HSBC

Edited transcript

Q3 Results
Analyst Post-Results Call

4 November 2025, 8.00am GMT

Due to technical difficulties, the first question, asked by Jason Napier of UBS, was not recorded. The question asked about the expected impact of interest rate cuts to HSBC's Banking NII in 2026, citing a disclosure from another bank that they expect the 2026 headwind to be around half that of 2025.

PAM KAUR, GROUP CHIEF FINANCIAL OFFICER: We're not giving any details on 2026, but if you look in the round, for us, the biggest headwind in 2025 was clearly the second and third quarter from a HIBOR perspective, and that normalisation does make a big difference. Assuming that normalisation continues through 2026, that is a positive compared to 2025. If you look at the other elements, the deposit momentum is still pretty good, so we think that volume uptick will continue. The structural hedge benefit is pretty similar from 2025 to 2026. In terms of rates, the US rate is going to be a headwind and there's going to be an impact depending on the timing of what happens to the UK rate. And last but not least, of course, we give you a constant currency view of Banking NII, but the strength of the dollar, or weakness otherwise, does make a difference as well.

JASON NAPIER: It's observable from your FX split that you give us that next year ought to be smaller than this year just on the mix that you've got, if you look what the curves are saying. I think it's an important tool that you might want to consider adding to the arsenal.

PAM KAUR: Fair enough.

JASON NAPIER: The second question, the nearly a dozen potential disposals – can you give us a sense as to what revenues, costs and PBT attend to those as a group, just so we've got an idea of what you're potentially looking at shedding?

PAM KAUR: In terms of the individual disposals you've seen, they're all pretty small. In terms of PBT, either from a critical mass perspective or if you think in terms of the actual return on some of them, it's limited - so from a revenue perspective, from what we've seen - it's hundreds of millions of dollars rather than larger numbers. It's not significant. And similarly, the cost redeployment, which we are very focused on, is not something that's happening just as yet, because these deals haven't closed, but as soon as they're closing, we are redeploying the cost, as we have done, even if it's in $10-20 millions.

ALASTAIR RYAN, GLOBAL HEAD OF INVESTOR RELATIONS: I'd highlight we've got Jon Bingham, who's in charge of whether we say anything or not ever on things we've sold, not forward-looking statements. We've got Claire, who's our UK CFO as well. No doubt some of you will try and get more disclosure from us, like Jason's just tried, on things we don't disclose, but just so we can address those. We do disclose things after they've gone to held-for-sale. It's just we haven't given a forward-looking P&L collectively. They are quite complex, because there's an insurance piece in there. There's some custody pieces in there. There's some pieces with big revenues. There's the investment banking restructuring which was not a disposal. So it's quite a fiddly thing, but noted.

PAM KAUR: Nothing individual which is very big and material that we could call out, so it's a range of smaller things.

JAMES INVINE, ROTHSCHILD & CO REDBURN: I've got two, please. The first is, how aggressively are you hiring relationship managers in the Asia Wealth space? What's the outlook there? Just on that, I think, a few years ago, HSBC said it would hire 5,000 relationship advisors over the next few years. Has that actually happened?

And then the second question is just on the non-ringfenced bank. It's still a pretty big chunk of risk-weighted assets. Realistically, how much upside is there on the returns there if we're looking at, say, PBT versus the risk-weighted assets?

PAM KAUR: So firstly, in terms of the RMs, we are continuing to hire RMs, but they're not in thousands – in hundreds. But I think the reason is very simple. We are very mindful that the RMs that we hire in Asia are at the right level of capability and culturally aligned for what we want to do - because, by hiring lots of RMs, if you don't have them well-integrated, you create compliance issues for the future, so we are very mindful of that.

And to remind you that our Wealth journey particularly in terms of the new hiring we're doing not just for Wealth but also for our mass affluent, we are trying to also upscale our existing staff. We are creating greater penetration in terms of engagement with our clients. Particularly, you can see that's what we've done in the UK, just to give you a broader context. And the growth which we're seeing in Hong Kong is not so much as RM-enabled; it's technology-enabled, particularly with regard to the new mainland China customers who are being onboarded, because, for them, the most digitally enabled customers prefer that technology-enabled onboarding process, although, of course, before they are onboarded, they have to come in person at the branch, and that requires touchpoints from an individual perspective. So for us, operating leverage is using technology, not just hiring more feet on the ground.

In terms of your other question in terms of RWAs and the non-ringfenced bank, over the last few years, what the Global Banking & Markets business, now CIB, has been very focused on is to say two things. Firstly, there are certain hurdle rates at which business is written, so that's become quite clear and that's the discipline that we have had for the last couple of years and will continue.

In terms of balance sheet velocity, that journey has started already in terms of the old GBM business. They were on it for a while. Now, with the bringing together of the CMB and the GBM business into CIB, balance sheet velocity will be a focus area for us, and that's going to have an impact on RWAs.

JAMES INVINE: It was just about whether or not, when we look at the returns on isolation for the non-ringfenced bank, that will move up closer to the rest of the group, or do you just see the low returns there as a corollary of –

PAM KAUR: No, the way you should look at the returns for the CIB business, it is the totality of the CIB business and its returns, not just one legal entity or another, because the relationships you have are global relationships and you have to look at where the transaction is actually booked, as well as fee income. And we are very pleased that the CIB business, both in terms of its cost-income ratio, the way it stands, as well as the totality of the returns we are getting on it are very good.

ALASTAIR RYAN: I suppose the only thing we'd add is, clearly, the letter that was published a few months ago on ringfencing - ringfencing introduced a friction into the group that continues. It's a complexity that only exists for UK banks. Clearly, a number of our peers wrote letters at the same time with the same view, but that is a constraint that's been introduced. Thereby, breaking up the naturally consolidated UK balance sheet into two places, it creates frictions that weren't there before – something the Group works on, but we've shared our views about whether that's working well.

PAM KAUR: The other thing to add is the perimeter of the ringfenced bank varies from organisation to organisation. We deliberately have a very large perimeter and a very large ringfenced bank. Therefore, when you look in the non-ringfenced bank at an individual entity perspective, that friction is more sharp. However, if you look at the CIB business, which is run on product lines and globally, the returns compared to many of our peers, as well as the cost-income ratio in particular, is very healthy.

ELISE YU GE, KBW: I've got two, please. The first is on Hang Seng. I appreciate you've given us the numbers you can at this stage, so I'm just wondering, on a high level, how does Hang Seng fit into HSBC's geographic coverage? Now it's 100%-owned, would it still remain in Hong Kong, or would it facilitate any flows outside of the Hong Kong market? That's my first question.

And the second is on tokenised deposits. I see you've launched this service to corporate clients in Hong Kong in late September, in particular for international payments. Super exciting - I think you are one of the few banks that's starting doing it. I'm just wondering, would you expect a wider rollout to other markets, say UK, or retail? Because I guess we've been told a couple of UK banks are now working together to test these features. Given HSBC's unique position between mainland retail customers and the Hong Kong money market, I guess that would really benefit the flow, but subject to regulatory approvals or more detailed KYC, I guess? Thank you.

PAM KAUR: So Hang Seng – firstly, you're right. We're not giving more numbers, because we are in the offer period. What we are looking at from Hang Seng - I just want to remind you again on the four criteria we had when we said what would be the high hurdle rate for an acquisition. So, firstly, it should be on-strategy, and clearly, it's a transaction which gives us the on-strategy advantages in Hong Kong, which is a home market and where we have an iconic brand. Secondly, it gives you scale, and the scale helps further with operating leverage. Third is the price should be right, and that's why we've given a fair price. We think that's a fair price. And the fourth is the amount of distraction it creates from an organic perspective should be minimal.

So let me unbundle these things. So if I think in terms of the Hong Kong iconic brand, iconic market, that's fair enough. That's all pretty clear. In terms of operating leverage, our view is very simple that, given where the two entities are at the moment, because of competition rules, we don't have the ability to have that collaboration at the front-end from a revenue generation perspective. What this gives us is the unique opportunity to increase the fee income, both from retail customers in terms of using HSBC capabilities more broadly from the Wealth side, as well as, on a wholesale corporate perspective, using our capabilities for fee income from the transaction banking and capital markets side.

Now, you can say, 'Well, why can't you do it the way it is today?' Of course, you could, but then you'll have to build the same capabilities, both technological as well as skillset and, therefore, there's no operating leverage. So that's a very fundamental point on operational leverage – the ability to drive more revenues with the same resources collaborated across. The point with regard to the price, we do think it's a fair price. That's why we said it's a fixed price. There's no renegotiating. It is what it is.

And then, lastly, because it's an entity we know well and it's also a market we know well, the amount of negative surprise or buyer's remorse which you often end up having in acquisitions is de minimis. Therefore, from a distraction - everything else in terms of targets, organic growth - that should continue pretty smoothly without headwinds coming to the distraction of an acquisition.

In terms of your point on tokenised deposits, I would say we're very pleased that we are participating in digitalisation in a space where we are comfortable, because we do believe that, for tokenised deposits, Hong Kong is one market, but we're rolling it through for other markets as well. You're spot on, so that will continue. For us, participation in the digital world is driven by one very simple factor – that, when there are actual real assets, having a store of value in a digital context makes sense, hence tokenised deposits.

Our concerns that we've always called out on something like stablecoin is that, if you don't have enough regulation and you have this opacity where, from a financial crime risk perspective, you are going to be carrying more risks, then you need to have the protection of a strong regulatory environment to go in that space. Having said that, the digital world makes absolute sense in terms of a transmitter of value, because you want frictionless payments, whereas a store of value, KYC, knowing your customer, having real assets behind is important.

And then, last but not least, on behalf of our customers, of course, given customer sophistication, we will participate with them in terms of their need for digital products.

ALASTAIR RYAN: I think we're live in four markets now – Hong Kong, UK, Singapore, UAE. So it is being rolled out across the wholesale network.

KATHERINE LEI, JP MORGAN: I have two questions, but all related to the Hong Kong markets. The first one I would like to ask the Group Treasurer is on hedging. This is for overall. For hedging, we calculated that the impact on 2025 – hedging impact is roughly about 2% on banking NII. If Pam is saying the impact in 2025 and 2026 is similar, then should we be expecting a 2% type of impact on banking NII? And also, if we just look at what's the rate

expectations, the hedging impact on 2027 NII is pretty muted. What's our strategy on that going forward?

Number two is on Hong Kong. I have two questions. One is that the disclosed Hong Kong ROTE is about 35%. I would like to check, that doesn't include other cost allocations from the Corporate Centre? With all the proper cost allocations, what would be the ROTE for the Hong Kong business? And then what do you think should be the normalised ROTE for Hong Kong business? 35% is at the high end of that spectrum.

And then the last one is Hong Kong loan growth. We noticed that, for the Hong Kong market as a whole, we are seeing some improvement in loan growth for the sector, but, for HSBC, just for the Hong Kong business, it seems like loan growth is still pretty muted. So what is the outlook? How are we positioning for, say, the recovery in Hong Kong mortgage markets? Can we have any colour on that?

FAISAL YOUSAF, GROUP TREASURER: First of all, we don't lay out precisely what the impact is in future years from the structural hedge, but we give you the building blocks that allow you to make a fairly good assumption yourself as to how that pans out.

So the data points I'd call out for you to be aware of – our overall hedge is about $585 billion. We have a weighted average life of 3.1 years. And you can see that a lot of that hedge has been put on over the past two years. You can also see from the disclosures – and if you look in the appendix of our investor pack at slide 18, you can see the average yield of some of the hedge that's rolling off in 2025, 2026, 2027, so you're able to come to your own conclusions as to what the yield pickup might be, and you need to weigh into that what you believe the interest rate assumptions are. And we give our average interest rate profile on that slide in the deck. So that's really what I would point you to, but we don't call out the exact numbers that you're after.

PAM KAUR: Whether you look at our Hong Kong market or, indeed, UK, having ROTE starting with c.20% for UK, and Hong Kong at 30%, is a reasonable ROTE level, so I'm not going to give more detail on precisely what the difference is or the RWAs which are carried through the Corporate Centre, other than to say that's the benefit of scale in any organisation and, therefore, you do better than your competitors.

On a loan growth perspective, I think the question really from our perspective is, what is the gross loan growth and then what are the redemptions that you have in terms of your larger exposure? We've seen some in commercial real estate, where the large developers are in a strong position. They have good cash flows. They have been deleveraging. There's been some repayments, so therefore the net loan growth gets impacted. But Ming, if you could please give your perspective both on the ROTE and the loan growth as well?

MING LAU, CHIEF FINANCIAL OFFICER, ASIA: Let me perhaps comment on ROTE first, because that's the easier question. The 34% plus ROTE which we disclosed at the end of third quarter does incorporate a pretty sizable amount of reallocation of Group charges –charges from our offshoring centres, and so forth. So back to your question, whether that really reflects a true, fully-costed ROTE from a Hong Kong perspective - it does. So Group has been going through that exercise, and the Group costs and headquarters costs that are relevant from an Asia/Hong Kong perspective are allocated and incorporated in that number.

So the Hong Kong number – if you stand back to think about our business in Hong Kong, it's a very strong ROTE business. We've got a big wealth management business, which is not capital intensive. We have a very strong deposit franchise, and the returns we generate off of a very large current account and saving deposit base also drives the very strong returns we see in Hong Kong. And then you add into that a very strong cost efficiency ratio here in Hong Kong, because we have scale, and that's across both businesses in terms of Hang Seng and HSBC. So the 30%-plus ROTE you see is real.

On loan growth itself, I would say the market is mixed. Residential properties and residential mortgages are more positive. If you look at where the property market is in Hong Kong on residential, clearly, both in primary transactions and secondary transactions, the levels are materially higher than you saw last year. We've seen continued increases in rental yields, because demand is high from people moving into Hong Kong, both from mainland China, but

also international expats. People are coming back to Hong Kong, but that's leading to an increase in demand for rent and housing.

And then also positively is, when you look at residential property prices, there's a recovery, so we've seen roughly about a 2% increase year-to-date in residential property prices. All those factors are leading to a positive pipeline of residential mortgage transactions, so that's on the resi side.

Wholesale – Pam alluded to it - we continue to see paydowns and our Hong Kong CRE balances come down. Thus far this year, we've seen roughly about a $2 billion reduction, give or take, in our Hong Kong CRE portfolio. The larger developers and the conglomerates still have very strong cashflows and they're still deleveraging overall. Outside of Hong Kong CRE, demand is still relatively muted, just given some of the challenges on the macro, whether it's trade tensions, geopolitics, and just the broader economy itself, so we are still continuing to see corporates hold off on capital expenditure investments.

ALASTAIR RYAN: Could I add just a last thing to round that out, Katherine? It's page 18 of the deck. We do try and allocate everything out at the group to make everything as representative as it can be, but there is a Corporate Centre left over – this is what Pam was alluding to – that you've got to allocate out in ways you see fit. Corporate Centre typically has quite a small P&L, but there's just a bunch of risk-weighted assets, which is things which don't fit with the businesses, threshold deductions for Bank of Communications, and so on. So the four businesses add up to more than the Group. That wouldn't be unique in lots of companies. We try and be transparent about what we're doing and try and allocate out as much as possible, but that's just to have in your thinking.

PAM KAUR: Katherine, just to conclude - even when you look at these - Hong Kong having a 30%-plus ROTE is something I'm comfortable with, and that's because of the scale of the business - scale matters - that's where you get operating leverage and you've got a really good return and a good mix between banking NII and fee-generating business.

GUY STEBBINGS, BNP PARIBAS: Two questions. The first was on net interest income sensitivity, particularly on the long end. You give us a lot of disclosure – very good disclosure by year, by currency, the hedge, notional maturity balances, but I'm just interested if you think there's any incremental sensitivity at the long end which isn't captured in that disclosure. It's very complicated and you have to give the parallel shift sensitivity, but is there anything potentially incremental beyond the hedge roll that we should think about on the long end, or does the growth in the hedge over the last few years mitigate that, so really there isn't a lot more beyond that hedge component when we think about the long-end sensitivity?

And then the second question was on targets. We've got the mid-teens ROTE guide ex-notables. I appreciate there will be lumpy items, and it's much cleaner to guide without that, but, arguably, versus some of your peers, that isn't as much of a stretch as some peers, and perhaps business performance is running better than you anticipated. So I'm just wondering, as we think to February – I'm not expecting you to give any quantitative number now, but should we think about that target as being up for review or consideration, or no, it was only set relatively recently and you need to give yourself some wiggle room, things can get better or worse?

PAM KAUR: So firstly, from a pure banking NII perspective, as long as interest rates can stay around the 3% mark, that's a really good sweet spot. 2.5 to 3% is also good, because your ECLs stay at a contained level, but also from a bank which derives a lot if its banking NII from deposits, it's a good space, but, hopefully, loans will tick up. We've done most of the work on building up the structural hedge, but we'll continue to do more, whether it's the currencies we're already doing, whether it's the US dollar/GBP, but also looking at ways of how you can look at the Hong Kong dollar.

FAISAL YOUSAF: The simple answer to your question is 'no' - there's not any long-end sensitivity that would be of concern or that we would wish to call out. The simple way to think about this, I think, is that we adopt in our structural hedging programme a standard caterpillar approach. The weighted average life of that is 3.1 years, but the instruments we typically use to do that hedging are standard securities with a little bit of natural hedging, and derivatives, but it's typically the standard government securities we will use, out to a maturity of five years. So that's pretty much the maximum maturity that we would use in the market. So you can see from that we're not exposed to any long-end behaviour that would be of particular concern.

PAM KAUR: Our house view is you don't overpromise and underdeliver. So when we look at a target, target is what you have to achieve, but if you look at the payouts, even for Georges and me and VP, and how we drive LTIP and the rest, you've got to do better than target. Every time we feel, quite rightly, that we are in a good position to give you a view on where we will be at target or better, then we upgrade – exactly what we did at this quarter. So I would just suggest that that's the kind of mindset you should keep in view how you look at what we are going to think about going forward versus some of our competitors.

Having said that, the reason why we are more cautious, it's not because we are just more conservative. It's also that the macro environment is very uncertain. We have a very large footprint, as much as a large footprint gives you a huge degree of diversity to be able to still pull on different levers to achieve your targets, but it gives you some complexity too. So we look in these factors. And I'll give you an example. Even when we went and did our Hang Seng offer, we had already looked at what could be a possible downside for a Madoff litigation and, therefore, we haven't had to change course. That's just the house approach we take, but I get your message. Sometimes it may be better for us to be a little bit more optimistic.

KUNPENG MA, CHINA SECURITIES: I have two questions. The first is a technical question and the second is more general. The technical question is still on the structural hedge, because, when I look at the structural hedge, I've got three factors – price, the duration, and nominal amount – the quantity. So the price is from the street, and duration depends on your expectations for the rate-change cycle. So what determines the quantity? What determines the nominal amount of the hedge at any particular time? Does that depend on the availability of your counterparts from the street or some kind of mathematics? That's the first question.

The second question is more general. Sorry, Pam, I need to chase you more on earnings, and especially revenue. When I talk to China-based investors, everybody is comparing HSBC with other peers. Every time, they just find out HSBC is the most controlled one in earnings. After many one-offs this year and the big transactions this year, actually, everybody has some expectation for a gradual improvement on earnings, especially on revenue, so if we take an upside view – I know it's very hard for you as a CFO, to take the upside view, but if we have to take an upside view on future revenue trend, what kind of factors should we have a close eye on, especially from NII, from fee income? What kind of factors will be the most important factors to drive a potential upside in revenues in the next few years? Thank you.

FAISAL YOUSAF: The way it typically works is that we will look at the market environment in each of the currencies that we trade. As you can imagine, with HSBC's balance sheet, there's a vast, vast number of currencies. If we zoom in on one particular currency, let's say US dollars, for example, we would look at the component of the US dollar – of our US dollar balances, the deposits that we think are variable rate but stable as well. You take the entire deposit base in US dollars, and then you shrink it down to the stable variable rate deposits. Then in that component, you look to hedge that amount. The variable – that stable portion can vary, depending on where you are in the rate cycle. As the rate cycle moves, your overall proportion of hedge can alter as a result. That's the general philosophy, and that's in line, I think, with every major bank on the street.

Different currencies will be at different points in the rate cycle. Your view on what you might want to hedge for US dollar might vary to your view on, for example, Japanese yen, one perhaps going down in terms of rate outlook, one maybe going up in terms of rate outlook. You'd factor all of that in.

The other variable piece that comes into this is, in certain currencies, you may not have the necessary assets in the market with which to execute the hedge. Taking some fictitious numbers, if you have a currency where your hedge quantity is 100 billion, as an example you may not – you may have a portion of that that's hedged through your natural fixed-rate assets, and then, let's say, 40% of that through your natural fixed-rate assets. The other 60% is what you would want to hedge in the market, but you may not have all of the instruments to do that in the size, but also maturity. There are various factors that kind of go into the mix.

Overall, if I step back from that – that's a detailed answer to what is, I guess, a complicated question. If I step back from that, where do we stand overall? Where do we look? I would say, from our perspective, we are hedged to exactly where we want to be in US dollar, in sterling, in euro. We could probably do a bit more in Hong Kong dollar. Those, collectively, represent our four major currencies. If you look at our sensitivity to interest rates, which we disclose every

six months, so we have a sensitivity schedule that shows the movement for 100 basis points down, you can see that reflected in that. There's a little bit more sensitivity in some currencies versus others, and that comes out of that, and it's driven by the dynamics I've just talked about.

KUNPENG MA: Two quick follow-ups. First is: what are the typical stable variable interest deposits? What are the other unstable variable interest deposits? The second is you just mentioned you use government bonds to make the hedge. Do you use any kind of swaps to make the hedge?

FAISAL YOUSAF: In terms of what drives the other portion of that, stable could be depending on your own behaviouralisation assumptions, depending on where you are in the cycle. We have a fairly stable deposit base. Some banks may not. In terms of the second part of your question, in terms of swaps, we do, but the two biggest portions are your natural assets and securities, where they exist. Swaps are a lot less.

MING LAU: Hong Kong dollar and Hong Kong is one of the currencies where we do use FX and interest rate swaps for hedging. For those of you who are familiar with the Hong Kong market, Hong Kong is one of those markets that doesn't have much in terms of fixed-rate issuances from the government. Hong Kong as a market, from a lending perspective, is predominantly floating rate based. For us, we have been progressively hedging our Hong Kong dollar book, but it's on an opportunistic basis when there are counterparties in the market that are interested in taking the opposite end of the interest rate or FX swaps.

PAM KAUR: We've given you our view on the structural hedge. Overall, given the continuing deposit momentum, and we truly have a very strong deposit franchise in every market, in every currency, in every legal entity, from a banking NII, even with the interest rate headwinds, we hope to continue with the momentum of where we are on banking NII. From a wealth perspective, I think it's fair to say our guidance - of double-digit growth in the medium term - quarter on quarter, it may vary. There's a lot of strength in that franchise to back that up. You've seen the results this year, so that'll continue.

If I look at lending - and we don't rely as much on lending for our banking NII - but lending has been pretty muted. The only market where we've seen growth in lending is the UK. We are very positive about that, and we are well-positioned to continue for that growth in the UK, given that the credit levels at the moment for both retail, wholesale customers is relatively low, so there's a long way to go in terms of customer appetite in that space.

When you look at transaction banking - that's the core of our franchise - we have proven that even when margins are under pressure on the basis of volume, our payments business, for example, has held well, and has marginally continued to grow. Similarly, from a trade perspective, given our presence in all the corridors, despite the pressure and headwinds on the US-related trade corridors, we have, to a great extent, participated more in the growth of the ex-US corridors, whether it's UK/India, Middle East/India, intra-Asia and so on, or Middle East/Asia and Middle East/China. We feel that over time, that's a good space to be in.

Markets will be markets. I fully understand. There are some competitors who have very strong rates businesses and much larger market footprints, so therefore they can print a larger number as they have done on a quarterly basis. Just to remind you, we are a customer-led franchise. We don't lead by product. As long as that customer franchise holds well across a range of products, we feel pretty confident in terms of the overall revenue trajectory. That's pretty much as upbeat as it gets without giving you any guidance for 2026.

ANDREW COOMBS, CITIGROUP: If I just follow up on a couple of things, one on wealth and one on deposits. On wealth, it's been a tremendous story for some time, but, if I look at the Asia AUM this quarter, it was up 9% Q-on-Q, which is a phenomenal result. Obviously, benefited from market appreciation, but my question is once you exclude the $150 million adjustment in insurance, is there any reason to think why the revenue base shouldn't move up consistently with the AUM growth? Are there any funnies in there, any AUC, anything to deplete the revenue margin?

Then secondly, on deposits, you explained a lot of them are Hong Kong deposit growth on the call. CIB, you specifically called out some short-term flows at quarter end, and subsequently Standard Chartered had talked about some aggressive deposit pass through on CIB, and that

they expected that to revert to norm in their major markets. Anything you can talk just about those CIB deposits, and pass through and whether there's anything abnormal this quarter?

PAM KAUR: You're right, from a wealth perspective, we were very pleased with the results, particularly the investment distribution, which was up 39%. Some of that is market related, but the markets have been very strong and continue to be strong, even as we look through now into fourth quarter. From an insurance perspective, given IFRS 17, there is a natural tick up of the balance that you have actually built over the years for the next nine to 10 years in terms of P&L. That's going to be pretty steady flow, because that's the base that has already been built up. I just do want to point out, one of the first products that your new clients buy, particularly mainland China related clients, even when they're not wealth clients, is the insurance product. I think that's a real positive, if you think in terms of insurance.

The other thing which sort of impacts insurance obviously is mark to market and valuations. If you take ex- all that, you still feel quite confident in terms of the growth of the wealth business, driven through by Hong Kong, but also strong in Taiwan, in Malaysia, in Singapore, as well as new markets like the UAE and India, and very particularly, even though it's a small base, I'm quite encouraged about what we're doing in the UK as well, because I think that can be a real growth engine. The wealth mix may be different. It may not be exactly the same quarter on quarter, so please don't go and build in 29% growth rate, but just think about it as much better diversified, and therefore with enough levers to continue in that good space.

Your other question with regard to CIB deposits, which by definition can be clunky. Typically, when corporates are not doing capital expenditure, they want to put money on deposit. We tend to be kind of the place where the deposits always come. We have never had to aggressively pay for our deposits, and we never really want to be in that space, because that's our natural strength. We don't have to do that.

One particular thing that happened – the Silver Bond issuance in Hong Kong. Money goes from retail - the subscription goes through CIB. Once that subscription closes, some of that money comes back to you, but it comes in terms of invested assets not deposits. One way or the other, that was more of a virtuous circle. And if it doesn't get subscribed, it comes back through deposits or invested assets. Even deposits come down, then your invested assets go up.

KIAN ABOUHOSSEIN, JP MORGAN: The first question is just trying to understand the conversion from customer acquisition into deposits, into wealth. How should we – and I'm sure you have a magic spreadsheet how you model this - I would love to have a look into that - but just trying to understand from the outside, how should we model this conversion, because that's clearly a difficult one for us.

Then the second one is: your CIB is quite different from a lot of players. It's not easy to compare the way you split it, and if I look at your revenue per head, it's about $370,000. It looks relatively low to me. Again, it's not an apples-to-apples comparison. Just trying to understand why that would be, or is it something that is a focus, and what metrics are if that's not.

PAM KAUR: What we've called out is the real upsurge of the growth in Hong Kong, driven through mainland China economic activity. That is a real big shift and a lever for Hong Kong going forward. From a retail perspective in particular - and we're seeing that growth come through business banking as well - but let's start with the retail - ever since the opening post-Covid, since 2023, we've got statistics in terms of how money is coming in. Not every customer is coming in and putting the maximum that they can - $50,000 per year - because if that was the case, our deposits would be multiples of where we are today.

We are very pleased that even when they come with smaller amounts, like say average $10,000 equivalent, that money comes in, and, as I said, most of it first comes through as a deposit. On an 80/20 basis, it's more mass retail, but 20% is wealth. Even when they come in, they do have some wealth products, like insurance, because they really haven't had that opportunity to buy that product before they've been here. That gives them diversity. Over time, we are very closely tracking that 80/20 trend, and seeing how it converts into the build-up of wealth balances. Having said that, even as a deposit contributor, it's pretty strong.

There are some views which say that over time as this continues, given that there is a potential population of about 20 million internationally mobile customers in mainland China who would be following this trajectory, and we will pick up our share, you can imagine what it does in terms

of the existing customer base, which we have in Hong Kong, of resident Hong Kong customers. Even if you keep that small percentage, 15-16%, as being the more premium end versus the mass affluent, it's a very strong trajectory for future growth, but it's not all wealth day one.

MING LAU: The way to think about it, we've seen an increase in the volume of new-to-bank customers post-Covid. No surprise, borders reopened, and mainland visitors started flowing back into Hong Kong. The pace of that continues to accelerate. You would have seen, I think – latest, you see roughly about five million visitors into Hong Kong. That's helped drive a good chunk of the growth that we're seeing in new-to-bank accounts.

The way to think about evolution of new-to-bank accounts, we've published at the end of the third quarter, they drive more at this point deposit growth. 50% of our deposit growth has been driven by new-to-bank customers. They also drive 30% of the ANP in insurance and 20% in invested assets. Evolution wise, from when the account opens, typically it takes about 12 months from when the account opens to when we actually see good volume of funding come through for the accounts. Typically, in those 12 months, they flow into deposits first. Following deposits then, and no surprise, because when you get into sales of wealth and insurance products, they're a little more complicated, so it will take more time in terms of the RM spending time with the customers to understand their needs, and to understand the appropriate products to sell to them. The way to think about it, then, is the wealth sales we're seeing now is perhaps from accounts that were opened in 2024. The accounts we then see opening in 2025 would result in future growth from 2026 onwards. That's how I would say to think about it, in terms of the evolution and how to factor that into the overall growth of wealth there.

PAM KAUR: It genuinely is a future store of value, and looking at Hong Kong's growth potential and HSBC's participation in a very different way, which makes the Hang Seng privatisation equally compelling. They also pick up new customers.

Let's take your other question on CIB. Firstly, HSBC is among the very few banks that has a very strong commercial banking proposition in countries outside even its home market. What does it say? That you not only have the multinational relationships, but you also have large corporates, you have mid-tier corporates, and you go right down to the smaller end, which, in many other banks' comparison, if you look at their home markets, would be as part of your community banking, for example.

Those businesses typically have higher margins. You can have a lot of fee product through there, and that's what we try to cross-sell through. What happens in terms of productivity, in terms of large individual ticket size transactions, it is not of the same level as you may have if you want to measure productivity in terms of large items and headcount as you would be in a typical global banking and markets business.

The real sweet spot for that business is, given that blended business, and given the operating leverage you create by putting those businesses together, your cross-sell for a range of products to that lower-end corporate, which you have the relationships, and you can have the collaboration, not just for fee income, but also for private banking and so on, becomes hugely powerful, because it becomes an end-to-end proposition.

Secondly, it is a business which is not lumpy. It is well diversified, and, therefore, the revenue it generates is much more sustainable. It is much less event based. You don't have so many quarters of feast and famine. You have a pretty healthy diet of revenue coming through quarter on quarter. I think that is an absolute critical part of HSBC's proposition. That's also the piece which generates what I would call the capacity to have higher volumes in something like your payments businesses, even when the margins are shrinking because you're so well diversified. Virtually every market has to slow down in every direction for you to be hit. The same obviously works through trade when you start looking at non-US-related trade corridors. It's a very different way to compare, just because of the mix of bringing these two together. The cost/income ratio is much better than you'll see in any other typical CIB business, and the returns are pretty healthy too over a period.

PERLIE MONG, BANK OF AMERICA: Just a couple of questions. One is on market share. When I look back at the disclosures, I think the last I saw market share disclosure was last time we went to Hong Kong, but – I'm sure I can look at the data myself, but obviously some of the trends have been super lumpy and very, very strong. I'm not sure how useful it is to look at last year's data, if I think about it like that. Internally, do you think about deposits and the wealth,

etc, have you taken market share or have you lost market share, because the flows have been so strong, and a lot of your competitors have done very, very well? If so, who have you taken market share from, in what product, or where have you lost market share? That's number one.

Number two is the wider liquidity conditions for next year, because the US is looking to cut rates. Rate cut impact aside, I suspect liquidity conditions might loosen further, not tighten, which do you think is a good thing or a bad thing? Good thing in the sense that you are obviously a big deposit attractor, so more liquidity means more deposits, so presumably good news for you, but, equally, more liquidity probably does also mean that everybody who wants liquidity can get liquidity more easily. The competitive advantage, which you've always had, which is having a fantastic deposit franchise and can get funding very cheaply, is that so relevant in a world when everybody can get liquidity as much as they like, and don't have to pay very much for it?

PAM KAUR: Firstly, in terms of market share, we are absolutely razor sharp, focused on market share. We never take our iconic position in Hong Kong for granted. One of our biggest competitors, especially in the new business which is coming, which is mainland China, growth-driven, is not going to be the typical foreign banks you think, but it's going to be more like Bank of China, who've got a bigger footprint than us, clearly, in mainland China. We are pretty much in step where our market share was, and there will be few ups or downs, but we want to maintain that. Also remember, for us, we have to work twice as hard in some ways because we are already sitting on a very large base of the business we have in terms of our market share, as opposed to some of the smaller competitors who on percentage terms can have a bigger number of growth, but actually it's on a much smaller base.

We never will take that for granted, particularly markets in Hong Kong, but also in markets like the UK, we are very focused. When we saw that on business banking we were losing market share, we did a lot of things. We looked at in terms of what we do to our fee structure. We also followed through in terms of our customer journeys, and customer satisfaction levels, because we don't want to fall back on market share in any market, but obviously more importantly in our home markets.

Your other question in terms of liquidity, it's very interesting where interest rates are down, a couple of things happen. Firstly, you're right, it may encourage some lending, so we'll be pleased about that. I'll come to deposits in a second. Secondly, people then make some choices to say, 'Well, I don't want to keep my money just as a deposit. I want to do something with it.' We obviously do better in terms of when customers readjust their portfolios, and want to do more with wealth products. Again, we are well-positioned on that.

In terms of paying for the deposits, we have a very simple view to say we always look at the balance between the volume we attract and the margins we have. We focus internally on the hurdle rates we have, and we've never really had to pay for deposits, because that's the strength of our franchise, and we don't intend to overpay for that. All I'll say to you is that deposits is one thing for most individuals, as much as people like to chase a little bit of extra return on a deposit, but the core of what they have, particularly in a world which is uncertain, and they're waiting and holding onto, security matters much more than returns. I don't see that's more of a challenge. We've got enough levers to pull from other revenue lines as well, as I've just called out.

ALASTAIR RYAN: Thank you. Just some numbers: Hong Kong, we accrued deposits 6% in the last 12 months – $35 billion, so a relatively significant number. There's no bank tax yet.

AMAN RAKKAR, BARCLAYS: I had a question for Ming in Hong Kong. One of the really remarkable things is the level of return on tangible equity in Hong Kong. I know your divisional – your Group view of return on tangible equity might be slightly overstating it, but it's a circa 40% ROTE in Hong Kong. I just wanted to get a sense of how sustainable you thought that was. There are so many moving parts in terms of the interest rate environment, the volume dynamic, the outlook for some of the fee businesses that make it quite difficult to get a clean read. Do you think that ROTE is sustainable at this kind of current rate into next year, for example?

MING LAU: Yes, a few elements, I guess, Aman, in terms of how to think about the ROTE for Hong Kong. One, it's a very strong wealth franchise, which is low capital intensive. It's got a very large deposit base, which is 60% current savings accounts, which today we're paying less

than 10 basis points for, in terms of cost of funding. Thirdly, it's got scale, and the cost/income ratio of our Hong Kong business is in the 20% range, overall. Add in all those factors, that leads you to a very, very strong return on tangible equity for our Hong Kong business.

In terms of sustainability, if things fall back to a zero interest rate environment, which is not the current base case, then that ROTE is at risk. If you look at the rate outlook, and assuming base rates on the Fed and Hong Kong dollar settles in the 300 basis point range, then I'm pretty comfortable that the returns that we're seeing in the Hong Kong business is sustainable, because at a 300 basis point range, given our deposit mix and the sizeable amount we've got in operating accounts, we can make a decent margin. You add in the factors then, a big and strong wealth business, very cost-efficient business overall when you look at cost to income/ratio, and a strong deposit franchise. It should not be a surprise that the Hong Kong business is such a high-returning business for the group.

PAM KAUR: Aman, I'll just add, the Hong Kong ROTE level is not just a one-off quarter. Even in a quarter like the second quarter, where so much was affecting it as a headwind, whether it was ECLs, low HIBOR, it was still a 30% plus ROTE.

MING LAU: I would just supplement, Aman, just to remember, if you stand back to look at Hong Kong, whether it's through the social unrest, through Covid, challenges on Hong Kong CRE, geopolitics, the last five, six years have been challenging for Hong Kong economically, but if you stand back to look at where we are as a business in Hong Kong, we continue to print record levels of profitability. We continue to generate, as you've mentioned, 40% plus return on tangible equity overall for Hong Kong as a geography in a challenging environment.

GURPREET SINGH SAHI, GOLDMAN SACHS: On the deposit growth, I'm trying to work out economics. Let's say if the deposit growth – and think about Hong Kong and UK when you answer this; maybe it's easier for you. Think about three uses of the deposits: putting it into treasuries as one, so maybe the gapping income; number two, lending it out – you can take a mix of retail and corporate lending; and then, third, putting these deposits to use, as Ming said, over time, into a wealth product. So, between these three, where are the economics best for the bank, and how do you see the differences between these three – just high-level, qualitative comments?

And then, if we take the view that has been discussed till now that maybe in Hong Kong and UK some loan growth is emerging, and some of these new deposits in Hong Kong can go into the wealth products, why shouldn't the incremental ROTE then improve if the gapping ROTE is lower than the lending ROTE, and then the wealth ROTE might be the highest, if you agree? Thanks.

PAM KAUR: Firstly, we always look at where our deposits are, and, to make them work, what is most important from a franchise perspective, because it's not just ROTE quarter on quarter, but it's medium to longer-term franchise. When we can convert those deposits – because they're customers who have the deposits with us, say, on the retail side – into wealth products, then it's absolutely on strategy, and that's what we want to do. We are doing really well in Hong Kong, and we have some very strong targets or what we want to do from a UK perspective, so to grow the Premier business customer base from 1 million to 2 million; to increase the invested assets with us. So I think that is the number one from a retail perspective. You're absolutely right; from a ROTE perspective, it's pure fee income. It is highly accretive, so it's a very good number one priority for us, both in terms of franchise as well as a return perspective.

Now, when it comes to lending, what is very important for us is that, in terms of our market position – and we had the question earlier on market share – that we retain that market position in all our core markets, but in particular, as you've called out, from a UK and a Hong Kong perspective - we are very pleased with that. From a UK perspective, you're seeing a little bit of uptick on lending, whether it's on mortgages or wholesale. And you're right; if you look at the growth on lending income, then it becomes an add-on to the deposits being kept as cash, which obviously also helps you from an NII perspective.

So think about that in that tiered sense. Wealth – absolutely, and why I call it is because it's something which we're trying to grow very fast, and we want to really have our right position there, given the fact that customers already trust us with their deposits. In terms of lending, we've always been very strong on lending, both in terms of our risk underwriting capabilities, but also in terms of who we are. It's just that, when the lending appetite in the world has come

down, we want to make sure that, when it starts up, we are right there to support our customers, even in different sectors, and then cash is cash. It will be what it is. But that's the way I would look at it in terms of the return, and then obviously that gives us optimism in terms of ROTE going forward as well.

CLAIRE BAIRD, CFO, HSBC UK: Just to build – it's the same in the UK. We don't look at deposits as a monoline product to manage. We're managing the customer relationships in the round, both in retail and commercial, so what we're trying to maximise is primacy of the customer with us and share of wallet, so the more we can convert a deposit into a wealth product and a loan and a mortgage, that's where you really get that flywheel effect, and we see that particularly – I'd say our mid-market corporate business is incredibly well positioned in that regard, so very much that's how we're managing it.

As Pam said, we delivered 5% loan growth in the UK year on year. That's across retail and commercial, so we're not just piling on low-margin mortgages, which some of you may have accused us of in the past. And I think, even when I look at the commercial book, when we strip out the Covid loan repayments, we're actually up 9% year on year. So we've managed to outgrow the economy by targeting sectors that are growing faster than the economy and where we have expertise in things like infrastructure, energy, social housing. So we're quite happy with what it's doing to returns overall, and also from the credit risk profile of the new business we're putting into the book.

PAM KAUR: I think the one thing you have to remember in all of this – HSBC is not a product-led franchise; it is customer led, and being customer led gives you that choice and the ability to have sustainable revenues because you have multiple levers to pull. And that is very powerful from our perspective, and that is our heritage, and that's where we want to be and will be.

ALISTAIR WARR, AUTONOMOUS: Could you maybe give a little bit more colour about how you see your insurance product, and particularly offshore? Do you see this as differentiated? I'm just thinking of some of the other offshore providers who are also not delivering bad numbers but may not be quite the gangbusters you guys have seen. It's not necessarily quite the same mix of product. They'll call out you're doing more deposit substitution. Is there something there about segmentation of that that you're interested in or the client you're picking up or the product you're interested in selling that's different from competitors?

PAM KAUR: In Hong Kong specifically, it is our market presence and our retail distribution and that customer network which I would say is a critical factor for us to do so well, and that is hard for people to replicate. We don't want to sit on our laurels. We are very much working through to have the right range of products so we stay at par with our competitors, but for us, the key differentiating factor is really our distribution and retail presence and market share. Also it's important in terms of all the new customers we are getting on board, because it's easier once you have the customer on board with the right engagement, yet you may take a few months to convert them into getting the insurance product, but you become the first port of call, as opposed to somebody who doesn't have that customer relationship network.

ANDREW COOMBS: On Hang Seng, I fully appreciate your points around disclosure on revenue and costs. You'll give us more as and when you can. One thing I did want to follow up on is just capital allocation. If you look at Hang Seng versus the local HSBC Hong Kong subsidiary, Hang Seng's always run with a higher core Tier 1 ratio despite having a lower Hong Kong D-SIB charge. Are there ways in which you can strip out capital, make it more efficient? Is there anything you can add, or you can't comment on that?

PAM KAUR: So the only thing I've said to you is that the minority shareholder-related capital impact of $3.2 billion, once you are part of that, that will no longer be required. That's an immediate benefit from the transaction. But just look overall, and I'm not going to comment on any specific numbers. Why is capital at a certain level in certain entities? It's in discussion with the regulators, but it's also driven by the business model you have, and your stress loss absorption capacity. The more you grow on your revenue and you have more reliance on fee income, the pressure that you have on capital reduces.

ALASTAIR RYAN: We won't be making any further comments on Hang Seng, just to be clear.

KIAN ABOUHOSSEIN: Can you just talk about – from your perspective, what are the key focus areas on technology? Can you give us a bit of an idea on technology budget? Most banks spend 20% of the cost base. Is that the kind of ballpark we should think of?

PAM KAUR: As a ballpark, yes. Technology has become – it's a very vast thing. What do you include and what you don't? For me, the key thing is how do you get operating leverage by driving technology, particularly when you have reshaped the bank into businesses which are at scale? Because you can't deploy it unless you have scale. What we're looking at specifically on investment – I'll give you in terms of AI, and that's a big driver for us – I'll give you one example where we absolutely are the leader. We have, through our transaction monitoring capacity, we've got what you call dynamic risk assessment, which is a strong partnership which we have with Google. We are absolutely market leading. We have regulatory support for that. Indeed, other banks are picking up on that. What it does is, by the use of AI, you're able to cut down on the number of false positives you have from a transaction monitoring and money laundering perspective. You can focus on the real exceptions, and then you can redeploy the resources you had in just picking up false positives into doing more insightful work. You can imagine with the geopolitics, for every bank, this is critical, no matter what side of the Atlantic you are. That's a use case you've had for many years. I know that well from my old job as Chief Risk and Compliance Officer. We've deployed it in many countries.

We are now looking similarly, which are those large-scale, high-volume areas where AI can be used? Very specifically, the ones we're looking at is KYC onboarding, which is aligned to some of the work we've already done in transaction monitoring, and with CIB coming together. We will use AI there. We're also looking at contact centres specifically, and then we're also looking at what lending, particularly the small-size lending processes. There are a number of processes which we are looking at to see where we use AI.

The other area where technology is being deployed separately, which has been very good as a driver for wealth, is in terms of our wealth platform, and ability through our platforms to be able to serve more products to our customers. That's what's going to be key, whether we're doing it in the UK or Hong Kong, so that we can have that conversion from deposit to wealth, because frankly, we were behind in that space.

Last but not least, in terms of customer journeys, particularly when you're having growth in markets where customers are tending to be very highly digitally enabled, how much of the customer journey, whether it's onboarding or whether it's in terms of product proposition, can be done within the compliance and regulatory requirements online, versus on-premises in person. Those are the few areas. The only reason why I'm very confident now, is because we are cutting down on all these businesses that were sub-scale, so you don't have to spread your technology and investment dollars across the board. The general direction of travel is we will keep the cost discipline where it is, because that is critical for us, because that's the one area we can absolutely control, no matter what happens in the macro world. We will shift our investment more from 'run the bank' into what I call 'change the bank' and investment for the future.

ALASTAIR RYAN Thank you. We are out of time, I'm afraid. Thank you for taking the time to come to the office in Hong Kong and the office here in London. Investor Relations are available at your leisure. Pam does have to dash off, but we much appreciate you joining us today. Thank you.

PAM KAUR: Thank you very much.