HSBC

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Fireside chat

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CHRIS HALLAM, GOLDMAN SACHS: Good morning everybody. I'm delighted to be joined by Georges Elhedery, CEO of HSBC. Georges was appointed CEO nearly two years ago, having previously spent 18 months as Chief Financial Officer. He has spent over 20 years at HSBC in a wide range of leadership roles in a variety of markets. And immediately prior to joining HSBC, Georges in fact worked at Goldman Sachs. So Georges, I think it's your first time at the conference. I feel like I can say welcome back. Thank you so much for making the trip here. Super grateful for you being here. This session is due to last 35 minutes. That includes a bit of time towards the end for some audience Q&A.

Georges, perhaps we begin reasonably high level on the macro backdrop. You operate across a very wide range of geographies. How would you characterise the current macro backdrop in aggregate? And when you speak to clients, how are they balancing those near-term uncertainties you can see with the longer-term structural opportunities that clearly exist in many of your markets?

GEORGES ELHEDERY, GROUP CEO: Thank you, Chris, thank you for having me here. There are a couple of features in the macro backdrop that have become very prevalent. There are two I would call out and they actually play to our strengths.

The first one is there are structural growth opportunities in big parts of the world and that's particularly true in big parts of Asia. You have a growing consumer market. You have a growing labour market. You have growing talent. You have good fiscal and economic policies, good pro-business policies, strong FDIs into these markets for everything, from manufacturing to extraction and what have you, with technology, et cetera. So structural growth is inherent in these markets and is here for a long time ahead.

The other macro feature, which we've been talking about now for a few years, certainly since COVID, is that we're seeing globalisation reconfigure more into neural networks where multiple jurisdictions and economies connect through supply chains, investment. And, if you want, less of the big, large corridors between very few jurisdictions. That also plays to our strength because when you're present in 18 markets in Asia, 10 markets in the Middle East and many others around the world, more than 55 around the world, when you have neural networks of connectivities and all these markets interconnected in different ways, then the presence in all these markets becomes a value add. These are the two big macro trends we're observing.

On your question about uncertainty, everyone we're talking to now and including our own views is that uncertainty now has to be baked in as a feature, not as a black swan or as episodic. It has to be baked in as a feature in the way you plan for your business. And if you bake in uncertainty as a feature and you want your business to capture the structural growth opportunities in a sustainable, durable manner, then the most important investment you have to do is build resilience so you can have a sustainable business despite uncertainties that you expect to come. Building resilience is one of the biggest themes we're working on. Resilience can be in infrastructure, in logistics, in power generation, in data storage, et cetera, et cetera. Now, it so happens this also plays to our strengths because we are a big infrastructure financing house and we can help our clients in their projections, how to build resilience for the business.

CHRIS HALLAM: A key element of the HSBC narrative over the last 12 to 18 months has been one of efficiency. You've described HSBC as becoming simpler, leaner, higher returning, more agile. What's the single most important change investors should recognise in HSBC today versus perhaps how the business operated two to three years ago?

GEORGES ELHEDERY: The single most important change as we portray it, and investors can judge for themselves, but as we portray it, is that everything now we decide to do, we aim to be the best at doing. Which means, we're the best at doing it and we double down investing in it, or we ought to be the best at doing it and we double down investing in it, or this is not where we are at our best and not necessarily an area of strategic importance because customers aren't expecting us to deliver and we're disposing of it.

I think the clarity of strategy and the clarity of purpose allows us to choose to be the best at everything we decide to do. Everything flows from that, how we become simple and agile, how we streamline our business, how we focus our strategy, how we build client relationships, et cetera, is basically based on being the best at doing what we choose to do.

CHRIS HALLAM: You make it sound very straightforward, but you're simplifying, you're reallocating costs, you're investing for growth all at the same time. What are some of the hardest trade-offs you face when you're balancing all those decisions?

GEORGES ELHEDERY: Of course these are difficult decisions to make, decisions where we take cost out to the bottom line by simplifying or de-duplicating or creating efficiencies, decisions to take cost out by exiting activities, non-strategic, non-returning, or where we don't have the right to win or the right to compete and we should not waste effort doing so, are all difficult decisions.

But I think the most difficult decision going forward, most of these decisions we've been taking for the last two years, but the most difficult decision to go forward is that we have created much bigger capacity to invest. We’ve created space in our cost base by taking these decisions to give us capacity to invest. The decisions going forward is how to allocate our investment, but more importantly, how to allocate our investment in a way that is the highest returning possible. You can decide you want to invest in an area and you can evaluate a quantum of investment and a set of benefits against that investment and that's all good. But we have also more investment capacity. If you choose to decide to invest additionally in that area, by the law of diminishing returns the risk is that we get lower bang for our buck and we won't get the high returns.

You need to find the efficient frontier where you're investing as much as you can to get the maximum benefit, without starting to dilute the investment, because you end up hiring the wrong people, the people without the right talent for the right jobs, or you end up not being able to build the technology at scale and throwing money after something where you can't resource it appropriately or speed up the development.

So just putting more money behind an opportunity doesn't give you higher benefit. It's finding that efficient frontier where you invest for the biggest value of that investment and then accept that probably the next round of investment is next year, not right away for that opportunity.

CHRIS HALLAM: My final question on the topic of efficiency is around the issue of resilience. You're effectively reprogramming the operating model of HSBC while at the same time plumbing in new frontier technologies. You have the ambition to be the world's most trusted bank. How do you balance the fragilities that those changes can bring about and perhaps particularly when it comes to cyber and this incredibly fast evolving picture when it comes to zero day vulnerabilities?

GEORGES ELHEDERY: Actually those changes are building strength. Let me try to unpack this. When we have a strategic priority of being simple and agile and we shared one slide in our year-end results which illustrate some of the decisions about exiting activities, exiting businesses, de-duplicating. But also a big block of work that's still ongoing is re-engineering our processes and procedures and the help of GenAI, which is accelerating that re-engineering at scale, where we call out demising non-strategic technology applications, demising legacy products, demising all sorts of other things like URLs or legacy cost centres or smaller legal entities that are not needed anymore, et cetera, et cetera.

This re-engineering and this demise as part of becoming simple and agile as a primary mission has a secondary positive impact, making us safer - because it's easier to protect when you have a smaller exposure, you have fewer applications to worry about, et cetera. Any vulnerability identification - patching, network segregation, layering, et cetera - you will do on a smaller estate, a strategic estate as opposed to having a non-strategic bloated estate that you have to try to protect.

First, the journey to be simple and agile is a journey to make us more resilient. Second, cyber protection is a very big investment program, has always been and will always be a very big investment program for us. Cyber protection ranges around a wide range of issues, in particular protection against social engineering where we have a lot of capabilities being built and tested and protection against vulnerabilities.

Most recently, Mythos and GPT-5.5-Cyber's additional capabilities to find and patch vulnerabilities have been made available to us. But that's not the only thing. We've been working very actively at network segregation, at multiple layer estate. We've been working at tertiary vault capabilities to recover quickly. We have a continuous blue team / red team trying to attack us and identify areas of vulnerability. We work with our suppliers in what they are doing to make them foolproof or cyber protected so that we benefit from that. That journey's on. This is an area of continuous investment and never, never cut corners on investment to protect our estate from cyber risk. Between these two big initiatives we aim to be among the most safe from a cyber point of view, safest banks on the planet, helping us to be the most trusted bank on the planet.

CHRIS HALLAM: Let's move over to Hong Kong. In recent years, there's been a big focus on the cyclical elements within the Hong Kong business, namely Hong Kong CRE, and obviously very happy to get an update on the cyclical side of the Hong Kong business. But I wanted really to hear your thoughts on the structural element of the Hong Kong story. You talk about Hong Kong being a super-connector, both mainland companies using Hong Kong as a launchpad to go global, and as a cross-border wealth hub. How do you see the growth dynamics in the Hong Kong business at this point, both from a cyclical and a structural perspective?

GEORGES ELHEDERY: From a cyclical perspective, there was a big burden from the COVID days from the impact on commercial real estate. Let me give you some recent data points. Residential real estate up 16% over the last twelve months. Office real estate, we've seen vacancies in Central and Hong Kong below 10%, a level not seen for many years. Hong Kong GDP has grown more than 5% in the first quarter. Without making direct assumptions on where we are in the cycle, it is much more encouraging looking forward versus what we've seen. There are some residual challenges, some of the weaker real estate in the office space or some of the weaker retail sites, but we're seeing recovery in a number of other areas. We're short-term constructive, medium-long-term positive - medium to long-term on the dynamic of the Hong Kong real estate market. The dynamic for Hong Kong economy, supply and demand - we're optimistic, we're comfortable about it, we're confident in it.

A case in point, in October last year we announced the intent to take Hang Seng Bank private, and in January we've dispersed $14 billion to buy the 37% minority. Now we own Hang Seng Bank in full, and we're working through the synergies. The synergies alone and the capital efficiencies alone make this privatisation more attractive than using our shares for a share buyback. But if you add the cyclical improvements, among others in the cost of risk, in commercial real estate and structural growth opportunities, that's double potential upside over and above accretion to share buybacks. The structural opportunities of Hong Kong are evident.

Let's call out two that highlight the importance for our business. Hong Kong is a super-connector to the mainland. Hong Kong has always been a connected to the mainland whereby international investments into the mainland would channel through Hong Kong. That flow continues. It's changed in profile. So now the international flow into the mainland isn't really about accessing cheap labour and manufacturing capabilities. It's more about accessing high-end technologies and innovation and trying to scale it out internationally. But the flow continues. It's a different form of flow, looking for different opportunities. But the real flow we've observed for the last decade, and we believe will define the next decade, is China outbound, where mainland Chinese corporates are going out to the world. Initially they've been producing for the world 'Made in China', exporting to the world.

It's no longer 'Made in China produced for the world', it's 'Made *by* China, produced *in* the world'. These corporates now are going out to establish manufacturing hubs, move technology, create employment in the economies where they're building and be able to access the local markets with this dynamic. That is possibly one of the biggest cross-border trends, if not the biggest cross-border trend we will see over the next decade. And Hong Kong is the launchpad. By the way, we in Hong Kong are the bank of choice to help these customers when they come to Hong Kong - we are very big in Hong Kong, we can take them to the world. We give them complete access to the world at the highest international standards of finance. That's one trend.

The other trend is Hong Kong as a cross-border wealth hub. For the last two years, I've been saying Hong Kong will become the world's largest cross-border wealth hub before the end of the decade. Turns out I was wrong because it happened two weeks ago already. Hong Kong today already is the largest cross-border wealth hub, overtaking Switzerland. Given the growth trajectory, that gap can only keep expanding. It is a cross-border wealth hub for the world, for Asia, and very much also for the mainland, which has chosen Hong Kong as an international platform for wealth management. The level of sophistication of the capabilities, the level of attractiveness of the jurisdiction, of the legal framework, of the regulatory framework, et cetera. And of course, the level of wealth creation, as I mentioned earlier, in Asia in general is such that this trend is also a decade if not secular trend. These structural opportunities for Hong Kong, we have a very important role to play, but we happen to also have a leading role to play in given our sheer size and presence and scale in Hong Kong.

CHRIS HALLAM: Then perhaps a slightly more nuanced or different story in the UK, one of your two home markets. How would you describe the role of the UK within the HSBC group, aside from the retail operation that you operate in the UK?

GEORGES ELHEDERY: The UK is our second home market. Of course, the retail operations are very important for us. When you look at the retail and the SME commercial operations in the UK, it's a business that generates more than 20% return on tangible equity, last year, year-on-year it grew its loan book by 7%, so clearly strong business. We have a very strong market position in the top three, top four. But the UK for us, if you add our wholesale activities – we have the ring-fenced bank and the non-ring-fenced bank - if you add the whole footprint of HSBC in the UK, then HSBC in the UK generates revenues of $19 billion per annum, has $570 billion in deposits, is by far the largest international bank in the UK. It is by far the bank of choice for UK corporates and businesses looking for international opportunities, and the largest bank for international corporates all the way from the US to Asia to the Middle East to the rest of Europe, looking for opportunities in the UK. It's a very open economy, a testament all the free trade deals that have been signed all the way from the US to India to the GCC to the deal with Europe and the open economy, the free trade economy. So being by far the largest international bank in the UK and a bank that generates $19 billion revenue in the UK, which puts us in the top three, with number one and two being pure domestic banks, means that the UK is extremely important for HSBC, but it also means that HSBC is extremely important for the UK economy.

CHRIS HALLAM: Then in the CIB, you've talked about this narrative of ‘Asia buys Asia’. Can you talk us through what that means, especially in the context of the 50 or so markets you cover globally within the CIB?

GEORGES ELHEDERY: Within Asia, you have to read greater Asia, Asia and the Middle East, the wider Asia. Our assessment is that the trade flows that have been taking place in Asia are able to add 1.8% to the Asian GDP. But importantly, Asia in 2025 has been subjected to some of the most adverse tariff environments with the largest trading partner, the US, and trade from Asia into the US has really dropped steeply, more than 20%. Yet Asian shipments in 2025 hit a historical record. That is demonstration that whatever is not going to the US has found ways to circulate within Asia. Asia has become a manufacturer for Asia. Asia has become an FDI investor in Asia, and that neural network flow between the various Asian economies has meant that they are able to continue growing strongly, and equally has meant that HSBC's presence across all these economies has become an even bigger competitive advantage because we are deeply rooted in many of these markets.

We have 161 years of history in Hong Kong and Shanghai, but we have more than 150 years of history in practically every Asian economy. That includes the Vietnams and Indonesias and Malaysias and India, and what have you, and the Middle East.

So that trend is definitely one that we are able to capture. But remember, CIB is not only about ‘Asia buys Asia’. Corporate and Institutional Banking is a global business, is a global network business. More than 85% of our customers are multi-jurisdictional customers. They operate in more than one market, so inherently what a network business is about. And of the 15% that are domestic only, many of them are government sector, et cetera, which we operate with, but they're inherently domestic.

For the 85% cross jurisdictional customers, more than 65% of the revenue is generated by customers whose head office is in the West, that is Europe, UK, or the Americas. More than half the revenue generated by these Western corporates is the revenue we book in Asia. That's a substantial part of how we drive our Corporate and Institutional Banking revenue, profitability and returns. Six of our top ten customers by revenue in mainland China are US-based, US head office. It gives you a perception of how important the global corridors are beyond just the ‘Asia buys Asia’.

We have a business that is present in more than 50 markets, that is liquid in all the currencies we operate in, in all the geographies where we operate, with a fantastic deposit franchise. We remain the bank of choice for these corporates across Asia doing business with us.

CHRIS HALLAM: You talked a little bit about the fantastic deposit franchise which is echoed in the other business in Wealth. Wealth is a quarter of our group revenues now, around two thirds of that business is in Asia. Can you talk a little bit about how the global HSBC network helps support growth in the business? In particular, you've got eight booking centres, you've got the cross sell from CIB. How does that network connectivity feed into the Wealth side of the business?

GEORGES ELHEDERY: Wealth is already a substantial portion of what we do - 25% of our revenue is Wealth revenue. If you look at Wealth balances at $1.6 trillion, that puts us among the largest globally, but more importantly, of the $1.6 trillion Wealth balances, we have more than $1 trillion Wealth balances in Asia, which makes us the largest Wealth manager in Asia. Our position there is that of strength.

Number two, we have fantastic structural growth in wealth of Asia, which it's a wave we all can ride, but we're starting from a strong position. More importantly, we have an affluent proposition, which we call Premier, in many of the Asian markets, including mainland China, India, the UAE and a number of other markets which allow us to onboard Wealth right from its early days.

We don't have to wait on for decades for people to become wealthy enough to be eligible to our proposition, because we capture them already at the Premier level, where they start building wealth from $100,000 and above. And as they go up the journey and if their wealth exceeds $1-2 million, they can become eligible to our Private Bank, but the acquisition cost is nil because we have already acquired them through Premier. We're the only international bank offering Premier in many of these markets. It's a real differentiation being an international bank accessing these affluent customers, that's a great funnel for acquisition for us.

Second, in Corporate and Institutional Banking we have very deep and trusted relationships, but historically we have not converted these relationships into personal wealth and Private Bank wealth. Today, the combination of our two businesses and the fact that we combine resources and we have the cultural and incentive alignment to do that mean that we have a relatively cheap acquisition corridor to convert from our CIB customers to our Wealth proposition. We have scale in the way we can acquire that none of our peers in Asia can benefit from.

We've built product capabilities. Some of our international peers can build faster because they can scale it globally, but we’ve caught up to be able to be relatively on par with our product capabilities, at least in Asia, the area where we are dominant. All of that plays to our Asia Wealth proposition growth.

One of the features that high net worth customers ask for, for Asia and globally, is diversification of booking centres. They realise it's important to diversify their booking centres, from a risk point of view, from a product capability point of view, from legal, jurisdictional and tax points of view. Therefore you're seeing more and more higher net worth customer looking for multiple booking sites for their wealth.

An additional differentiation for us compared to many of the pure Asian players or pure single-market players is that we have more than eight booking centres. We can book wealth in Hong Kong, in Singapore, in the UAE. We can book cross-border wealth in Switzerland, in the Channel Islands, in the UK, in the US, in Luxembourg. Our cross-border booking centres are diversified and cater for multiple booking needs. All of those play to our strengths in being able to capture a bigger share of the growth in wealth in Asia.

CHRIS HALLAM: That's very clear. We have about five minutes left, if anyone in the audience would like to ask a question, I give you the opportunity.

AUDIENCE MEMBER: Good morning. I appreciate your comment on Hong Kong commercial real estate and residential real estate. Do you have any comment for commercial real estate and residential real estate for Mainland China?

GEORGES ELHEDERY: On a macro basis, commercial real estate in China is recovering in certain areas such as Tier one cities and quality developments or quality residential areas. Remember mainland China was essentially a residential commercial real estate challenge, not the rest, but residential is picking up in mainland China and some of the Tier one cities. It remains subdued in a number of other cities.

We believe some of the most recent measures, I mean recent measures now taken around the *Hukou*, the local residency permits for domestic rural or urban immigrants, will further support this residential real estate because a chunk of it will be used for social housing.

Broadly speaking, we feel it hit the bottom, but some of it is recovered, some of it will take a little bit longer, a multi-year process. That's the macro perspective.

From an HSBC perspective, I think where we stand today is we have no residual concern. We've taken some impairments over the last two years in this space. Whatever we're left with are the ones we are comfortable with, usually they're mostly non-residential. They're mostly occupied. They're mostly strong borrowers and current. The ones that have been a bit more difficult have already been addressed, through write-downs or restructurings. When we look at our current book, we feel this is now mostly behind us.

CHRIS HALLAM: One last one from me before we wrap up. We've described HSBC as a global liquidity engine. That's built on the deposit franchise, the wealth flows, the connectivity as well the global connectivity. As you look forward, what do you see as the most enduring advantages of that model and how does that give you confidence when you think about the medium-term targets you've laid out?

GEORGES ELHEDERY: I think we have to approach it with two lenses. The first one is we're a bank built on relationships, on a deep-rooted customer franchise, on trust. For many decades and for many of our customers, more than the 160 years, they were with us right at the start of our journey.

Being true to our heritage, our values, being true to our customer relationships, demonstrating the resilience, the hallmark financial strength of our balance sheet as a token of safety for them, being able to demonstrate and put all our expertise for their good use. Showing consistency, effectively true to our DNA, throughout our heritage has served us extremely well, continues to serve us extremely well with these deep-rooted, highly trusted customer relationships. The first element is to say it's true to our heritage, and we’re always striving to be the most trusted bank for our customers, for our relationships, for our deep-rooted franchise.

The second aspect is that we want to, and are, moving at the pace of our clients as they face the opportunities and challenges of the future. We need to be a bank that is agile, that moves at pace, that innovates and delivers so that while connected to our DNA, we need to be projecting our customers safely into the future at pace.

Therefore, our investments in the future of digital finance, tokenisation of assets, the future of AI and how AI is going to be utilised and all other innovation-related aspects, sustainability-related financing capabilities, et cetera, need to be at the forefront of what we do, so our customers feel we're taking them into the future with all the innovative capabilities of the future and doing so with the level of safety, comfort, and trust they have with HSBC.

I'm proud to say we've already demonstrated a number of these. For instance, the UK government has chosen HSBC and our digital platform for their first ever blockchain-issued digital bond. We use that platform for many other issuances, including sovereign issuers such as the Hong Kong SAR, a number of corporates. We are a bank that now launched 24/7 frictionless payment through tokenised deposits across multiple jurisdictions, giving our clients access to this capability. That's us taking our clients into the future at pace, but safely with the trust they should expect from a service and engagement and partnership with HSBC.