

Q3 Results Analyst and Investor Call

27 October 2026, 07:45am GMT

PAM KAUR, GROUP CHIEF FINANCIAL OFFICER: Welcome, everyone. Thank you for joining. It has been another positive quarter. We are confident in meeting the targets we set out to you at the full-year and are on track to meet all our guidance, which remains unchanged today. On performance, revenues are up 5% and profit before tax was strong, up 10%, excluding notable items.

I'll talk more about these shortly. And our continued discipline saw us action \$0.2 billion of simplification saves, taking us to \$1.9 billion of the \$2 billion we set out at the half-year. We announced an up to \$1 billion share buyback.

Let's turn to the income statement.

My comments will exclude notable items which adversely impacted profits by \$0.4 billion this quarter. These are set out on Slide 28. The comparisons I will make, unless otherwise stated, will be year-on-year on a constant currency basis.

I'm pleased with the performance in the third quarter. Revenue grew 5% to \$18.7 billion. This was broad-based across businesses and income lines. We delivered strong profit before tax growth up 10% to \$10 billion.

Earnings per share excluding notable items is up 17%, in part benefiting from the reduction in minority interests following the privatisation of Hang Seng Bank. Deposits increased by \$105 billion including held for sale balances. Annualised return on tangible equity was 18.8% year to date, 1.1% higher than last year.

Our CET1 ratio is 13.9%. Today, we are giving you our estimated Basel 3.1 impact of 40 to 50 basis points which will apply from 1 January 2027. Turning now to our business segment performance. All four of our businesses grew deposits. Each delivered annualised return on tangible equity in excess of 17%, excluding notable items. Revenue grew 5%, showing the breadth of our franchise and consistent execution of our strategy.

IWPB revenue fell slightly year-on-year. There are two things I will call out here. First, the \$0.1 billion impact of our strategic transactions. We set this out on Slide 20. Second, this time last year, I highlighted the positive one-off impacts in insurance in the third quarter of 2025 of around \$0.1 billion. As expected, those did not recur. Taken together, both more than offset revenue growth in IWPB.

Our other three businesses grew consistently in the quarter, with CIB the standout. This broad-based performance across our four businesses shows that our strategy is very much on track.

Moving to Banking NII. Banking NII increased \$0.6 billion year-on-year to \$11.7 billion. The quarter-on-quarter increase reflects continued balance sheet growth both in loans and deposits. It also reflects \$0.1 billion of one-offs, a \$0.1 billion benefit from our structural hedge

and \$0.1 billion from day count. We benefited from a couple of rate hikes, although I would say that these were in line with expectations a few months ago.

As you would expect, our structural hedge is being reinvested at higher yields. In terms of emerging trends in Hong Kong, we saw increased time deposit margin pressure this quarter. Most of our strong growth has been in time deposits.

In the UK, the deposit market has become increasingly competitive. We have the lowest loan-to-deposit ratio of the major banks and the highest portion of instant access deposits. This leaves us well-placed to manage changing competitive market dynamics. As you look forward, I would also just remind you of the impact of our strategic transactions.

We reiterate our full-year Banking NII guidance of at least \$46 billion.

Next, Wholesale Transaction Banking. The strength of our franchise has been demonstrated over the last 12 months and again in this quarter. We grew Fee and Other Income 11% year-on-year as customers continued to turn to us to help them navigate market complexity. Our balance sheet and franchise strength are particularly valuable in times like these.

In the quarter, trade fees grew 5%, driven by continued growth in guarantees in Asia and the US. We are gaining market share in Asia, this is a core strength of the firm and lies at the heart of our network business. Payments increased by 4% on higher volumes and increased card fees.

While this slide focuses on fees, I would point you to the data pack, Wholesale Transaction Banking revenues, which give you the full picture of our world leading trade and payments franchises are up \$0.8 billion and 12% year-on-year. In Securities Services we grew Fee and Other Income 3% reflecting new mandates and higher market valuations. Some of this growth was offset by strategic transactions. Foreign Exchange had a particularly strong quarter, up 19%, as we saw client demand in a period of higher market volatility.

Next to Wealth. Net New Money at \$38 billion in Asia this quarter brings our year-to-date flow to more than \$95 billion. We said this out on Slide 24. Our Wealth business continues to perform. And as you will see on Slide 23, we saw good inflows of new-to-bank customers in the quarter.

Fee and Other Income itself was flat year-on-year. Investment distribution performed well, up 7%, on higher mutual fund and structured product sales. This reflects the strength of our customer franchise in Hong Kong. On insurance, as I mentioned we had a one-off impact in the third quarter of last year. Together with the strategic transactions, notably the UK Life and France Life disposals, the \$(0.2) billion dominated the year-on-year comparison.

Private Bank grew 16%. We are really pleased our strategic focus is paying off. This quarter we saw growth in mandates and higher trading activity. In Asset Management, AUM growth was offset by margin compression. The consistent investments we are making in our wealth products, distribution channels and customer experience are translating into real results.

Turning next to credit, our third quarter ECL charge was \$0.8 billion, equivalent to an annualised charge of 31 basis points as a percentage of loans and advances. In Hong Kong commercial real estate, we had a very low net charge in the quarter. Overall performance remains broadly stable. You will see our usual detailed breakdown on Slide 27. We maintain

our full-year 2026 credit guidance of around 45 basis points. The fourth quarter runs longer, but there is nothing of concern we are calling out today.

Next to costs. We continue to take a disciplined approach to cost management. Cost growth this quarter is 1%, year-on-year, on a target basis. We are on track to achieve our target of 1% cost growth in 2026 compared to 2025 on a target basis as we continue to deliver the benefits of our organisational simplification savings through the remainder of the year.

Updating for FX, the target cost baseline is \$33.9 billion. As we said at the half-year, if our strong business performance continues, we may consider increasing variable pay, which would increase costs modestly.

Turning next to customer deposits and loans, our deposit growth continued with \$105 billion, including held-for-sale balances, over the last 12 months. In the quarter, Hong Kong saw another strong performance with \$21 billion of growth. Following the privatisation of Hang Seng Bank, we have announced the combined management team and are now building common technology platforms to simplify operations, improve efficiency and deliver a better experience for our customers.

We are benefiting from being full owners of the two iconic banks, from the growth of Hong Kong and from our focus on protecting our leading market position. In the UK, as I referenced, we are seeing strong competition for retail deposits. Time deposit rates in the market are often above policy rates. Given our loan-to-deposit ratio, we have a range of choices to match market pressures with profitability. A stable book this quarter reflects these choices.

In CIB, I said at the half-year that about half of the CIB deposit growth in the second quarter was large and short-term, that these balances come and go. Indeed, we have seen some of those balances flowing out this quarter. The \$42 billion year-on-year growth is more representative of the profile of CIB.

For IWPB, we were pleased to be the largest international participant in the Reserve Bank of India's Foreign Currency Non-Resident Bank Deposit Scheme (FCNR), the second largest bank overall. We captured \$14.5 billion of FCNR deposits, and you will also see growth in the related loans on the other side of this slide. Against this strong inflow, we saw more run-off of the Australia book, which we expect to continue following our announcement to wind down our retail banking business.

Next, lending. We continue to grow in Hong Kong. The housing market is up 14% year-on-year, which is translating into mortgage growth, where we have a competitive range of fixed and floating products.

In the UK, we are particularly pleased with the 13% commercial lending growth year-on-year. You will hear more from our UK team in November, including how our leading position with UK companies provides us with great opportunities. CIB continued to grow with balance sheet discipline, particularly in Asia. In IWPB this quarter, you can clearly see the move of our \$26 billion Australian retail portfolio to held for sale. This was partly offset by the Indian FCNR lending I just mentioned.

Next to capital. Our CET1 capital ratio was 13.9%, down 20 basis points in the quarter. Our regulatory profits were again strong. We generated 90 basis points of CET1 in the quarter. As

usual, we accrue a 50% dividend. You can see the impact of last quarter's buyback and strategic initiatives. We grew RWAs as we put capital to work in the business.

I previously flagged negative movements through other comprehensive income from our hedge portfolio. Today, we are giving you the anticipated Day 1 benefit from the adoption of Basel 3.1 in January next year. Based on our latest modelling, this benefit should be 40 to 50 basis points. This remains an estimate which is subject to changes in portfolio size, composition and further model refinements, including regulatory permissions prior to adoption. As always, we judge our capital position on a current and forward-looking basis. That positions us to deliver a further up to \$1 billion buy-back today, after continuing to provide the resources to support our growth.

Let's now turn to targets and guidance. First, targets. We are confident in our targets. As Georges and I previously said, we are always pleased to exceed them in any given year, should circumstances be supportive. To remind you of those targets, revenue rising to 5% year-on-year growth by 2028, excluding notable items. Return on tangible equity of 17% or better, excluding notable items each year. Dividends, 50% of earnings per share, excluding material notable items and related impacts. Finally, all our other guidance set out on this slide remains unchanged.

To conclude, the intent with which we are executing our strategy is reflected in our third quarter performance, which is broad based. It shows discipline, performance and delivery.

Discipline in the way we are applying strong cost control and investing to deliver focused, sustainable growth. We are on track to achieve our target of around 1% cost growth in 2026 compared to 2025 on a target basis. As we said at the half-year, should strong performance continue, we may consider additional business performance-related pay, which would increase 2026 costs modestly. We are reallocating costs from non-strategic or low-returning businesses towards growth opportunities while upgrading our operating model.

Performance in our earnings: all four of our businesses grew deposits and each also delivered annualised return on tangible equity in excess of 17%, excluding notable items.

And delivery. Our third quarter results show we are creating a simple, more agile, growing HSBC. That is why we remain confident in delivering against our targets or exceeding them if circumstances allow. With that, I'm happy to take your questions.

GUY STEBBINGS, BNP PARIBAS: The first one was on net interest income and on Hong Kong deposits. I appreciate it's very hard to predict deposit behaviour, but if you could give us a sense as to how that's evolved through the quarter and into Q4. It felt like you may have been a little bit more upbeat on NII momentum back in August and early September than you are today. So, I'm just wondering if that implies the mix dynamics were a bit more of a feature later in the quarter or whether it was evenly spread.

And then, conceptually related to that, your rate sensitivity to an upwards move in HIBOR is very limited, assuming a static balance sheet. If you overlay that with a negative mix, it suggests you could even be negatively geared to HIBOR going up. Is that a fair description? It feels a bit different to what we're used to.

And then the second question was on capital. I wonder if you could break out that 40 to 50 basis point benefit from Basel 3.1. There's also an asterisk on the slide saying 'related

reductions to firm specific capital comments are not expected to be significant', but it still suggests they would be helpful as well as a favourable move in RWAs. I'm just trying to work out if that's the correct way to interpret it. Thank you.

PAM KAUR: So firstly, in terms of deposit behaviour, when interest rates are higher, we have seen in previous times, a shift to more time deposits. That proportion of a shift of two percentage points came more towards the end of the quarter as interest rates got higher. Previously, when the interest rates were high, we saw an increase in the proportion of time deposits up to 40%, as opposed to the 38% we have now. So, we can never predict customer behaviour precisely, but that gives you some context.

Now, in terms of HIBOR sensitivity, yes, we have reduced it, but directionally, when HIBOR is higher, it is always positive for us. Interest rate increases are positive for Banking NII, but what changes is the rate that the incremental increase to Banking NII happens. And, just to remind everyone, I've always said that 3% to 4% interest rates are the peak of the sweet spot for banks, even though, beyond that, we continue to grow Banking NII albeit at a slower rate.

Now, in terms of the RWA question, the impact of the 40 to 50 basis points from Basel 3.1 comes from a range of areas: sovereign risk gets lower RWAs, also there's an impact with regard to how SME exposures are calculated, as well as foundational IRB when it comes to large corporates, for example. I'm glad you pointed out the footnote, this relates to Pillar 2A requirements, which are firm specific. For us, this is also beneficial, but the benefit is not as significant as the 40 to 50 basis point benefit to CET1.

BENJAMIN TOMS, RBC: The first one is on cost of risk: your guidance for the year is 45 basis points and the print in Q3 is a lot lower than expectations. The year-to-date run-rate implies quite a big step up in Q4 but I think you said in your prepared remarks that you're not seeing anything that concerns you. So, is the reiteration of guidance just some conservatism? And then, given the high rate environment, would you expect 2027 to go back to the 30 to 40 basis points through-the-cycle range?

And the second question is, do you think consensus is now adequately reflecting the revenue headwinds and cost tailwinds from disposals across 2027 and 2028? Thank you.

PAM KAUR: So firstly, from a cost of risk perspective, we were very pleased with the performance of our portfolios in Q3. And as of now, I see nothing of concern for the fourth quarter. And of course, when we give a guidance of around 45 basis points, it could be lower too. We keep the guidance as a matter of conservatism. Given the length of the quarter, we keep the books open right till the end of January - that's the only reason why we are not changing the guidance on the ECL charge. We are not making any comment on impairments for 2027. It would be fair to say that over the past few years, our cost of credit risk appetite has been around 30 to 40 basis points.

Now, with regard to the higher rate environment, the only thing I would remind you of is that a higher rate environment is beneficial when our balance sheet is growing both in terms of deposits and lending, as well as being beneficial via the reinvestment of our structural hedge which we will continue to do.

The only thing to bear in mind is that you can't have the same proportion of time deposits and deposit beta in a high interest rate environment as opposed to a lower rate environment. Our disclosed sensitivities are always on a 50% beta assumption. I'll also just remind you that there

is a \$2.2 billion cumulative impact on revenue from disposals, on Slide 20. That impact is 50% Banking NII, 50% fees. In 2026, the impact is \$700 million, and more skewed towards fees. Next year, it'll be \$900 million incremental, which will be more balanced towards Banking NII. And as you go further out into 2028, the final \$600 million will be more skewed towards Banking NII.

JOE DICKERSON, JEFFERIES: I also have a question on the Hong Kong deposit mix, given it's such a large contribution. In a weird way, you're being penalised for having the best funding position in the market. Is there a threshold to the time deposit mix, that beyond which you will feel uncomfortable? You mentioned you had 40% at one point in the quarter, the industry mix is 56% at last reading, so that's quite a wide gap – I assume you don't want to go there.

And then it seems like this quarter we've had a shift from deposit growth leading AIEA formation and therefore NII. If I look out into the outer years, consensus has 4% deposit growth next year and 6% NII. Is that a relationship that you're comfortable with?

PAM KAUR: So firstly, I just want to clarify the time deposits at 40%, which I called out, was the highest level that we saw a few years ago. In this quarter, it was 38%. So that was just giving you context of where we are and where it could be, based on what we have seen. Our CASA balances have always been better than the market average, the time deposits being lower, and I expect that to continue. I want to remind you that from a Hong Kong deposit mix perspective, NII continues to be incrementally positive. We are very comfortable with that, even though marginally the contribution reduces. There's nothing from a deposit growth perspective that we are particularly worried about or want to slow down. If history repeats itself in terms of customer behaviour, we will continue to have that time deposit mix that is better than the market.

Our deposit growth remains NII positive and we will continue to participate strongly in our home markets. Having said that, our loan-to-deposit ratios are in a very comfortable space. We are not doing this to meet the additional loan demand we are just doing this to stay in line with market share and our role in these markets. And as long as it's positive, we are very comfortable.

AMAN RAKKAR, BARCLAYS: On net interest income, you're flagging a bit of a step up in deposit competition in the UK, but the strength of your liquidity position remains, could you delve a bit deeper into your expectations around term deposit migration?

From there, I think you're calling out a relatively high proportion of instant access within your mix. Is it right that you're anticipating a material shift in term deposits in the UK? And then, does that in any way influence your appetite to pursue the asset growth in the UK? You're growing your commercial loan book very strongly, is the marginal cost of funding and your appetite or propensity to pursue growth in the UK linked?

The second question was on Wealth, I know that the year-on-year comparison is impacted by a bunch of one-offs, but this 10% growth in Wealth year-on-year is a fade versus some of the kind of more outsized growth rates that we've seen in recent quarters. There's a lot going on in terms of the forward look, be it lower market levels, weaker sentiment, some of the policy dynamic and some of your key markets are shifting. I'd be keen to get a sense of the run-rate for Wealth going forward from here.

PAM KAUR: It's right that there is some shift in competition on deposits in the UK market, but I just want to say that for us the material impact comes more from Hong Kong than the UK from a Banking NII perspective. Don't read across something similar to the UK from the impact we've seen in Hong Kong.

Now, in terms of asset growth, we have always said, whether it's mortgages, whether it's commercial lending, we always have very strict discipline on risk/return, hurdle rates and overall risk appetite, so we will continue to lean into asset growth as long as it's within our risk appetite and over the hurdle rate. I don't see any shift there and there is enough room on the balance sheet to be able to continue to participate in some of the growth sectors as well as pursuing some of the opportunities opened by the UK government with respect to trade agreements that play very well to our global network.

You're right on Wealth; it's not so much a year-on-year or quarter-on-quarter comparison. Wealth is a long-term strategic growth opportunity for us. We did not give targets or guidance for the year on it. You can see a number of proof points: we have invested in the Private Bank, with 16% fee income growth a very strong number. You look at the Net New Money numbers, Asia at \$38 billion, globally \$41 billion. All those are the building blocks for continued growth in Wealth. Yes, quarter-on-quarter, product mix can change. Quarter-on-quarter, the impact on Banking NII versus individual fee generating products can change, but the overall direction of travel, whether you look in terms of net new customers, in individual business lines, such as Investment Distribution, the range of products we have, where we have grown while equities are soft, like mutual funds and structured products, the Net New Money that we are gathering, not just in Hong Kong, but as you can see the strength of our franchise also in India where we were the largest international bank participating in the FCNR scheme, second overall bank compared to a very strong local bank.

That gives me tremendous confidence, both from the macro growth opportunities but HSBC's unique role in participating in the growth of Wealth. I would not be concerned about that on an annual basis or from an outlook perspective, as there will always be quarter-on-quarter fluctuations.

ANDREW COOMBS, CITI: Firstly, on the 40, 50 basis points of capital relief on Basel 3.1, have you earmarked that for anything? Does that give you additional capital flexibility? And if so, where do you plan to deploy? Secondly, on Slide 20 that you referenced, do you provide the savings attributable to business divestment, you also provide the revenue attrition to that and the cost reallocation. The one thing missing from that slide is the revenue benefit from that cost reallocation. So, could I just ask whether you think the marginal return on reallocating that cost base will generate more, or notably more, than the \$2.2 billion of revenue attrition that you've earmarked?

PAM KAUR: So firstly, on the Basel 3.1 capital relief, we will get that starting from 1 January 2027, in addition to the capital we generate in Q4, where we remain very confident in terms of our targets and guidance, will give us a strong position going into 2027.

The deployment of that capital that for both our target operating range and distributions will be the same. There's the 50% dividend payout ratio, then there are organic growth opportunities, and last but not least, we're very committed to share buybacks as the residual preferred way of distributing capital. So, nothing really changes in that context.

In terms of the revenue benefit, we are deploying those costs in businesses where we have scale, where we have the right to play and the right to win. And you can see from our four global businesses, given where they stand on the return on tangible equity, I feel very confident that we will make that revenue, and more, very quickly.

So that should be an upside. However, I'll remind you that there will inevitably be a very short time lag, quarter-on-quarter in terms of how the revenue that has been reduced in one space gets picked up in another deployment. However, because there are known areas where we are accelerating investment, there's not too much of a time lag.

KIANABOUHOSSEIN, JP MORGAN: The first one is regarding monthly customer acquisitions in Hong Kong as they have slowed down. I wanted to get an understanding how we should think about if there's any underlying changes in how we should think about customer acquisitions, or is this more seasonal? And in that context, if you could just give us an update on ODI, if it has any impact or had any impact on the quarter, from your perspective.

And then the second question is related to transaction volumes clearly declining in Hong Kong. I'm trying to understand how that impacts not so much the corporate bank, but more the Hong Kong franchise. If we should think about declining markets as well as lower transaction volumes having some impact on your flows into markets on the retail side and transaction volumes.

PAM KAUR: So firstly, our monthly customer acquisitions, if you look at an average for the first half of this year, or even last year, have stayed steady at about 100,000 per month, so that continues.

It is fair to say that in the second quarter, when some of the enforcements in terms of regulatory compliance and guidance came through in May and June, given that some of our competitors were upgrading their compliance, onboarding and other requirements, we saw additional new-to-bank customers coming to us in May and June because we were already at that level of compliance when the further guidance came. Once that pause had been lifted by the competitors, we reverted to what we would consider to be a normalised level, and I would look at the around 100,000 per month normalised level. We haven't seen anything different from there.

From a mix perspective, you may remember that in HSBC we had put on some fees in place for smaller balances at the beginning of the year. We didn't see much change even based on that. But what we have seen is a more than doubling of the account opening rate in Hang Seng Bank from Chinese mainland customers, either directly or from other banks, as we have deployed technology and made customer journeys better. So, for us, it means that across our two iconic banks, we stay at the same level but the mix may shift a little from month-to-month or quarter-to-quarter.

In terms of the Chinese mainland regulatory impact, we have not seen any specific change in either product mix or customer behaviour as a consequence. Some of the product mix changes that have happened are driven by other factors, for example where an endowment product or insurance policy is less attractive because of high interest rates, that's more macro market driven, or indeed, if because of slower and sluggish equity markets, quite rightly, as you call out, transaction volumes and brokerage was lower, but then you see more in terms of mutual funds and structured product sales.

Overall, that's the picture in terms of the impact of the Chinese mainland regulation. And I just want to also remind you that the role Hong Kong plays as a major global international financial centre and the window to the world from the mainland's perspective has been reiterated both in the National Five-Year plan, and in Hong Kong's First Five-Year Plan. So, I see no shift in that direction of travel. These updates have only happened very recently in terms of the new five-year plans.

Transaction volumes, you're right, we've always called out, depend on the market environment, where we see some shift in the transaction brokerage fees and the transaction volumes.

MELISSA KUANG, GOLDMAN SACHS: Just a follow-up on the deposit side. In Hong Kong you've seen deposit migration from CASA to time deposits, but at the same time growth in time deposits as well. In terms of competition, how intense has that been? Do you think that will pull through until just the end of this year, or will it go into next year?

Then looking at your Net New Money levels, which were very strong and very encouraging this quarter, is that number sustainable or does that have some part coming from India that perhaps is just a one-time uplift that we are seeing, especially in the Asia portion? A bit of colour on that will be helpful.

PAM KAUR: So firstly, the CASA to time deposit migration always happens when interest rates are higher. We saw that around two years ago. So that sort of trend is always observable, hence my earlier comment, and the time deposit proportion can move from the low 30s to right up to 40. There's nothing surprising there.

In terms of the time deposit margin pressure, that's the nature of the competitive forces in Hong Kong. Some of that has come through because there is more lending growth. When there is more lending growth, especially in those banks which have a different loan-to-deposit ratio to us, they lean in more and therefore there'll be more pressure on deposits from our perspective. So, yes, you have some impact on the deposits, but you also get the opportunity from the lending growth as well in Hong Kong. I see this to be more of a story of how the loans and deposits grow and the margins thereof, but nothing unusual to call out beyond this year or next year.

In terms of the Net New Money and FCNR, we are very pleased that where we have that presence, we can attract new deposits, and our Wealth story is not just a Hong Kong story. I just want to remind you that this quarter as much as we had FCNR coming up we also had the Australia deposits going down so that somewhat balanced itself off. Going forward, we will continue to have the benefit of this FCNR for the coming three to five years, and most of our book is at the five-year end. But that FCNR uplift has now closed. It closed at the end of August, so there'll be nothing new.

From my perspective, I'm very encouraged with the Net New Money growth and that trend continues for a number of reasons. We have improved customer journeys. We get Net New Money from our customers with whom we do multiple products. When customers buy fewer Wealth products, by definition, their deposits sit with us. That trend, and particularly the investment we've made on the Private Bank side, is going to continue to be a very good source of Net New Money for us going forward, albeit from a lower base, but the growth is quite remarkable and promising for the future.

ROBERT NOBLE, DEUTSCHE BANK: Just a couple on capital, please. Why were you happy running below your capital target this quarter, I presume the Basel 3.1 update gave you some of that confidence? Should we expect you to pay down to 14%, the lower end of your capital target, pro forma, of the Basel benefit at year end?

And then on the fair value moves that negatively impact capital, it seems to hit you more than European banks, or generally the other European banks. So why do you hold so much in the hold to collect and sell (HTC&S) book? And if we went back to, I think it was 2022, it was a sensitivity you said you'd reduce. Are you happy with the current structure of that book and the exposure you have to higher rates through that at the moment?

PAM KAUR: So firstly, I would reiterate our target operating range is 14% to 14.5%. We feel very comfortable given where our book is, our risk profile is, and our capital outlook is. Basel 3.1 is just one part of that. We've mentioned to you also the Pillar 2A impact.

We feel very comfortable that we can confidently do share buybacks at the lower end of the capital range and nothing changes there. I wouldn't use that just as a cliff edge, we said around the 14%. With all these factors we feel very comfortable.

On HTC&S, I just want to draw your attention to Slide 16 where we made it clear that within the structural hedge, the HTC&S portion is only one sixth. And that in the HTC&S portion the duration at around 3 to 3.2 years is similar to what we have in Hold to collect. In addition, we have some HTC&S, which is for liquidity management, which goes beyond our structural hedge. And that number is a bigger number, but it's much shorter duration, so far less sensitive and when we see spikes in bond yields, we can dynamically adjust that number.

Overall, our sensitivity is at a very different level than it was in 2022. It has been well thought through. It's a number which, when we look at some of our US peers and our European peers, it's somewhere in the middle. Given the shape and size of our balance sheet, which is much more global in nature, we are very comfortable with the positioning and that will continue. All I can say is this is a mark-to-market - what goes off in September comes back also in October, so we bear that in mind.

AMIT GOEL, MEDIOBANCA: I've got a couple of follow-ups. Coming back on the deposit competition. I think at Q2 you mentioned that you're happy to step back a little bit because there was a bit of quarter end intensification of competition then, but this time it seems like it's having a bit more of an impact and the language has changed a bit. I'm curious how you think about that and why that has changed.

And then secondly, in terms of some of the incremental, CIB-related costs or costs coming in Q4 for variable compensation. How should we think about that,, what is the process? What is the timing? How much incremental revenue would you need to see or what should we be thinking about on that that piece.

PAM KAUR: So firstly, when it comes to quarter end spikes of pressure on margins, we don't participate, whether it's some lumpy wholesale or indeed retail. What we are seeing this quarter is a greater sensitivity from the customer base throughout the quarter to move their money from CASA to time deposits where then there is pressure because of the high interest rates.

There are two different things - I wouldn't necessarily align them. We are not going to go and compete in a negative NII space to garner deposits just at a quarter end, because frankly, we don't need to, given where our loan-to-deposit ratio is. Having said that, we absolutely want to participate in our home markets in terms of the growth of both sides of the balance sheet, deposits and lending.

On CIB, from a fee perspective, it has had a standout quarter, particularly in Wholesale Transaction Banking. We will see how that performance continues through into the fourth quarter and indeed the performance of all our businesses. And as we say, we work to deliver on our targets and guidance, but we don't stop working there. We often exceed our targets and guidance and we will continue to do so. In January, once we have the full numbers, we may consider, depending on a range of factors of the performance, the markets overall, where we need to add more to the variable pay. Only if we need to add, will we add and that is a consideration that can only be made in January. What it does in total terms is that it becomes a rounding thing. If you're without that VP uplift, you're running down to a 1% cost increase. And if you add to that VP because of rounding, you may round up to the next percentage point. So that's how I would look at it. And nothing more material than that.

ED FIRTH, KBW: Following on from Amit's question, just to simplify, based on consensus revenue, would you expect to pay the extra variable pay, is my question. If I look at consensus, people are about \$300 million ahead of your target. I'm just not at all sure - are you comfortable with that? Is that the right sort of number based on the revenue that we've got in consensus?

The second question is, if I look at consensus costs for next year, it's looking like somewhere around 5% growth. If I adjust for the disposals, it's probably more like 7%. And that feels like a really very punchy number, particularly after a 1% growth this year or an underlying 1%. So, am I missing something? Is there something that you're planning next year that I've missed, or would you agree that an underlying growth rate of 7% for costs feels like quite a big number?

PAM KAUR: Firstly, we are not giving any guidance on costs for next year as of now. At the full-year, we will have that update for you. Just to give you a perspective, when you look at any gross numbers and then you look at the simplification saves, the benefits, we had the same situation when we looked at inflation-related, investment-related costs, and then we took off the simplification. So, for next year, there's the simplification that is already built into the baseline, then question is what the inflation and investment costs will be, and then the rest would be the redeployment of the existing cost base coming from the disposals into businesses where we want to accelerate investments, so nothing new, all on strategy and accelerating. Then, over time, you can see some of the synergistic benefits from Hang Seng Bank come through, firstly, in 2027, as well as in 2028. So that gives you the full picture.

In terms of the revenue, we don't decide variable pay based on consensus or otherwise. We decide variable pay based upon what is in our Financial Resource Plan, to what extent there is outperformance, what kind of outperformance is it, is it purely rate related versus fee related. So, it's both the quantum of the outperformance on the individual lines, as well as the quality of it. And then in line with the market, we review our overall compensation.

ALASTAIR WARR, AUTONOMOUS: If I could just return to Wealth. Your new-to-bank accounts looks quite a bit lower in the quarter than the peak months of Q2. We had this NDRC document from China on Friday, it is mostly about ODI,, but it does seem to mention individual investors having to register investments with the provincial government. Are you comfortable

that document doesn't really change the story a whole lot from May and June, and it's really mostly about ODI?

Then separately, if I could just go back to UK deposits. Could you add a little bit of colour on what you're expecting? Any past yardsticks for migration rather than competition and terming out for UK deposits. Should we just be assuming on the competition front you let the loan-to-deposit ratio rise a bit and leave some share on the table in deposits?

PAM KAUR: So firstly, from a Wealth perspective, you're right. I would look at May and June as more extraordinary months because we were capturing a lot of the new-to-bank customers because some of the competitors had paused while they were upgrading their compliance to the guidelines that had come through. We didn't have to. So therefore, we were still open and continuing.

Now it's almost normalised back to where it was before that uplift and that Net New Money, as well as the customer behaviour, is nothing new. I would just reiterate, all the documents that we have seen is further guidance on compliance with the existing Chinese mainland regulatory requirements. We welcome a level playing field and clarity because we don't want to lower our compliance standards to attract more new customers. So, when the market is more level, it works to our benefit.

From a UK deposit perspective, there is no specific guidance. We are in a very strong deposit position in the UK - we have the lowest loan-to-deposit ratio in the UK because we do not only have a good retail business but also corporate via CIB. It's both the ring-fenced and the non-ring-fenced bank and we also have a good SME business which is primarily a liability driven business. So that proportion of retail in the UK and its impact on the overall is nowhere near as material as the shifts that you have seen from a Hong Kong perspective.

XINYU WANG, CHINA SECURITIES: I have a question about Wealth. I noticed that there was \$38 billion of Net New Money flow in Asia in Q3. What were the key sources of this strong growth? In the long term, how do you expect Wealth revenue to develop going forward, did we just forget some high-base influences year-on-year or quarter-on-quarter?

PAM KAUR: Net New Money was \$41 billion overall, and \$38 billion in Asia. It included the \$14.5 billion related to India FCNR deposits, but also there was the reduction in Australian deposits. Those were the two moving parts there. Overall, we saw Net New Money growth across all other geographies in Asia. And that trend, as I mentioned earlier, other than the impact which we have from disposals where it comes off like in Australia, we do see a very strong position for growth of Net New Money across the board. So, I would be very comfortable that given this Net New Money and wealth comes from our customers with whom we do multiple products, this is not just a product-led proposition. Even in India, we had a lot of wealth which came from existing customers. But of course, we pick up new customers through the process with whom we expect to do more. So, it's a much more broad-based space.

KENDRA YANG, CICC: My first is about loan growth. Could you please elaborate on the composition of loan growth, especially what portion of it is linked to the AI industry chain? Looking forward, as there is uncertainty regarding the growth of AI-related financing and also other lending demand amid higher market rates, could you please share your perspective on the sustainability of loan growth going forward?

The second one is about deposit growth. Given intensifying competition, would management consider moderating the pace of deposit gathering? In other words, will future asset growth be constrained by the rising cost of deposits?

PAM KAUR: Our loan growth is very broad-based, for example, \$7 billion quarter-on-quarter came from Hong Kong, mainly Retail lending. The UK business had 13% year-on-year growth in Commercial. Then we had CIB growth across Asia and we had very strong growth coming from our trade businesses. Our data centre lending is very small. We are not a big player at all in the US in data centre lending, same in Asia - this is not a significant part of our growth story.

We get growth from a range of areas, Innovation Banking, infrastructure lending, sustainability-related lending and then broad-based growth. We do not have concerns that data centres will be a headwind for us because we are very comfortable operating within the risk appetite we have and we do not have to shift that risk appetite down. More broadly, we are encouraged that we've had growth despite the fact that we had moved some bits of our business, like the \$26 billion Australian mortgage book, into held for sale. That gives you the breadth of our franchise as well as the multiple growth drivers we have.

From a deposit basis, again, it's very broad-based growth. We had deposit growth across Retail and Commercial coming from Hong Kong. The UK has been broadly stable, but we start with a very strong loan-to-deposit ratio. In CIB, it has stayed steady. Yes, we saw some reversal of short-term deposits from Q2. In IWPB, the FCNR deposit growth shows how deep our franchise is in markets across Asia.

We do not see that our deposit growth is facing constraints in any way or shape, or form. Yes, they are NII positive overall, but the margin may be different, as already discussed. Our deposit growth trajectory will not be a restraining factor on our lending. Lending must be within risk appetite and at the right hurdle rate. That's going to be the determining factor.

KATHERINE LEI, JP MORGAN: My question is regarding deposit growth. If we look at Hong Kong time deposits, I think now is closer to the last peak, which is roughly around 39%. However, if you look at Fed Fund rates or the rate movement is still far from the last peak, right? My question - have you changed strategy in terms of deposit competition? In the last round, you gave up some market share to maintain the deposit cost.

Number two, do you think that the deposit migration from CASA to time deposit is front-loaded, i.e., if there's a continued high expectation for rates, do you think that this migration will slow down?

PAM KAUR: Firstly we are very mindful that we have invested in Hong Kong with the privatisation of Hang Seng Bank, we want to be fully participating in the growth of Hong Kong. We are growing our deposit base more than we had a few years ago, but on the other side we have good lending growth for the first time in a while in Hong Kong.

So that's the difference in context, aligned with a strong trajectory for GDP growth, as well as, from a credit risk perspective, normalisation of Hong Kong Commercial Real Estate. So the percentage quoted, around 40%, I gave as a context. I also think that, as equity markets and wealth opportunities become more open, some customers may have moved from the longer end of time deposits to the shorter end, in which case they are not that sensitive to margins,

because in Hong Kong, you can have time deposits as short as seven days. And then it's a different mix, so I would not take a trend as a continuing trend.

There's a general view that when interest rates are higher, there are more time deposits, but depending on other market factors, they can come down as well. And yes, overall, we intend to continue to support growth in Hong Kong on both sides of the balance sheet, because it is and will continue to be margin accretive. You can see that even from the very strong number we have printed in terms of return on tangible equity for Hong Kong in this quarter, even after the margin compression.