HSBC

Edited transcript

Q2 Results Analyst and Investor Call

4 August 2026, 7.45am BST

GEORGES ELHEDERY, GROUP CEO: Welcome, all, to today's call. I'm joined by Pam, who'll take you through the second quarter performance in detail in a moment. I'll cover three items. One, our second quarter highlights and the first half performance, two, the progress we're making on strategic execution, and three, our targets for 2026, 2027 and 2028.

Let's turn straight to performance. My comments here will exclude notable items, and the comparisons will be year-on-year on a constant currency basis. Momentum accelerated into the second quarter. We grew revenues by 7% to $19 billion. We generated profit before tax of $10.3 billion, up 13% year-on-year, and we delivered an annualised return on tangible equity for the quarter of 19.5%. We grew our deposit franchise by $46 billion and grew our loans by $20 billion.

Next, the half-year performance highlights. We grew both group revenues and group profits before tax by 6%, with an annualised return on tangible equity of 19.1%. Year-on-year, we grew our deposit franchise by $129 billion, or 8%, including held-for-sale balances. Our deposit base stands at $1.8 trillion. We grew loans $55 billion, or 6% year-on-year, on the same basis. We see improved demand in Hong Kong and consistent strong growth in the UK. We grew Fee and other income in Wholesale Transaction Banking by 4%. As the world's trade bank, this shows the central role we are playing, and the growing market share we are taking as our customers adapt to new patterns of trade. In Wealth, we grew Fee and other income by 18%, delivering particularly good growth in our market-leading Asia franchise. We are distributing to our shareholders with another $0.10 quarterly interim dividend per share, $0.20 for the first half, and we are restarting share buybacks with the up to $1 billion we announced today, three quarters after pausing them following the announcement of Hang Seng Bank privatisation.

We continue to progress at pace and with discipline with our strategic execution. Each of our four businesses is growing. Each generated an annualised return on tangible equity in excess of 17%, and each is building on a strong foundation for future growth. Our four leading and highly connected businesses bring scale benefits to our unique growth proposition. We continue to focus on three clear strategic priorities, and we are moving at pace with each: one, be simple and agile, two, deliver customer centricity, and three, deliver focused, sustainable growth.

First, to strategic priority number one. To unlock HSBC's full potential, we have been re-engineering to become simple and agile. To do this we have focused on five areas. First, organisational structure. That's done. We're now focused on embedding greater business collaboration.

Second, leadership. That's also done. We're now focused on embedding a common enterprise leadership culture, to drive a bank-wide high-performance culture.

Third, organisational simplification saves. We are today revising upwards our total target savings to $2 billion. We originally set out to deliver $1.5 billion of annualised saves. We have now exceeded this target, reaching $1.7 billion of actioned saves. We have achieved this with associated restructuring costs of $1.4 billion, lower than originally expected. We're now planning to use the full $1.8 billion of restructuring costs, as per our initial commitment, to increase total organisation simplification saves to $2 billion, to be actioned before the end of the year. The additional saves will provide capacity to support further business growth.

Fourth, cost reallocation from non-strategic or low-returning businesses. We have now announced 15 business or market exits since 2025, most recently the sale of our Singapore insurance business, the exit of our Australia retail business, and the sale of our retail banking business in Egypt. These disposals provide investment capacity to drive franchise growth in our areas of strategic focus. This is where we have a leadership position and can deliver better returns. Clearly, completion of announced disposals and related actions remain subject to relevant regulatory and other approvals. In 2026, we plan to have reallocated $0.3 billion of this $1.5 billion.

Fifth, streamlining and upgrading our operating model. This is where we're simplifying the bank at scale. It will be a multi-year journey, comprised of two sets of initiatives: the first one, demise of non-strategic infrastructure, and the second one, process re-engineering. In the first half, we demised another 20% of the total non-strategic application reduction plan we set to deliver between 2025 and 2028. We have now demised a total of circa 50% of the apps we plan to demise by 2028. On process re-engineering, we continue to work on around 50 processes and procedures to achieve substantial simplification. This is where we're putting our AI to work to simplify, strengthen and accelerate the bank, empower our colleagues, and personalise our service to customers. We are investing in the talent, training and technology to deliver it.

Now to strategic priorities numbers two and three. I will talk to these through the lens of our four connected franchises. For each of these franchises, you will clearly see, one, our leadership position in those areas of strategic focus, two, the growth delivered in the half year, and, three, the strong client recognition. Our Hong Kong home market is a dynamic economy, a top three global financial centre, and a thriving trade gateway. It is the super-connector between the Chinese mainland and the world, and has just become the world's leading cross-border wealth hub. Our deposit base is almost twice the size of the second-largest peer.

The privatisation of Hang Seng Bank represents a unique opportunity in a growing market. It enables us to scale capabilities and drive growth across both banks. We can already see the benefits, both financial and operational. For instance, Hang Seng Bank nearly doubled its new customer acquisition, quarter-on-quarter, to around 60,000 customers after adopting HSBC's digital onboarding capabilities.

In the first half, we grew our wealth balances in Hong Kong by 10% year-on-year, reaching $0.5 trillion. We continue to attract high volumes of new-to-bank customers, 640,000 personal banking customers and 24,000 business banking customers. We continue investing to strengthen our market share.

Next, the UK. Taking our full footprint in the UK, we are the UK's leading international bank. We delivered strong lending growth of $10 billion in commercial banking, an increase of 10%, and $10 billion in mortgages, an increase of 5%. We continued to grow deposits, and we grew our customer base, year-on-year, with active Premier customers up 7%. New-to-bank customers in Business Banking were up 48%. The UK is a key contributor to our global loan growth, and we are pleased to be supporting the UK's growth as the UK's leading international bank.

Next, our Wealth franchise. We are Asia's number one Wealth manager, with $1.1 trillion of wealth balances. This deeply rooted full-service franchise is performing strongly. Revenue generated globally from Wealth relationships account for around a quarter of our group revenues. In the first half, we generated global net new money of $64 billion. In Asia, we generated net new money of $57 billion, representing 32% growth year-on-year. We saw continued momentum in Wealth Fee and other income growth for the half year, increasing 18% to $5.5 billion. Our unique position in wealth management, across the client continuum, from Premier affluent to Private Banking, combined with an acceleration of our investments, will help us capture an even bigger share of the structural growth opportunity.

Next, our Corporate and Institutional Banking franchise. We generate 85% of our client revenue from multi-jurisdictional clients, and within this, cross-border client revenue has increased 15% year-on-year. We are a leading, globally connected Wholesale Transaction Bank. 65% of cross-border client revenue, or client revenue booked outside the client's home market, is from clients headquartered in the UK, Europe and the Americas. This proportion is stable year-on-year, and shows the importance of these regions to our overall network and the resilience of these flows. Chinese mainland clients contribute 10% of this multi-jurisdictional client revenue, with 75% of those revenues booked cross-border. As more Chinese businesses go global, we expect this structural secular trend to continue over the medium term, and become a key growth driver for CIB.

Clients increased their deposits with us by 16% year-on-year. This growth is broadly geographically spread, demonstrating the value of this franchise, which is built on deep client trust in our balance sheet, the power of our network and our capabilities and expertise. We grew Wholesale Transaction Banking Fee and other income by 4%, with trade up 7%, reflecting resilient client trade flows. CIB is performing well, and its first half annualised RoTE was over 18%.

Finally, let's turn to our targets. Our first half performance demonstrates continued progress against our targets. It gives us the confidence to reiterate each of them, including growing our revenues year-on-year, rising to 5% by 2028, and delivering 17% or better return on tangible equity for each of the three years. We are creating a simple, agile, growing bank, built to generate high returns, a bank capable of achieving more. We are executing our strategy with discipline, precision and pace. We are investing for growth, and we are confident we can navigate uncertainty from a position of strength. We have begun this next phase with a clear strategy, performing businesses, focused investment, and an international network that remains difficult to replicate. We are creating the capacity to continue investing for growth, including in talent, technology and AI. HSBC is becoming the bank we set out to build, and we are now putting more of its strength to work. By doing so, we will unlock more of HSBC's full potential. Let me now hand over to Pam. Thank you.

PAM KAUR, GROUP CHIEF FINANCIAL OFFICER: Thank you, Georges. Thank you, everyone, for joining. As Georges said, I will focus on the second quarter performance. My comments will exclude notable items, which adversely impacted profits by $0.2 billion this quarter. These are set out on slide 30. The comparisons I will make will be year-on-year, on a constant currency basis. Let's turn straight to the highlights.

We can see the momentum building across the bank. Revenue grew 7% to $19 billion. Growth accelerated from the first quarter. This was driven by Banking NII from both deposits and loans, strong growth in Wealth Fee and other income, and stronger Wholesale Transaction Banking. Each of our revenue drivers was stronger than in the first quarter.

Profit before tax rose 13% to $10.3 billion. Annualised return on tangible equity for the quarter was 19.5%, giving us 19.1% for the first half. Our CET1 grew to 14.1%, up 10 basis points on the first quarter, after supporting $20 billion of loan growth. We are pleased to reinstate buybacks, with up to $1 billion announced today. We continue to target a dividend payout ratio for 2026 of 50% of earnings per ordinary share, excluding material notable items and related impacts.

Turning to our business segment performance, all four of our businesses grew revenues. Each delivered annualised return on tangible equity of more than our group target of at least 17%, excluding notable items. In fact, they are all above 18% return on tangible equity. This broad-based performance shows our strategy is working.

Let's now turn to Banking NII. Banking NII increased $0.8 billion year-on-year to $11.6 billion. Quarter-on-quarter growth was $0.4 billion, including $0.1 billion in prior quarter one-off items. This reflects really good deposit and loan growth. We are upgrading our full-year Banking NII guidance to at least $46 billion. This reflects growing both sides of the balance sheet, and the continued favourable interest rate outlook.

Next, Wholesale Transaction Banking. Our trade business delivered this quarter, with balances up 29% year-on-year. Trade is at the heart of HSBC, and we are seeing the trust our customers place in us to help them navigate and invest. For Wholesale Transaction Banking as a whole, we grew Fee and other income 7% year-on-year, up from 2% year-on-year in the first quarter. Our income streams accelerated in the second quarter. Securities Services grew 16% as we win new mandates and grow volumes. Trade grew 7%. Payments grew 6%, driven by growth in volumes across most regions. FX returned to growth, up 5%, driven by robust client activity.

Let's now turn to Wealth. We grew Fee and other income by 21% to $2.8 billion. Growth was driven by all four income streams: Investment Distribution up 26% on higher mutual fund and structured product sales. Insurance up 21% from an already strong base on higher CSM release, as shown on slide 35, Private Banking up 22% on increased client trading activities and recurring fees and Asset Management up 7% on continued AUM growth. Slide 33 shows net new money in the second quarter was $25 billion, of which $22 billion came from Asia, and you will see, on slide 31, that there has been no slowdown in our Hong Kong new-to-bank, non-resident customer acquisition in recent months. This slide also shows that, while new-to-bank customers initially bring relatively low balances, these grow significantly as the relationship matures.

Next, to credit. Our second quarter ECL charge was $1.1 billion, equivalent to an annualised charge of 41 basis points as a percentage of loans and advances. We reiterate our full-year 2026 credit guidance of around 45 basis points. This quarter includes additional Stage 3 charges, of which $0.2 billion relates to Hong Kong commercial real estate. Slide 39, which you have seen before, sets out our exposures. Hong Kong residential prices have firmed. The prime market for office has improved, but we still see some areas of pressure in office and retail. Outside of Hong Kong, we have seen small pockets of mid-market credit pressure in the UK and across Asia. There is no clear pattern, but we are watching it closely in the light of elevated energy prices and interest rates.

Let's now turn to costs. Cost growth this quarter is 1% year-on-year. Our disciplined approach to cost management keeps us on track to achieve 1% cost growth in 2026 compared to 2025 on a target basis. You see on the left the 5% inflation, investment and other is offset by 3% of simplification savings in the first half as a whole. Should strong business performance continue, we may consider additional performance-related pay, which would increase 2026 costs modestly.

As Georges said, we have revised upwards our targeted organisational simplification saves to $2 billion. Slide 27 shows our simplification saves progress since the programme started, and its updated trajectory. What I will add is that, should strong business growth continue, we will accelerate initiatives to support future growth, which would increase 2027 costs. This reflects the confidence we have in the opportunities ahead of us. The costs will be partially offset by the benefits of the higher organisational simplification saves I just mentioned, which we will action by the end of this year. As Georges said, we have now announced 15 business or market exits since 2025. Slide 28 sets out our progress clearly.

Next to customer deposits and loans. Our deposit franchise increased by $46 billion in the quarter. This elevated growth to 8% year-on-year. CIB deposits increased $42 billion in the quarter. We saw momentum in GTS, new Securities Services mandates, and large corporate inflows in Hong Kong. I will highlight that about half of the CIB deposit growth in the quarter was large and short term. These balances come and go. Our Hong Kong business grew deposits by $9 billion, and the UK by $3 billion, reflecting commercial and retail inflows. You see a $7 billion outflow. In IWPB, there is a move of balances to held-for-sale, and we saw private bank deposits flow into investments.

At quarter one, we gave you the split between instant access and fixed-term deposits. Today, on slide 38, we are giving you an additional disclosure of the split between retail and wholesale deposits. This shows the strength and breadth of our deposit base, in particular the wholesale instant access deposits that are a source of franchise strength.

Turning to loans, growth was $20 billion in the quarter. In the UK, we delivered another quarter of good growth. This was in both commercial lending and mortgages. We see good momentum in our domestic portfolio, and are pleased to help drive UK growth. Hong Kong continued to demonstrate encouraging momentum as the economy grows. CIB was led by that trade momentum I previously discussed. That is in Hong Kong, across Asia and in the UK. In IWPB, it primarily reflects private bank lending in Singapore and Hong Kong.

Now, turning to capital, our 100 basis points of capital generation from regulatory profits is up both quarter-on-quarter and year-on-year. This quarter, franchise balance sheet growth across the bank consumed 30 basis points of capital. This supports future income. We accrued 50 basis points in dividends, and our 14.1% end point enables us to announce an up to $1 billion buyback. I will emphasise that buyback decisions will be taken quarterly, subject to our normal buyback considerations.

Finally, targets and guidance. We reiterate the targets we set out at the full year: 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. These targets are how we run the bank. We are always pleased to exceed them in any given year, should circumstances be supportive.

Second guidance. Today we are updating our Banking NII to at least $46 billion, and we are raising our targeted organisational simplification saves to $2 billion, to be actioned this year.

To conclude, the intent with which we are executing our strategy is reflected in the strong growth and momentum in the second quarter. 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, and 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 business grew revenues, and each delivered annualised return on tangible equity in excess of the group target of at least 17%, excluding notable items.

Delivery – our second quarter results show momentum in creating a simple, more agile, growing HSBC. With that, we are happy to take your questions.

GUY STEBBINGS, BNP PARIBAS: I have a couple of questions around growth. It does sound like part of the message today is that there's more opportunities out there to deploy capital into the business, so it's more of a priority over buybacks from here. I have two questions falling off that. What metrics are you looking at when making that decision? Presumably there's a demand point here, but also a spread point, so perhaps you could talk about where you're seeing good opportunities on both the volume and spreads right now. Attached to that, when it comes to capital generated from upcoming sales, are we going to think about the priority being deployment back into the business, rather than buybacks?

On net interest income, clearly it's been a good Q2 print. You've got hedge support in the second half, and again, there's been this more upbeat message on volume dynamics. I'm struggling a little bit with the guidance for the second half of the year if we're expecting that to work through. What is it that means that we don't see growth in the second half versus that Q2 run rate?

GEORGES ELHEDERY: I'm going to take your first question on growth, and ask Pam to comment on the banking NII for the second half of the year.

First, with the focus of our business on these areas where we are a market leader, where we can drive underlying growth and where we can generate high returns, we are seeing now growth across all those areas of focus across all four businesses. We're also actually driving those from a position of material strength. We are the leading Asia wealth manager. We are the world's trade bank. We serve Hong Kong across two iconic brands, and we of course have a very important role in the UK as a home market as the UK's leading international bank, so therefore it does become very important that we continue supporting these leadership positions with the underlying structural growth opportunities in order to continue taking market share and serve our clients with these strengths.

With regards to loans specifically, one thing to reassure you about is that we will only grow at the right returns and within our risk appetite. That is paramount in the way we drive our growth, and that means meeting our targets or exceeding our targets. We're very pleased to see growth in the UK. Commercial has grown 10%, with $10 billion additional loans, but we're also very pleased to see, finally, Hong Kong resume loan growth after many quarters of contraction or flat. This is very encouraging for the future.

Lastly, on our priorities in the way we use our capital generation, 100 basis points, first is to deliver the 50 basis points accrual for our dividend. That's to meet our 50% dividend payout ratio on our earnings, adjusted for material notable items. The second priority use of our capital is to support business organic growth. This is how we can generate the highest value for our shareholders when we do it, of course, within risk appetite and at the right returns. Then the leftover excess capital, the preferred mechanism to distribute it is through share buybacks. We're very pleased this quarter to announce a $1 billion share buyback after pausing it for three quarters, rebuilding capital from the Hang Seng Bank privatisation.

PAM KAUR: You're absolutely right, the banking NII environment is benign. Our own update on the guidance of at least $46 billion reflects a good outlook for our balance sheet, both from a deposit and a loan side, which had an uptick in the second quarter, and a supportive rate environment, which will give us a modest benefit for the rest of the year. We also have the benefit coming from the reinvestment of $50 billion of maturing structural hedge assets, which are currently yielding 2.8% in the second half of the year, but as always, in any guidance, we take into account a range of plausible outcomes when setting out the guidance.

So there's a certain buffer in it, and that includes consideration of volatility, particularly in HIBOR – you've seen some of that recently – as well as FX rates. As you can imagine, if sterling is weaker, that has an impact for us on our dollar-based banking NII. All in all, really comfortable with the guidance update. I would just stress on 'at least' $46 billion and of course mathematically – you're quite right – with the run rate you could pretty much get to a larger number.

ALASTAIR WARR, AUTONOMOUS: Two questions on costs, if I may. The first is quite simple, if you could just give a little bit more colour on where the additional simplification saves are coming from and what's changed there. A second question, just looking a bit further out, really. You've talked about the revenue in the medium term moving up towards 5% growth. We've got a little bit more nuance today on variable costs. There are jaws built into consensus two/three years out. I just wonder if you could talk about the potential trend for reported cost growth, just bearing in mind that moving up to 5% on the revenue side in the next couple of years.

GEORGES ELHEDERY: First, the additional saves. We're very pleased to have upgraded our simplification saves from $1.5 billion to $2 billion to be actioned before the end of this year, and delivered in full in 2027. We're doing so with the same initially committed $1.8 billion of cost to achieve, a one-time cost to achieve. We're pleased with this upgrade.

We have seen strong progress on our cost delivery. Part of it refers to areas of cost where we had a little bit more uncertainty at the inception of this programme, and we felt more authority now a year and a half into it. You can argue – this is a year and a half ago – some conservatism in our approach, which we are comfortable to deliver. Some of it has been delivered because we managed, through attrition, some of the headcount adjustments that may have been required, as opposed to using severance, and then some of it has been additional identified opportunities that we decided to bring in the programme and accelerate, given that we haven't used the $1.8 billion envelope. This is really how we're driving it.

Remember, this is only one area where we're delivering simplification saves. The other area is by making these business exit decisions, 15 of which have been announced so far, with about $1.1 billion of associated costs which would be saved from these businesses and reinvested, redeployed in our areas of strategic strength, where we expect to generate better revenues and better returns than the businesses we're exiting.

On variable pay, the comment I would make is that this is a decision we will make at the end of the year, but we recognise that the momentum in our business and the performance have been strong in the first half, specifically in the second quarter. Therefore, if we do continue to see this momentum in the business carry on in the second half, we would certainly consider recognising the contribution of our colleagues towards it in the variable pay, which, all in all, will have a modest impact on our overall cost. Our commitment to cost discipline, our commitment to meet our cost target from the bank of 1% on a target basis and our confidence in being able to meet it are not changing.

PAM KAUR: Firstly, we are very disciplined on run-the-bank costs. That is how we are now targeting $2 billion on simplification saves. We have delivered 1% year-on-year in the second quarter, and we continue to guide on around 1% cost growth for the full year 2026. Just in terms of variable pay as a context, it was $3.9 billion last year, which is 11-12% of our group costs. Any increase which we will consider, provided revenue growth momentum continues – and that's a decision, as Georges said, at the end of the year – will only have a modest change in total costs for the year.

In terms of 2027, you've seen our revenues are growing. We printed a growth number of 6% in Q1, 7% in Q2. Our investments to date, which are very focused, are working. This gives us strong confidence to bring forward our planned investments, so we may therefore add to investment growth in 2027. Just as a background, inflation and investment increased costs by around 5% in the first half of 2026 before simplification saves, so we expect in the next year that we will offset any additional investment with simplification saves. That will be a partial offset, including the offset that will come from the additional $0.3 billion[1] on simplification saves that we announced today, which is on slide 26.

In addition, as Georges said, we have good momentum on our divestments. The $1.8 billion of costs reallocations over the next several years will create incremental investment capacity. It will be $300 million in 2026, higher than 2025. We expect that to be slightly higher in 2027. All

[1] $0.3bn of additional saves to be actioned in 2H26, expected to deliver additional realised saves of $0.5bn in the FY27 P&L. See slide 27 of the *HSBC Holdings plc 2Q26 results presentation to investors and analysts*

in all, this is not about not having discipline in run-the-bank costs, this is about making a clear distinction while maintaining discipline on run-the-bank costs to be able to invest for future growth, given the revenue strong trajectory of growth we're seeing so far this year.

ANDREW COOMBS, CITI: Coming back to the costs, there are a lot of moving parts. You are talking about accelerating the investment spend next year. At the same time, you've slightly increased the simplification saves. And then on slide 29 you've got a whole host of divestments that are going to drop away on both the revenue line and the cost line. It is just this very simple question - can I ask you to comment on current consensus, which is the 3% cost growth to $35.4 billion next year?

The second question related to that is that you've talked about accelerating investment spend, but there's no change in your revenue growth targets. What is the payback on this incremental investment, and what's the timeframe?

GEORGES ELHEDERY: We're pleased to be moving at pace in our simplification. The increase of our simplification saves to $2 billion and the speed of decisioning in our business exits – three of which we announced over the last ten days or so, 15 of which we announced since 2025 – are giving us capacity to accelerate investments in our businesses. Also, remember, our businesses are leading businesses in the areas where we chose to compete. We are leading in the services we offer our clients, we're bank of choice for many of those, therefore these investments are expected to drive higher revenues and higher returns than any of the businesses we're disposing, broadly speaking.

What I would like to say, though, additionally about your revenue growth, again, the targets we've given you of revenue growth year-on-year rising to 5% are foundational, are baseline targets. We shared in February, we're reiterating now. These are targets for which we run the bank, or we're running the bank for the next three years, under a range of different scenarios. Of course, if we see opportunities to accelerate and if we see supporting market conditions – as we have seen in the first half of this year – you should expect us to be able to beat those targets, including starting in 2026, but we're not changing the foundational baseline targets for how we run the bank across a range of scenarios.

PAM KAUR: We are not commenting on consensus or giving a cost guidance for 2027, but let me just unbundle a few things. As Georges said, those targets are the baseline to which we manage the bank. We continue to work hard – as we have done this year – to exceed our targets, and we see no change in doing that if they are good market opportunities, the right hurdle rate, and within our risk appetite. If the outperformance continues, or even if we just take the outperformance for the first half on revenues, the starting point for next year will be higher, so therefore please consider that any targets, which we are not changing – we're just halfway through the year at the moment – will be based on a higher baseline.

In terms of the overall spend, I've already said that we look at the overall investment opportunities. This year, the increase through investment and inflation was 5%. We said we would accelerate some investments as we go into next year, so that number would be a bit higher, but we do have, partly offsetting that – the operative word is 'partly offsetting that' – the additional benefits we are getting both in terms of increased simplification costs, which is $300 million, which goes into next year, as well as an addition of the redeployment of costs coming from our divestments. But again, it's very focused spend in areas where we have competitive strategic advantage, when we have revenue growth, as well as some very strong cost discipline. In terms of our overall revenue-costs storyline, nothing should change from here.

MELISSA KUANG, GOLDMAN SACHS: I am just wondering on the HIBOR moves that we have seen, which is slightly towards the end of the second half of the second quarter. If we look at the sensitivities that you have put in, your Hong Kong dollar sensitivity has fallen by about half since the first quarter. Can you give some colour on what hedges have you taken? What you have done there in terms of – when we look at this third-quarter NII, will we see any benefits from the HIBOR going in there?

Also, maybe talk a little bit about the deposit side. Is there any deposit competition? What's going on there that perhaps made you a bit less aggressive in terms of upgrading your NII guidance?

Then the second question is on wealth. Your net new money appears to remain broadly on track and at the run rate. Can we just maybe give a little bit of understanding in terms of the AUM outside Asia has declined quarter on quarter? Maybe some colour there. And also, if any of the recent China cross-border rules, is there anything new, anything we should understand about? And also, in terms of current behaviour, is there any changes?

GEORGES ELHEDERY: I'd like to make some comments on net new money and deposits. The first one is very strong net new money quarter, both globally and in Asia. Of course, HSBC is the number one wealth manager in Asia. Asian net new money is very important. They are broad-based. Hong Kong remains a very important centre for us, with about $0.5 trillion of wealth balances and a 10% growth of wealth balances on a year-on-year basis. And in Asia, in total, we manage about $1.1 trillion of wealth balances.

With regards to the cross-border rules, just to make some comments on this, what's important to note is you should expect us to be operating at the highest standards of rules and regulation. You should expect us to have all the robust, up-to-date procedures for client onboarding. And we actually welcome some of these clarifications that have come in May and June, specifically the State Council Decree 837, which is intended to provide the clearer guidelines for these outbound investments.

First, our belief is that these clarifications are not meant to discourage or restrict cross-border. They're meant to provide guidelines on how to conform with the rules. And second, when we look at our client onboarding in May, in June, and so far in July, we have seen account opening not affected by these additional onboarding declarations and therefore remain confident in the medium to long-term outlook for Hong Kong to be the leading cross-border wealth hub for the planet, but also a very important wealth hub for the mainland.

PAM KAUR: So firstly, in terms of the Hong Kong hedge in the first half of 2026, we have increased our Hong Kong hedge. We have looked at new products, we've had some new fixed-rate customer lending, so that has helped and that has, again, reduced our sensitivity, as you can see, to any rate moves. And HIBOR has moved today down to 2.62%. It's been under pressure the last few weeks. We saw that a few months ago as well.

Just to reiterate, when we give our guidance, we look at this short-term volatility in HIBOR as one of the factors to consider in our plausible scenarios. So very comfortable with the overall guidance and the direction of travel we have, and we've been working for a while in terms of looking at ways to increase our Hong Kong dollar hedge, and that's working very well now.

Now I just want to add, in terms of the net new money, I would just say $25 billion is still a strong number for the quarter and is broadly aligned with our recent quarterly run rates, 8-9% annualised.

AMIT GOEL, MEDIOBANCA: Just on the cost piece, just to make sure I understand it correctly in terms of the incremental or the acceleration in spend. In terms of the accelerated spend, is that more than the $500 million incremental simplification savings or around the same amount? And then, how are you thinking about the payoff from that, in terms of – will that be benefiting 2028 earnings or is this more 2029 to 2030? Really just trying to understand that a little bit better would be helpful.

GEORGES ELHEDERY: Let me just say on the headline, we are fully committed to cost discipline. We recognise we have fantastic growth opportunities, and we are creating capacity to be able to invest in those growth opportunities. So that is what we're managing as you look forward, but the cost discipline remains steadfast.

PAM KAUR: So firstly, the payoffs of the investment we do sometimes come very quickly, actually intra-year. And I'll draw your attention to some of the additional acceleration on investment we did in our Securities Services business last year, which gave us payoffs on new mandates, both last year and into this year. The payoffs don't have to wait for one or two years. These are very quick payoffs, and because they are in areas where we already have plans, we have already invested, and it's just accelerating as opposed to some de novo new areas.

In terms of costs, the simplification savings will partly offset the accelerated costs. You can expect some shift on that cost space. However, it'll be very much determined based upon where we see the revenue projections and where we see accelerated growth opportunities. And one thing we are crystal clear about, run-the-bank cost discipline will not change, and any investment will have to stand in terms of the hurdle rates we have for returns. That's a competitive process when we look at a range of opportunities and then we make the choice, whether it's with regard to simplification savings being redeployed or indeed the redeployment of costs coming from divestments.

AMIT GOEL: When we talk about acceleration, does that mean that the following year, so 2028, we would expect to see a drop down in that investment spend or do we just see that continuing beyond 2027?

GEORGES ELHEDERY: We're not giving guidance for 2027 or 2028, but the reason we're saying 'acceleration' is these are investments along our strategic priorities that have been very much earmarked, flagged. We know of them, we know the benefits they can provide. These are not, as Pam said, new initiatives we're coming up with because we have revenue growth. This is really what we mean, bringing forward some of this investment plan to bring forward the growth opportunities that come with it and allow us to gain market share even faster, exactly along those strategic priorities we called out, for which we are generating the right returns.

KUNPENG MA, CHINA SECURITIES: I have two questions. The first is on the financing demand of the corporate clients. We can see the loan demand is returning, and we can also see many of those financing demands are in capital markets. Can we have some outlook on the future trend of the financing demand from corporate clients? How can HSBC handle those demands, especially for those on capital markets?

The second is on Hang Seng Bank. Georges just mentioned some cases of the synergies, like new customer acquisition, so can we have more colour on the synergies, and what kind of synergies can we expect in the future between the two banks?

GEORGES ELHEDERY: First, we're pleased to see corporate demand, financing demand, continue. We're seeing it now continue in the UK, and that's a continuation of a trend we've seen in quarter one, aligned to the ambition of the UK to drive growth. And as the UK's leading international bank, we're very pleased to be supporting this both domestically but also by bringing international investors into the UK. We're also very pleased to see that Hong Kong loans have picked up after many quarters of slowdown or contraction. This is a very encouraging development for Hong Kong, and we do certainly hope that this is a trend, and our outlook remains very positive on this.

Then you called it out very eloquently as well - capital markets have played a very important role, in particular in Hong Kong, where we've seen practically 50% growth in financing through capital markets, including debt capital markets and IPOs. We're superbly well positioned to play a very important role with customers as a leading debt financing house, but also as a materially growing IPO financing house with now 40 live IPOs that we have in Hong Kong, the substantial increase from previous years, and 70 IPOs across Asia. So certainly a very encouraging trend, which we hope to see continue.

With regards to Hang Seng Bank, so we called out, if you recall, $500 million of reported synergies – these are UK audit standards of reported synergies – and an additional $400 million of related benefits, which are broadly taking the total overall synergies and related items to $900 million, which we're hoping to achieve in full over the next three years, about three years. We're more than 80% now live in execution on the various execution workstreams of these synergies, therefore have a high level of confidence in our ability to drive those synergies.

We have seen some substantial benefits. I called out earlier 60,000 new-to-bank customers by gaining the synergies of HSBC's digital onboarding. That's double what Hang Seng Bank was able to onboard in quarter one, 30,000. This is a clear demonstration of benefits of these synergies. We've also made multiple senior leadership announcements, in particular in areas of infrastructure, back office, technology, manufacturing, where now we have a single leadership in Hong Kong across HSBC and Hang Seng Bank to drive alignment and synergies. But I would say, remember, we are a net investor in talent and in technology in Hong Kong. Therefore, we do expect that if there are roles – and there will be roles – impacted by driving these synergies, that the individuals have all the retraining and re-skilling opportunities to be able to take on jobs in those areas where we're investing.

KATHERINE LEI, JP MORGAN: I have three questions. The first question is on ECL charges, is on asset quality. If we look at the Hong Kong CRE, it does seem like the asset quality trend has stabilised. Do you expect this trend to change or to further improve in the upcoming quarters?

We see it seems like there is no notable overlay related to the Middle East situation that's been taken this quarter. How should we look at the situation with some escalations of the conflict again in the third quarter? Should we be saying that the key portions of the overlay have been taken and, going forward, it will be driven by say, Stage 3 loans?

On the second side, I just want to follow up on the cross-border one, on China's cross-border regulations. Are the regulators consulting industry players, including HSBC, when they are drafting the details of the individual ODI regulations? Have you been communicating and talking to the regulators on potential directions of where that regulation is trending to, etc?

GEORGES ELHEDERY: So you would expect us to be in a constant engagement with regulators, both in Hong Kong and in the mainland, at all levels and engaging with them specifically with regards to these and any other regulation. This is a matter of just business as usual. Remember, we always operate at the highest standards of rules and regulations everywhere we operate, specifically for client onboarding, cross-border rules, where we have robust procedures.

PAM KAUR: From an ECL perspective, yes, Hong Kong, very encouraging signs. The top-up on the ECL line was just over $150 million for the quarter. Hong Kong residential is recovering very well, very stabilised now. House price index was up 18% year-on-year, and the volumes are also up 36% in the first half year-on-year. In terms of retail, on retail sales, we've seen 13 consecutive growth months, growing at 11% year-on-year this year. This is because of increased tourist activity and also effect of positive growth in wealth.

And offices, in terms of the prime areas, it's in a good space because the overall vacancy rates are gradually declining to around 16%, but in Central, they have continued to fall even more, vacancy rates, down to 10%, and rents are up 6% year-to-date. Having said that, where we see some stress continuing is in pockets, like in East Kowloon, where vacancy rates remain elevated at 20% and rents have further slipped by 4%. And that's in the office space and also some in the non-core retail space. So all in all, no new impairments.

The real impact in the ECL charge this quarter comes from the top-ups due to valuation declines in the existing impaired portfolio. I expect that we'll watch it very closely, and notwithstanding any idiosyncratic situation, we do believe this is stabilising very well indeed.

From a Middle East perspective, I want to remind you, the $300 million reserve that we built in Q1 still holds. We have not released that reserve. That's in line with our policy. We like to see full two clear quarters of stability before we release any of our reserves. So that is continuing. We have looked at small pockets of overlays, how we shift and change them at an individual name level, or indeed sector and geography level, and the Middle East actual experience we see on the ground has been really quite benign. The ECLs for our Middle East exposures in the Middle East has been very small, much lower than even the $100 million number.

Overall, what we are very mindful of pockets of increase in defaults globally, particularly in mid-market, where our exposures are small, but small exposures can also add up. That's contributed to some of the ECL charge for this quarter. Lastly, we have now also taken out the very specific scenario we'd created for the Middle East, because that's now all factored in the downside scenario in terms of the overall economic factors and forward economic guidance.

ED FIRTH, KBW: I've just got two, and they're really strategic questions rather than detailed. The first one is, if I look at your current strategic direction and compare you with what looks like it'll be the second biggest bank in the UK, every week or so, we see a regular announcement of you closing parts of your business or selling off parts of your business, and yet, in contrast, they apparently have an enormous appetite to open in new markets everywhere in the world. So you're selling Australia, they're opening Australia. You're selling Egypt, etc.

I'm just trying to understand the logic and how far that goes, because it just seems to me that a country like Egypt is, what, 120 million people. I mean, surely HSBC can add value there over time with your expertise, with your banking and your skills? I'm just wondering how far you want to take this focusing strategy and try to understand the differences between the two.

The second question - your shares are now really a very valuable currency, and I wonder, is that something you think about when you look at transactions and opportunities, particularly inorganic opportunities, around the world? If it is, where should we think about where you might be interested and where you feel you could add? I think you've talked about wealth management in the past, but are there other things that perhaps, if you wanted to use those shares rather than to buy them back, but to use them as a currency, where might we be thinking about opportunities?

GEORGES ELHEDERY: On the strategic direction, we're very pleased to be a leading bank in the UK if you combine our activities across the ring-fenced bank, the non-ring-fenced bank, and we're very pleased to be growing in the UK domestically, but also on a cross-border basis, and we are the leading international bank in the UK. That's also a very important role we play for the UK.

If you look at the strategic direction as a whole, what we're doing is focusing the business in those areas where we have market leadership, where we can drive fundamental structural growth, and where we can drive good returns for our shareholders. We want to be very meaningful to our clients. We want to have a structural growth opportunity, we want to drive good returns for our shareholders, and we want to be able to compete and grow our leadership and market share in these areas.

We called out four of those, and they align with our four businesses: the UK, where we're the UK's leading international bank, Hong Kong, where we serve the market through two iconic banks and command twice more deposits than the second peer, and are driving growth across a number of areas in an underlying growing economy, given its international role and the role to the mainland as a super connector, and then the wealth management business in particular with Asia, with booking capabilities also beyond Asia, such as Switzerland, Channel Islands, the US, but where we are a leading wealth manager in Asia by wealth balances with $1.1 trillion, and finally, in Corporate and Institutional Banking, where we are the world's trade bank, and we're leading in trade, we're leading in global payments within Asia, leading in securities services, etc, and we're certainly leading in terms of the strength of our deposit franchise.

For us, these are the areas where we want to make sure we put all our investment, our capital and our capabilities, because we're driving great structural growth. We're winning market share. We're driving the good returns. Therefore, the rest, we have to make compromises, and the rest where we don't think we are having a leadership position, or we can drive the same level of growth, are better in somebody else's hands, who can invest in them, and we can use those costs to reallocate in those areas. We can drive better revenues, more long-term sustainable growth, and better return for shareholders.

You called out Egypt specifically. We are very supportive of Egypt wholesale business. Egypt is a major network market. The vast majority of our international clients have operations in Egypt, and it's very important for us to support them in these spaces. We don't have this commanding market share and leadership role in retail, and that's the trade-off we have made.

On your second question, thank you for your description of our shares as a valuable currency. Of course, we're very pleased with the share performance, but as a management team, we're only focusing on the business performance, and the share price is a matter for our shareholders to opine on. What is important though to say is, yes, we will use our share firepower inorganically, but we will use it with a high bar.

First, we have used it with the privatisation of Hang Seng, demonstrating that we will use it for the right opportunities, and we had to pause our share buybacks for three quarters. We are very pleased to have resumed them now, but, second, the high bar remains there, and the high bar basically are criteria I set out in February 2025, and we're living by those criteria. Without going into detail of these criteria, any acquisition should be accretive to a share buyback, should be fully aligned to strategy, should be enhancing our scale or capabilities, and should be easy to integrate and not distracting us from delivering organic growth. If and when we find these opportunities, we will look at them.

JOE DICKERSON, JEFFERIES: On the corporate growth, both in deposits and loans that you're seeing in Asia Pacific, could you comment on both sides of the balance sheet – the nature of the industries that you're seeing? Is this broad-based? Is it around certain industries, and on the deposit side, is this liquidity, corporate liquidity, and are there any particular industries that stand out?

GEORGES ELHEDERY: On the deposits in the wholesale space, as in the corporate space, we are a deposit bank by choice for transactional deposits. We have one of the highest share of CASA deposits for transactional operating purposes, and these are the deposits that we cherish. We do not chase deposits with interest rates. These deposits are testament, first, to the trust of the clients in our balance sheet. They are also testament to the breadth of our network, where they can use our deposit capabilities, the deposit-taking capabilities, across a whole range of geographies where they operate, and they're also a testament of our capabilities and expertise for all services around deposits, including cross-border payments and other services we provide on deposit, and you've seen this grow in CIB by 16% year-on-year. We've seen also this grow in the UK and in Hong Kong.

In terms of loans, the overarching message is we are more broad-based compared to some of the activity you've seen in the US, which is quite focused on a few sectors relating to AI. We are not a domestic player in the US, and therefore you should expect us not to be highly present in these markets as domestic players. Our US business is really an inbound and outbound business where we support American clients across their businesses internationally, and international clients for businesses in the US, not so much participating domestically in the US.

PAM KAUR: On deposits, the trend really has continued quarter-on-quarter. It's very broad-based. It's Hong Kong. It's UK. It's very strong on the retail side, as well as on IWPB, but with CIB, you do have some short-term, as I called out in the script, deposits coming in, so those come and go, but overall, a very solid trend. It comes from also Securities Services, GPS strong performance.

In terms of loans, I do want to call out that trade has been a significant driver for CIB. It's been up $6 billion, and for Hong Kong, it's up $4 billion, and specifically, we've seen more demand coming in technology and institutional sectors, so that's a strong growth we're seeing, but more importantly, in Hong Kong, we're not seeing so much of those early repayments on some of the Hong Kong commercial real estate because that's stabilised, so the gross growth in Hong Kong lending comes straight to the bottom line as a net growth. There's no repayments taking that off, and the UK market growth from loans has continued, and that's pretty much driven by, across the board, large corporates, small and medium as well, but also from a sector perspective, we've gone far beyond just the typical high street or real estate-based lending. So our sectoral expertise has helped in that.