HSBC

Edited transcript

Q2 Post-Results Analyst Meeting

2 September 2026, 9.00am BST

ALASTAIR RYAN, GLOBAL HEAD OF INVESTOR RELATIONS: Thank you. Alvaro was first with his hand up. Pam, you might have a couple of words to say before we begin.

PAM KAUR, GROUP CFO: Yes, I just want to firstly welcome everybody. Since results, there are three areas I would like to address. Firstly, in terms of business momentum, particularly in our wealth business, new client acquisitions is pretty much in line what we saw as an average for the first six months of the year.

In terms of trade, we've seen very good momentum in support for our customers and participation in growth in Asia.

Last but not least, I know there will be some interest with regards to Decree 837 and what it means. From our perspective, this is much more of an implementation draft guideline for what was called out before, as opposed to something specific that we're seeing now changing either client behaviours or momentum.

But with that, of course very happy to take detailed questions on this and other topics. Alvaro?

ALVARO SERRANO, MORGAN STANLEY: My question is on the different regulations that have come since the early announcements in June and more recently on the tax side.

You've mentioned already that you're not seeing any of the numbers being influenced, but are you seeing changes in terms of the products clients are moving into, and what kind of money they're moving around? What is your outlook on this? As you plan forward, what changes in behaviour are you seeing - by product or maybe by region - in terms of how clients are moving their money around? Thanks.

PAM KAUR: The thing you're specifically talking about is the overseas direct investment draft guideline, which came on 21 August with regard to coverage of individuals, right?

ALVARO SERRANO: It was more regarding the several measures we've seen since the overseas investments on the tax side and the whole array of things we've seen over the last few months.

PAM KAUR: A couple of things, and I'll also refer to what we have started focusing more on, as there may have been some press coverage as well. Less than 5% of the new investment accounts we've opened in the last three years had zero balances. The focus on zero balance accounts becomes very key for regulators and authorities because if there are investment accounts with zero balances, from a tax and financial crime risk perspective, the due diligence which is required on them gets heightened, which is what we did.

We asked for further information, and also told our clients with investment accounts that if we don't see their declarations by 12 September, we will close those accounts. Not bank accounts, but investment accounts. That's one key thing. From a tax perspective, the onus on the institutions to require attestations from clients is a key factor, and everybody will have to follow that through.

Overall compliance standards and due diligence required on client account opening has become rigorous across the board. We follow the highest standards from a compliance perspective. We are very robust in terms of our own approach on compliance, both at the due diligence stage, as well as on the ongoing monitoring.

The pauses that came through for some banks were purely because they were trying to get their regulations and requirements on account opening in line with the highest expected standard, therefore you saw those little stop and starts.

Of course, when any organisation has those stops and starts, that affects the amount of activity and growth you have in those products. It's not driven by what the client wants. It's much more in terms of what the bank can offer while it works it through. That's how the industry broadly was affected. We didn't have that pause. We worked our way through because we had got that in a good space a couple of years before.

I think the other area which the industry will start looking at is product demand, and whether it is shifting. So far, we're not seeing that shift. By that, I mean investment products versus certain insurance products which have more investment-related features as opposed to pure protection products. Those are areas I think people will need to be mindful of.

But I would like to reiterate that the actual support for monetary flows from the Chinese mainland into Hong Kong is very strong. We see that both from the Hong Kong end, but also from the Chinese mainland, and when we speak to various regulators and authorities, it has also been very clearly called out as a priority in the five-year plan.

In that macro sense, nothing has changed, but at the implementation stage, I think the factors that I called out are what we need to be mindful of.

BEN TOMS, RBC: My question is on the UK. Can you just talk about whether you see any product weaknesses that you currently have in the UK, maybe that's in non-branded cards or in Business Banking? Secondly, can you give us an update on what deposit competition is doing in the UK? Thanks.

PAM KAUR: Thank you. I'll just give a few highlights and then I'll ask Jon to lean in. From a UK perspective, our key strength is being the international bank to support our customers whether it's from a mid-market, large corporate, or SME basis. The investments which we've done on our client journeys, on the corporate and the wholesale side, are very well positioned to that, and that's where we made some changes on fee structure and so on last year.

From a retail perspective we engage with wealth customers and retail customers at the broadest end. We are doing more in mortgages, and generally the broad breadth of offerings across the customer base, as opposed to just key strengths. We have prioritised those investments, driven primarily by technology spend and customer journeys, and that's where our baseline is.

In terms of deposit pricing, we want to stay competitive. We are not going to chase pricing, whether it's in terms of deposits or our asset-based products, from a risk-return perspective. We want to stay pretty much in line on risk and return.

JON BINGHAM, CFO, HSBC UK: I agree with Pam's comments. We are very happy with the growth in the corporate business, the product suite, et cetera. As Pam has said, we've got this real differentiator of our growth of international clients, and given the nature of being an island, there's a lot of international trade in the UK.

To your comment, we have been focusing on Business Banking. If you go back three years, that was an area where we took our eye off the ball a little bit. We have reinvested in that, and we've been growing at 11% in customer numbers on Business Banking.

On the retail side of things, we are comfortable with our product offering. In the market, there's obviously a lot of focus by competitors on looking at acquisitions and scale, particularly in wealth areas. We probably don't see our future in acquiring an independent wealth unit as some might think. We are very happy with our Premier and Private Bank and how that comes together, but that wealth area will remain an area where we see competitors potentially diverge in their product offering.

On deposits, the UK environment remains very resilient, and we can see loan growth coming through. Our loan growth has been strong, but we see loan growth coming through across the competitors as well. But that tends to be at about double the rate of deposits, so we do see more focus on deposits and deposit raising across the market.

We have one of the strongest loan-to-deposit ratios in the market, so it's not a concern to us or a constraint, but it will be a competitive feature going forward.

ALASTAIR RYAN: Thank you, Jon. Just to point you back to the new disclosures we gave you in Q2 on the nature of the deposit base, the UK bank's better loan-to-deposit ratio than the system and a higher proportion of CASA[1] versus the industry. We are pleased to be growing at least in line with the UK in both retail and corporate in the first half.

KUNGPENG MA, CHINA SECURITIES: I have a question on the future trend of NII, given the complexity of the US interest rate outlook. Any colour on the future trend of the NII will be quite helpful across different scenarios. Also, if the Fed does not cut interest rates going forward, will the existing structural hedges become a negative factor for the future NII trend? Thank you.

PAM KAUR: Overall, the interest rates outlook is looking more at the higher end than at results day, which is a tailwind, and also helps in terms of the reinvestment for the structural hedge for the rest of the year. That reinvestment would be at a higher rate.

I do want to remind everyone that there is short-term market volatility on interest rates. At results day when we were talking about HIBOR, they were at the lower end; now HIBOR is higher, but it can move back and forth. We have increased our hedging, and therefore our sensitivity to interest rate moves on the upside, while the downside has also been more contained.

FAISAL YOUSAF, GROUP TREASURER: The rates environment is volatile at the moment. We're seeing US rates move sharply, certainly at the long end of the curve. It's something that we're watching very carefully. What you see in our disclosures is a stylised rate sensitivity and assumption.

What we've done historically, and continue to do, is give you the sensitivity to interest rate movements based on a 50% beta. That's so that you can compare it month-on-month. Where we are at the moment is that we have increased our structural hedge in H1 which you will have seen in the half-year disclosures. The structural hedge was around $637 billion, and the weighted average life has increased to 3.2 years.

We'll continue to look for opportunities to increase that hedge in the currencies that we're active in. We've done well in terms of our hedging in Hong Kong dollar. The sensitivity for Hong Kong dollar has come down. You will have seen that in the disclosures that we published.

There's no intention to change the strategy. If rates continue to trend upward, then the reinvestment that we will be making as hedges mature will be a tailwind for us. We'll continue to look for opportunities to increase the hedge, albeit we recognise that the environment is volatile at the moment.

KIAN ABOUHOSSEIN, JP MORGAN: You mentioned trade saw very good momentum, participation and growth. Just wanted to see if you could talk a little bit about regions, and is it intra corridors where you see more growth and products? Is this more on a macro level or a more specific-HSBC advantage that you see as a bottom-up driver?

PAM KAUR: Firstly, as the world's number one trade bank, we are very pleased that as opportunities are coming, our market share is actually growing. When you are number one and your market share is growing, that's an important indicator of good performance.

The main drivers have been both volume and value. There have been some specific increases which have been driven by, for example semiconductors. But also some increases have been driven by customers making their supply chains more resilient.

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[1] Current accounts and savings accounts

More specifically, year to date, we are seeing exports growing. We've seen exports growth across the Chinese mainland, 19%, Hong Kong, 39%, Korea, 51%, Taiwan, 45%, etc. Import growth rates have been similar, so the volume of actual trade, including intra-Asia, have contributed to a large proportion of that growth in the market share.

More broadly, what is also happening is customers are relying more on shorter-term trade products. We are seeing that our GTS lending to customers and banks was also up 30% year-on-year to $120 billion. The GTS revenue year-on-year has also gone up 13% to $0.8 billion.

This is important because it shows that momentum is continuing. It's a broad-based momentum which is funding and specific product- and sector-related, but it's also broad-based within an Asia perspective. The driver for that is the investments which we made in our multi-year programs for trade, particularly in areas like TradePay and TradeCash, the digital solutions that we are providing to our customers. This has really been a great space for us to be able to grow our business.

Last but not least is the customer engagement we've had with our 5,000 trade specialists on the ground since tariffs were announced last year. The benefit of that year of engagement in terms of picking up additional business, is what we are now reaping.

Trade is a very important part of our business, but of course it's a relatively smaller part in terms of a contributor to Wholesale Transaction Banking. But seeing double-digit growth there is very encouraging.

EMMA XU, BANK OF AMERICA: HSBC recently raised its fixed rate mortgage rate by 20bps to 2.93% in Hong Kong. Does that mean you think that Hong Kong rates, especially HIBOR, will stay higher for longer? Will you further add the spread of your HIBOR mortgage? Do you think that will impact the property market, the residential market in Hong Kong? Do you see any slowdown of mortgage growth after you raised the mortgage rate?

PAM KAUR: From a Hong Kong perspective at a macro level, we're seeing Hong Kong commercial real estate stabilising. Among that, the residential market has stabilised the fastest. That normalisation of customer demand, uptick in valuations, as well as rentals being at good levels, shows a strong macro environment.

HIBOR over the last month or so has been pretty much at 2.7%-2.8% as opposed to where it was at 2.5% or a little lower. I think that's an important question to bear in mind.

Of course, when writing business, from a risk-return perspective, we keep straight in terms of where we want to position ourselves, but given our size and market share, we want to continue to be within that appetite and risk return parameters. We want to continue to be a very active participant in the Hong Kong market across all products, both through our HSBC brand and Hang Seng.

JACK YANG, CFO, ASIA AND MIDDLE EAST: In Hong Kong, if you recall, we were the first one to launch fixed rate mortgages, and that's been very well received. So far, I think based on public news, over 30% of new Hong Kong mortgages now have switched to new fixed rate mortgages.

We reprice them periodically, like all other banks. This time around, because the interest rate for Hong Kong dollar has already increased versus when we launched, the fixed rate mortgages saw about 20 basis points increase. I think that's probably just reflecting the new market rate. I expect the other market participants would follow as well.

ALASTAIR RYAN: For clarity, fixed rate mortgages are a small proportion of the stock of mortgages in Hong Kong. Jack's given you the flow business.

EMMA XU: Will you further adjust your hedge-based mortgage rate, like adding the spread, et cetera?

JACK YANG: We don't disclose that. But as usual, we will assess based on the current interest rate.

EMMA XU: Did you see mortgage growth slow down after you raise the fixed mortgage rate? In the first half, the Hong Kong loan growth has been quite well, but do you think that will impact your Hong Kong loan growth in the second half?

JACK YANG: It's hard to attribute the number of mortgages to the exact interest rate because there are so many other moving factors. So far, there's no obvious trend, but probably we can all see from the public market where it goes.

CHRIS HALLAM, GOLDMAN SACHS: There's a lot of discussion on the conference call and in the previous meeting about cost, so how comfortable are you with consensus operating expenses for 2027, and then how should we think about if there's been any change over the last month or so? How you think about investment versus run-the-bank trends through the end of this year and then heading into 2027?

PAM KAUR: We're not giving an outlook on costs for 2027, but let me share with you where we are for this year. For this year, our costs are in line with what we called out. We did say that if our own business performance is much higher than what we had expected or was in the plan, then that will have an impact in terms of the variable pay payout. That's something we will consider at the end of the year. That was just a context.

As we go into next year, while in the process of refreshing plans, there are a number of factors to consider, whether it's for this year or next. There's the macro environment, which continues to be uncertain, interest rates, which are at a higher level, but then also our fee income, which is doing really well.

We don't want to be in a position where come the start of next year, we see growth opportunities that are higher than what we had envisaged at the beginning of this year, but from an investment perspective, we have gaps that then don't allow us to really reap that potential. That's what we are very focused on, and those are multi-year investment plans.

But these are not new investment plans that we are suddenly thinking of doing. It's all about staying on strategy, existing plans, while managing some of the momentum and the acceleration of that investment.

Now, in terms of the simplification saves that we have already uplifted and called out, we are again on target and nothing has changed since we last spoke at mid-year. We feel very positive that those savings will be deployed into additional investment. In addition the momentum that you've seen on our divestment activities will come through in further cost saves, both for this year and into next year. Those cost saves will not be to the bottom line. They'll be redeployed on strategy through those investment areas.

ALASTAIR RYAN: Just to remind everybody of something Pam said at the August meeting. As those disposals work their way through, which there's quite a lot of in 2027, the revenue goes as well as the costs. We are reinvesting the costs at what we expect to be attractive returns, but there's a lag.

Just for your modelling purposes, keep in mind that we're taking out what we said was $1.1 billion of cost in the disposals we've announced, but there are revenues associated with that which you need to account for until that money's gone back to work through investment.

PAM KAUR: We said costs related to this was around $1 billion to $1.1 billion. The revenue associated with the exits, either completed or announced in 2025, was $2 billion. In terms of the impact, within 2026, a third of that would have been exited, so you'll see that coming through.

Our growth planning is always net of the revenue impact of exits. By the end of next year, we expect that revenue impact to be around three quarters of that original $2 billion, with the remainder rolling into the following year. Whatever growth you're talking about is over and above that reduction in revenue. It's net of that.

ED FIRTH, KBW: I've two questions, There seems to be a lot more grumbling out of the US authorities at the moment around international banks with big dollar usage and whether or not they're meeting all the regulations that the US would like. Any update that you've got in terms of discussions you're having with the US authorities? Any areas of focus and how it may impact your business would be interesting.

The second one is what I call the UK corporate loan growth conundrum. The last time loan growth and corporate sector was at 9% or 8%, the place felt very different. GDP was flying, job creation was huge, everybody was happy, and yet it seems we're having this huge loan growth, which doesn't seem to be having any impact on the UK economy. Why is that not driving investment, job creation, GDP growth? It will be interesting to get your sense as to what is actually happening there and when will we see it come through?

PAM KAUR: Your first point is very relevant particularly with regard to the US focus on very specific sanctions-related regulation, as well as strong transaction monitoring that is required from a financial crime perspective for any US dollar users and large clearers.

From our perspective the first time we saw that focus come through was when Russia-Ukraine happened. Both in terms of our operational readiness and our technology availability, the investments we had made in that space are really helping us as these different sanctions come through name-based and activity-based routes. When they're activity transaction-based, they're the hardest to identify, so we feel we are in a very good position.

I believe that competitively, if you look across the industry, if somebody has not done that investment, it will take some time because we faced the same when Russia-Ukraine sanctions came, because no matter how much technology and AI you're using, there is going to be a lot of what I would call backlog and operational clearance. That's where the US would quite rightly be very focused to say, "identify fast, act fast". We are very much working towards that.

The other point is that as you navigate through sanctions, you have to make sure that from a cross-jurisdictional perspective, you also abide with the regulations in the country in which you operate. Where there is a conflict, how do you make sure from your own risk appetite, either you have already managed it down or you are in active dialogue with regulators across all jurisdictions.

It is very important for us to see how other banks are navigating because of our indirect exposure to it through correspondent banking relationships. Our own readiness is only as good as the correspondent banks that we deal with. Accordingly, we also shift our risk appetite in terms of what we do with correspondent banks.

We had already de-risked a lot post Russia-Ukraine, but that's something we will be very mindful of, especially when we're dealing with smaller or medium sized banks, because I believe internationally, the largest banks would be well-prepared as nobody wants to fall foul of this, though they may not be as prepared. It may take them a little longer to get completely in line with new changing US regulations, but the medium and the smaller sized banks need to be most mindful.

When it comes to the UK, what we have seen is that corporate loan growth in the UK has come in very specific sectors and areas. It's not broad based everywhere. Depending on the sectors and areas where the corporate growth has come, whether it's pharma, technology or innovation-based sectors, it's not going to be the same as you saw corporate loan growth the last time we saw it when there was a more widespread increase, whether it's on retail or high street.

We are pleased that overall, despite this growth in those sectors, from an ECL perspective, the UK has stayed quite resilient, at least at the top end. When you look at the more medium and the smaller end, as we called out in Q2, in the UK, as with other geographies we are seeing some pockets of growth in ECLs. This is not directly attributable to the Middle East in itself, but rather to a range of factors including higher interest rates and Middle East macro uncertainty. But this tends to be at the smaller end, so no big concentrations. Single, double digit numbers only.

JON BINGHAM: First of all we are pleased that the UK corporate book is a lot more resilient than the narrative might be from the outside looking in, and that's both resilient in terms of how it's performing but also the demand that's out there. We have been growing corporates quite strongly and increasing our market share in certain areas.

There are probably three factors driving the demand in corporate loans. Firstly, the UK has historically been under-leveraged. We're at historically low levels of credit penetration in corporates not seen since the 1980s. As corporates come through the many omni crises they realise that they're actually a bit more resilient and a bit more confident to marginally re-leverage their businesses, and that is still marginally.

Second, international trade, and that's a big factor for us. We've seen the UK growing its multi-jurisdictional income by 5%, so that reflects the nature of our corporate books. A lot of this is facilitating international trade across there.

Then the third is we can see it going into investment cycles. A lot of that is driven by tech, Not necessarily AI, but things like pharma, life sciences, as well as tech and infrastructure. You can probably only speculate, certainly the international factors and maybe the re-leveraging, will probably contribute less to some of the jobs growth.

Obviously the investment cycle has a lag, but I think there is some evidence that the UK government is now switching focus more to payroll data than unemployment data. Some of the productivity data is perhaps showing some sign of this investment starting to take hold, but I think that is still to be proven. While there is certainly a lag in the investment cycle, we see continued strong growth in the corporate credit demand for investment.

MICHAEL ZHANG, CITIGROUP: I have a question on Hong Kong deposit competition because if you look at the July system funding cost, it's going up to 1.4%, which is even higher than December last year's number when HIBOR was above 3%. How are you seeing deposit competition at the moment, and how would that impact your Hong Kong margin?

PAM KAUR: I'll ask Jack to elaborate, but just to give you some observations. What we see, and saw in the last quarter also, is that when at quarter-end periods or month ends, we've often seen a spike in deposits and aggressive pricing from our competitors. We typically don't do that, have never needed to do that or will do that.

However, we are very mindful that deposits need repricing based upon how rates are shifting. But the observation you make in terms of some of spikes tends to be very much period end, and we will continue to monitor that.

JACK YANG: As you've noticed, this deposit competition, especially in time deposits, has always been there, it's just different timing. This year, we observed it slightly earlier than in the past years. However, I would say this is the phenomenon in Hong Kong market. For us, we still have one of the highest CASA ratios. As Pam said, many times we do not really participate in the very aggressive pricing in time deposits. The margin impact will be relatively small for us because we have one of the highest CASA ratios.

PAM KAUR: Our CASA ratio is 20% higher than our nearest competitors, so that makes a big difference.

ALASTAIR RYAN: Just a couple of minor points. We did call out at Q2 that some of the deposit growth that we enjoyed in the second quarter in Hong Kong was very strong, but also lumpy, and we said that can come and go. But broadly, as we said on the privatisation of Hang Seng, it is our intention to maintain our market share in Hong Kong over time. That's not a month by month comment but it's a broad one.

PAM KAUR: Yes, and the lumpiness was really because of some large corporate moves in and out we saw from the months rather than pricing driven.

GUY STEBBINGS, BNP PARIBAS: From purely an HSBC earnings perspective, from where we sit today in terms of the curve, would you welcome rates going up from here, or are we at a level which is almost as good as it gets and further rate hikes from here would mean we worry about deposit mix or lower loan growth?

Then a specific question on the hedge. Do you do any pre-hedging of those hedges or can we look at your disclosure about the amount that matures in the second half of this year and the amount that matures next year, and look at where the curve is today and say that it's all the upside versus what we would have thought a month or so ago?

PAM KAUR: I'll ask Fas to elaborate on the hedge, but the disclosure of the hedge in terms of the maturities and how they're rolling, that is upside, so you're right on that.

In terms of looking at the overall picture on interest rates, in a very holistic sense interest rates at around 3% is a healthy number. Healthy not just for banks, but also for sustainable economic growth because when interest rates start spiking up and there's uncertainty, two things will happen.

One thing would be that from an investment perspective, borrowers will say, I really can't invest at these higher rates. They will want to know where rates will normalise and what the mean reversion level is. Instead they will limit themselves to normal operating expenditure-related borrowing.

Secondly, if you think about the cost of debt, whether it's regarding sovereigns, corporates or individuals, it starts pinching. When it starts pinching, then of course we feel very pleased that on the interest rate side, the Banking NII looks great, but the other side of the coin is ECLs.

So getting that balance, not just for your revenue for the year, but for the longer term, I think where we are keeping it with less volatility is more important for economic growth, and that has to be good for our bank because fundamentally we are a relationship-driven bank. We are not an individual product-driven bank.

In terms of investment cycles, that's based upon where we see growth opportunities for the bank over a medium to longer term, as opposed to just in the year. That's how we look at it.

FAISAL YOUSAF: The way we think about the forward hedging is that in any given year we will first look to accelerate hedging that might be due to mature in that year. For 2026, at the beginning of the year, we talked about around $110 billion of maturing instruments that would need to be re-hedged.

At half year we said there was $50 billion left, so we sped that up a little bit. Typically this happens in US dollars more than the other currencies, although it's not unique, you could do it in sterling or others, but we will do it more in US dollars where the opportunity arises.

We'll also look, and have done in the past, at disposing of assets and perhaps taking a P&L against those assets and then reinvesting at a higher rate. We certainly used that in 2023 and 2024, and we do it tactically as we go forward. The short answer is, yes, we will look where the opportunity arises to advance the hedging and dispose of assets that are about to mature earlier to then recycle them.

GUY STEBBINGS: In terms of the $120 billion in 2027, we shouldn't be assuming much of that has been pre-hedged? That's exposed to the uptick that we've seen in the curve?

FAISAL YOUSAF: Absolutely. If it had been pre-hedged, that number would have come down. We would have reduced the number.

JAMES INVINE, ROTHSCHILD & CO REDBURN: On CIB, the merger of its two predecessor businesses. Operationally, you are one business now, but how much more juice is there left as clients get the full benefit of the larger product suite?

Also, it's been a few years now since you acquired Silicon Valley UK, and I know at the time the Group hired a few people in other places. What's happened to that business? Is that now a strong growth driver for you? I know it's reasonably small, but what are the growth rates that you're seeing there?

PAM KAUR: Firstly, from a strategic perspective on CIB, you can see that some of the growth we are seeing, for example pertaining to trade and fee income growth as mentioned earlier and at half year, were hugely benefits from having a single aligned business, where from an end-to-end customer perspective, you can offer that broadest range of products.

The work we've been doing to offer non-ring-fenced bank products to HBUK customers has also come through. The underlying risk return discipline has become much more aligned. With that risk return discipline alignment, as much as we are very pleased with our lending growth and Banking NII, the proportion of growth on fee income is catching up really well and that immunises you when interest rate cycle turns or normalises.

Last but not least, CIB has also been a big contributor to the simplification savings we called out, which we've increased from the original $1.5 billion to $2 billion. While we've done all that, our overall positioning, whether you look at IPO participations from a Hong Kong perspective, or DCM or ECM in the Middle East and Asia, none of that has been negatively impacted.

For some of the smaller end client base, having that broader offering is not only good for returns, but puts us in a prime position to engage with those customers in an uncertain world, particularly as they look at their supply chains and resilience.

In terms of the Silicon Valley Bank (SVB), across the board, but particularly from a UK perspective, some of the growth that Jon mentioned earlier, whether it's in pharma, technology or innovation space, can be attributed to the acquisition. That has really given us the ability to participate in that ecosystem, and by doing so, we are benefiting from being able to better support customers beyond just that subset within those sectors.

Across the markets where we are actively working through with SVB, whether across most of the Asian markets or beyond, has given us very strong positioning within the country. I'll give you one very specific example.

In India, when we went for the UK-India trade agreement - where I was on the ground as part of the delegation - we could see that our participation in the innovation bank space acted as that additional positioning of HSBC over and above HSBC being the largest international bank in India, which then gave us the growth opportunities both from an India perspective and a UK perspective.

It's not just what SVB does on its own, but it's also the halo effect that SVB gives you because you're participating in that ecosystem more broadly in a global sense.

JON BINGHAM: Completely agree with that. As an entry point, we find it a differentiator in the market being able to be specialised in deep innovations, having Relationship Managers with PhDs in life sciences and tech. Directly to your question, we don't give half yearly figures for innovation banking, but to give you an idea, the number of active clients has been growing at 10% over the last 12 months.

PAM KAUR: The other market beyond India where we have seen a real tangible difference because of SVB is our participation in the Chinese mainland. The growth and innovation there is really helping what we do in infrastructure finance and so on. That's a very important ecosystem for us.

MELISSA KUANG, GOLDMAN SACHS: If we think about sensitivity of RWA growth each quarter we think about share buybacks. As loan growth is coming back quite nicely, how should we think about its implications for share buybacks?

PAM KAUR: Firstly, we remain highly capital generative. We've seen that in the prior quarters as well as our growth momentum, particularly coming from our fee income, which will give us that ability to determine what we want to do from a distribution perspective.

The first benefit of that additional growth goes to funding the 50% dividend payout ratio, and we can see that progressively growing. The next call-out is in terms of lending and RWA growth. The most important part on the RWA growth is that it happens within very strong guardrails of risk and return. There has to be capital generation coming from that RWA growth. We are not going to dilute our return parameters just to grow RWAs. That is something we are pleased about because we hadn't seen that loan growth for a long time.

However, each quarter we will continue to look at that residual amount available for distribution with share buybacks for any residual amount being the preferred way of distribution. That's the order of priority, but you can see, there is ample opportunity across the board.

KIAN ABOUHOSSEIN: On Wholesale Transaction Banking, I'm trying to understand how I should think about drivers. Your penetration in payments is very high across your client base from what you've disclosed in the past, and your FX mix is also a bit different from what we're used to seeing at some US peers. If I take the Wholesale Transaction Banking pieces, how should I think about the drivers going forward? Is it new client penetration, is it growth in corridor?

PAM KAUR: Firstly, you're right, FX is the starting point for all three elements. There's a fourth one, Securities Services. FX is very much customer-demand driven - as we see customers reacting to market uncertainties, there's more demand and re-adjustment, so you see customer volumes come through. But it tends to be, given the large starting point, not a big driver of growth.

Securities Services are small, but we are absolutely winning more mandates. It's mandate-driven and valuations going up also helps Securities Services. I'm pleased, particularly with the growth of that business in Asia and the Middle East, and across those corridors. That's going to be a good driver for growth going forward, and it's quite broad based.

The next point is payments. Of course, it's impacted by interest rates. But in terms of the value and the volume, what we are seeing is that we're picking up more clients, but particularly more clients with a focus outside what I would call the traditional corridors. They want more focus in what they are trying to do to readjust, particularly in Asia and the Middle East, and we're seeing a big uptick in that.

It's not just cross-regional, it's intra-regional growth there. Then certain specific sectors, as we said from a trade perspective, whether you look at semiconductors, AI-related growth and technology and innovation, pharma, et cetera, that also impacts volumes and what comes through in the payments business.

Last but not least on trade, that's been the most encouraging, because we're seeing a real shift happening in trade flows. I called it out almost a year ago to say, yes, the US trade corridors are the largest and will continue to be the largest, but they are the trade corridors with perhaps the tightest margin because of the competition you get from the largest US banks.

What we're seeing is that as supply chains become more resilient and trade patterns shift, some of those traditional trade corridors have seen volumes reduce, while other trade corridors have grown. The margins on those trade corridors are much higher, and you can see that in some of the growth we are seeing, particularly in trade, whether it's Asia, Middle East, or intra-Asia.

I don't see that trend changing, and that's a new growth opportunity. It is not just growth from documented trade, it's growth from structured trade, funding using trade products, shifting of supply chains, and re-adjustments - that's where we see a lot of momentum.

The combining of the CIB businesses we talked about earlier extends across customer segments. It's not just multinationals and largest corporates, it's also the mid-sized and smaller corporations, where we have a very strong position because of our heritage commercial banking business. That is becoming increasingly important.

Many of our competitors focused on wealth, and as a consequence have cut investment in some other products, wholesale commercial banking, trade, and we are gaining from there.

ED FIRTH: If we look at the last three or four years, what the market didn't appreciate three or four years ago was the extent to which you would be able to improve profitability in a higher rate environment. You were making 6 to 7% returns, and I guess people thought you could get to 12%, but nobody in their wildest dreams imagined you'd get to 18%, 20%. That has been the big positive driver. When you're making your plans, and I guess you're going through that now, if you're looking out over three to four years into the future, what do you think the market is missing today about what you're going to deliver in 2030, 2031, 2032?

PAM KAUR: Really good question, which we have spent a lot of time thinking when prioritising in how we do our investment. Firstly, some of the choices which we've made from a strategic sense to, say, focus on your key markets and products where you have number 1, 2 or 3 position is really helping.

That has enabled us to go deeper, particularly in growth of our fee income. I think at this point, what the market is underestimating is that beyond interest rates, which is a key driver, the growth in our fee income, not just from wealth products, but also in our home markets and Wholesale Transaction Banking in the broadest sense, is our focus area for growth.

That is something that we will continue to grow on as we are also reducing our sensitivity to both the upside and the downside, reflecting on the work that the Treasury team and colleagues have done on interest rate sensitivity.

The other thing the market is missing is how that shift will make the longer-term sustainability of returns for HSBC very clear. Its early days, but we feel very confident that we can deliver it.

Last but not least, we have started focusing much more on how we will drive capital efficiency through balance sheet velocity. This includes how we are allocating our business across different legal entities, for example by adjusting the mix of portfolios between Hang Seng and HSBC in Hong Kong, so that everybody can participate in those growth opportunities with the right risk returns and levels of NPLs, and as a result, the right degree of capital efficiency.

ALASTAIR RYAN: That was a good question to finish off. Just for clarity, that’s a statement of what we’re thinking about. That’s not a comment on near-term consensus. Thank you everybody for joining us today. It’s good to have you back.