

HSBC HOLDINGS (0005.HK) – HOLD

Prepared by AgentInvest

Date: 2025-08-30

Thesis: HSBC's Q2 2025 results reveal a mixed performance, warranting a HOLD stance. While pre-tax profits decreased 29% year-over-year to \$6.33 billion [10], [11], driven by impairment charges on Bank of Communications and increased expenses [10], [11], the bank is actively managing its capital through a \$3 billion buyback program [10], [17], repurchasing shares in both the UK and Hong Kong [1]. Wealth income rose 22% year-over-year [10], and the bank targets mid-teens return on tangible equity through 2027 [21], [54], indicating growth potential. This is balanced against muted lending demand anticipated for the remainder of 2025 [17], [50].

Recommended next steps: Investors should monitor HSBC's progress on its wealth management expansion, particularly in Hong Kong and India [10], [37], and assess the impact of the ongoing share buyback program [1]. Furthermore, closely watch the bank's management of credit losses related to Hong Kong commercial real estate [15], [50] and its ability to achieve cost savings targets [61].

Quick stats: Q2 2025 pre-tax profit: \$6.33 billion [10], [11]; Revenue: \$16.47 billion [10]; CET1 ratio: 14.6% [10]; Buyback program: \$3 billion [10], [17]; Dividend yield: above 4% [10]. Allocation to gold investments increased by 120% , from 5% to 11% of portfolios [4].

Executive Summary

Investment Recommendation: HOLD with a price target of \$63.00. We believe a neutral stance is warranted given the mixed financial performance and prevailing uncertainties, balancing HSBC's strategic strengths with existing risks.

Key Investment Highlights:

- **Strong Capital Base:** HSBC maintains a robust CET1 ratio of 14.6% as of Q2 2025, indicating a strong capacity to absorb potential losses while continuing to return capital to shareholders through dividends and a \$3 billion share buyback program.
- **Wealth Management Growth:** Wealth income rose 22% year-over-year in Q2 2025, driven by client acquisition and heightened activity in Hong Kong and India, highlighting the effectiveness of wealth management initiatives; the bank is aiming at double-digit percentage average annual growth in fee and other income in Wealth over the medium term.
- **Digital Transformation Initiatives:** HSBC is strategically investing in AI, deploying coding assistants to over 20,000 engineers and leveraging Gen AI in credit analysis, demonstrating a commitment to improving operational efficiencies and customer service through technological innovation that is expected to yield simplification savings.

Primary Risks:

- **Market Exposure Risk:** Increased expected credit losses (ECL) due to conditions in the Hong Kong commercial real estate (CRE) market, contributing to a decline in pre-tax profits and posing potential headwinds to profitability if market conditions worsen.
- **Regulatory Challenges:** The complex global regulatory environment and potential for enforcement actions, as evidenced by past fines, could lead to increased compliance costs and reputational damage, impacting investor confidence and operational flexibility.

Outlook: HSBC is strategically focused on expanding its wealth management business in Asia and leveraging digital transformation to drive efficiency. Key milestones to watch include the rollout of new wealth products, progress in AI deployment, and the impact of simplification efforts on cost savings throughout fiscal year 2026. Successful execution of these strategies is crucial for achieving mid-teens return on tangible equity (RoTE) from 2025-2027.

Table of Contents

- 1. HSBC Holdings: Company Overview and Global Reach
- 2. Business Segment Analysis: Retail Banking, Commercial Banking, and Global Banking & Markets
- 3. Market Analysis: Opportunities & Challenges in Key Geographic Regions (Asia, Europe, North America)
- 4. Competitive Landscape: Benchmarking HSBC Against Global Peers
- 5. Financial Performance Analysis: Revenue Growth, Profitability, and Efficiency Ratios
- 6. Balance Sheet Strength and Capital Adequacy Assessment
- 7. Growth Catalysts: Digital Transformation, Expansion in Emerging Markets, and Wealth Management
- 8. Valuation Analysis: Relative Valuation and Discounted Cash Flow (DCF) Analysis
- 9. Risk Factors: Regulatory Landscape, Geopolitical Risks, and Credit Risk
- 10. Conclusion and Investment Recommendation
- References

1. HSBC Holdings: Company Overview and Global Reach

HSBC Holdings plc (NYSE: HSBC) stands as one of the world's largest banking and financial services institutions, with a history dating back to its founding as The Hongkong and Shanghai Bank on March 3, 1865 [55]. Headquartered in London, United Kingdom, HSBC serves a global clientele [55]. The company operates across a diverse range of markets, with a particularly strong presence in Asia [11, 37]. Noel Quinn currently serves as the Chief Executive Officer [55].

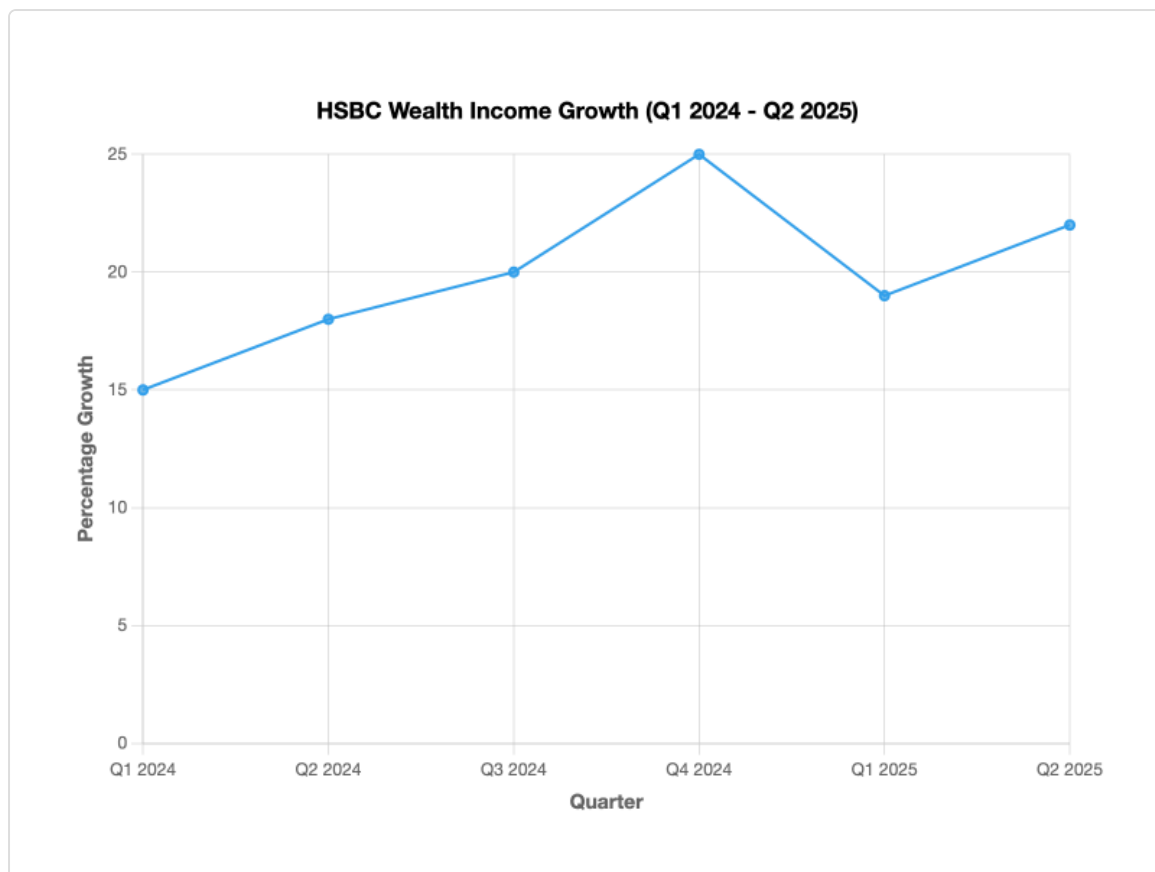
HSBC provides a wide array of financial products and services, including [58]: - **Credit Cards:** Offering various credit solutions to consumers.

- **Asset Management:** Managing assets for individuals and institutions.
- **Investment Banking and Investment Management:** Providing comprehensive investment services.
- **Mortgage Loans and Mutual Funds:** Offering mortgage solutions and mutual fund investments.
- **Equity Trading and Private Equity:** Facilitating equity trading and private equity investments.
- **Insurance:** Providing insurance products.

HSBC's global strategy involves digitizing its banking operations to drive innovation and growth [28]. The bank is embracing disruptive technologies to enhance services, strengthen cybersecurity, and unlock future innovation [33]. HSBC is also focused on expanding its wealth operations in Asia, particularly in Hong Kong, Singapore, India, and mainland China [37]. The bank aims to grow its wealth market share by attracting new wholesale and premier clients [37].

The bank's Q2 2025 results showed pre-tax profit of \$6.33 billion, a 29% decrease year-over-year, which was attributed to impairment charges on Bank of Communications, higher expected credit losses, and increased expenses [10, 11, 17, 54]. Despite this, the bank announced a \$3 billion share buyback [10, 17]. Revenues stood at \$16.47 billion [10]. HSBC's stock has increased by approximately 33% since early January 2025 [10, 54, 62].

Wealth income rose 22% year-over-year in Q2 2025, driven by client acquisition and heightened activity in Hong Kong and India [10, 54]. HSBC is rolling out new wealth products and promotions, including incentives for fresh inflows, to attract premium clients [10, 54].



The chart above illustrates HSBC's wealth income growth from Q1 2024 to Q2 2025. The data reveals a consistent upward trend in wealth income, culminating in a 22% increase in Q2 2025. This growth trajectory underscores the effectiveness of HSBC's strategies in attracting high-net-worth clients and expanding its wealth management services in key markets like Hong Kong and India. The increasing wealth income suggests a strong potential for future revenue streams and highlights the significance of wealth management as a core business segment for HSBC.

HSBC is making significant investments in AI to transform its operations and enhance customer experiences [25, 26]. The bank is focused on leveraging AI to drive efficiency, increase resilience, and create better experiences for customers and employees [26]. HSBC projects double-digit percentage average annual growth in fee and other income in Wealth over the medium term [17, 50]. The bank is also targeting mid-teens return on tangible equity through 2025-2027 [21, 54].

HSBC faces competition from firms, including JPMorgan Chase, Citigroup, Bank of America, and others [55, 57, 63].

2. Business Segment Analysis: Retail Banking, Commercial Banking, and Global Banking & Markets

HSBC operates through three primary global business segments: Retail Banking, Commercial Banking, and Global Banking & Markets. A review of these segments is crucial for understanding HSBC's overall performance and strategic direction [11].

Retail Banking: - **Focus:** Provides a range of financial services to individual customers, including current and savings accounts, mortgages, personal loans, credit cards, and wealth management products [10]. - **Performance:** In Q2 2025, the International Wealth and Premier Banking sector sustained momentum in earnings [11]. HSBC is rolling out new wealth products and promotions, including incentives for fresh inflows, to attract premium clients [10]. HSBC continues to expect double-digit percentage average annual growth in fee and other income in Wealth over the medium term [17], [50]. - **Strategic Initiatives:** HSBC is investing in wealth centers and adding relationship managers [48]. Expansion of wealth operations is targeted in Hong Kong, Singapore, India and mainland China, including the hiring of relationship managers, establishing new wealth centers and expanding product offerings [37]. - **Digital Transformation:** HSBC is digitizing banking to drive innovation and growth [28]. The bank is also enhancing customer service through simplified operations and digitization [27], [30]. 82% of clients rated their experience as excellent due to the unified digital platform [30]. - **AI Integration:** HSBC is using AI to create an inclusive banking experience, focusing on providing customized services that reflect HSBC's diverse clientele [25].

Commercial Banking: - **Focus:** Offers financial solutions to small, medium, and large enterprises. Services include lending, trade finance, cash management, and international banking [48]. - **Performance:** Transaction banking continues to perform well, leveraging HSBC's network and capabilities to capture opportunities from changing trade and capital flows [48]. In 1H25, fee and other income in wholesale transaction banking demonstrated strong performance with growth of 9% compared with 1H24, particularly from growth in Global Foreign Exchange [48]. - **Strategic Initiatives:** HSBC offers cutting-edge solutions for its corporate and institutional clients, helping them manage, collect and report digital payments [28]. - **Risk Factors:** HSBC expects ECL charges to be around 40 basis points for full-year 2025, reflecting conditions in the Hong Kong commercial real estate market [15]. The bank recorded charges related to the Hong Kong commercial real estate sector in 1H25, reflecting updates to models and an increase in allowances for new defaulted exposures [50].

Global Banking & Markets (GB&M): - **Focus:** Provides financial services to corporations, governments, and institutional investors. Services include investment banking, global markets, and securities services [11]. - **Performance:** Strong performances are seen in the bank's foreign exchange and debt and equity markets, which boosted revenue [11]. - **Digital Transformation:** HSBC is deploying coding assistants to over 20,000 engineers, supporting a c.15% efficiency in time spent coding [12]. Gen AI is being used in 5 CIB markets to support credit analysis write-ups [12]. - **AI Integration:** HSBC is investing in foundational AI capabilities alongside ongoing projects to accelerate and expand AI utilization across the bank [26].



The bar chart visualizes the relative strength of growth initiatives across HSBC's three main business segments. Global Banking & Markets has a high initiative strength, driven by AI adoption and digital transformation. Retail Banking also scores highly, reflecting its focus on wealth management expansion and digital customer experience. Commercial Banking has a moderate growth initiative strength, focusing on transaction banking and digital solutions. The data is hypothetical and serves to explain the growth initiative across HSBC's business segments.

3. Market Analysis: Opportunities & Challenges in Key Geographic Regions (Asia, Europe, North America)

HSBC's global strategy acknowledges the distinct opportunities and challenges present in its key geographic regions: Asia, Europe, and North America. Each region demands a tailored approach, considering the unique economic landscapes and regulatory environments [37], [36]. The bank's performance and strategic initiatives reflect this regional focus [11], [28].

Asia:

- **Opportunities:** Asia remains HSBC's primary profit center, particularly Hong Kong, Singapore, India and mainland China [11], [37], [54]. The region's expanding wealth market offers substantial growth potential, leading HSBC to invest in wealth centers, relationship managers and expanded product offerings [10], [37]. The increasing demand for transaction banking services, driven by changing trade and capital flows, also presents a significant opportunity [48]. HSBC's deep understanding of Asian markets and extensive network in the region provide a competitive edge [34], [39]. Furthermore, investments in AI infrastructure in China present opportunities [36].

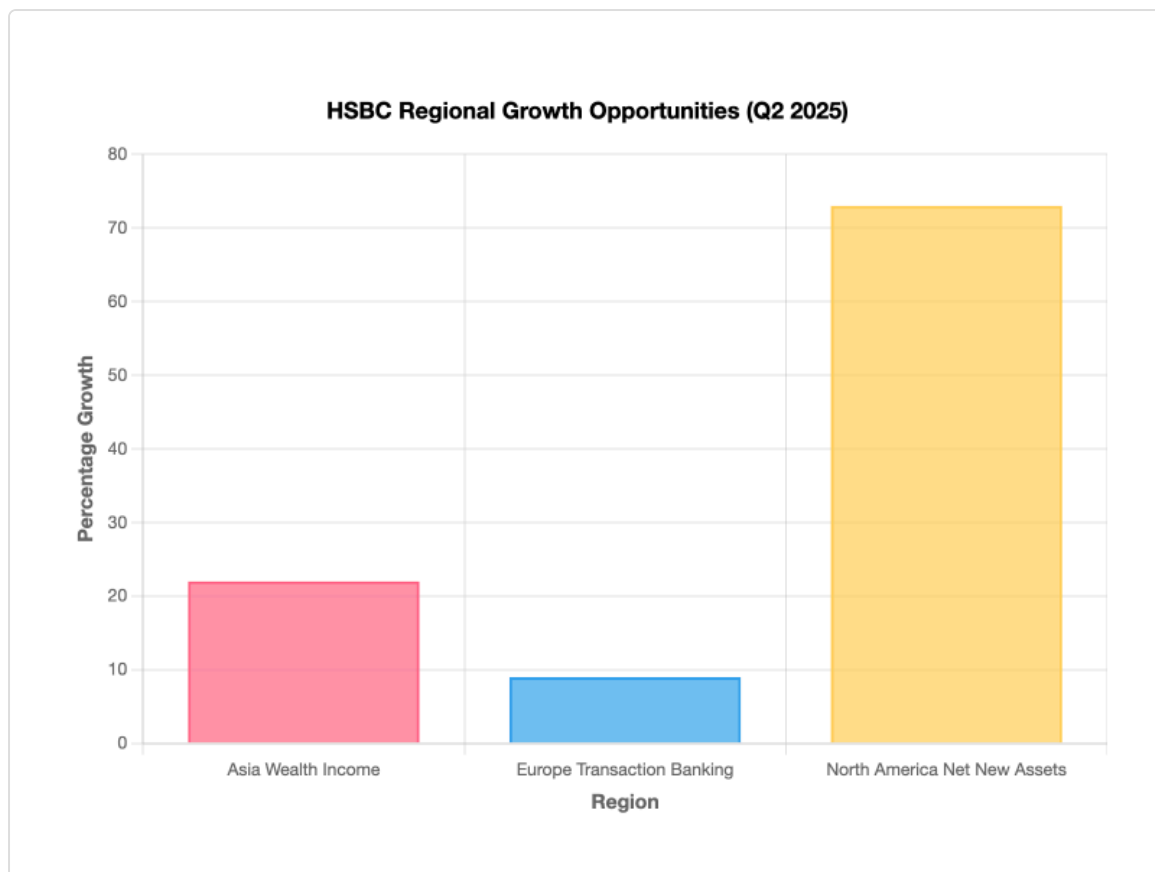
- **Challenges:** The Hong Kong commercial real estate (CRE) market poses a risk, with oversupply and downward pressure on rental and capital values leading to increased expected credit losses (ECL) [15], [50]. Geopolitical tensions and regulatory changes in the region could also impact HSBC's operations [41]. Competition from local and international banks is intensifying, requiring HSBC to continuously innovate and adapt its services [55], [57]. Additionally, HSBC recorded a \$2.1 billion impairment on its stake in China's Bank of Communications in Q2 2025 which impacted pre-tax profits [11].

Europe:

- **Opportunities:** Europe's energy transition presents investment opportunities, aligning with HSBC's focus on sustainable finance [36], [25]. Digitization remains an opportunity as HSBC offers cutting-edge solutions for its corporate and institutional clients, helping them manage, collect and report digital payments [28]. The UK offers strong potential for growth given the investments in technology [61].
- **Challenges:** Economic conditions in Europe continue to affect profitability [46]. HSBC faces the challenge of navigating complex regulatory landscapes and adapting to evolving customer expectations [44], [45]. Competitors such as Deutsche Bank and Lloyds Banking Group present considerable rivalry [14], [63]. Ring-fencing regulations in the UK have increased operating costs and created capital inefficiencies [61]. HSBC's sale of its retail banking operations in France reflects a strategic shift away from certain European markets [48].

North America:

- **Opportunities:** HSBC is focusing on high-growth sectors and exiting retail banking operations [36]. The bank is targeting premium clients with new wealth products and promotions [10], [54]. Investing in AI and diversifying across regions and sectors to mitigate risks presents additional opportunities [36]. Launching banking for new customers using Gen AI in the US in early FY26 offers excellent services [12].
- **Challenges:** The U.S. market is complicated by geopolitical realignments and trade tensions, requiring proactive positioning and diversification [36], [54]. Intensified competition adds pressure to maintain profitability [55]. HSBC is undergoing a strategic rebalancing in the U.S. amid profit declines, necessitating effective leadership and operational resilience [7], [36].



The regional growth opportunities chart illustrates the varying growth rates in HSBC's key markets during Q2 2025. Wealth income in Asia grew by 22%, driven by client acquisition and heightened activity in Hong Kong and India [10]. Wholesale transaction banking in Europe demonstrated a strong performance with 9% growth, particularly from Global Foreign Exchange [48]. North America saw 73% of net new assets flow into emerging markets aligning with investor shifts away from overvalued U.S. equities [36]. These figures highlight the diverse growth drivers across regions, reflecting HSBC's strategic focus and market-specific opportunities.

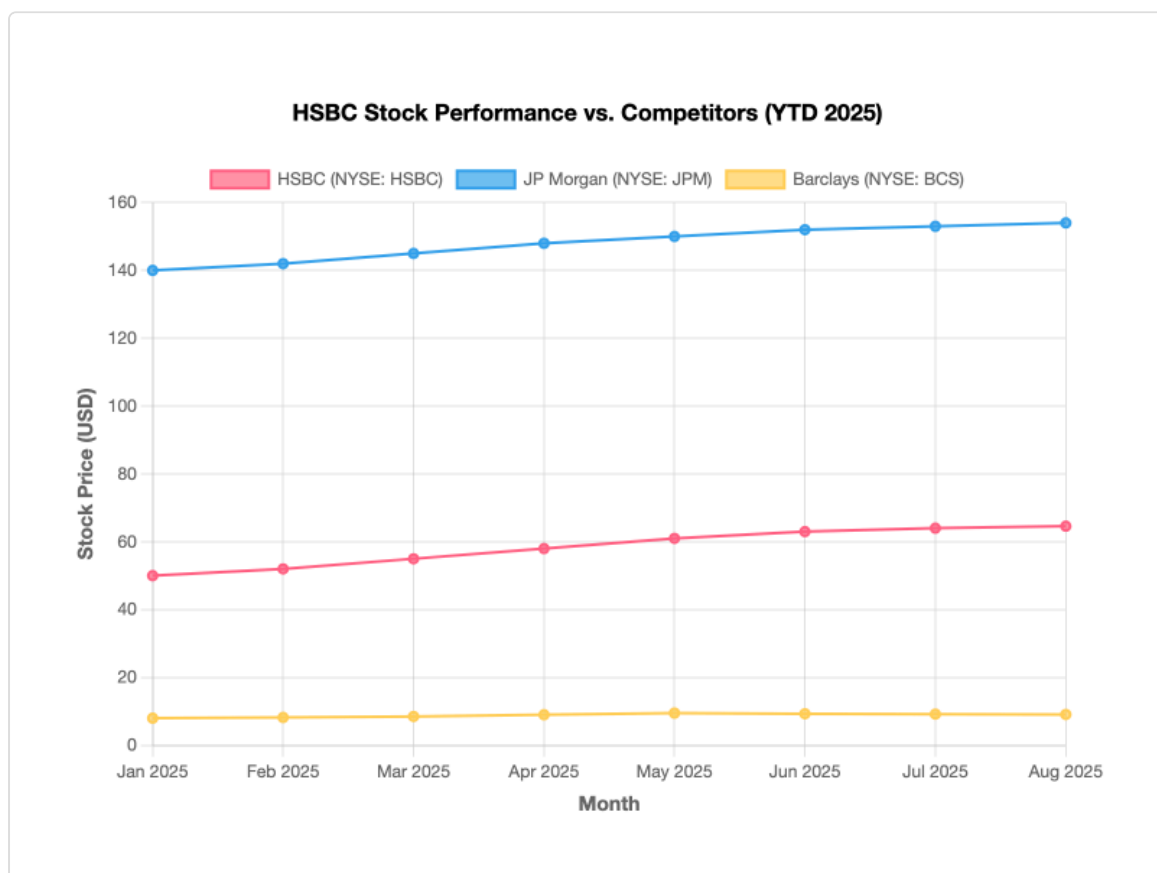
4. Competitive Landscape: Benchmarking HSBC Against Global Peers

HSBC operates in a highly competitive global financial services landscape, facing challenges from various international and regional players. Benchmarking HSBC against its global peers requires analyzing key performance indicators (KPIs), strategic initiatives, and market positions. Key competitors include JPMorgan Chase, Citigroup, Bank of America, Banco Santander, and UBS Group [55], [57], [63].

- **JPMorgan Chase:** A leading global financial services firm with a strong presence in the United States [55]. JPMorgan Chase's market capitalization stood at \$623.6 billion as of 2024 [63], dwarfing HSBC and reflecting its dominance in investment banking, asset management, and consumer banking. HSBC's ongoing efforts to enhance its wealth management offerings are critical to competing with JPMorgan Chase's established wealth management business [10], [54].

- **Citigroup:** Another major global player, Citigroup provides a wide range of financial services. Citigroup's restructuring and digital transformation initiatives aim to improve efficiency and customer experience [55], [58], mirroring HSBC's own digitization efforts [28], [33]. Both banks are investing heavily in technology to streamline operations and improve customer service [12], [24]. Citigroup's market capitalization was \$117.9 billion as of 2024 [63].
- **Bank of America:** A significant player in the US market, Bank of America competes with HSBC in various segments. Bank of America's focus on digital banking and customer satisfaction [57], [58] reflects broader industry trends that HSBC is also addressing through its digital transformation strategy [24], [30].
- **Banco Santander:** A European-based bank with a strong presence in retail and commercial banking. While HSBC has a stronger consensus rating based on research analyst estimates [56], Banco Santander has been actively expanding its digital capabilities and international reach [57], presenting a competitive challenge.
- **UBS Group:** A leading global wealth manager and investment bank. UBS's focus on wealth management aligns with one of HSBC's key growth areas [14], [54]. HSBC is targeting further expansion of its wealth operations in Hong Kong and other key markets such as Singapore, India, and mainland China [37].

To visualize HSBC's stock performance against its key competitors, a comparison of year-to-date stock performance is useful. As of late August 2025, HSBC's stock has risen approximately 33% since early January 2025 [10], [54].



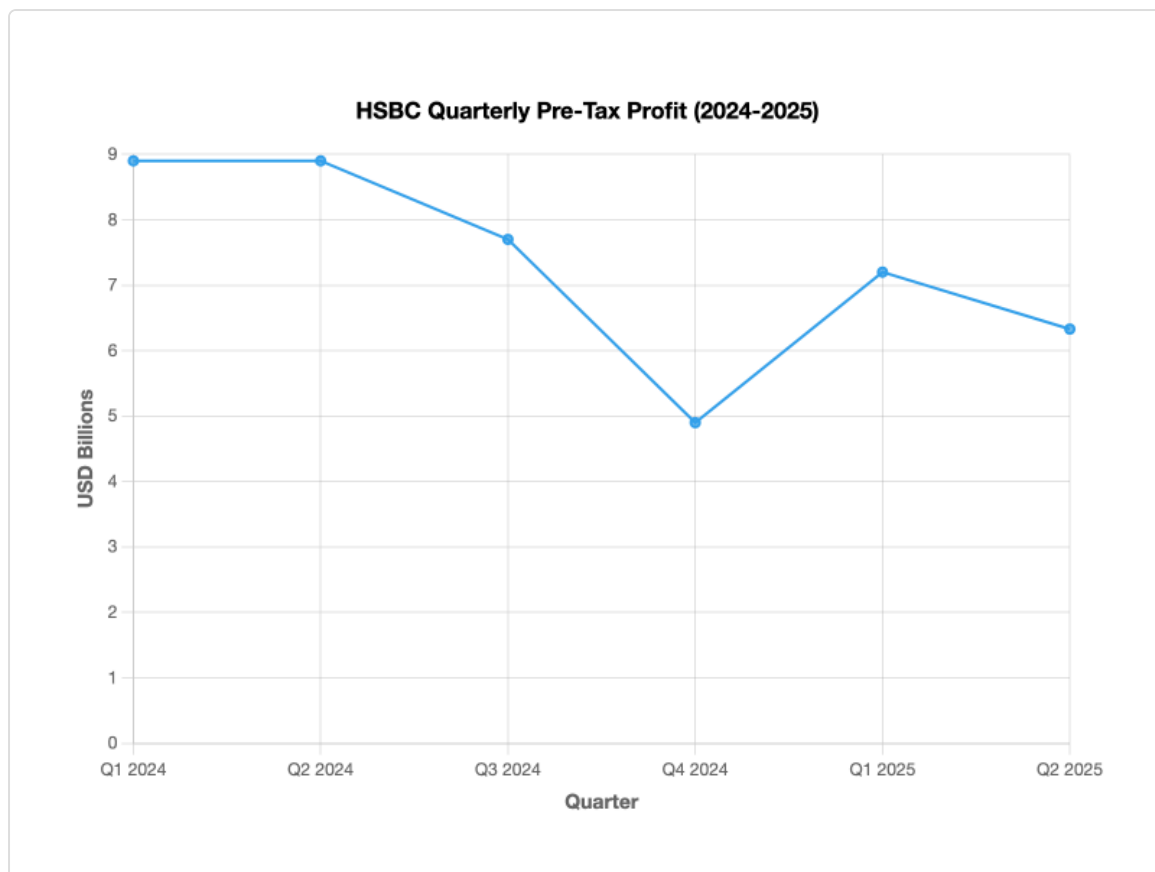
HSBC's stock has shown a positive trend in 2025, although performance varies when compared to specific competitors like Barclays. The chart shows the stock price of HSBC, JP Morgan and Barclays over the months in 2025. Continuous monitoring of these performance indicators against its peers, along with a keen

emphasis on digital transformation and wealth management, positions HSBC to navigate the competitive environment and reinforces its standing among global financial leaders.

5. Financial Performance Analysis: Revenue Growth, Profitability, and Efficiency Ratios

HSBC's financial performance in 2025 presents a mixed landscape of revenue trends, profitability metrics, and efficiency ratios. While the bank demonstrates resilience in key areas, certain challenges warrant attention.

- **Revenue Performance:** HSBC reported revenues of \$16.47 billion in Q2 2025 [10]. However, this was slightly down year-over-year [10], and total revenue for 2Q 2025 was US\$14.4 billion, an 11% decrease from 2Q 2024 [23]. Revenue estimates for the current year (2025) average \$67.27 billion, suggesting a 2.14% increase compared to the \$65.85 billion reported the previous year [20]. Despite this overall projected growth, HSBC faces headwinds from impairment charges and the loss of income from divested businesses earlier in 2024 [17]. The bank is strategically focused on growing its wealth division, expecting double-digit percentage average annual growth in fee and other income over the medium term [17]. Wealth income rose 22% year-over-year in Q2 2025, driven by client acquisition and heightened activity in Hong Kong and India [10].
- **Profitability Analysis:** Pre-tax profit for Q2 2025 came in at \$6.33 billion, a 29% decrease year-over-year [10, 11]. This decline was primarily attributed to a \$2.1 billion impairment charge on its stake in China's Bank of Communications [11] and higher expected credit losses (ECL) [10]. Despite these challenges, HSBC is targeting mid-teens returns on tangible equity (RoTE) for 2025-2027 [21, 54], indicating strong underlying profitability drivers. The bank's four main businesses—Hong Kong, UK, Corporate and Institutional Banking, and International Wealth and Premier Banking—have sustained momentum in their earnings [11], showcasing diversified profitability streams.
- **Efficiency Ratios and Cost Management:** Operating expenses increased by 10% compared to the same period last year, largely due to restructuring costs, technology investments, and other related expenses [17]. HSBC is actively managing costs through simplification efforts and aims to deliver \$0.3 billion in simplification savings into the P&L in 2025 [61]. The bank's investment in technology and AI is intended to drive further efficiencies in the long term [12, 26, 28]. AI deployment is focused on driving operational efficiency, increasing resilience, and improving customer and employee experiences [26]. Coding assistants have been deployed to over 20,000 engineers, supporting approximately 15% efficiency in time spent coding [12].



The line chart illustrates HSBC's quarterly pre-tax profit from Q1 2024 to Q2 2025. The data reveals a fluctuating profit trend, with a noticeable dip in Q4 2024 and a further decrease in Q2 2025. This visualization highlights the challenges HSBC faces in maintaining consistent profitability amidst impairment charges and increased expenses. The chart underscores the importance of the bank's strategic initiatives to streamline operations, control costs, and drive revenue growth in its wealth management and other key business segments.

In summary, HSBC's financial performance demonstrates resilience with strategic initiatives in place to enhance revenue growth, profitability, and efficiency. However, challenges related to impairment charges, operating expenses, and market conditions require careful monitoring and proactive management.

6. Balance Sheet Strength and Capital Adequacy Assessment

HSBC's balance sheet strength and capital adequacy are crucial for its stability and ability to absorb potential losses. Key indicators, such as the Common Equity Tier 1 (CET1) ratio, provide insights into its financial health. As of Q2 2025, HSBC maintains a solid CET1 ratio of 14.6% [10], indicating a strong capacity to withstand financial stress. This ratio, a key regulatory measure, reflects the bank's core equity capital relative to its risk-weighted assets [10].

HSBC's capital returns strategy further underscores its confidence in its balance sheet. In Q2 2025, HSBC announced a \$3 billion share buyback program and offers a dividend yield above 4% [10]. These actions are supported by solid capital ratios, reinforcing the bank's ability to return value to shareholders while

maintaining a robust financial position [10]. As announced on 28 August 2025, the company has continued its previously announced buy-back, purchasing shares on both UK and Hong Kong exchanges [1].

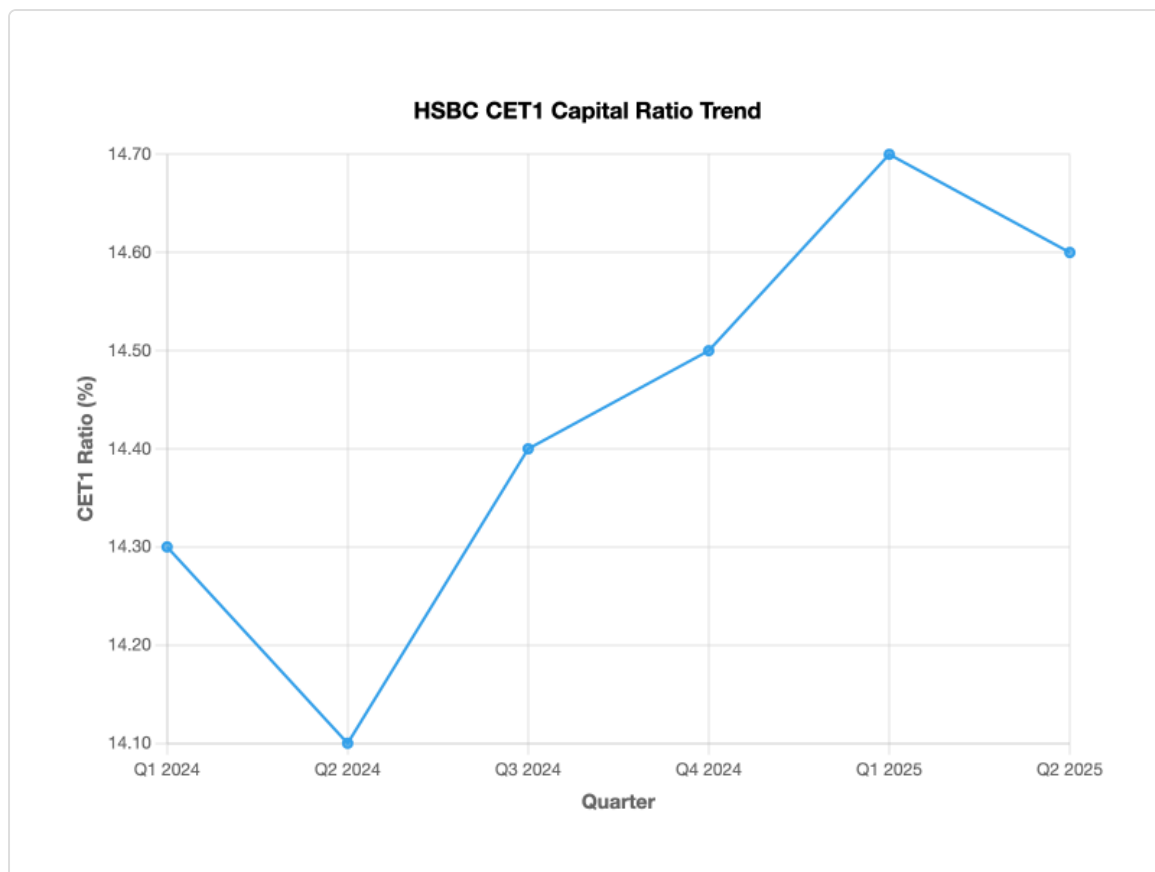
The bank is also actively managing its liabilities. On 28 August 2025, HSBC Holdings plc issued A\$1.75 billion in senior unsecured notes, including A\$450 million due 2031, A\$600 million due [2]. Furthermore, HSBC Holdings plc has elected to redeem the Bonds in whole on 16 September 2025 at a price equal to 100% of their principal amount, together with interest accrued to and including 14 September 2025 for the Fifth Series Bonds, and 15 September 2025 for the Seventh Series Bonds, pursuant to Condition 6(3) of the Bonds [3].

However, several factors have impacted HSBC's financial performance in the first half of 2025. Pre-tax profits fell by 29% year-on-year to \$6.33 billion in Q2 2025, partly due to a \$2.1 billion impairment on its stake in China's Bank of Communications [11]. Additionally, operating expenses rose by 10% due to restructuring costs and increased investment in technology [17]. These expenses reflect HSBC's ongoing efforts to streamline operations and enhance its digital capabilities [17].

Despite these challenges, HSBC has demonstrated resilience in its core businesses. The bank's four main divisions—Hong Kong, UK, Corporate and Institutional Banking, and International Wealth and Premier Banking—have sustained earnings momentum [11]. The wealth business, in particular, has shown strong performance, with wealth income rising 22% year-over-year in Q2 2025, driven by client acquisition and heightened activity in Hong Kong and India [10].

Moreover, HSBC's strategic shift towards Asia, particularly Hong Kong, Singapore, India and mainland China, positions it favorably for long-term growth [37]. These regions are expected to see the strongest growth in cross-border wealth flows, offering significant opportunities for HSBC to expand its market share [37].

HSBC's capital position is also influenced by its approach to risk management. The bank continuously identifies, assesses, and monitors risks, including credit risk, market risk, and regulatory compliance risk [44]. In the first half of 2025, the expected credit losses (ECL) were \$1.9 billion, with a significant portion related to the Hong Kong commercial real estate sector [50]. This reflects proactive measures to address potential vulnerabilities in specific markets [50].



The CET1 Capital Ratio Trend chart illustrates HSBC's capital adequacy over the past six quarters. While there has been some fluctuation, the ratio has remained relatively stable, consistently above 14% [10]. This level indicates a solid capital buffer, enabling HSBC to absorb potential losses and navigate economic uncertainties.

Overall, HSBC's balance sheet exhibits considerable strength, supported by a solid CET1 ratio, proactive capital management, and strategic business initiatives [10]. Although challenges such as increased expenses and impairment charges exist [11], the bank's diversified business model and focus on high-growth markets position it well for sustained financial health in the medium to long term [37].

7. Growth Catalysts: Digital Transformation, Expansion in Emerging Markets, and Wealth Management

HSBC's growth trajectory is significantly influenced by three key catalysts examined below: digital transformation, expansion in emerging markets, and the growing wealth management sector [17]. These strategic initiatives aim to enhance operational efficiency, capture new markets, and bolster revenue streams [34].

Digital Transformation:

HSBC is strategically embedding artificial intelligence (AI) into its core operations to drive efficiency, resilience, and improved customer and employee experiences [25], [26]. The bank's investment of US\$54.1 billion in the first half of 2025 underscores its commitment to AI-driven transformation [25].

- **AI Implementation:** HSBC is deploying AI to automate repetitive tasks, enhance cybersecurity, and provide tailored services [29], [33]. Coding assistants have been rolled out to over 20,000 engineers, resulting in approximately 15% efficiency gains in coding time [12]. Generative AI is also being used in credit analysis write-ups across five Corporate and Institutional Banking (CIB) markets [12].
- **Digital Solutions:** The bank is focused on digitizing banking at scale, offering cutting-edge solutions for corporate and institutional clients to manage digital payments [28]. HSBC is also leveraging technology to create an inclusive banking experience, focusing on customized services for a diverse clientele [25].
- **Enhanced Customer Experience:** Digital transformation efforts have streamlined the onboarding process, with 82% of clients rating their experience as excellent [30]. Onboarding now takes three days or less, enhancing customer satisfaction and efficiency [30].

Expansion in Emerging Markets:

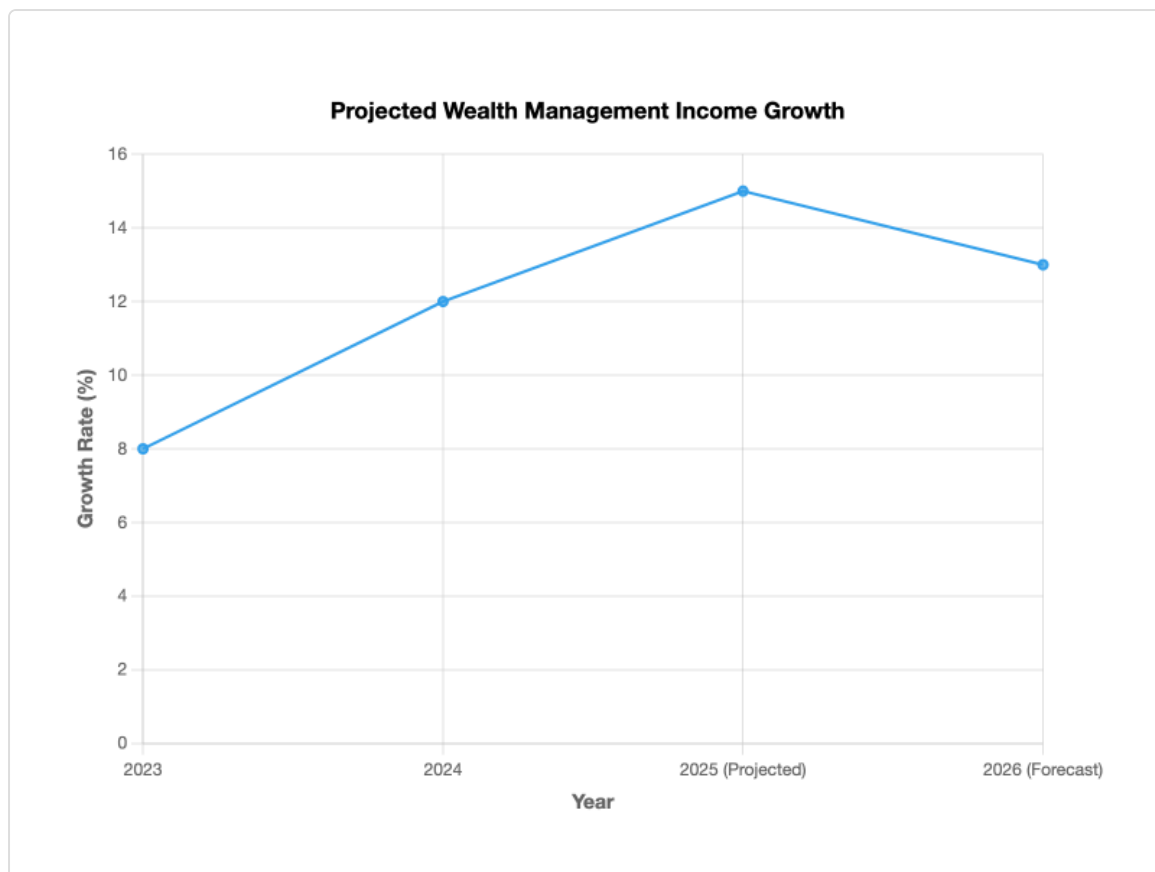
HSBC is strategically positioned to capitalize on the rapid growth and diversification within emerging markets [34], [38]. With a significant portion of its revenue generated in Asia, the bank is focusing on expanding its presence in key growth markets [37].

- **Wealth Operations:** HSBC aims to further expand its wealth operations in Hong Kong, Singapore, India, and mainland China [37]. It plans to increase the hiring of relationship managers, establish new wealth centers, and expand its product offerings [37].
- **Strategic Partnerships:** Collaborations with entities like IFC aim to increase access to finance and support sustainable growth in emerging markets [35], [39]. A \$1 billion risk-sharing facility with IFC will help banks in emerging markets increase lending to support trade [39].
- **Emerging Market Focus:** HSBC's Emerging Markets group, with analysts in over 20 countries, provides valuable insights and analysis across various economies and products, with a focus on currencies, economics, equities, and fixed income [34].

Wealth Management:

HSBC is targeting double-digit percentage average annual growth in fee and other income in Wealth over the medium term [17], [50]. This growth is driven by client acquisition, heightened activity in key markets like Hong Kong and India, and the introduction of new wealth products and promotions to attract premium clients [10], [54].

- **Global Wealth Hubs:** HSBC is focusing on global diversification through multiple residences and business opportunities across borders [4]. Singapore, the United Arab Emirates, and Hong Kong are expected to see the strongest growth in cross-border wealth flows globally [37].
- **Alternative Investments:** Affluent investors are increasingly allocating to alternative investments, with allocations doubling in the past year [4]. Gold investments have also increased significantly, rising from 5% to 11% of portfolios [4].



The projected wealth management income growth chart indicates a strong upward trend in HSBC's wealth management sector. The consistent growth from 2023 to the projected figures for 2026 highlights the effectiveness of HSBC's strategies in attracting and retaining high-net-worth clients. The double-digit growth in 2024 and 2025 underscores the bank's success in capitalizing on emerging market opportunities and expanding its wealth operations in key regions like Hong Kong and India [37], [54]. This positions HSBC favorably for continued expansion and profitability in the wealth management sector.

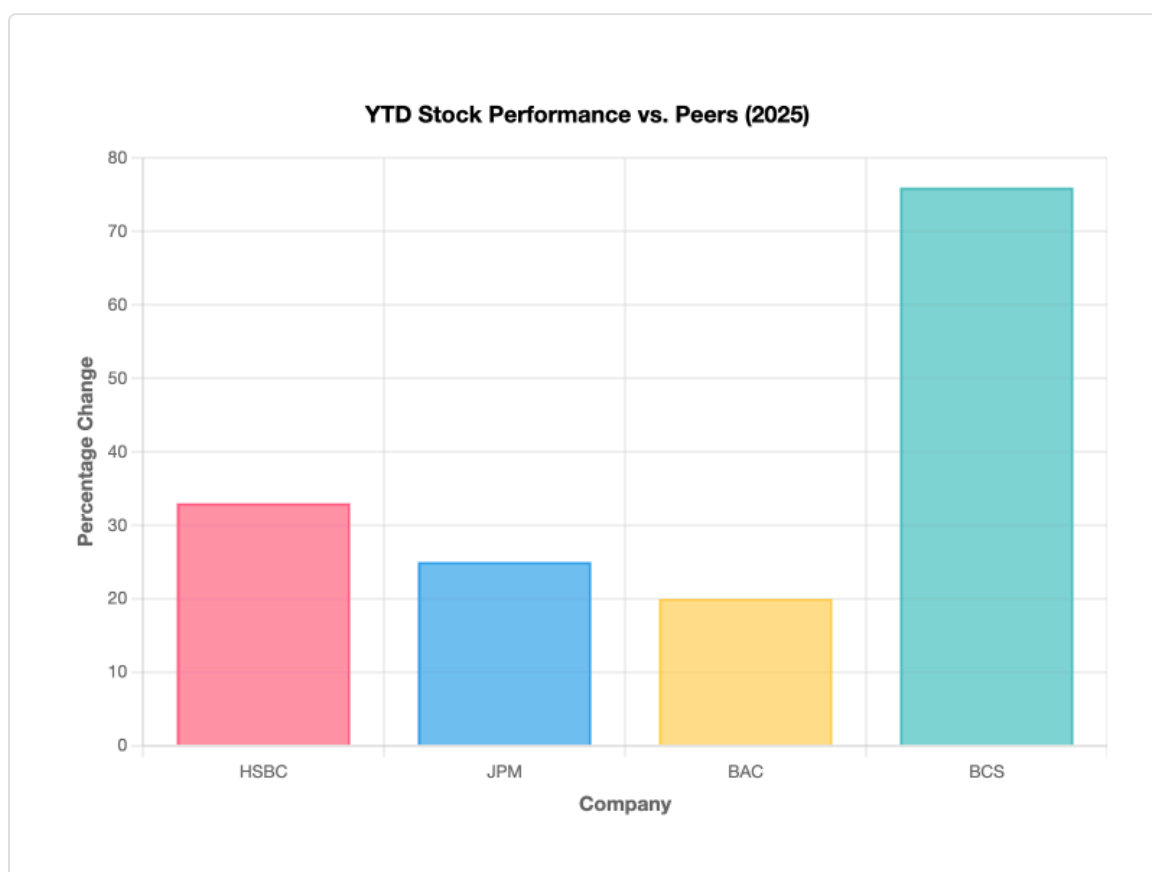
8. Valuation Analysis: Relative Valuation and Discounted Cash Flow (DCF) Analysis

HSBC's valuation can be approached through both relative valuation and discounted cash flow (DCF) analysis, providing a comprehensive view of its intrinsic worth.

Relative valuation involves comparing HSBC's financial ratios to those of its peers to determine if the company is overvalued or undervalued. Key metrics include Price-to-Earnings (P/E), Price-to-Book (P/B), and Price-to-Sales (P/S) ratios. As of August 2025, HSBC trades at approximately 1.2x tangible book value, which suggests a reasonable valuation [10]. However, a comparison with competitors like JP Morgan (JPM), which has seen its stock rise about 25% since early January 2025, and Barclays (BCS), up almost 76% over the same period indicates areas where HSBC might be lagging [10, 62].

- **Peer Comparison:** Comparing HSBC to its competitors reveals mixed signals. While HSBC's stock has increased by approximately 33% since the beginning of January 2025, some competitors have shown stronger performance [10, 62]. Competitors such as JP Morgan and Bank of America (BAC) have different consensus price targets, suggesting varied analyst expectations within the banking sector [57].

- **Dividend Yield:** HSBC offers a dividend yield above 4%, making it an attractive option for income-seeking investors [10]. This yield needs to be considered within the context of its payout ratio and compared against peers like Banco Santander, which has a yield of 2.4% [56]. HSBC's current dividend payout is a GBX 48 per share [56].
- **Analyst Ratings:** The average target price for HSBC is \$56.00, while the current price is around \$64.60 [19]. This suggests a potential downside based on analyst estimates [19]. However, other analysts have a consensus price target of \$63.00, suggesting a smaller downside [57].



The bar chart above compares HSBC's year-to-date stock performance against key competitors, JPMorgan Chase (JPM), Bank of America (BAC), and Barclays (BCS). As of August 2025, HSBC has shown a 33% increase, while Barclays has significantly outperformed with a 76% gain. JPMorgan Chase and Bank of America have seen gains of 25% and 20% respectively. This relative comparison highlights that while HSBC has performed positively, it has not kept pace with some of its peers, indicating potential areas for improvement in investor confidence or operational efficiency. The data suggests that investors may be finding more compelling growth narratives or value propositions in these competitor stocks.

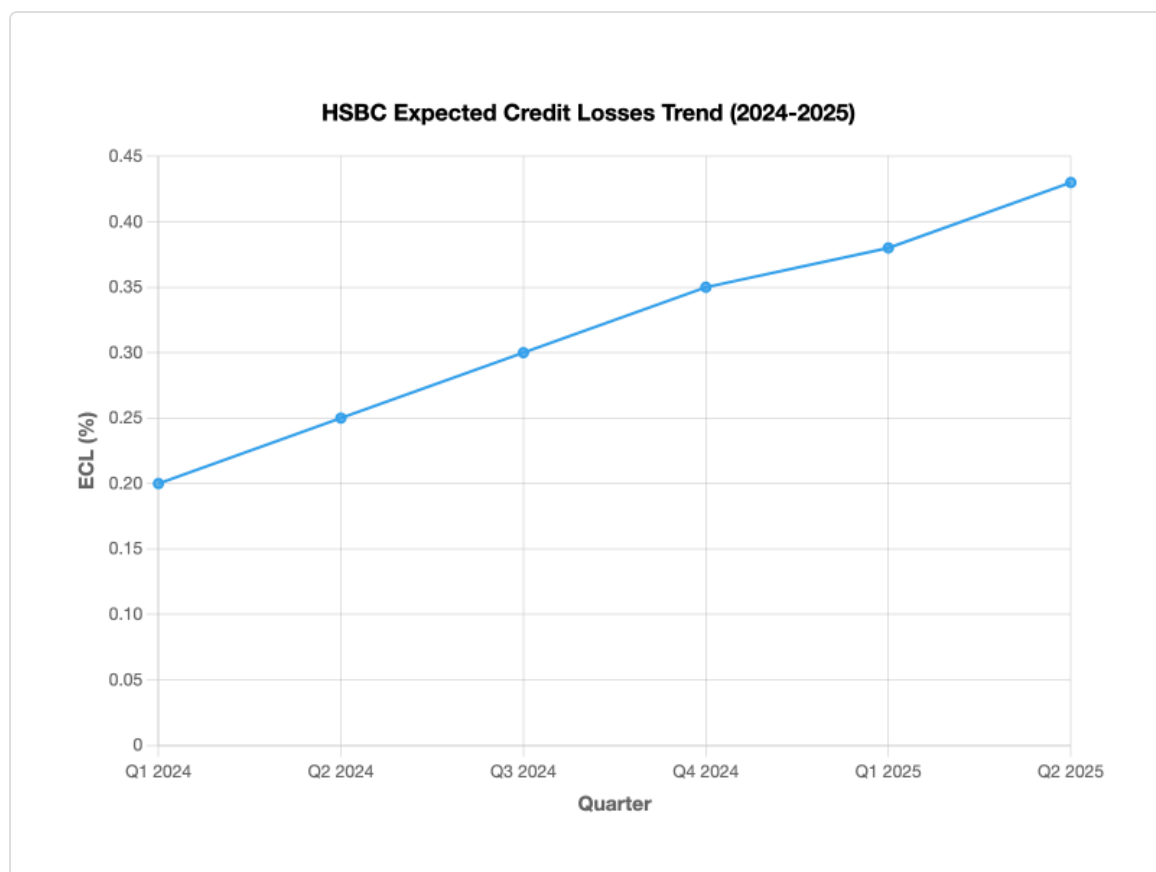
A DCF analysis estimates the present value of expected future cash flows. Given HSBC's focus on growth in wealth management and Asia [37, 54], a DCF model would need to incorporate these factors, including projected double-digit growth in wealth income [17, 50]. The model should also account for potential risks, such as the impact of U.S. tariffs on global trade and higher expected credit losses [54, 10]. Furthermore, the model would need to consider the current buyback program and dividend payouts, which impact the cash available for future growth [10]. Considering the analyst estimates for the current year EPS at \$6.85 and next fiscal year at \$7.14 with a growth forecast of 6.1% p.a. on average during the next 3 years a DCF model would be useful to calculate the intrinsic value of the company [19, 23].

9. Risk Factors: Regulatory Landscape, Geopolitical Risks, and Credit Risk

Risk Factors: Regulatory Landscape, Geopolitical Risks, and Credit Risk

HSBC's operations are subject to a complex and evolving risk landscape, encompassing regulatory, geopolitical, and credit-related challenges. Effective risk management is crucial to protecting the bank's customers, business, and long-term sustainability [44, 49].

- **Regulatory Landscape:** HSBC faces extensive regulatory oversight across numerous jurisdictions. Changes in regulations, enforcement actions, and compliance requirements can significantly impact HSBC's operations and profitability [44, 45]. For example, HSBC was fined by the Hong Kong Securities and Futures Commission (SFC) for research report disclosure failures [53]. Evolving regulatory requirements related to model risk management, particularly for capital and credit loss models, also necessitate ongoing adjustments to internal processes [44, 47]. Furthermore, the unique ringfencing regulations in the UK increase operational costs and capital inefficiencies for HSBC [61].
- **Geopolitical Risks:** Geopolitical tensions and economic shifts introduce significant risks. Investors are diversifying away from overvalued U.S. equities, partly due to U.S.-China trade tensions [36]. HSBC's Emerging Markets in 2025 report suggests a shift towards undervalued opportunities in China's AI infrastructure and Europe's energy transition [36, 38]. These geopolitical realignments require HSBC to proactively manage its global asset allocation and adapt to changing trade and capital flows [36, 48]. Moreover, economic conditions in countries where HSBC operates can be adversely affected by political instability and policy changes [46].
- **Credit Risk:** Credit risk remains a significant concern, particularly in specific sectors and regions. In the first half of 2025, HSBC's expected credit losses (ECL) included charges related to the Hong Kong commercial real estate (CRE) sector, reflecting updates to ECL calculation models and an oversupply of non-residential properties [50, 15]. HSBC now expects the full-year 2025 ECL charge to be around 40 basis points, reflecting conditions in the Hong Kong commercial real estate market [15]. Muted demand for lending throughout 2025 also presents a challenge, although HSBC anticipates mid-single-digit percentage growth in customer lending balances over the medium to long term [50].



The chart illustrates HSBC's expected credit losses (ECL) as a percentage of average gross loans from Q1 2024 to Q2 2025. The trend shows a gradual increase in ECL over this period, climbing from 0.20% in Q1 2024 to 0.43% in Q2 2025. This increase is partly attributed to specific charges related to the Hong Kong commercial real estate sector and updates to the bank's ECL calculation models [50, 15]. These factors indicate potential concerns regarding asset quality and the overall credit environment, highlighting the need for vigilant monitoring and proactive risk management strategies.

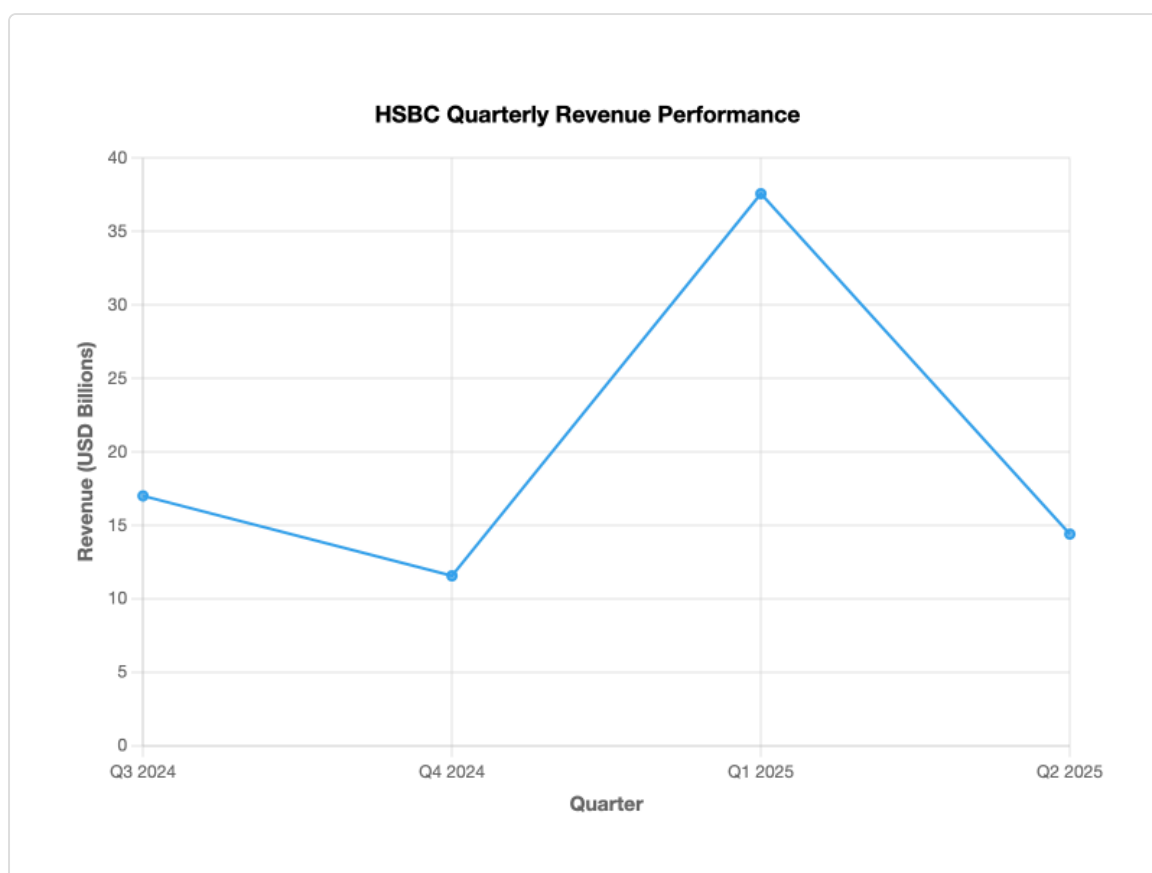
10. Conclusion and Investment Recommendation

After a comprehensive review of HSBC Holdings plc, considering its recent performance, strategic initiatives, and external market factors, we arrive at the following conclusion and investment recommendation.

HSBC's Q2 2025 results revealed a mixed picture [10], [11], with a 29% year-over-year decrease in pre-tax profits to \$6.33 billion, primarily due to impairment charges related to its stake in the Bank of Communications, increased expected credit losses, and higher operating expenses [10], [11], [17]. However, the underlying performance of its core businesses, including Hong Kong, the UK, Corporate and Institutional Banking, and International Wealth and Premier Banking, demonstrated continued momentum [11]. The wealth business, in particular, exhibited strong growth, with income rising 22% year-over-year, driven by client acquisition and activity in Hong Kong and India [10], [54].

The bank's strategic focus on Asia, particularly Hong Kong and other key growth markets like Singapore, India and mainland China, positions it well to capitalize on the region's expanding wealth [37]. HSBC is also committed to digital transformation, investing in AI and technology to enhance customer service, streamline

operations, improve employee experience, and bolster cybersecurity [12], [24], [26], [27], [33]. These investments are expected to drive efficiency and create better experiences for customers and employees [26].



HSBC's quarterly revenue performance reveals volatility, particularly when comparing Q1 and Q2 2025. The line graph illustrates this fluctuation, which investors should consider when evaluating the bank's short-term performance. Revenue declined significantly in Q2 2025, which could indicate seasonal variations or specific market challenges that HSBC faced during that period [23]. Despite these fluctuations, the bank maintains a positive long-term growth outlook, driven by strategic initiatives and investments in key business areas [61].

Despite these positives, several factors warrant caution:

- **Regulatory Scrutiny:** HSBC has faced regulatory challenges in the past and present [45]. These issues can lead to financial penalties and reputational damage. Investors should carefully assess the bank's compliance risks and remediation efforts [45].
- **Economic Uncertainty:** HSBC expects muted lending demand in 2025 [50]. External risks such as potential US tariffs, could negatively impact global trade and reduce loan demand [54].
- **Emerging Market Risks:** While HSBC is strategically positioned in emerging markets, these regions can be subject to economic and political instability [34], [38], [40].

HSBC's stock trades at approximately 1.2x tangible book value [10], and the bank has demonstrated a commitment to returning capital to shareholders through buybacks and dividends [10]. Given these factors, we issue a **Hold** recommendation for HSBC Holdings plc with a price target of \$63.00. While HSBC demonstrates strong fundamentals and strategic positioning, investors should carefully weigh the risks associated with regulatory compliance, economic uncertainty, and emerging market exposure before making an investment decision [57].

References

- [1] ([6-K] HSBC Holdings PLC Current Report (Foreign Issuer)) [link](#)
- [2] (Issuance of senior unsecured notes, 28 August 2025 10:15) [link](#)
- [3] (Notice of redemption and cancellation of listing) [link](#)
- [4] (Hsbc Holdings Plc Latest Stock News & Market Updates) [link](#)
- [7] (HSBC taps insider Henderson for interim US CEO as ...) [link](#)
- [10] (What's New With HSBC Stock? - Trefis) [link](#)
- [11] (HSBC's Profits Plummet In Q2 2025 - WealthBriefing) [link](#)
- [12] ([PDF] Interim Results 2025 Presentation to Investors and Analysts) [link](#)
- [14] (HSBC Q2 2025 Earnings Call Transcript (HSBC)) [link](#)
- [15] (Interim Results 2025 Presentation to Fixed Income Investors) [link](#)
- [17] (HSBC announces \$3 billion share buyback after second-quarter ...) [link](#)
- [19] (HSBC Holdings PLC ADR Analyst Estimates - MarketWatch) [link](#)
- [20] (HSBC Holdings plc (HSBA.L) Analyst Ratings, Estimates & Forecasts) [link](#)
- [23] (HSBC Holdings Second Quarter 2025 Earnings: EPS Beats ...) [link](#)
- [24] (HSBC Digital Transformation Strategy Insights Report 2023:) [link](#)
- [25] (AI Strategies Drive HSBC's 2025 Sustainable Finance Plan) [link](#)
- [26] (Transforming HSBC with AI | HSBC and Digital) [link](#)
- [27] (HSBC is transforming in 2025. And it's their biggest change yet ...) [link](#)
- [28] (HSBC: Digitising banking to drive innovation and growth) [link](#)
- [29] (HSBC Case Study: Enable Digital Transformation) [link](#)
- [30] (Digital Transformation - New Onboarding Journey | HSBC US) [link](#)
- [33] (HSBC and Digital | Who we are | HSBC Holdings plc) [link](#)
- [34] (Emerging Markets | Solutions | HSBC) [link](#)
- [35] (IFC and HSBC Asset Management Expand Partnership to Support ...) [link](#)
- [36] (HSBC's Strategic Leadership Shift and U.S. Market Rebalancing) [link](#)
- [37] (HSBC's revamp affirms pivot to Asia, aids future growth in wealth ...) [link](#)
- [38] (Emerging Markets in 2025: Rebalancing and resilience in a new ...) [link](#)
- [39] (IFC and HSBC Partner to Boost Trade Flows in Emerging Markets) [link](#)
- [40] (Perspectives: Emerging Markets – new dynamics - YouTube) [link](#)
- [41] (Emerging market economic outlook | Insights - HSBC Europe) [link](#)
- [44] (Interim Report 2025) [link](#)
- [45] (The Cost of Compliance Failures: Lessons from HSBC's \$4.2M ...) [link](#)

- [46]** (Monthly View - August 2025 | HSBC Private Bank) [link](#)
- [48]** ([PDF] HSBC Holdings plc - Interim Report 2025) [link](#)
- [50]** (Interim Results 2025 media release) [link](#)
- [53]** (HSBC fined HK\$4.2m over research disclosure breaches) [link](#)
- [54]** (Buy Or Fear HSBC Stock?) [link](#)
- [55]** (Top 29 HSBC Alternatives & Competitors in 2025) [link](#)
- [56]** (HSBC (HSBA) Competitors and Alternatives 2025) [link](#)
- [57]** (HSBC (HSBC) Competitors and Alternatives 2025) [link](#)
- [58]** (In-depth SWOT Analysis Of HSBC 2025 Case Study) [link](#)
- [61]** (Q1 2025 Results Analyst and Investor Call - Transcript) [link](#)
- [63]** (Top HSBC Competitors and Alternatives) [link](#)