HSBC

Edited transcript

HSBC in the UK – Briefing for investors and analysts

9 November 2026, 8.00am GMT

ALASTAIR RYAN, GLOBAL HEAD OF INVESTOR RELATIONS: Good morning, London. Good afternoon, Hong Kong. Thank you very much for joining us today for our UK investor breakfast. I'm going to be super brief. Thank you for those who've joined in the room for braving the closed Elizabeth line and making it here. I'll be hosting Q&A with David and Jon. At the end, there will be time for people in the room. Those on Zoom should put their hands up in the usual way. With that, our UK Chief Executive, David Lindberg. Thank you.

DAVID LINDBERG, CEO, HSBC UK BANK PLC: Good morning, everybody. Thank you for coming so early in the morning on a Monday, and I hear there's all sorts of fun with the trains, so thank you for making it. I'm David Lindberg, pleased to see you all here. I'll be joined by Jon Bingham, who I know you'll all know. He'll be familiar to you as he was the acting Group CFO, and also more recently the Group Financial Controller.

A lot of what we're going to talk about today is going to be familiar to you from presentations I know many of you saw in Birmingham in 2018 and also in 2022. Also from our interim results and our seminar in Hong Kong in May. This is a story of consistency and commitment, but also one of growth potential in the UK as a home market for the bank. Our strategy is simple, and we've already been executing on this strategy.

Now, we'll be disciplined on new disclosures today, but I really hope there's enough new information for you to make this valuable. I'll spend a few minutes outlining our overall presence in the UK before diving into our larger UK businesses, but I want to stop and give my three key messages for today.

First, we are the leading international bank in the UK. We're a scale player for the largest corporates through to a full-service retail bank, and our market position is unique. We're leading in trade and payments for international businesses and, as you know, the UK is an extremely open economy.

Second, we're growing what is already a market-leading commercial bank. We're investing more, and importantly, we're leaning on our strengths. Our ability to pool our investment with CIB and Hong Kong into shared capability and infrastructure is a strength that is unique to HSBC. Our share in the fast-growing middle corporates is lower than our capability should allow.

Third, we intend to thoughtfully grow our retail bank. Retail is the largest profit pool in the UK, and we've allowed our share to slide in recent years. We'll focus more on this segment, but with disciplined margin management and an ambition to build market-leading digital capabilities that will provide better service to our customers and importantly, operating leverage over time.

Now, behind me here, this is a slide you'll have seen before. It demonstrates our scale and the connected nature of our business. Within the UK, we're a top three bank, and relative to our peers, we're overweight in commercial and we're underweight in retail. This reflects our heritage as a global commercial and institutional bank. Our ring-fenced bank is a leading player, but we add one-third to revenues and more than half to deposits if we include the UK operations of CIB.

An important differentiator for us lies in our ability to invest with the other three core businesses of HSBC to deliver capability to our customers that our local competitors struggle to match. Leveraging our global scale to give customers world-class capabilities. We think this advantage is underappreciated.

Now, I know you'll be interested in margin, and you'll be interested in competition, and Jon and I will be happy to talk about that during Q&A, but you can see that this business is at scale and this business is growing. We grew revenue by 7% year-on-year and 7% growth in our commercial loans or customer loans.

The UK, as you know, is a competitive deposit market. You saw in the Group presentations recently the strength of our deposit position. In the UK, we have more deposits relative to our loan book compared to competitors. Our deposit base is more weighted to current and operating accounts, and that gives us the capacity to grow loans to core clients when we see opportunities.

Now, this slide here shows some new disclosures to help you see our leading position. Some of our payments and trade business is booked in the ring-fenced bank, and some in the non-ring-fenced bank, and that largely reflects client scale or clients that are connected with international parents. By putting them together, you see that of the top five UK banks, we have a 29% market share in corporate payments with a substantial lead to our closest peer and have a 27% market share in trade where the lead is even larger. We're the world's largest trade bank, especially in the UK.

For an economy as internationally active as the UK, this is a material differentiator for our clients. It's interesting to note that so many of our peers shrank back to a domestic focus over the course of the last 15 years. We have commercial capabilities peers struggle to match, and we have the opportunity to drive our leading trade and payments capabilities further down our customer base.

Now let's turn to our UK operating segment, which you'll be familiar with from our quarterly reporting. The UK segment has a return on tangible equity of 21.4%, and the UK segment is already very cost efficient with a cost-to-income ratio of 41%. We already have world-class capabilities that we think should allow us to grow in profitable segments, and we're investing across retail and our commercial bank to improve our digital capabilities and our end-to-end customer journeys.

Importantly, we're also staying true to our future state technology architecture roadmap. This investment will enable us to improve NPS. It's going to drive operating leverage, and position us for long-term growth in segments where we think we have the right to win. Our strategy is to build on our strengths, to grow our leading position in corporate banking for large corporates, and importantly, middle corporates, where our share is lower than it should be given the capabilities that we've already built. To bring more of our leading commercial capabilities to the SME market and to build world-leading digital capabilities in retail.

So let me get into the detail. First, in Commercial Banking. Of the total UK revenue I showed on slide 3, we earn around one-third from this business. Of our UK operating segment, it's around half the revenue, though strong cost control means this business drives more than half of our profit before tax. These two views are reconciled for you in the appendix, but our commercial business is truly market-leading.

Now you see on the left hand of this slide, the pyramid breaks down our customer base, and as you can see, we're number one for large corporates, where we have a relationship with around two-thirds of customers in the market. In middle market, we rank second with significant room to grow. We're number four for smaller businesses, where market share is a clear opportunity.

Our innovation bank is market-leading. We participate in four in ten Series A funding rounds. This business gives us access to the broader innovation ecosystem and is deeply integrated with our global innovation banking capabilities. Innovation is global, and so is our offering, and no other UK bank has this offering. The commercial bank is well diversified with meaningful contributions from each of our four segments and attractive returns across them.

Before I turn to the growth plan, let me spend a little time on the benefits of our integrated global presence. We support customers banking across the 56 markets in our network. Our strong product capabilities are enhanced by our dollar and local currency liquidity in our key markets, and we can leverage HSBC's scale. As I said, the UK, Hong Kong, and CIB invest together, and the benefits are enjoyed by customers of all three businesses.

Think of the digital innovation that my colleague Manish shared with you while in Hong Kong in May. We launched HSBCnio, a digital solution that is already globally market-leading, and also it's already been deployed to our UK corporates. These world-class capabilities allow us to serve our largest corporate clients, but there are also capabilities that are equally important for UK middle corporates. The scale of HSBC global investment gives us a real competitive advantage. We also work to capture the full client wallet, including continuing to refer our business owners to our Private Bank.

Let me tell you about our growth strategy starting with Business Banking. As one of the Group's home markets, we're building our leadership position in this segment as we already do in Hong

Kong. This is already about a third of CMB revenue, and we have not done this segment justice under our old matrix reporting structure. We lacked management focus, and we underinvested. Average onboarding time for customers used to be around 30 days. With one team now accountable for the UK, we're back in competition.

You already heard Georges talk last year about the investments we're making. We now onboard a majority of our customers in 24 hours. Our pricing is also now more competitive. We've added our RMs, and they sit across the country, close to our customers. Our investments are also now beginning to deliver results. New customer numbers were up 23% versus last year, and our service score improved nine points, the largest improvement of any provider in the UK. We're looking to build on this, and we're looking to take market share. We'll be focused on strengthening our digital offering through our dedicated Business Banking platform, sharing more of our leading transaction banking with Business Banking clients, and in acquiring more Business Banking customers.

Turning now to Corporate Banking. As the largest bank for UK corporates, this is our true leadership position in the UK. Our offering is comprehensive, covering both domestic and international corporates, and this is where our network gives us a particular edge. Mid-market is the fastest-growing commercial segment in the UK. Now, I want to talk about mid-market even more. With a 33% market penetration, we've got room to grow, and we're investing, and this is a priority for us now.

In 2025, we built a proprietary database of target middle-market prospects so our bankers know who to call and why. Since the end of 2024, we've added around 500 new customers, equivalent to about 8% of our existing stock. This contributed to a 15% year-on-year increase in lending, and we see a substantial runway of prospects in sectors that we know and we also know we can serve well.

Improving frontline capacity is another way we'll drive growth even further. The complexity of some of our internal processes has limited how much time our RMs spend with clients. We've really under-supported our own bankers, and we're fixing that. Procedures are being simplified, queries are being routed to the right person the first time, and AI insights are better informing our bankers. We're not using this efficiency to reduce bankers. Instead, we're using it to grow. In fact, we are adding frontline bankers. As with so much else, we're doing this work leveraging our global scale.

Turning now to our Retail Bank. As with Commercial, it contributes around a third of our total UK revenue and the remaining half of the UK operating segment. It's a significant proportion of our balance sheet and provides funding and liquidity to the broader UK business. This business is already of substantial scale with about 14.7 million customers. The deposit strength I mentioned is evident here. We have an 8.8% share of deposits, where 72% of those deposits are instant access. We've been working to improve the experience our customers have with us.

The progress we've made is evident across our three brands, as you can see on the left of this slide, but having said that, retail banking is shifting, and we must improve our performance. We're investing in retail to have the very best app anywhere in the world, the very best customer journeys leveraging our Group-wide value stream framework, thoughtful and purposeful use of AI to improve customer experience, and still the best human support when our customers need it. AI will make humans more valuable to our customers, not less.

Now, in the UK, digital capabilities are already world-leading. Having great apps and digital journeys are key to deepening relationships and driving customer primacy, and they're also key to creating operating leverage for our business. Operating leverage is absolutely necessary to competing and to growing in this market. So let me talk about our app, which is the key customer service tool in retail banking.

We launched North Star in 2025. This was a collaborative investment between markets across the Group. Again, you can see the theme I keep talking about, leveraging HSBC's scale to serve UK customers better. We initially launched North Star in the UK and Hong Kong, and it marked a significant improvement to the look and feel of customers' everyday banking. We're in the process of rolling it out across several IWPB markets, as Barry would have mentioned in June. Customers are responding. We now rank third amongst major UK banks for digital engagement.

Our mobile ranking is up three places over the past 12 months, and it's also reducing call centre volumes, improving both service and efficiency. We've only just begun with the journey of this app, but our future digital priorities are now incredibly clear. We will offer the best banking app anywhere in the world. We're going to digitise our end-to-end processes. We're going to use

AI to improve service to our customers whilst providing human support when our customers need it. We're going to simplify underlying platforms with discipline, and we're going to leverage the scale of HSBC's global investment. You'll see major improvements in the coming months.

Let me turn now to platform simplification and why it's so important. Disciplined platform investment reduces costs over time. Let me bring this to life for you using mortgages as an example. We're a leading mortgage provider. We have an 8.3% market share in mortgages, but legacy platforms still constrain capacity and consistency of service.

So we're moving to a common platform, which will enable faster decisions for customers, will increase capacity, and lower the cost to serve. It will soon be possible for customers to get a mortgage approval with HSBC in 15 minutes.

Finally, let me spend a minute on the strength of our mass affluent franchise. You remember Barry, Maggie, and others spoke about HSBC Premier at our May seminar. We launched Premier 26 years ago as the first global financial service for personal banking customers. That heritage helped us build a significant customer base of affluent customers in the UK, with just under 1.1 million affluent customers at year-end 2024. It's an attractive segment in terms of profitability, though this means it's obviously also very keenly contested in our market.

Our international capabilities give us an advantage. Around 30% of Premier customers are international. We relaunched Premier in late 2024, adding more than 40 new or enhanced features. Premier deposits are up 8%. Our NPS ranking has improved by three places since 2022. We intend to protect and also to keep growing this segment.

We have improvements to our offering planned - enhancements to our product suite, upgrades to our reward platform and a shift in wealth from an adviser-heavy model to a more digitally focused one, although still offering clients advisor support when they need it.

We're increasingly embedding wealth solutions in our app because that's what customers want. We'll have the full range of products and tax wrappers that customers need, but all in their app. Again, we're leveraging platform capabilities from our Asia wealth management business wherever possible.

So, to close, I hope today we've demonstrated the scale of the UK franchise across the ring-fenced and non-ring-fenced banks. Clarity on how we plan to invest to win in each of the segments of this UK franchise, along with clear room to do just that. The advantages we can deliver to customers by working together across the wider HSBC business, unmatched scale should create unmatched capability. Our focus on simplification through digitisation and systems discipline.

Finally, the strength of our balance sheet and the options our balance sheet gives us to maximise returns across the ring-fenced and the non-ring-fenced portions of the UK business. So, thank you very much, and I'd like to invite Jon up to take some Q&A.

ALASTAIR RYAN: Thank you, David. Welcome, Jon. We've plenty of time for questions. We wanted to move through that at pace. I suspect over the last couple of weeks, you've developed a few questions for our UK-focused businesses. We'll take questions first from the room. Thank you for joining us.

ALVARO SERRANO, MORGAN STANLEY: A couple of questions please. You've mentioned market share wins in both middle market segment and in retail. Maybe you can give us a flavour of what you think your natural market share should be in the long term? What are your ambitions in terms of market share?

Second, I had to ask about deposit competition. You've got an offer out there, 4.5%, which for the incumbents or the leaders in the market is probably on the more aggressive side. Can you talk us through the rationale for the pricing? Why now? You've got multi-brand strategy, so how did you think about doing it, what you ended up doing, versus focusing on a different brand, the main brand? Thanks.

DAVID LINDBERG: We already have a dominant position in Large Corporate. But if you look into that, we have just over 70% market penetration. But our share is a bit lower than that. So, we think the opportunity to deepen in that segment is the real opportunity for Large Corporates.

Mid-market corporates was a business we never even had six years ago. It leverages all the same capabilities that Large Corporates have. So, we think the opportunity to grow there is really quite large, and we should be able to get close to our share in large corporate over time in the middle market segment.

Business Banking, again, fourth. We've taken our eye off the ball there probably for four or five years. We're slowly getting that back. Again, we can start to creep that up, although I think in fairness, that probably lags a little bit where we would be in the two corporate segments.

Then I want to be pretty clear on Retail. Most of what I've talked about today and most of the big investments we're making early are in digitisation. That fundamentally is about getting current accounts, it's about getting operating deposits, it's about giving us liquidity and optionality into the future with our balance sheet.

So, we think we can slowly start to grow that share, but I also want to be very clear that we're trying to grow value and we're not chasing market share. So, if you think about some of our assets, particularly on mortgages, there'll be times when we like the margin in mortgages, there'll be times we like it a little bit less, and our balance sheet gives us all sorts of options for where we place our liquidity across our asset classes.

You should just expect us to be rational. We're not going to lurch in and lurch out, but we'll rationally look to take a little bit more share, say in mortgages, when we're pleased with the deposits, and maybe look to support more corporate lending when that's the rational choice on a margin side of things.

JONATHAN BINGHAM, CFO, HSBC UK BANK PLC: I suspect this audience is very familiar with some of the deposit competition trends, but just to level-set. We did see increased competition in deposits through Q3, that's a mixture of a number of system-wide factors. You've got lending growth, which the whole market and we are seeing specifically, we've seen some quantitative tightening, and we've seen certain deposits being used by non-lending organisations. We have seen some of that and we've seen some modest moves into term deposits, but those have been relatively modest.

But we start from a very strong position, so as you saw on the slide, we've got half a trillion of deposits across the UK franchise. The UK has one of the leading loans-to-deposit ratios, and crucially, we have a lot of options because a number of our deposits come from corporate customers as well.

In some cases, we will take opportunities, particularly with interest rate volatility, to put out fixed-rate products which are attractive, but those are to maintain competitiveness. We will continue to be very disciplined, and we don't need to chase deposits to fund our growth at the minute.

What will become evident, we've had the recent interest rate change in last Thursday, we stuck to our standard across the various products, we vary it by products, but if you aggregate that we stuck to our standard 50% pass-through assumption.

KIAN ABOUHOSSEIN, J.P. MORGAN: You had a good slide seven, where you have the triangle with the different segments and growth segments that you want to focus on. If you can discuss a little bit how you think this should be changing over time? Considering you're more focusing at the lower end of that triangle, growing that piece. I just want to understand how that should change over time and how we should think the journey to get there in terms of timing?

Secondly, you talked about positive operating leverage, how should we think about positive operating leverage considering the ongoing investments over the medium term?

DAVID LINDBERG: It's difficult to give targets based on numbers as aggregated as these. You can see that we have four segments. If you loop the Innovation Banking in with Large Corporates, we probably do a third, a third, a third in terms of revenue. Each of those segments has return on equity well above the cost of capital, and we're happy with those.

As you probably would know, the return on equity might move up a little bit as you move down the segments, and also the liquidity value might move up as you move down the segments. So, I'll be cautious. I would say that Innovation Banking is probably a place that we're looking to grow, and that's consistent with these are high-growth businesses, and we have a dominant market position in that segment.

Over the shorter term, we're looking to grow the Mid-market segment relative to the Large Corporate segment. You've seen that in the last quarter, and in fact, the last year of our results where we've been growing that Mid-market segment at roughly 15% lending growth, which we're happy to fund and those are good returns. So, maybe a little bit more in that segment.

Then Business Banking is a platform play. This is a business that will grow slowly over time, but once you have scale, once you have capabilities, once we've invested more, not just in the marketing and the pricing, which we've already done, but in the platform to give us advantage

and over time to suck down the capabilities that we're already putting into a system like Nio into the Business Banking platform, we think that will build capability and share over time. I'd be remiss to give you exact guidance in terms of how these move, but roughly that's how I think about it.

JONATHAN BINGHAM: We're very pleased with our operating leverage if you express it as a cost-to-income percentage. David quoted 41%, which is including notables; ex-notables, that's closer to 38%.

I think how you should think about that is we are driving operating leverage through the business, but we do want to make a number of investments. So, I would see that remaining relatively static over the medium term, in that we can fund our investments through the gains we're making out of driving platform operating leverage.

DAVID LINDBERG: I'm obsessed with operating leverage. I think there's a race, particularly in UK retail banking, to achieve operating leverage as quickly as possible. I think our ability to grow transactions and grow customers without that resulting growth in costs is essential. All else being equal, that will drive costs down.

Having said that, it's a competitive market, and we're going to have to start reinvesting those savings over time in growth. I don't know that you'll necessarily see that in a significant reduction in the overall cost-to-income ratio. But what you will see is our ability to reduce the cost to serve customers, giving us the ability to remain competitive and serve our customers and grow.

JAMES INVINE, ROTHSCHILD & CO, REDBURN: I've got two, please. The first is on your structural hedge in the UK, just to help us understand your UK numbers. Could you please give us the size and yield of your structural hedge?

The second question is about the structure. You are presenting HSBC in the UK that is spread across two legal entities with two different CEOs. How much of that is an impediment to your business? Is there anything that you can do in terms of the structure of what sits in one entity or the other to improve the performance of the business going forward?

DAVID LINDBERG: Why don't I take the second, and then Jon can take the first. I would take a step back and ask, how did we deal with this through the course of the last five years? Arguably, it has been an impediment. We have certain restrictions relating to ring-fencing.

I think today, with four businesses, and with my seat at the Group OpCo, we have a much more collaborative relationship. Michael Roberts runs CIB. Barry runs IWPB. But the three of us really work on one go-to-market strategy in the UK. Take Large Corporate - there are some large corporates that happen to sit in CIB, some that some happen to sit in the ring-fenced bank. But we work together with one go-to-market strategy there.

As it relates to fungibility of the balance sheet, there are restrictions that ring-fencing does give us, but there's a lot that we can do. There's a lot of business that, say, CIB could write, that we can have choices around which balance sheet it sits on. I have the opportunity to think about that. My goal and Michael's goal and Barry's goal is to optimise for the UK, not to optimise for any of those three businesses. Today we have the culture and maturity to do that. That's a real opportunity I don't think we'd been leveraging in the past.

JONATHAN BINGHAM: On the structural hedge, you'll be very well aware we don't give the UK individual figures, but if you take the Group figures of our structural hedge, at Q3 we disclosed the structural hedge in total of $655 billion, 3.2 years maturity, 3.5% yield, and we say the UK is the biggest proportion of that.

If you model the UK on those similar parameters, it's not far off the Group, given how much of a majority we have. We are seeing that we are able to, particularly now, invest it at still incrementally high yields. The maturity of it, we give the Group maturity, the UK maturity is also pretty smooth going forward over that yield profile.

So, whilst I'm not able to give you the UK numbers, if you model it based on the Group numbers proportioned down, you don't get too far wrong in terms of trends.

BEN CAVEN-ROBERTS, GOLDMAN SACHS: You gave some helpful colour around deposit trends. Could you give a bit of colour on asset margins and how those are varying in your outlook across different segments?

Secondly, following up on your points around building the best app in the world and having that come through in 2027, could you talk about how you view the role of the app in the relationship with the customer in retail and if you think that changes at all over coming years?

DAVID LINDBERG: We'll be a bit circumspect on talking about specific margin by product. Certainly, there's been a lot of discussion about deposit margins and liquidity. Asset margins - I would say we have real options and so, by and large you see corporate asset margins being higher than you see in retail. That gives us the opportunity to take advantage of those.

In retail the big asset class is mortgages. Over the last little while, the mortgage margin has been a little bit lower than we would have liked and you can see that we haven't been significantly taking share there. There were periods of time this year where it was a bit better and on that basis we did a bit better during that time period. We'll see how that plays out.

I guess the message I want to share is that a) we have discipline and we really understand these margins and we're looking to grow when we're happy with the margin, and b) we've got options across the ring-fenced and non-ring-fenced bank to really optimise the asset and deposit side of that margin.

If I then turn to the app, the app is what every retail banker just must obsess with. The role it plays, nobody will know for sure how it plays out. But I think the starting point is it still has to have the best look and feel, it still has to have all the capabilities. I talked about wealth and for a long period of time, I think in this market, people thought of retail on one side and wealth on the other, but from the customer's perspective, they want to see it all together and wealth feels like long-term savings for a lot of our customers with similar purchasing journeys.

We're really just trying to bring all that together in a really simple usable format for our customers. Then we've got the advantage I've been talking about which is our Asia wealth business. They're investing in global capabilities for investments. We get to leverage those and put them into our app and serve our customers better as a consequence of that, but we didn't have to make those investments ourself from the UK. That's a huge advantage to us.

If I went further into the future, AI and the ability to authenticate customers on the app, serve them, using AI on the app, leveraging right back into the call centre, I think you have a coming together of the contact centre channel and the app channel using common identification of customer. That should give enormous opportunity to reduce costs, but more importantly, to serve customers better.

I keep asking the question, what can we do, not to save money with generative AI, but what can we do to do things for customers that we've known they've always wanted because we have generative AI? One of the classic examples is we can solve the advice gap over time and give customers that are in the retail business services that they've never had before.

I really think the app becomes the centrepiece, and a lot of the other channels start to hang together off the app using the same authentication layer.

JONATHAN BINGHAM: One add-on point on the margin. Whilst we don't give guidance on the margin, at the half year we disclosed for the UK the margin was broadly stable. It had actually gone up a little bit from 2.62% to 2.66%.

When you input into your models, you'll be factoring in some level of thought of deposit competition and issuance cost et cetera, but the important balance to that is we have changed the shape of some of our lending. Whilst we're growing lending overall at 7%, within that, commercial is growing at 13% and that's typically at higher margins. So, you'd want to model that as an offsetting effect to some of the impacts on deposit.

GUY STEBBINGS, BNP PARIBAS: The first question was regarding onboarding on the Business Banking side. You talked about previously 30 days onboarding and that coming down to less than 24 hours. Is that something that's happened quite recently? Because I could imagine that 30 days was quite an inhibitor in the past. I just wonder if that's created a step change more recently?

The second question, as you come from a slightly underweight position as you framed it in retail, does the balance sheet of your UK retail business look different in the future? Does it look a bit more like some peers as we think about moving away from that underweight position?

DAVID LINDBERG: So, I'll start with the first question in terms of Business Banking. I may touch on the second, and Jon will as well. We just hadn't invested in the UK business, in Business Banking for a long time. Part of that was a reflection of our global line of business,

and these felt like smaller customers. But when you really look at the dynamics as we showed, it's a massive profit pool, Business Banking, with great liquidity and great return on equity.

So, we started to invest. We put more money into marketing. We put more money into bankers. But the longer-term investment is the platform itself. We have a platform that is bespoke just to this segment now. It's called DBB. It's a modern, well-architected platform. We're building the journeys in that platform.

One of those journeys is the onboarding journey. So to say that we had 30 days to onboard a client is ridiculous. Guess what? We got exactly what we deserved, which was a loss of market share that was quite significant over the course of the last five years. We fixed that recently.

That's one of the things that's driven that 23% increase year on year, along with pricing and marketing. I think all three contributed, but if you can't onboard a customer in less than 30 days, you're not going to take share in this segment.

JONATHAN BINGHAM: The balance sheet will evolve as we move from an underweight retail position, but maybe two things that we'll continue to hold true throughout that is the value we place on deposits. We will continue to have an industry-leading asset-to-deposit ratio, and we've given you the figure of 72% instant access. We are very keen on protecting that, for obvious reasons.

Secondly, we'll continue to maintain our conservative stance to credit risk. Within all that, we will grow unsecured somewhat, but we currently have about $19 billion of unsecured lending, and that grew relative to last year at 5%. With those two guardrails of value of deposits and conservative credit risk appetite, it's not going to radically transform.

DAVID LINDBERG: If I could just then build on that, if you look at our target segment, it's the high deposit segment. So Premier customers, probably expanding that a little bit, but you would still look at us as a Premier target market relative to competitors. That gives us the operating deposits that fund the balance sheet and gives us the stability that we're looking for. If you look at all the investments we're making, it's in the everyday banking side of things. So we're actually trying to get the operational deposits of all of our customers, including our retail customers. We think over time, that gives us a better balance sheet structure than trying to go for all customers and take all asset classes at the same time.

The final thing I'll say is, again, we're always going to be circumspect on the assets that we put on our balance sheet. We have got options across the business where we have those four really strong businesses that can attract that capital and liquidity.

XINYU WANG, CHINA SECURITIES: The cost-to-income ratio for the UK stands at around 40%, just higher than that of Hong Kong. Given AI adoption is there further room for the UK cost-to-income ratio to decrease, and is there a target?

DAVID LINDBERG: In terms of cost-to-income ratio, comparing it to Hong Kong, we do have a market-leading cost-to-income ratio already. It's worth making that clear. That's particularly true in our commercial bank, where we've got scale, and we have really good cost control, and the ability to leverage Group systems. I said 41%, it's come down a little bit in the quarterly reporting, as you've seen.

There might be room for that to come down a little bit, but I would just stress, we have the ability to be much more efficient. That efficiency and operating leverage is going to give us cost opportunities into the future, but there's still going to be requirements for us to invest in the business. One of the reasons we haven't done what we wanted to do in retail is we probably haven't invested enough in the platforms and underlying systems.

It's hard to imagine the need for that investment to go away entirely over time, so there'll be efficiencies. We're already at a market-leading cost-to-income ratio. Some of that might come down ever so slightly, but I wouldn't say that that is the core ambition that we have on cost.

ANDREW COOMBS, CITI: Two interconnected questions. Firstly, thinking about your retail deposit mix, because you just talked about that 72% figure, that's relatively low versus some of your peers. I'm trying to get a feel for whether you think that's because of your customer mix where you're targeting more of a Premier, more affluent customer base who's more likely to have their money sitting in term, or do you think that reflects constraints around your ring fence, LDR and LCR?

The second question, I think ring fencing probably is more of an obstacle to yourselves compared to some of the other banks. I was interested in the comment you made about the fungibility and making or electing where the CIB business can sit.

Because if we look at your ring-fenced LDR at 88% and your non-ring fenced bank LDR at 22%, if there's an increase in fungibility, that has huge implications for your business and what you can do to extend credit on the on the retail side. I'm interested in any thoughts or any more colour you can provide there.

DAVID LINDBERG: Jon might have something on the operating deposits, but I think the answer is that there's a slightly different definition we use than some of our competitors, and if you were to solve for that, I think you'd get closer and you'd find that we do have a leadership position in that. As it relates to our ability to leverage the ring fence and non-ring fence balance sheets, we don't have perfect flexibility or fungibility across these balance sheets, but we do have material flexibility.

Working together to ensure that we leverage cost of funds advantage and release some of the constraints that each of the balance sheets might face over time is something that we're now working together on. I don't want to put anything specific on that, but it is a material opportunity for us to optimise in ways that perhaps we haven't been optimising in the past.

JONATHAN BINGHAM: On the first question, if you look at the 28% that's not classed as instant access, it breaks down half and half between pure term deposits and our Bonus Saver product. Our Bonus Saver product, we are very pleased with and its performance. There is variance in the market, but ours works slightly differently. What that Bonus Saver does is give you a certain headline rate, as long as you hit certain behavioural triggers. The other part of that's not term is this Bonus Saver. Others might classify that instant access depending on their terms, but that's how it breaks down.

AMAN RAKKAR, BARCLAYS: One on corporate lending, please. It's very difficult for a lot of people to reconcile the level of corporate loan growth in the UK with the top-down picture, so could you give us your take on what's going on? It looks like some of the growth rates are accelerating, how enduring is what we're seeing?

Somewhat related to that, what's your take on the competition? You're hearing a lot of banks that are growing their corporate loan books pretty strongly and strategically have ambitions to grow their share there. So is it a case that competition is pretty benign now while the system's growing, but you would expect it to intensify over time? It'd be really helpful, whatever colour you've got there.

Then the second question is, in terms of the UK's contribution to the Group targets, we talk about building into a mid-single-digit revenue cadence long-term. Is that the right medium-term ambition for your business?

DAVID LINDBERG: Corporate lending is a really interesting and important topic right now. If you looked at the whole market, you see probably a little bit of a reduction in credit growth on the mortgage side of things. I think that's just a reflection of rates going up, and it seems quite rational. Corporate lending is particularly interesting to me.

I'll tell you the stories that our frontline bankers are seeing. It's an underleveraged segment - since the GFC, corporate lending has been underleveraged relative to where it's been in the past. We think there's opportunity there. But we're finding that these businesses have huge demand for loan growth right now to invest back into their businesses, and the investments are exactly the kind of investments we'd like to see. We're seeing a lot of investments into AI. We're seeing a lot of investments in automation. We're seeing a lot of investments into digitisation and robotics.

We're also seeing investments into acquisition. A lot of our customers have said, ‘this is the time for scale’. We're seeing people acquire competitor businesses in order to achieve that scale. We think this is really positive loan demand in Large Corporate, in Mid- market and to some degree even in Business Banking, and so we're trying to fund it.

Of course, that's causing loan growth to be much higher than deposit growth, either in corporate or in retail, and many of our competitors have talked to that. But I see this as a significant shift and I just want to put a real marker on this. Our economy and the banking system has to find a way to fund that loan growth, because if we can't fund our corporates to make investments now, when the returns are so high from those investments, we're going to fall behind the world. This is a point we really want to make. We have to find a way to ensure that the UK banking system can fund this positive growth.

Labour costs have been going up through different budgets. A lot of our customers are saying, I'm going to invest to offset that. This is exactly the sort of thing that creates productivity growth in an economy and we are beginning to see productivity growth in the UK economy I think, as

a consequence of that. Really important, high quality, and, of course, we like the returns of these loans as well.

JONATHAN BINGHAM: On the returns, I'm probably going to borrow from Alastair's broken record, we don't see the 17% RoTE and 5% revenue as ambitions; it's how we're running the business. So consequently, that feeds down to the UK franchise. We're currently at a 21% RoTE and growing revenue 6% to 7%. You would imagine us to seek to maintain this. Quarter by quarter there will be volatility, but as we roll up into the groups, targets, we will maintain these kind of things.

JASON NAPIER, UBS: Could we dwell on the anecdote you shared around onboarding and the mechanics of what it is that had to change. No one who'd stood up at an event like this in prior years would have said that was the state you'd like to have remained at, so what is it that's changed? Are there meaningful other improvements that need to take place? Is there a step change that we ought to expect in the performance of the business?

Because we've been to similar events like this in the past, and it felt like there was a lot of investment going into the business, so is that anecdote representative of a meaningful change in the approach in this market? Or is it just one area where you've fixed something that was clearly suboptimal?

DAVID LINDBERG: Digital is our thrust in Retail banking and Business Banking, which doesn't mean we don't augment the digital offering with business bankers, and we've hired more of them. But this is what we're doing. This is how we're trying to run the business. We're starting from the goal to have the very best digital platform in retail and in business banking, and in fact, in corporate through HSBCnio. We have to have that, we have to have the best usability.

But these platforms are only as good as the journeys that sit behind them. We're reorganising the business to focus on the core customer journeys in each of these segments. We make those journeys perfect, and once we've done that, we do it again, once we do that, we do it again. And we just keep making those journeys digital and as perfect as we can.

The metrics I look at are the percentage of sales and transactions that are digital, and then the percentage of those that are straight through processed. That's much better client experience, and it's also better operating leverage. This is a genuine shift in terms of how we're thinking about this business. We think that's the future. We think if we don't get there, we're going to lack the operating leverage we need to grow. We shouldn't just think of growth as revenue growth.

My view is that over time, we're going to have customer growth as there are more split banking relationships across the economy, and you're going to have more transactions per customer, and so we have to get there. That's the core thrust of our investment, particularly weighted towards the big front-end platforms, which is the retail app North Star and its DBB, which is that separate front end for Business Banking customers.

AMIT GOEL, MEDIOBANCA: I just had two follow-ups. One was putting the hedge and margin comments together on NII. I'm trying to understand, excluding the hedge, would you see UK NII as broadly stable, or is there still some erosion from deposit competition and any narrowing of commercial lending margins?

Secondly, in terms of the capital allocation within HSBC, UK, the legal entities. The headroom looks a little bit thinner and RWAs are pretty strong. With mid-market growing close to 15%, should we expect HSBC UK dividends to Group to be growing more slowly than earnings? Within that, if we see some easing of the UK buffers from the rate reform, would we expect that incremental capital capacity to be coming back to the Group or getting reinvested in the UK business?

DAVID LINDBERG: I'll touch on the second and then on the hedge and NII, Jon can take. On capital allocation, we look at the risk weights, density for every single asset class that we write and grow, we consider that. You would have known Basel 3.1 will give us 40 to 50 basis points on our Tier 1 capital. That will be to the benefit, and that will give us the ability to grow.

What I want to say is, we're a Group, and we're going to be allocating the capital of the Group in the most efficient way possible. We think there are strong returns in the UK, there are strong returns out of the UK, and Group OpCo will make that decision, and that decision will be something that we can adjust to over time to maximise long-term value.

JONATHAN BINGHAM: Just one add-on, I wouldn't focus too much of the individual capital ratio of the entities as you'd expect in a group. We seek to run those at pretty fine margins, knowing that we have Group capabilities should we need more capital.

On the hedge, two things to say. At the rates inferred from the Group hedge, to the earlier conversation, the hedge has a significant impact on the margin, so you would want to factor that in. But outwith the hedge, it's fair to say that the change in mix of the growing commercial and the deposits somewhat balance themselves out. Both stories will continue to be written over the next year, but as we stand today, we see those balancing out.

ALASTAIR WARR, AUTONOMOUS: Just want to carry on that point a little bit about the level of corporate growth that we've had in the UK, others and yourselves, it's been a while now. Rates higher as well. We've got a bit of colour in recent briefings on where this has been coming from, what you are focusing on. Could you give us thoughts on sectors, areas you're less interested in, and talk a little bit about any asset quality risk, system or yourselves you'd rather be sidestepping?

DAVID LINDBERG: Broadly, we think the corporate book is really healthy. We think that it's important to note that when you're a leading corporate bank, you tend to have the leading corporate clients, and they tend to also have exposure internationally. We think we have the very top end of corporate exposures. I won't give new disclosures on ECLs or the credit book, but there was a potential risk earlier in the year - what would happen if the Iran conflict continued, how bad would it get? At this point I feel very comfortable with how we've provided for that segment.

This is high-quality lending, because we're seeing our business customers put that money back into their businesses, and we see that they're getting returns from that. I think this is exactly the kind of lending we want. If you took a big step back, we all know that there's a government debt-to-GDP ratio that's constraining. The private debt-to-GDP ratio is very low by historical standards and very low by global standards.

I think what we're seeing here is re-leveraging. I think it's corporates saying there is a ‘must-invest’ requirement right now, and we're supplying the credit for that. I think it's the right margin, it's the right investments, and we're happy with that. If you looked at the segments – and this is more stories – there's some segments doing better than others. So B2B businesses tend to be outperforming B2C businesses at the moment. There is a question around consumer confidence that will continue to drive B2C business performance.

There are certain sectors that are more exposed to Iran and to oil and energy prices than others. Agri is a sector that's been a little bit exposed. Home building, particularly in London and the southeast, has been a little bit exposed as well. But these are smaller parts of our book, and we're managing those relationships in a reasonable, non-knee-jerk way.

The thing I want to reinforce is that we have the strongest balance sheet, we think, in the market, and that lets us support our core clients through good times and bad times, and we're committed to doing that.

JONATHAN BINGHAM: I'm conscious that we were coming towards the end, so I wondered if I might just make one comment because people asked me in the fringes about impact of the UK tax and the banking surcharge on HSBC, and I wanted to make some comments on the record.

Just for your modelling, in terms of impacts, there is a total impact over the 15 months of around $(0.3) billion. You will see, because this has now been substantively enacted, a one-off impact in 2026 of about $(0.1) billion as we revalue deferred tax liabilities as well.

SHEEL SHAH, J.P. MORGAN: You've got a leading franchise in Hong Kong, you've got a leading franchise in the UK. Can I ask about the knowledge synergies between them? If you park the financial synergies in terms of the investments between one and the other, what are the key learnings you've seen in Hong Kong that work very well there that you can bring to the UK? And the other way around, that may benefit the Hong Kong franchise?

DAVID LINDBERG: If I can make an umbrella statement. There are only four businesses, each represented in OpCo. We meet regularly and we have ongoing discussions. All the major topics going on in Hong Kong, I'm aware of. All the major topics in the UK, they're aware of. It's quite a close OpCo in that regard.

In terms of what Hong Kong does particularly well, they have a lot of innovation around wealth management products, they do very well around deposit raising, and so that's something we learn from. In many cases, we can take that capability and input it at low cost. Take North Star. North Star is one platform and it's programmed by both teams and we can leverage each other. We certainly take that.

I would say if you looked at a market level, UK banking applications are some of the best in the world. The rates of digitisation in the UK are much higher, the rates of digitisation and straight-through processing, than just about any market in the world. Much higher than the US, higher than Hong Kong, higher than almost every other developed economy.

Our ability to lead on the app is something they can learn from and benefit from. Those would be two examples. But the umbrella statement is, it's one OpCo, four businesses. There's very little of consequence happening in Hong Kong that I don't benefit from knowing about, and vice versa.

AMAN RAKKAR: Just interested in your appetite for inorganic in the UK - is it reasonable to think the UK could be a focus of groupwide capital?

DAVID LINDBERG: We'll be obviously circumspect about talking about that. Certainly, operating leverage in the UK market generally would likely be conducive to some form of consolidation over time. That's a market statement, not an HSBC statement. But I think we've been very clear on the financial hurdles and the discipline with which we treat those if we were to make any acquisition, large or small, in this market.

ALASTAIR RYAN: With that, David, Jon, thank you. Thank you everybody for joining us. That concludes the presentation. Thank you.