HSBC

Edited transcript

Asia Seminar for Investors and Analysts
Group CEO Introduction

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GEORGES ELHEDERY, GROUP CEO: Good morning everyone. Thank you very much Peter for this introduction and for hosting us today, and welcome everyone to 1 QRC, 1 Queen's Road Central, to the bank that's known as 'The Hong Kong bank'. All of you have seen this iconic building, we celebrated 40 years two months ago, we had Lord Foster with us for the celebration, it was one of the highlights of his career, probably one of the starters of his career actually.

You've also seen the video; some of you know 161 years ago in exactly that same spot we set up the Hongkong and Shanghai Banking Corporation in March in Hong Kong. A few weeks later in Shanghai. Within ten years in most of Asia. Within a year we were already in Osaka and Kobe within a few years in Vietnam, Malaysia, Thailand or Cochin China or Malaya, the Siam Kingdom, etc.

I think what's important when you look at that history is that number one, we were set up by our customers. We were set up by those merchants, those entrepreneurs and those shipping companies who needed a bank that served their needs. They needed a bank that has their trust. They needed a bank that was focused on delivering what they needed and what their ambitions are. They needed a bank that is relationship-driven. They also needed a bank that allowed them to grow, and grow with them.

This is why we ended up setting up shop in so many geographies across Asia and the rest of the world. Of course London a year after we opened in Hong Kong, but in France we opened in Lyon, because that was the silk capital of France, not in Paris. In the US ten years on, we opened in San Francisco because that was the port city. They needed a trade bank and they also wanted a bank that calls Hong Kong home because they collectively called Hong Kong home however much of their business was international and trading related.

Finally, many international banks had heard about this need and felt that they want to sail and come to Hong Kong and set up shop. They needed a bank to set up quickly before any of these internationals come in try to build something. The first ship was due in a week coming from India with bankers, so they had five days to build a bank, and in five days all the articles of association, the licences, were there. That was a bank that was agile, delivering to our customers, fast for our customers.

Look at our ambition today and our three priorities. Our ambition is to be the most trusted bank globally, putting customers at the heart of everything we do. Our first strategic priority is to be simple and agile. That's in order to be responsive to a fast-changing world. To be able to adapt, and to be able to help our customers adapt and move at their speed.

Second priority - driving customer-centricity - we are a relationship-driven bank. This is how we were built. This is our DNA. We're not a 'product push' bank. We're a bank that delivers to customers' needs, customers' goals and the evolving needs, and the future needs and goals.

Number three, we deliver focused, sustainable growth. Focused on where we're best at serving our customers, and sustainable because they're growing year after year after year, and we want to grow with them, year after year after year. They need to count on us today. They need to know that we're here for them in ten years' time, 20 years' time and longer.

Never have our ambition and three strategic priorities been so aligned to our DNA. But equally, never have our ambition and three strategic priorities been so well positioning us for the world of the future, for the uncertainties that we facing, for the innovation that is coming. These are our basic DNA that are helping us position very well for the future.

So we set up four businesses - the first thing we did, about 20 months ago, is set on a course to be simple and agile. I have to say that sometimes in our history we didn't live up to the DNA, and we became somewhat complex. We're reversing that journey very fast. So we set five strategic missions to be simple and agile, so that we can be responsive to a developing market and moving at the pace and the speed that our customers need us to move at.

The first thing we did is we reorganised our structure to align it or strategy. I'm pleased to say we have called Hong Kong a home market. We also have the UK as a home market. These are two home market businesses - we have a leading position. We also have two network businesses - Corporate and Institutional Banking, supporting our wholesale customers' global aspirations, the world's trade bank, but also International Wealth and Premier Banking, supporting our customers manage their personal finances. Trusting us with their hard-earned savings. Trusting us as the custodian of their savings and the manager of their savings.

Second, after we set up the structure with these four businesses, we set up a leadership structure to be able to deal with it, by deduplicating certain areas where we were two over-matrixed. So now at the Group Operating Committee, that has dropped from 18 to 12 members, 60% of the revenue has single line of accountability and therefore fully empowered line of accountability. Importantly, 15% of our Managing Directors we were able to reduce, that's about 300 MDs, without impacting the business. These were roles that were duplicated due to the previous set up. That's done.

Number three, we promised you $1.5 billion of simplification saves to be taken to the bottom line. That's about 8% of the payroll cost. We promised you that by the end of 2026. By the half-year results we will have delivered it, six months ahead of time, in 18 months. We already as of today have actioned $1.4 billion of the $1.5 billion savings that we committed. Last year in our P&L we managed to get $600 million of those saves. That equated to about 4,400 full-time employees. By the half year we will update you about the closing of this programme of $1.5 billion from saves annualised, and the impact in terms of the reduction of employees. I have to say this is non-impacting of revenue. This is simplification that's driving through the organisation from the business set up and the leadership set up. That will be driven, and at the half year, 'Ahead' will turn into 'Done' on the slide.

Number four, $1.8 billion of cost reallocation. This is where we decided to review our participation choices and to review those areas that are not strategic, where we don't matter for our customers to do them, and then we shed them and then we focus, we reinvest those costs taken out, we invest them in those activities where we matter for customers, where we drive growth, where we drive returns, and where we have competitive advantages. We've already decisioned 12 exits, $0.8 billion worth of those costs, with associated revenue of about $1 billion, and we have under active execution including some of the three strategic reviews that we called out, $0.5 billion. I'm expecting, on that first chunk of $1.5 billion, by the end of the year to be vastly delivered, broadly, substantially delivered. Now minded the cost saves will only happen after the exit is complete. So the decisions, the signings of some of these M&As will take us 12 months before the actual saves come and that we can redeploy it. You have to assume that redeployment will deliver higher revenue and higher returns than the revenue that's taken out, because we would be reinvesting it in those areas of higher growth potential and higher returns. And there's a $0.3 billion additional coming from the privatisation of Hang Seng which we discussed at length at previous results. This is the reported basis cost takeout - our ambition is to deliver more than that in terms of cost takeout - more like $0.5 billion, but from M&A reporting standards, $0.3 billion was the number that is auditable. We're expecting to deliver those by the end of 2028 and that will be substantially moving forward.

The final point, number five, is really where you're going to hear me talk about for the next few years because that's going to be a multi-year journey. This is really an upgrading of our operating model. This is HSBC reengineering itself, rewiring itself, to be simpler, to be agile, and to be able to deliver fast. Two big workstreams under this category.

The first one is a 'demise' workstream. We killing non-strategic or legacy applications called out here, and we're tracking this. But we are also killing legacy products and all the processes and procedures due to legacy products. We're killing spreadsheet EUCs that are not needed.

We're killing URLs. We’re killing cost centres. We are streamlining by taking down all of those. We’ll be talking about that in the coming quarters.

The second workstream under this is we are simplifying policies, processes, procedures; automating and embedding controls in an automated way. We have more than fifty of those processes, procedures that are on in the process of being simplified. Now, how we're going to go about that - that's probably one of the challenges we're going to face. If I was here in 2020 talking about this, I would be telling you that we're going to put in dozens and dozens of six-sigma process engineers - giving them a process, giving them weeks and weeks to be able to review it and redesign it reengineer it, and then another weeks and weeks and weeks to develop a new one. Fortunately I'm doing this in 2026 - 2025 started - and we have generative AI. And generative AI is going to be a material accelerator of these initiatives. So I'm going to take two minutes to talk about generative AI. We set the vision, and we set three goals. I'm going to read the vision. The vision is to empower our colleagues to use AI in order to create personalised experience for each customer or client, to deliver it safely, in real time, and at scale, while we keep human judgement, human decision making, and human accountability at the core. Let me unpack. First - empower our colleagues. We have 200,000 colleagues. We all know generative AI will destroy certain jobs and will create new jobs. But my initial mission is I need 200,000 colleagues with us on this journey. However many will be left at the end of the journey isn't the problem. The problem is, how can we make sure that those 200,000 colleagues have been given all the capabilities, the training, the tools to make themselves future-ready, be more productive versions of themselves. Importantly, how can they be on the journey with us, not fighting us, not disenfranchised, not anxious, overwhelmed and resisting the change. That's our first mission. Everyone will be given training capabilities productivity tools, specialised tools, coding assistants so that they can become a better, more productive, higher performing version of themselves. It’s on them to use these tools and be future-ready. It's on us to make sure that they're all given these opportunities to come along the journey with us.

Goal number two is simplify and scale how we operate. This is where I was just mentioning earlier the more than 50 workstreams that we're simplifying. We appointed already the Chief AI Officer. He already delivered end-to-end KYC onboarding process for Corporate and Institutional Banking, with material productivity saves and time saved. Now we've given him oversight across the bank - all our value streams, businesses and functions - technology and operations - to help us collectively redesign with the help of AI, with the help of external partners, all these processes. More than fifty of those. Mission: achieve real time or near real time. It's a moonshot, but imagine we're onboarding in real time. Credit card application approval in real time. Wholesale revolving credit facility approval in real time. Capital allocation in real time. That's the moonshot. We're bringing time down materially. But the idea is if you're fully automated, your customer lifecycle should come to nil.

Third, we want to personalise experience for customers at scale. This is where it's not any more about productivity or cost gains - it's going to be about acquisition of more customers and more revenue. There's a revenue element, there's a new customer element of this third goal, which is the personalisation of experience. We're putting these tools in the hands of all our frontline colleagues today. They would be using them, be it relationship managers, wealth advisors, contact centre operators, salespeople etc, but in the future if these tools have proven their worth and we train them well and then we control them well, we can put them in the hands of our customers. There are a number of initiatives that we called out - the next slide will show two initiatives in terms of simplification - the KYC one as well as the financial crime risk monitoring. Just to give you an idea - KYC we achieved 55% productivity, 50% reduction in client onboarding time - of course the moonshot is 100% reduction - but that's a fantastic journey so far. Financial crime risk monitoring - we're four times better at detecting financial crime. We’re twice faster in the investigation, and we have 70% fewer false positives. You can see the benefits. They’re already live, we're using them, they're already delivering the productivity gains that we see now. On the right side of the slide you will see how we are hyper-personalising customer experiences. I won't go through those details, but that's the contact centre example and the welfare example, we're personalising the experience.

Now we're moving on to the third strategic priority, which is focused sustainable growth. As you can see in our four businesses - Hong Kong business, UK business, International Wealth and Premier Banking, as well as Corporate and Institutional Banking - we have multiple growth drivers. We have a good track record of growth - you can see 2024 to 2025, you can see our deliveries in 2026. And importantly you can see that our return on tangible equity for the first quarter 2026 is above 17% for each of those businesses. In 2025 it was above mid-teens for each of those businesses. Let me unpack one by one.

Let's start with the Hong Kong business. Hong Kong – we're the Hong Kong bank. Hong Kong, as you heard from Peter, is a super-connector to the mainland, is a super-connector for mainland companies who want to go international - they come to Hong Kong as a launchpad to go international. But it's also set to become the largest cross-border wealth hub before the end of this decade, superseding Switzerland. A lot of it is coming from China or from Asia in general or international. That is the opportunity. We doubled down on it - we took Hang Seng private - we thought with the two banks and the two brands of HSBC and Hang Seng we should be able to get maximum opportunity from these underlying structural growth drivers. If you look at our position in Hong Kong with a deposit base of $619 billion, we're practically twice the second largest peer. We're coming from a position of material, substantial, leadership, but we are investing fast and hard, because that opportunity is massive.

We onboarded 1.2 million new personal banking customers in Hong Kong in 2025 alone. We onboarded 800,000 in 2024. We could onboard a million customers per annum for the next 20 years if you assume among other that the mainland Chinese middle class looking for international investment aspirations for their savings is going to choose Hong Kong as their financial centre. We need to be geared up for that. Between Hang Seng Bank and HSBC we have 10 million customers, about 15-20% are non-resident. Still that leaves us with more customers than there are people, including toddlers, in Hong Kong. That's because many of them are customers or both brands - they love the two propositions differentiated or they like both. We're building and strengthening our market share. We're acquiring new customers at pace and we're building wealth capabilities here to support the growth of Hong Kong and to support this launchpad from China to the world.

Second business to call out - Asia wealth opportunity. Our wealth businesses is essentially driven by Asia's – two-thirds of our wealth business. Wealth in Asia is set to grow 7% CAGR for the next five years - one of the fastest growing wealth opportunities on the planet.

Our brand, our heritage, our position in all these Asian markets - as Peter was saying - more than 150 years for most of these markets – our deep connections with these markets. Our ability to onboard from the new emerging affluent, all the way to the affluent, all the way to high net worth - following their personal journeys. Our capability to onboard from our Corporate and Institutional Banking the founders, the entrepreneurs, the C-suite - coming over and helping them with their wealth - are all channels where we can be a leader for growing this business.
Not only do we want their deposits, but we also want to convert them to invest with us. We still have 65% of our Premier customers who still don't have wealth products with us. You can imagine how seamless it should be for us building product capabilities and converting these deposit customers to become also investment customers with us.

And we have multiple booking centres - one of the biggest wealth drivers today is how our customers can use a diversified booking centre structure for their wealth management globally. We have eight booking centres globally that we can offer them. That is a unique position.
Between fees and NII from deposits, Wealth is already 25% of the +$70 billion of group revenue and in Asia in wealth balance terms, we're already the leader with more than $1 trillion of wealth balances. And we're leader with some margin to the next one, the Swiss. And we keep investing to grow even faster.

Third business - CIB. I want to call out two features driving growth in CIB. The first one is 'Asia buys Asia'. We coined this term 'Asia buys Asia' basically is reflective of how much more trade and investment flows are taking place within Asia, how much this is driving GDP growth in Asia, expected to be another 1.8% additional GDP growth due to this intra Asia flow, Asia Middle East.

As Peter said, we have presence in 18 markets in Asia plus 10 markets in the Middle East that's 28 markets of our 50-odd markets globally. And we're a leader in practically all these markets in trade. We're number one. Market share in Hong Kong more than 30% in trade. But what's important is shipments. In 2025 Asia hit a record high so one can argue there is a trade and tariff war going on, 'Asia buys Asia' is growing relentlessly strongly, and we are extremely well connected to this opportunity.

Now if you look at our business, Wholesale Transaction Banking, which captures trade, payments in Asia we're more than twice larger in revenue terms than our second best competitor. We're more than 2.5x larger than the average of our next three competitors. That's our leadership position. And we're investing. We're investing in deposit growth, we're investing in network capabilities, and very importantly we're investing in innovation, and you will hear from Manish later on how we're investing in tokenized deposits, real-time payments, stablecoins and you'll hear also how we're investing in our various platforms for blockchain-related activities. So those investments - we will be therefore - with all the rollout of what we're doing – the leader in driving innovation in payments or in general in wholesale in Asia.

The second thing I want to call out about CIB is the global flows, because we have a global network not just an Asian network. I think this is very important. 85% of CIB customers are multi-jurisdictional customers. More than half the revenue they book, they book outside their home market. This is us at our best. As a network bank. 65% of those customers are customers whose home market is in the Americas, in Europe, or in the UK. Our presence in the Americas, in Europe, in the UK, is critical to bank these customers in their home market at their head office so that we can capture their flow. And if you look at their flow, 50% of that flow comes back to Asia. Asia is a big beneficiary, not just from within the Asia but from this western – American, European, UK - business that is coming to Asia. If you look at the Americas - that's mostly the US really - it is one of the largest contributors to revenue in Asia but also everywhere. And that's a very important feature to call out. And of course there is the intra-Asia flow and you can see the Chinese mainland / Hong Kong flow which is demonstrating how the Chinese mainland customers are using Hong Kong as a launchpad for their international aspirations.

The last business I want to call out - you'll only hear about this from me - the UK, because we're in Asia and we're doing an Asia seminar, but in November David Lindberg, our UK CEO will talk to you in a little bit more detail about that, but there are a few things I want to call out about the UK business. The first one is that if you combine our ring-fenced bank and non-ring fenced business in the UK, we're talking a business that generates, in the UK alone, $19 billion of revenue. We're talking in the UK alone the business that's driving $570 billion of deposits. And we're talking basically a top three bank in the UK. But when you consider the number one and number two banks in the UK are domestic-only banks, we are the leading international bank in the UK. And by being the leading international bank in the UK, the UK is extremely important for us and you can see the flows from the Americas in Europe to the UK as well as the flows from the UK all the way into Asia, but we are extremely important to the UK as a bank - we are the bank that is making the UK a global hub as well.

So with that, we have a full day. I'm not going to go through the agenda - you have it - you will hear from a very large number of my senior leadership team here. I'm extremely proud of every single one of them and what they've achieved as individual leaders as well as teams, and I'll leave you to hear from them. That's your day one agenda, that is the day 2 agenda, where we take you through some more of our businesses.

And then I'm going to close on just a few items - my final remarks - the first one is we are becoming simple and agile as we've always meant to be, building a bank for the future and leading innovation. Strategic priority number one

With a customer-centric bank with a high quality customer franchise - unrivalled customer franchise - and each of our businesses is built on trust, is growing its revenues is growing deposits and is delivering above 17% returns, and we're a bank that is delivering focused sustainable growth from a position of undisputed leadership, being the number one bank in Hong Kong - by miles, the number one wealth manager in Asia by a certain distance, and the number one transaction bank in Asia, as well by a certain distance, and we're doubling down on investments to be able to capture the structural growth opportunities and continue taking market share.

But importantly, and finishing on that note, we're built on strong foundations. The world is uncertain, the world's evolving fast, but our positioning is extremely supportive of us helping our customers navigate these uncertainties. We have a very strong balance sheet we have a hallmark financial strength – liquid, highly capitalised, prudent risk management - we have a brand trust and a heritage that's unrivalled. We have the power of a global network that is not only broad but more importantly deeply rooted and culturally deeply aligned to all our customers and decision makers and policymakers in all those markets where we operate. And we have one of the most attractive cultures with people highly skilled with deep product expertise and on that note I'm going to ask Pam to come and take you through additional information - thank you very much everyone.