05 Mar 2025	Gary Lam, CFA
Price 8	8.80	29 Apr 2025	Gary Lam, CFA
Price 9	10.40	04 Aug 2025	Gary Lam, CFA
Price 10	10.20	16 Mar 2026	Gary Lam, CFA
Price 11	10.30	27 Mar 2026	Gary Lam, CFA

Source: HSBC

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Company	Ticker	Recent price	Price date	Disclosure
CHINA CONSTRUCTION BANK	0939.HK	9.14	28 Aug 2026	1, 4, 5, 6, 7, 11
CHINA CONSTRUCTION BANK A	601939.SS	10.69	28 Aug 2026	1, 4, 5, 6, 7, 11

Source: HSBC

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