

HSBC

Steady progress under a noisy quarter

Reiterate Rating: BUY | PO: 760.00 GBp | Price: 643.80 GBp

US\$5.8bn one-time effects in 4Q 23

One-time charges of US\$5.8bn take 4Q 23 PBT to just US\$1bn, with a US\$3bn impairment to Bank of Communications, US\$2bn France disposal and US\$0.5bn Argentina hyperinflation dominating (Exhibit 2). Argentina in particular runs through varied P&L lines, making underlying comparison with consensus imperfect, but we see US\$9.1bn like-for-like Net Interest Income as in line with VisibleAlpha. Regional profits were stable q/q (Exhibit 3). A 14.8% Common Equity Tier 1, stable q/q and unaffected by one-time charges, is above HSBC's target, before the new US\$2bn 1Q 24 buyback.

Guidance in line with consensus

Guidance for a "mid teens" 2024 Return on Tangible Equity is reiterated. Taking 14% as a low-end mid-teens figure, this is in line with current consensus (Exhibit 4). Cost growth guided at 5% in 2024 is higher than consensus (Exhibit 18), although in line with our forecasts. New guidance of 2024 Banking Net Interest Income is for "at least" US\$41bn, compared with 2023's US\$44bn and a US\$46bn exit rate. Our US\$43.2bn 2024E Banking NII delivers a 13% ROTE ex Canada.

Very high distributions

A US\$0.31 final dividend, for a total 2023 dividend of US\$0.61 is soon to be followed by a US\$0.21 special. We expect three more quarterly US\$2bn buybacks, for a total US\$8bn and then a 2024E dividend stable at US\$0.61 on a reconfirmed 50% payout. This adds up to US\$30bn for shareholders in the coming 13 months (Exhibit 5).

Small changes to EPS. Low PE, high yield

HSBC is investing for growth, across Asia and in the UK. The cost strain limits current earnings and we cut EPS by US\$0.01-0.02 over 2024-26E. But we think investment and franchise sets the bank apart from peers with 5% sustainable top-line momentum over time. In the near term, a 6x PE and 8% ordinary dividend yield are complemented by additional distributions. We reiterate our Buy rating and 760p price objective.

Estimates (Dec) (USD)	2022A	2023A	2024E	2025E	2026E
Net Profit (US\$m)	13,717	22,093	24,841	21,210	22,409
EPS (Reported Diluted)	0.69	1.13	1.34	1.20	1.31
Dividend / Share	0.32	0.61	0.82	0.61	0.63
Adjusted NAV PS	7.46	7.94	8.44	9.19	9.94
Valuation (Dec)					
P/E	11.30x	7.28x	6.10x	6.80x	6.20x
EPS Change (YoY)	10.4%	64.5%	18.6%	-10.3%	9.66%
Price / BV	0.91x	0.86x	0.81x	0.75x	0.70x
Price / NAV	1.09x	1.02x	0.96x	0.88x	0.81x
Net Yield	3.95%	7.53%	10.1%	7.53%	7.77%
DPS Change (YoY)	28.0%	90.6%	34.4%	-25.6%	3.28%
Price / GOP	9.38x	4.72x	4.32x	4.73x	4.34x

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E EPS	1.36	1.34
2025E EPS	1.21	1.20
2026E EPS	1.32	1.31

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Stock Data

Price (UK Ord, HK Ord, ADR)	643.80 GBp / 62.65 HKD / 40.85 USD
Price Objective	760.00 GBp / 75.39 HKD / 48.51 USD
Date Established	11-Dec-2023 / 22-Jan-2024 / 22-Jan-2024
Investment Opinion	A-1-7 / B-1-7 / B-1-7
52-Week Range	512.30 GBp-665.60 GBp
Market Val / Shares Out (mn)	124,768 GBP / 19,380.0
Average Daily Value (mn)	134.75 USD
BofA Ticker / Exchange	HBCYF / LSE
BofA Ticker / Exchange	XHSBF / HKG
BofA Ticker / Exchange	HSBC / NYS
Bloomberg / Reuters	HSBA LN / HSBAL
ROE (2024E)	13.4%
Free Float	100.0%
ESGMeter™	High

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Refer to important disclosures on page 15 to 18. Analyst Certification on page 12. Price Objective Basis/Risk on page 12.

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Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
Net Interest Income	30,377	35,796	35,776	36,018	37,776
Net Fee Income	9,774	13,601	15,360	11,368	12,953
Securities Gains / (Losses)	10,469	16,661	17,161	17,676	17,676
Other Income	0	0	0	0	0
Total Non-Interest Income	20,243	30,262	32,521	29,044	30,629
Total Operating Income	50,620	66,058	68,297	65,062	68,405
Operating Expenses	(33,330)	(32,409)	(33,432)	(34,737)	(36,537)
Pre-Provision Profit	17,290	33,649	34,865	30,325	31,867
Provisions Expense	(3,584)	(3,447)	(3,540)	(3,590)	(3,770)
Operating Profit	13,706	30,202	31,325	26,734	28,098
Non-Operating Items	2,723	(193)	2,951	3,099	3,254
Pre-Tax Income	16,429	30,009	34,276	29,833	31,351
Net Income to sh/holders	13,717	22,093	24,841	21,210	22,409
Adjusted Cash Earnings	13,717	22,093	24,841	21,210	22,409

Key Balance Sheet Data

Total Assets	2,949,286	3,038,677	3,096,778	3,250,125	3,411,139
Average Interest Earning Assets	2,286,576	2,262,693	2,284,981	2,373,180	2,418,144
Risk Weighted Assets	839,720	854,114	858,577	899,193	945,534
Total Gross Customer Loans	938,227	953,562	985,034	1,028,162	1,079,171
Total Customer Deposits	1,570,303	1,611,647	1,692,045	1,776,647	1,865,479
Tier 1 Capital	139,057	144,200	144,147	148,661	154,374
Tangible Equity	166,414	172,842	173,373	178,776	185,412
Common Shareholders' Equity	177,833	185,329	185,860	191,263	197,899

Key Metrics

Net Interest Margin	1.33%	1.58%	1.57%	1.52%	1.56%
Tier 1 Ratio	16.6%	16.9%	16.8%	16.5%	16.3%
Effective Tax Rate	4.92%	19.3%	21.0%	21.0%	21.0%
Loan / Assets Ratio	31.3%	30.9%	31.3%	31.2%	31.2%
Loan / Deposit Ratio	58.8%	58.2%	57.3%	57.0%	57.0%
Oper Leverage (Inc Growth - Cost Growth)	5.88%	33.3%	0.23%	-8.64%	-0.04%
Gearing (Assets / Equity)	16.6x	16.4x	16.7x	17.0x	17.2x
Tangible Equity / Assets	5.64%	5.69%	5.60%	5.50%	5.44%
Tangible Equity / RWAs	19.8%	20.2%	20.2%	19.9%	19.6%

Business Performance

Revenue Growth	2.16%	30.5%	3.39%	-4.74%	5.14%
Operating Expense Growth	-3.73%	-2.76%	3.16%	3.90%	5.18%
Provisions Expense Growth	-486%	-3.82%	2.70%	1.42%	5.00%
Operating Revenue / Average Assets	0.46%	1.01%	1.02%	0.84%	0.84%
Operating Expenses / Average Assets	-1.13%	-1.08%	-1.09%	-1.09%	-1.10%
Pre-Provision ROA	0.59%	1.12%	1.14%	0.96%	0.96%
ROA	0.46%	0.74%	0.81%	0.67%	0.67%
Pre-Provision ROE	9.19%	18.5%	18.8%	16.1%	16.4%
ROE	7.29%	12.2%	13.4%	11.2%	11.5%
RoTE	8.92%	14.5%	15.9%	13.3%	13.5%
RoRWAs	1.63%	2.61%	2.90%	2.41%	2.43%
Dividend Payout Ratio	46.7%	54.1%	61.3%	50.9%	47.9%
Efficiency Ratio (Cost / Income Ratio)	65.8%	49.1%	49.0%	53.4%	53.4%

Quality of Earnings

Total Non-Interest Inc / Operating Inc	40.0%	45.8%	47.6%	44.6%	44.8%
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	20.7%	10.2%	10.2%	11.8%	11.8%
NPLs plus Foreclosed Real Estate / Loans	2.13%	2.21%	2.24%	2.25%	2.15%
Loan Loss Reserves / NPLs	0%	0%	0%	0%	0%
Loan Loss Reserves / Total Loans	1.56%	1.58%	1.56%	1.52%	1.49%
Provisions Expense / Average Loans	0.36%	0.37%	0.37%	0.36%	0.36%

Company Sector

Banks-Multinational/Universal

Company Description

HSBC Holdings is the leading cross-border international banking group, with particular strength in Asia (ex Japan), but also with strong presence in the UK, the Middle East, and North America. Regional banking franchises are largely focused on retail banking and business banking, with the UK and Hong Kong its home markets. The group's corporate and investment bank is based around its unique trade finance franchise, which gives pricing power and has allowed credit discipline

Investment Rationale

HSBC has built its capital position and now sits with a pro-forma, fully phased in Basel 3 Common Equity Tier 1 at 14.3%. CET1 leverage ratio is above 5%. The dividend is high and sustainable, we believe - appropriate in a low-growth banking environment. Our Buy rating reflects strong distributions, including buybacks and a return to revenue growth.

Stock Data

Price to Book Value

0.8x

Complex quarter, stable underlying

HSBC's 4Q 23 results were weak at the headline level, but the capital impact of non-recurrent items was negligible. The group enters 2024E investing for a return to activity and volume growth, while making high distributions on a strong balance sheet.

Weak headline P&L

Profit Before Tax (PBT) 4Q 23 of US\$1bn fell well short of our expectations. However, as Exhibit 1 shows, this was the result of the US\$3bn write-down of Bank of Communications

Exhibit 1: HSBC 4Q 23 P&L (US\$ mn)

Ahead of our forecasts, before Bank of Communications write-down

	4Q 23	4Q 23 BofA E
NII	8,284	9,235
Fees	2,757	3,057
Other income	1,980	1,122
Income	13,021	13,414
Costs	-	-
Pre-impairment	8,645	9,552
Impairments	4,376	3,862
Operating profit	1,031	1,301
	3,345	2,561
Associates	-	-
PBT	2,368	635
	977	5,757

Source: BofA Global Research estimates, company report

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There is considerable complexity in the quarter itself. We had captured some of this in our expectations but there are many line items. Exhibit 2 details the net US\$5.8bn of notable and other non-recurrent items.

Exhibit 2: US\$5.8bn non-recurrent PBT drag 4Q 23

HSBC notable items and Argentina hyperinflation impact, 4Q 23 (US\$ mn)

Net Interest Income	-	800
of which Argentina hyperinflation	-	500
of which Reclassification to Non II	-	300
Non II	-	2,300
of which France	-	2,000
of which Treasury disposals	-	400
of which Argentina hyperinflation	-	200
of which Reclassification from Net II	-	300
Non recurrent revenues	-	3,100
Costs and impairments	-	300
of which Argentina hyperinflation	-	300
Associates	-	3,000
of which, BoComm	-	3,000
Net non-recurrent PBT	-	5,800

Source: BofA Global Research estimates, company report

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These break down into four buckets:

- The write-down of Bank of Communications, which we discuss in more detail below. This was not in consensus, but has been discussed as a possibility for some years
- The loss on disposal of France. This was widely expected
- Argentina hyperinflation adjustments. These net to US\$0.5bn of costs, above the US\$0.3bn we detailed in [HSBC: US\\$31bn cash return should dominate the conversation 22 January 2024](#) (report link). We believe consensus largely did not include such a charge, although other banks did report similar charges



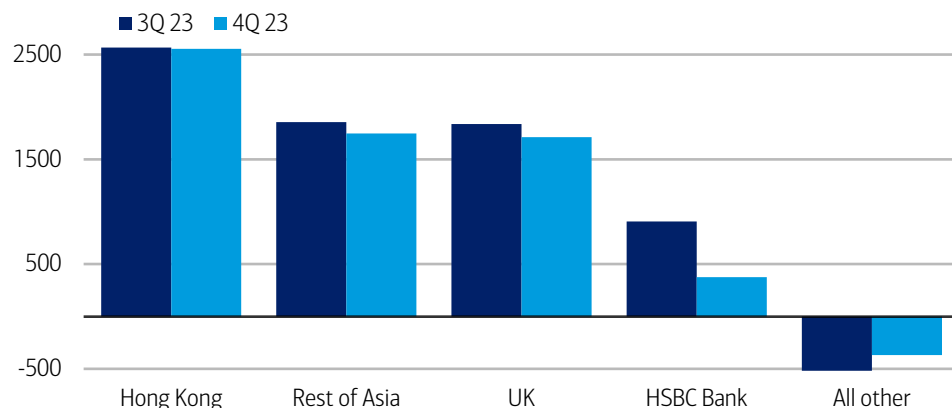
- A loss on sale of treasury assets. This was flagged at 3Q 23 results

There is also an intra-P&L restatement in 4Q 23, with some Net Interest Income re-booked as non-interest income.

Comparing these results with consensus is more art than science, given so many moving parts. But we believe business trends are stable q/q, shown in Exhibit 3.

Exhibit 3: HSBC quarterly Profit Before Tax, excluding notable items (US\$ mn)

Asian and UK domestic profits stable at a high level, 3Q 23-4Q 23



Source: BofA Global Research estimates, company report

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Guidance in line with consensus

HSBC guides for a mid-teens 2024 Return on Tangible Equity. The guidance excludes one-time items – which in 2024 would exclude the close-to US\$5bn set to be realised on Canada. We assume that “mid-teens” is a 14-16% range and on this basis, the group’s targets are in line with current consensus – shown in Exhibit 4.

Exhibit 4: HSBC consensus 2024 attributable profit and Return on Tangible Equity (%)

Consensus excluding one-time gain on Canada 14.2%

2024E	Profit attributable	ROTE
Consensus net profit	26,444	17.4%
Canada	4,848	
Consensus ex Canada	21,596	14.2%

Source: BofA Global Research estimates, company report

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Payouts US\$30bn

HSBC announced a final US\$0.31 dividend, for US\$0.61 in 2023. This US\$0.61 is 90% y/y growth and a penny above our forecast, although US\$0.03 below consensus.

The group reiterates its 50% 2024 payout target. Should HSBC meet its target ROTE, this implies US\$1.20 or higher in EPS 2024E. In turn, this would deliver a dividend of US\$0.60 per share, or higher – in line with our US\$0.61 forecast.

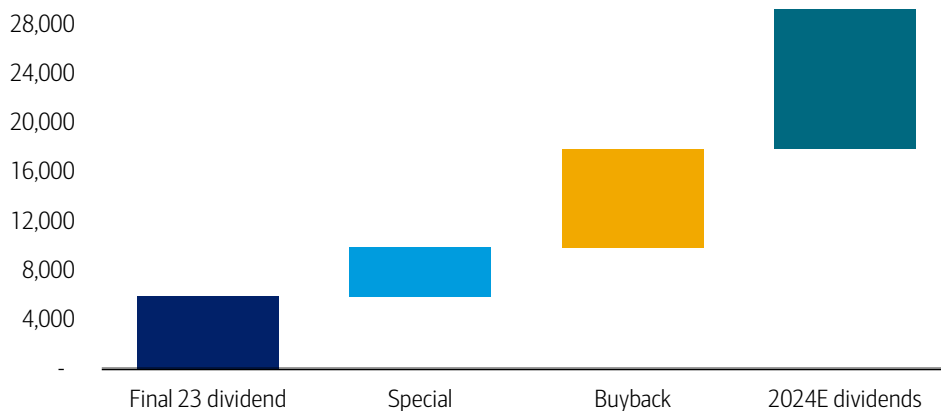
As expected, the group also reiterates it intends to pay a US\$0.21 special dividend soon after the completion of the sale of Canada, which should be at the end of 1Q 24.

The US\$2bn buyback announced with the results is to be completed by the end of 1Q 24. We continue to see US\$8bn buybacks in 2024E, which combined with the special dividend substantially represents a complete return of the capital freed up by the Canada disposal to shareholders.

Between today and March 2025E, this sets HSBC up to distribute almost US\$30bn to shareholders (Exhibit 5).

Exhibit 5: US\$30bn to shareholders from today to March 2025E

A final dividend, a special, buybacks and the next year's ordinary dividend



Source: BofA Global Research estimates, company report

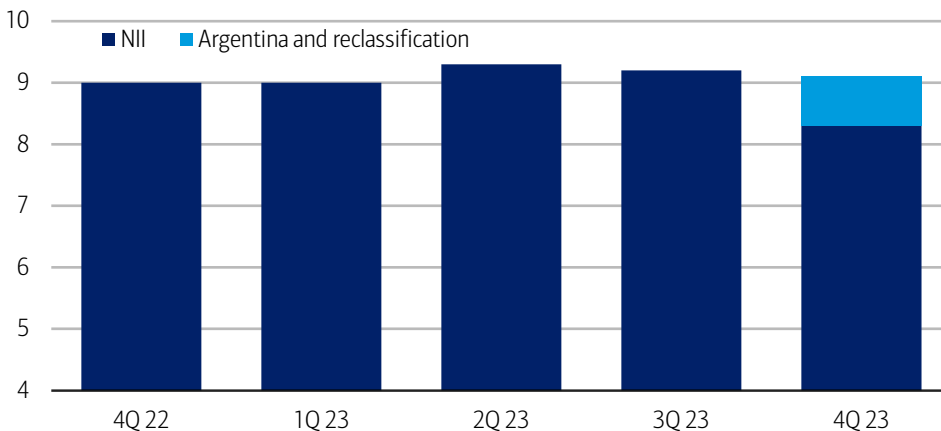
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Banking Net Interest Income stable, high

HSBC reported US\$8.3bn 4Q 23 NII, well short of consensus. However, adding back US\$0.8bn of non-recurrent items detailed above take the figure back to US\$9.1bn, in line with consensus (Exhibit 6).

Exhibit 6: Net Interest Income above US\$9bn a quarter, after one-time items

HSBC quarterly NII (US\$ mn) 2022-23



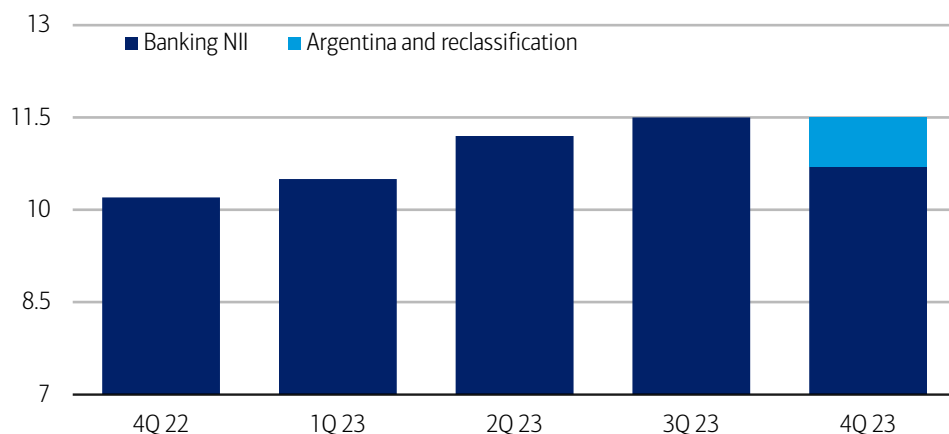
Source: BofA Global Research estimates, company report

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Since mid-2023, HSBC has reported "Banking NII", a figure which includes the impact of funding the trading book and is a more complete picture of the interest-linked revenues of the bank. We show this US\$11.5bn underlying 4Q 23 figure in Exhibit 7.

Exhibit 7: Banking Net Interest Income above US\$11bn a quarter, after one-time items

HSBC quarterly Banking NII (US\$ mn) 2022-23



Source: BofA Global Research estimates, company report

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Guidance “at least” US\$41bn Banking NII

Rebasing 4Q 23 Banking Net Interest Income for one-time items and the sales of France and Canada, we show in Exhibit 8 a run rate of US\$44.7bn entering 2024. HSBC has new guidance that this income line will be “at least” US\$41bn in 2024.

Exhibit 8: Banking NII (US\$ mn) and guidance

4Q 23 and guided 2024

4Q 23	11.5
Annualised	46.0
Canada and France	-1.3
Run rate	44.7
Guidance, “at least”	41.0

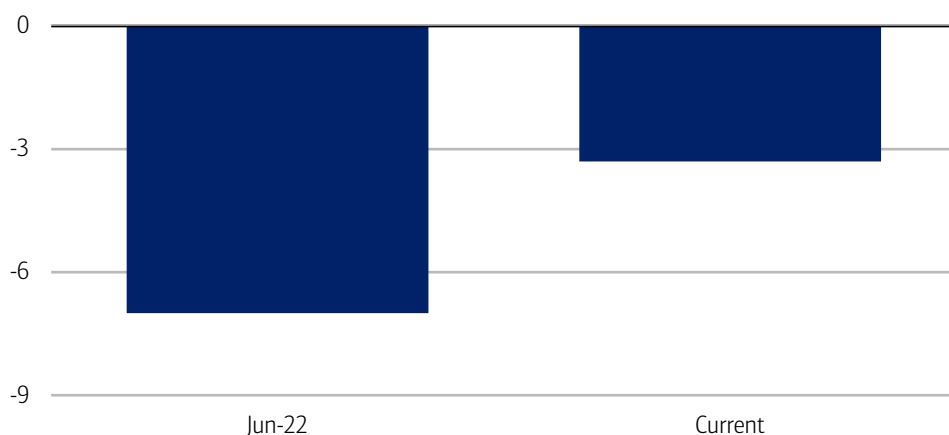
Source: BofA Global Research estimates, company report

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Naturally there are multiple drivers of Banking Net Interest Income growth or decline in 2024. But we focus on two central ones. First, HSBC has reduced its sensitivity to a downward shift in yield curves by more than a half since mid-2022, shown in Exhibit 9.

Exhibit 9: Banking NII sensitivity to 100bp negative yield curve shock (US\$ bn)

From US\$7bn to US\$3.3bn



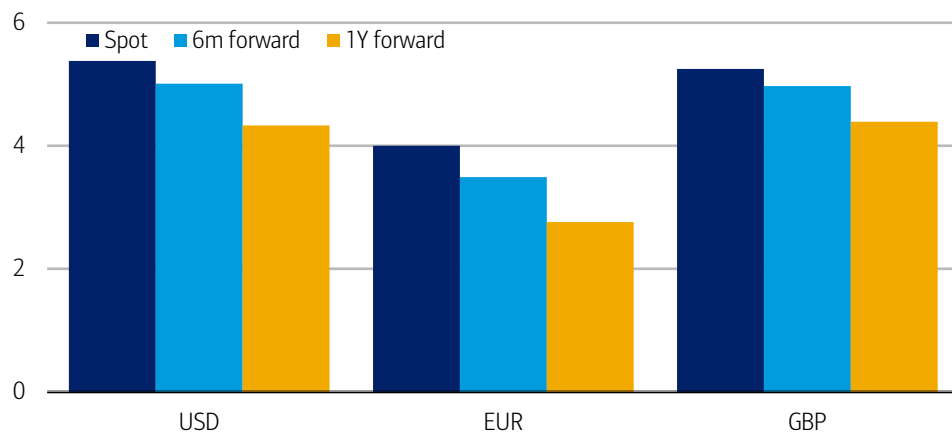
Source: Company. Current figures excludes Canada

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The market is pricing around 100bp of rate cuts in major economies, mainly in the latter part of 2024 (Exhibit 10). This bridges part of the potential Banking NII decline embedded in HSBC's guidance.

Exhibit 10: Market Implied Policy Rates, major currencies (%)

Current and forward rates (%)



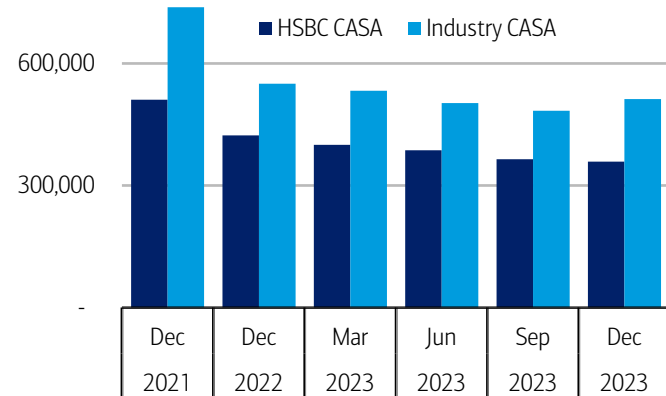
Source: Bloomberg

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Second, HSBC has seen significant migration of deposits in Hong Kong, in line with the industry - Exhibit 11 and Exhibit 12. Fourth quarter deposit migration from Current & Savings to Time of 3 percentage points was in line with prior quarters through 2023.

Exhibit 11: current and Savings Account balances in Hong Kong (US\$ mn) 2021-23

HSBC is 40% of the industry, has seen migration in line – a 30% decline

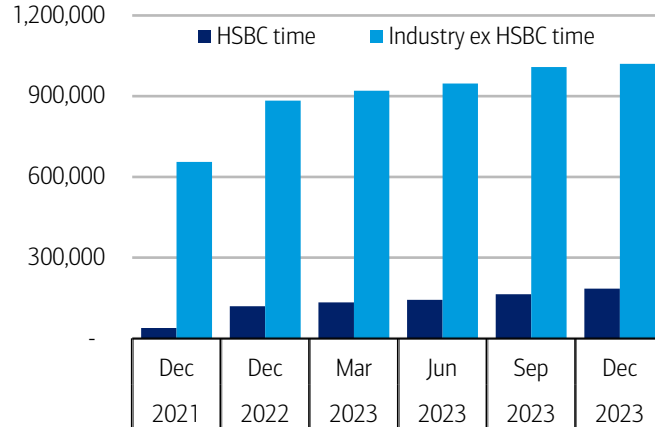


Source: BofA Global Research estimates, company, HKMA

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Exhibit 12: time balances in Hong Kong (US\$ mn) 2021-23

HSBC is only 15% of the industry, has seen migration in line



Source: BofA Global Research estimates, company, HKMA

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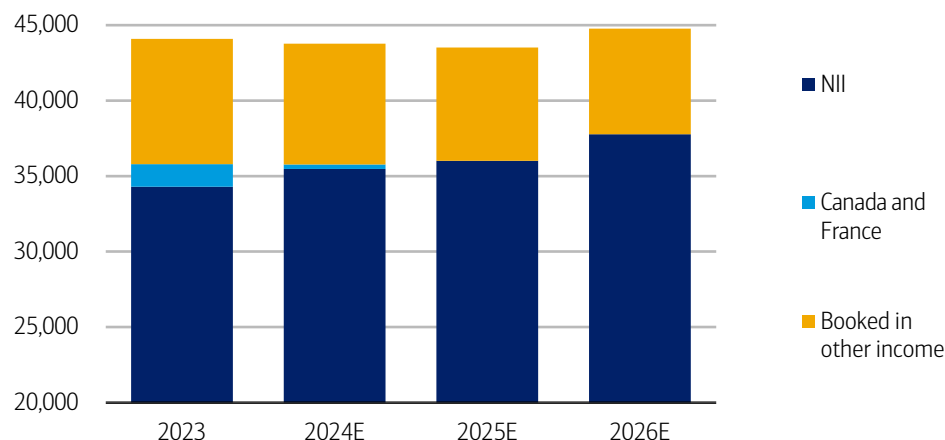
HSBC sees US\$0.5bn drag on Banking Net Interest Income from each 3pp migration. This is another of the potential drivers of revenue in 2024, although we note that migration is likely higher if rates stay higher, which in turn would be a positive for other income drivers at the group.

“At least”: we see US\$43bn

We also emphasise that HSBC has consistently exceeded its guidance in recent periods and we see it as likely the US\$41bn guide is again conservative. Our own forecast is US\$43.5bn, including the remaining quarter of Canada, or US\$43.2bn underlying – shown in Exhibit 13.

Exhibit 13: HSBC Banking Net Interest Income 2023-26E (US\$ mn)

We see US\$43bn – above guidance of at least US\$41bn



Source: BofA Global Research estimates, company report

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New guidance on different terms

HSBC did not previously have guidance for Banking NII. In prior years, when it gave guidance it was for Net Interest Income. We believe the figure will be relatively difficult for the market to get comfortable with in the short term. However, to translate back into Net Interest Income, our new NII forecast 2024 is 0.2% higher than previously.

Costs on the rise

HSBC guides to US\$33bn of 2024 costs, via a 2023 relevant cost base of US\$31.2bn, 5% inflation and the remaining quarter of Canada. We show in Exhibit 14 that this is slightly better than our prior expectations, but is US\$0.8bn worse than consensus.

Exhibit 14: HSBC 2024 costs (US\$ mn)

Costs to grow 5% on HSBC guidance

		BofA E	Consensus
Cost base	31.2		
Growth at 5%	1.6		
Canada 1Q 24	0.2		
2024 implied costs	33.0	33.2	32.2

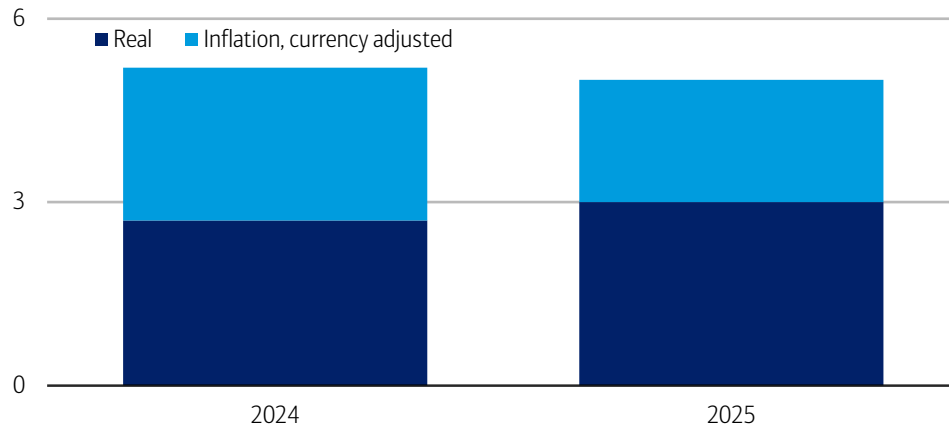
Source: BofA Global Research estimates, company report

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Management details how it is investing for growth, with its new 5% 2024 target in line with global US\$ nominal GDP growth – shown in Exhibit 15.

Exhibit 15: global nominal GDP growth around 5%

Half inflation, half real growth



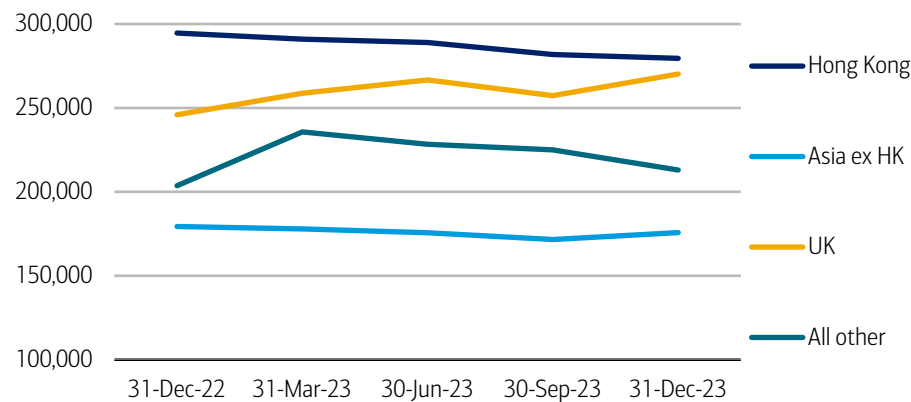
Source: BofA Global Research estimates, Bloomberg

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The cost plan is somewhat a statement of confidence in the outlook, as recent loan growth has hovered around zero (Exhibit 16). It is consistent though with the group's expectation of a return to mid-single digit loan growth after 1H 24.

Exhibit 16: no current momentum in lending

HSBC loan balances, by key region (US\$ mn) 2022-23



Source: company

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We see two key non-volume linked income streams HSBC is building

1. Wealth opportunity

HSBC in Asia is now the only real competitor to UBS for the most wealthy individuals with complex advice and trading needs. HSBC benefited from the decline and demise of Credit Suisse – shown in Exhibit 17. A 13% growth in HSBC Asia Wealth assets under management over the last two years compares with a consolidated 20% decline for the UBS – Credit Suisse combination.

Exhibit 17: HSBC grew Asia Wealth assets under management while Swiss peers declined

Wealth Assets under Management, Asia (US\$ mn) 2021 and 2023

	2021	2023	%
HSBC	147	166	13%
UBS	521	645	-20%
Credit Suisse	287		

Source: BofA Global Research estimates, company report

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2. Insurance growth

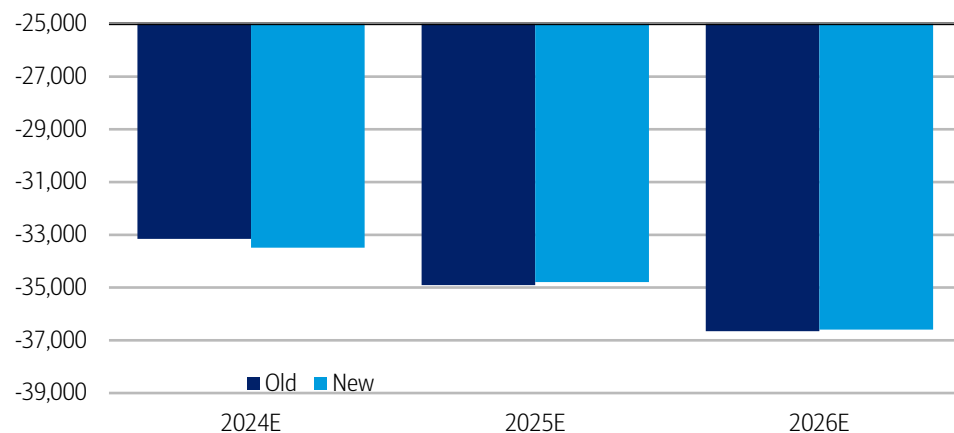
HSBC grew its Contractual Service Margin balance by 19% in 2023, to US\$10.8bn. While insurance revenues in 2023 were depressed by accounting adjustments, this provides context we think for the cost investment programme. Management details in its presentation its ongoing ambitions for growth in insurance.

Our costs forecasts largely unchanged

We continue to forecast 5% annual cost growth for HSBC, as shown in Exhibit 18.

Exhibit 18: HSBC costs 2024-26E (US\$ mn)

Reported costs growing at 5%



Source: BofA Global Research estimates

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BoComm written down, accruals continue

HSBC took a US\$3bn impairment on its stake in Bank of Communications in 4Q 23 (Exhibit 19). Because of significant threshold deductions, this was not a capital-relevant P&L event for HSBC.

Exhibit 19: HSBC carrying value of Bank of Communications (US\$ mn)

Carried at US\$21bn now

	2023
Opening stake	23,307
Profit in 2023	2,250
Impairment	- 3,000
Other	- 1,347
Carrying amount	21,210

Source: BofA Global Research estimates, company report

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We see 'normal service' now resumed, with HSBC accruing BoComm profits quarterly. However, we do note that there is low headroom between the current carrying value and the Value in Use of BoComm, shown in Exhibit 20.

Exhibit 20: HSBC value in use and other BoComm metrics (US\$ bn) 2020-23

Market value low

	2020	2021	2022	2023
Carrying value	21.2	23.6	23.3	21.2
Value in Use	21.8	24.8	23.5	21.2
Market	7.5	8.5	8.1	8.8
ViU surplus	0.6	1.2	0.2	0

Source: BofA Global Research estimates, company report

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Positive economic or profitability drivers in mainland China would contribute to a higher Value in Use. Should economic indicators and potential bank profitability remain low, further impairments in subsequent years are possible, we think.

Valuation

We value HSBC using a Gordon growth model, shown in Exhibit 21. We reiterate our Buy rating.

Exhibit 21: HSBC Gordon growth model 2025E (US\$, GBP)
A premium return to an elevated Cost of Equity

Gordon growth	2025E
Tangible equity	162,576
Net profit	21,210
ROE	13.0%
G	2%
COE	12%
P/NAV (x)	1.1
Implied value GBP, discounted	7.60

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

HSBC (HBCYF)

Our price objective is £7.60, using a Gordon Growth model. We use a 2025E underlying ROE of 16%, 2% growth and a 12% cost of equity to drive the valuation. At 9x our 2023E adjusted attributable income, the multiple at our PO would be below historical averages, considering macro risks.

Upside risks to our price objective are a greater-than-expected rise in US rates and a stronger global economy than we presently expect.

Downside risks are rate reductions and a slowdown in China spilling over into the rest of Asia.

HSBC (XHSBF / HSBC)

Our price objective is HK\$75.39 (US\$48.51), using a Gordon Growth model. We use a 2025E underlying ROE of 16%, 2% growth and a 12% cost of equity to drive the valuation. At 9x our 2023E adjusted attributable income, the multiple at our PO would be below historical averages, considering macro risks.

Upside risks to our price objective are a greater-than-expected rise in US rates and a stronger global economy than we presently expect. Downside risks: rate reductions. In addition, a slowdown in China spilling over into the rest of Asia.

Analyst Certification

I, Alastair Ryan, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Banks Coverage Cluster

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	Bank of Ireland Group	XBOIF	BIRG ID	Alastair Ryan
	BFF Banking Group	XBBZF	BFF IM	Antonio Reale
	BNP Paribas	BNPQF	BNP FP	Tarik El Mejjad
	BNP Paribas	BNPQY	BNPQY US	Tarik El Mejjad
	CaixaBank	CIXPF	CABK SQ	Antonio Reale
	Credit Agricole	CRARF	ACA FP	Tarik El Mejjad
	Danske Bank	DNSKF	DANSKE DC	Tarik El Mejjad
	Erste Bank	EBKOF	EBS AV	Alastair Ryan
	Erste Bank	EBKDY	EBKDY US	Alastair Ryan
	HSBC	XHSBF	5 HK	Alastair Ryan
	HSBC	HBCYF	HSBA LN	Alastair Ryan
	HSBC -A	HSBC	HSBC US	Alastair Ryan
	Intesa Sanpaolo	IITSF	ISP IM	Antonio Reale
	Intesa Sanpaolo	ISNPY	ISNPY US	Antonio Reale
	KBC Group	KBCSF	KBC BB	Tarik El Mejjad
	KBC Group NV	KBCSY	KBCSY US	Tarik El Mejjad
	NatWest Group	RBSPF	NWG LN	Rohith Chandra-Rajan
	Natwest Group PLC	NWG	NWG US	Rohith Chandra-Rajan
	Nordea	NBNKF	NDA FH	Tarik El Mejjad
	Nordea	XSABF	NDA SS	Tarik El Mejjad
	Nordea Bank Abp	NRDBY	NRDBY US	Tarik El Mejjad
	Santander	SAN	SAN US	Antonio Reale
	Santander	BCDRF	SAN SQ	Antonio Reale
	Societe Generale	SCGLF	GLE FP	Tarik El Mejjad
	Societe Generale	SCGLY	SCGLY US	Tarik El Mejjad
	Unicredit	UNCFF	UCG IM	Antonio Reale
	Unicredit	UNCRY	UNCRY US	Antonio Reale

EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Banco Bilbao Vizcaya Argentaria	BBVA	BBVA US	Antonio Reale
	Banco BPM	BNCZF	BAMI IM	Antonio Reale
	Bankinter	BKIMF	BKT SQ	Antonio Reale
	BBVA	BBVXF	BBVA SQ	Antonio Reale
	Handelsbanken	SVNLF	SHBA SS	Tarik El Mejjad
	ING Groep NV	ING	ING US	Tarik El Mejjad
	ING Groep NV	INGVF	INGA NA	Tarik El Mejjad
	Lloyds Banking Group	LLDTF	LLOY LN	Rohith Chandra-Rajan
	Lloyds Banking Group	LYG	LYG US	Rohith Chandra-Rajan
	Monte dei Paschi	BMDPF	BMPS IM	Antonio Reale
	Raiffeisen Bank International	RAIFF	RBI AV	Alastair Ryan
	StanChart	SCBFF	STAN LN	Alastair Ryan
	StanChart	XCHBF	2888 HK	Alastair Ryan
	Svenska Handelsbanke	SVNLY	SVNLY US	Tarik El Mejjad
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	UBS	UBS	UBS US	Alastair Ryan
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	Barclays	BCS	BCS US	Rohith Chandra-Rajan
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	Deutsche Bank	XDUSF	DBK GY	Rohith Chandra-Rajan
	DNB	DNBBF	DNB NO	Tarik El Mejjad
	DNB ASA	DNBBY	DNBBY US	Tarik El Mejjad
	Mediobanca	MDIBF	MB IM	Antonio Reale
	Permanent TSB	ILPMF	PTSB ID	Alastair Ryan
	Poste Italiane	PITAF	PST IM	Antonio Reale
	SEB	SVKEF	SEBA SS	Tarik El Mejjad
	Swedbank	SWDBF	SWEDA SS	Tarik El Mejjad
	Swedbank AB	SWDBY	SWDBY US	Tarik El Mejjad
	Virgin Money UK PLC	CBBYF	VMUK LN	Rohith Chandra-Rajan
	Virgin Money UK PLC	CYBBF	VUK AU	Rohith Chandra-Rajan

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization



Valuation Toolkit

Numerator

Denominator

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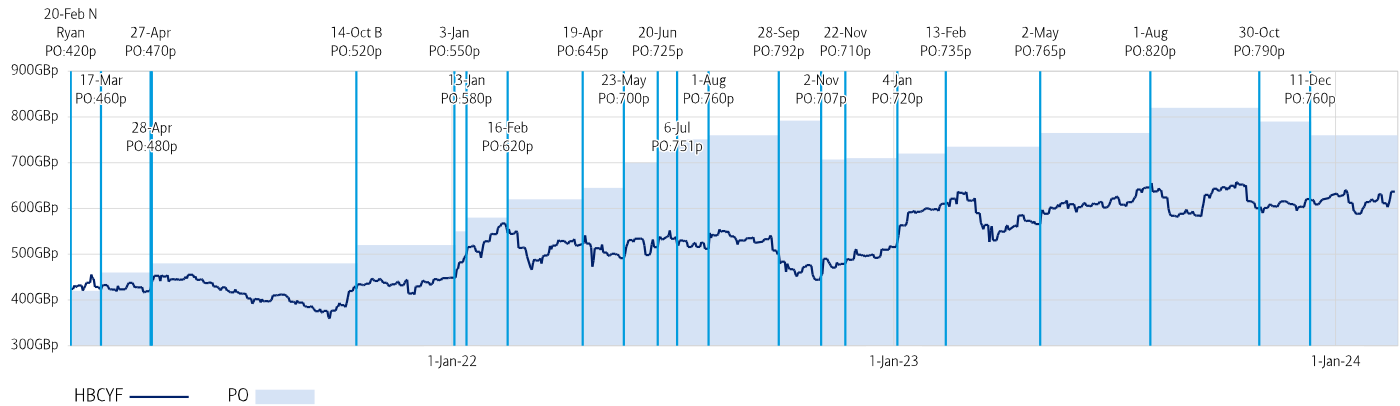
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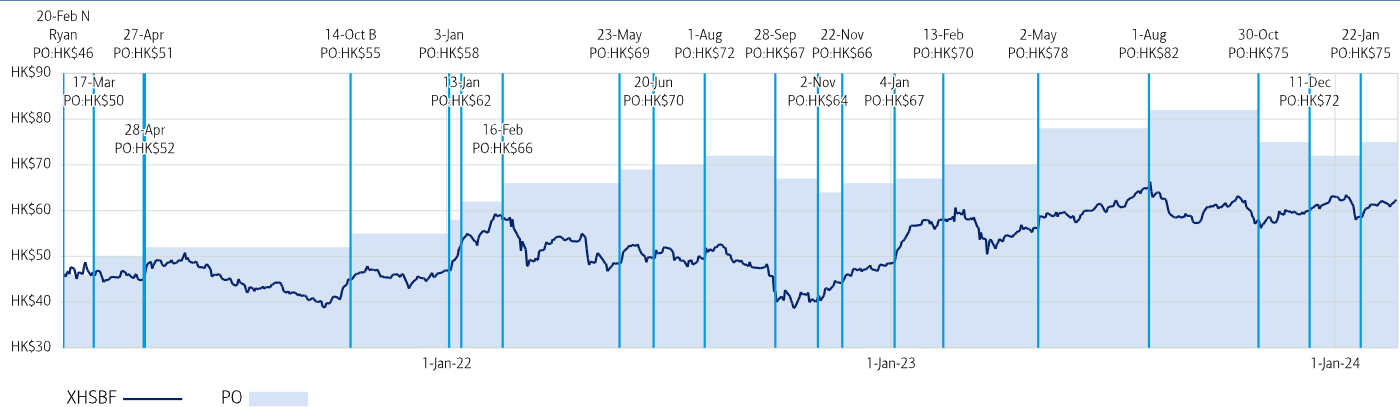
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HSBC (HBCYF) Price Chart



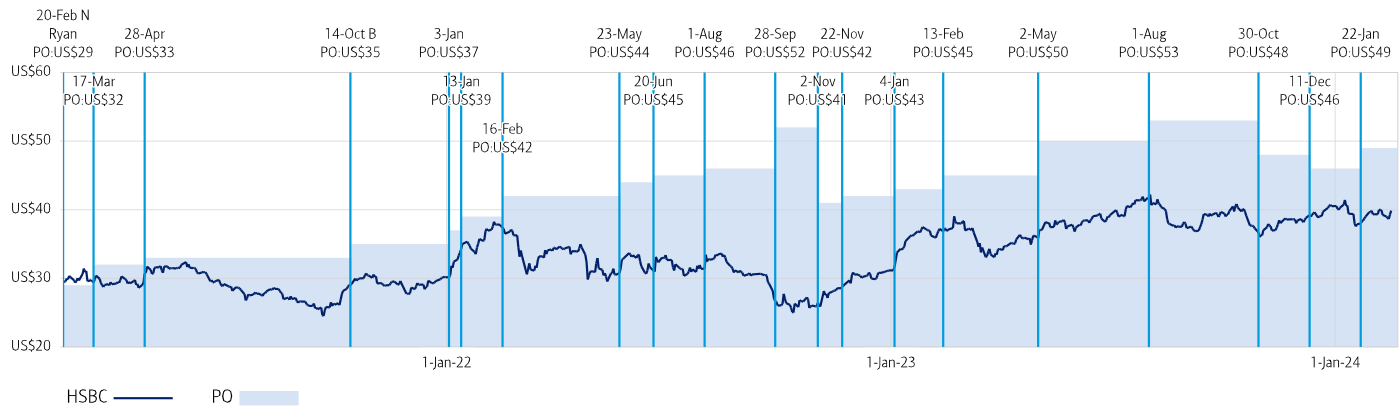
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HSBC (XHSBF) Price Chart



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HSBC -A (HSBC) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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