HSBC

Edited transcript

Q3 Results
Analyst and Investor Call
28 October 2025, 7.45am GMT

PAM KAUR, GROUP CHIEF FINANCIAL OFFICER: Welcome, everyone. Thank you for joining. We are making positive progress towards creating a simple, more agile, growing HSBC. The intent and discipline with which we are executing our strategy is reflected in the momentum this quarter and our target upgrades – most notably, our annualised ROTE of 17.6% year to date excluding notable items. Throughout this presentation, I'll focus on year-over-year comparisons. This will exclude notable items and be on a constant currency basis. The equivalent comparisons on a reported basis can be found on slides 16 and 22.

Let's turn straight to the highlights. We reported a strong quarter. Total revenues grew $500 million to $17.9 billion. Wealth had another good quarter, with 29% growth in fee and other income. Our customer deposit balances stand at $1.7 trillion. If we include held-for-sale balances, these grew by $86 billion.

We are also investing for growth. On 9 October, we announced our intention to privatise Hang Seng Bank. We see this as a compelling opportunity. Let me set out clearly our reasoning. First, it meets all four of our criteria for acquisitions. Second, we see good growth in Hong Kong in the years ahead. It's a business in a home market we know very well. Third, we see an opportunity to create greater alignment for better operational leverage and efficiencies. Fourth, we are acquiring a business with structurally high pre-impairment margins and, while we are not calling the credit cycle, we believe it is a cycle. Fifth, we are removing a $3 billion capital inefficiency.

This is a transaction which we initiated as a growth investment. It is also a statement of our confidence in the outlook for Hong Kong. We are in an offer period, so we are unable to give more details on synergies at this stage. What I will say is that consolidating the non-controlling interest from the profit and loss increases our profit attributable to ordinary shareholders. We have also said that we see the potential for additional revenue through expanded capital market products to Hang Seng commercial clients, and wealth products to its affluent clients, and we can simplify and streamline decision-making processes, improve operational risk management and better align operations, which we expect will result in efficiencies. We are confident the integration will not distract us from organic growth, and it's more value-generative than a share buyback.

Turning now to upgrades, we are delivering against the targets we set out to you. We are now upgrading two items – our 2025 banking NII to $43 billion or better, our 2025 ROTE, excluding notable items, to be mid-teens or better. We remain disciplined with our shareholders' capital, investing it where we see growth, exiting businesses with the intention to redeploy the costs where we don't. We are progressing at pace with the exit of non-strategic activities. This quarter, we have announced the exits of HSBC Malta, and retail banking in Sri Lanka. This brings our total announced exits to 11 so far this year. Last week, we announced that we are conducting a strategic review of our Egyptian retail banking business. The review will not include our wholesale banking activities in Egypt, which remains an important market and one we believe has strong potential for growth. Finally, we are on track to achieve our target of around 3% cost growth in 2025 compared to 2024 on a target basis.

Let's now turn to the firm-wide financial results. First, the income statement. Annualised ROTE was 16.4% in the third quarter, or 17.6% year to date, both excluding notable items. Revenue grew 3% year on year to $17.9 billion in the quarter. This was driven by a return to growth in banking NII and strong fee and other income. Profit before tax was $9.1 billion. Looking at our capital and distributions, our CET1 capital ratio is 14.5%, and we continue to target a dividend payout ratio for 2025 of 50% of earnings per ordinary share, excluding material notable items and related impacts.

Let's now turn to our business segment performance. We grew total revenue by 3%, and each of our four businesses returned greater than mid-teens annualised ROTE.

Moving now to banking NII, $11 billion this quarter is a return to growth, driven by deposit volumes. We are raising our full-year guidance to $43 billion or better. I know you'll have questions on the outlook, so I'll note here the multiple drivers of banking NII – HIBOR, which has recovered; deposit growth, which continues; interest rates, where the Fed is still cutting. We have grown our structural hedge to $585 billion and it's rolling on to higher yields. I'll also just mention that the chart on the left is on a constant currency basis, while our full-year guidance is as reported. There is a reconciliation in the footnote.

Turning now to Wholesale Transaction Banking, we are pleased with our strong ongoing customer engagement. This year has really validated the strength of our franchise in a range of economic and tariff situations. Both Payments and Trade grew again in the third quarter. In Trade, I would note the first half was particularly strong as we supported customers to navigate a fast-changing trade landscape. In Securities Services, fee and other income grew 15%. This was due to higher asset balances, given improved valuations, and new customer mandates in Asia and the Middle East. In FX, performance reflects lower currency volatility and a strong prior-year comparison. Looking through this, performance of $1.3 billion was strong.

Turning now to Wealth, we delivered 29% fee and other income growth to $2.7 billion. This shows our strategy is working. Net new invested assets were $29 billion, with more than half coming from Asia, at $15 billion. This takes total invested assets to $1.5 trillion. Wealth was driven by all four income lines. Our insurance CSM balance is up by $2.5 billion year to date. This is driven by strong new business. I would note that we reviewed our insurance assumptions in the third quarter. Favourable experience and strong market performance slightly flatter these figures. Private Banking grew 8% and Asset Management 6% respectively. Investment Distribution also performed very well, up 39%, reflecting strength in our customer franchise in Hong Kong. And Wealth is not just a Hong Kong story. It runs across our Asian franchise, with double-digit fee and other income growth in Singapore, mainland China and other markets.

We are providing you with a little extra colour this quarter on our Hong Kong flows on the next slide. We are pleased to have added 318,000 new-to-bank customers this quarter. This brings us to more than 900,000 year to date. What this slide shows over a slightly longer period is that non-resident customers have been a significant driver of customer activity and balances. These new-to-bank customers have contributed up to a third of flows across deposits, investments and insurance. We see new non-resident customers as a significant and long-dated opportunity for the bank.

Now let's turn to credit. ECL of $1 billion is flat year over year, and down modestly on the second quarter. We retain our full ECL guidance of around 40 basis points. Our ECL charge this quarter includes $0.2 billion Hong Kong commercial real estate. On slide 19, you will see we have updated the Hong Kong commercial real estate slide we showed you at the half-year. Other charges include $150 million from a Middle East-based customer, $0.3 billion in the UK, $0.2 billion in Mexico, and a $0.1 billion release due to improved economic assumptions.

Now let's turn to costs. We remain on track to achieve our target of around 3% cost growth in 2025 compared to 2024 on a target basis. Year to date, we have taken actions to realise $1 billion of annualised simplification savings, with no meaningful impact on revenues. We continue to expect $0.4 billion simplification savings to be realised in the full year 2025 P&L. It's worth noting that there is some slight seasonality to costs in the fourth quarter, which also includes the UK bank levy. This quarter, we have $1.4 billion of legal provisions on historical matters which don't impact our ongoing business. They consist of $1.1 billion, as you will have seen in yesterday's announcement, relating to Madoff litigation, which is a material notable item and, therefore, does not impact any dividend, and $0.3 billion related to historical trading activities in Europe, which is a notable item. I would also just draw your attention to appendix slides 16 and 17, where we detail recent and potential future notable items.

This leads us to our exit of non-strategic activities, which we will discuss on the next slide. We are progressing at pace with our exit of non-strategic activities. This slide sets out that progress. The red boxes show the exits announced in each quarter, the grey those in prior quarters. Given the phasing of the sale processes, only Grupo Galicia is currently complete, with others to follow. In the third quarter, we have announced Malta, and retail banking in Sri Lanka. Last week, we announced that we are conducting a strategic review of our Egyptian retail banking business. As I said earlier, the review will not include our wholesale banking activities in Egypt, which remains an important market. As a reminder, costs released from the exits of our non-strategic activities will be invested in our priority growth areas at accretive returns.

Now let's turn to customer deposits and loans. Including held-for-sale balances, we've had another strong quarter, with $86 billion of growth in deposits in the last 12 months. By business, there is some volatility this quarter. Silver Bond subscriptions in Hong Kong moved deposits from Hong Kong business to CIB for a few days over quarter-end, benefiting CIB balances. CIB also benefited from some large client deposits, which may be short-dated. Overall, we see good momentum in our customer deposit franchise. In the UK, lending was the standout. We saw continued growth in mortgages and our commercial lending book, infrastructure being a key area of focus. In our UK business, the book has grown 5% year over year, which includes a drag from the repayment of Covid loans. We see low levels of household and corporate debt in the UK, which we expect to provide a platform for the continued growth of our franchise. In Hong Kong, we saw customer repayments and corporate deleveraging, notably in the commercial real estate space. Credit demand remains muted.

Now turning to capital, our CET1 is 14.5%, reflecting strong organic capital generation during the quarter. We said with the announcement of the Hang Seng offer that we do not expect buybacks for the next three quarters. That is, of course, dependent on underlying capital generation. With strong profitability and currently modest loan growth, we are highly capital-generative.

Finally, let's turn to targets and guidance. In summary, the intent with which we are executing our strategy is reflected in the growth and momentum in our performance this quarter. It again shows discipline, performance and delivery.

Discipline in the way we are applying strong cost control. We are on target to achieve our target of around 3% cost growth in 2025 compared to 2024 on a target basis. Our simplification saves are ahead of our previous expectation. We have announced 11 exits so far this year. We will continue to progress at pace and invest costs released from exits into priority growth areas.

Performance in our earnings. Each of our four businesses is making mid-teens ROTE or better, excluding notable items.

Delivery. Our third quarter results show that we are creating a simple, more agile, growing HSBC. Revenues grew, and excluding notable items our year-to-date 17.6% ROTE demonstrates that we are delivering against the targets we set out to you. That is why we expect 2025 ROTE, excluding notable items, to be mid-teens or better. With that, I am happy to take your questions.

AMAN RAKKAR, BARCLAYS: I wanted to ask about banking NII, rather predictably, please. Just at face value, your guide does imply a decent step-off in net interest income in Q4, but I don't think that you really mean that. I just wanted to check in around what your expectations are for net interest income in Q4. I guess I am particularly mindful of the tailwind from average HIBOR in the quarter, alongside things like the structural hedge and hopefully balance sheet momentum. My best guess is that Q4 NII is actually up Q-on-Q, but any colour you can give us there in terms of what you mean and what the drivers are would be very helpful.

And then the second question is around deposits. I am interested in your take on the sustainability of the current 5% underlying deposit growth that you're benefiting from at a system level. Obviously, Hong Kong year to date has been a key driver of that. How sustainable do you think this level of pace is and what confidence does it give you around things like net interest income growth next year? Thank you very much.

PAM KAUR: Thank you, Aman. So, firstly, on banking NII, I want to say that we are not walking back the Q4 as a starter. As the maths would show, we are saying that the banking NII would be no less than $10.6 billion, so absolutely that's why it is $43 billion or better. And you are quite right on balance sheet momentum – we see that continuing from the third quarter onwards, albeit there can be a few seasonality fluctuations. HIBOR is a tailwind; the structural hedge is a tailwind, but we should be mindful that the US dollar rate curve will be a headwind. So that's where we are on banking NII.

In terms of deposits – and, as you know, we are not giving guidance on banking NII for 2026, but our deposit franchise is very strong across all markets, all currencies, all business areas, so it's not just dependent on Hong Kong dollars, but, of course, we are very pleased with our preeminent position and strength in Hong Kong, which is a key driving force for the deposit growth – so very positive on deposit growth from here on, as we've had before.

GUY STEBBINGS, BNP PARIBAS: Hi, morning. Thanks for taking the questions. The first one was back on banking NII, then one on insurance. So, obviously, quite a big move in the banking NII guidance. Outside of HIBOR, is it really the deposit strength that's the delta in terms of the guidance here? You also reference yield curve steepening, so I'm just wondering if you would encourage us to think about anything above and beyond the structural hedge role when you think about yield curve steepening when it comes to NII.

And then on insurance – really strong quarter, but there's quite a lot going on there, I think. So 46% growth, but you mentioned model changes, experience variance. I don't know if you can help quantify that. I think there might have been $150 million or so type model changes. If that's the case, we're still talking about a 20% clean run rate. So if you'd encourage us to think along those sorts of lines…?

And the CSM now at $15 billion looks like a very useful underpin from here. If I can briefly follow up on that, there was $1.1 billion of CSM builds year to date from economic factors. I'm just interested how much of that is purely lumpy items. Some of your peers show the normalised unwind or expected return of in-force, which can be quite material and a consistent tailwind to the CSM build, above and beyond the new business CSM. So I'm just wondering whether we should treat that $1.1 billion boost as very much one-off or an element of that is repeatable, if you like. Thank you.

PAM KAUR: Okay, great. Thank you, Guy. So, firstly, your question on banking NII, it's our deposit strength, as I've called out, but our structural hedge is also an important tailwind for us on banking NII. The stabilisation of HIBOR, which impacted banking NII almost equivalently on the negative side in Q2 and Q3, is not expected for Q4 and has not shown that at all in Q4 so far.

The insurance growth – you're again right. The one-offs are circa $150 million, as you've called out in terms of the change in assumptions, which is a normalised annual process that we go through. So we are very pleased with the very strong CSM balance build, which gives the underpin in terms of the growth in this business. In terms of any one-offs or lumpy items, nothing material to note, but I'll ask our IR team to follow up with you. You can see some of the work on the CSM balances on slide 21.

KATHERINE LEI, JP MORGAN: Thanks for giving me this question. I also have a follow-up on NII and then I would like to ask about Hong Kong CRE.

On the NII line, I noticed that in Hong Kong the composite deposit rate actually came down pretty significantly in 3Q. I think this is because of this migration from time deposit to demand deposits and also that banks generally lowered their time deposit rates. Into 4Q, because of the rebound in HIBOR, do we expect some of the reversal of that decline in composite deposit cost? Will that lead to some sort of risk to the banking NII? And then have we seen any further migrations or what's the trends of deposits in CASA deposits?

And then the next question will be in Hong Kong CRE. We noticed that the stage 3 loan ratio increased from 16% to 20%. However, if we look at the impairment charges on Hong Kong CRE, this quarter is actually lower than that of last quarter. So I would like to have some colour from management. Say, for example, what is the latest trend in terms of the asset quality and what is our thought behind that, while the stage 3 loan ratio continues to increase, but then we slow down the pace in making provisions against Hong Kong CRE risk? Thank you.

PAM KAUR: Thank you, Katherine. So in terms of HIBOR, it continues to be a tailwind. From a deposit perspective, we see the trends from prior quarters continuing into Q4, so nothing much to call out there. Specifically, yes, there has been some small rise in time deposits, but that is all factored in, in terms of our banking NII guidance, and I'm speaking both from what we saw at the end of September as well as the ongoing trend.

As I said earlier, in addition to HIBOR, the structural hedge also continues to be a tailwind for us, and that is the reason why we have upgraded our banking NII guidance. And you know we are very conservative in HSBC. It takes a lot for us to upgrade guidance and also to add the words 'or better', so take from that what you will.

In terms of Hong Kong commercial real estate, I would like to take a little bit of time to share with you our reflections on Hong Kong commercial real estate. So, firstly, in terms of residential properties, the trend has stabilised and is getting stronger. The resi property index has grown 2% year to date. September transaction volumes were up 79% year on year and valuations as well as rentals have held well. We've also seen some supportive developments in the retail sector. Hong Kong retail sales have grown since May and are up 4% year on year in August. It is also underpinned by an increase in year-to-date tourist arrivals of 12% year on year.

Now, if I look at the office sector, of course, the office sector continues to be challenging and under pressure, and we expect that to continue through most of next year as well. However, there has been a slight uptick for take-up for grade A office space. So this is in the best locations with the best specs, and that is an improvement which we see quarter-on-quarter. As you know, our portfolio is well collateralised. This quarter, of course, there was some slippage, which is expected as part of our review of it at mid-year, as things moved through, some 'Good' to 'Satisfactory', 'Sub-standard' to 'Credit-impaired'. But they were names which you are aware of, no big surprises, and hence the ECL pick-up was relatively modest.

BEN TOMS, RBC: Good morning and thank you for taking my questions. In relation to the $1.1 billion provision in relation to Madoff litigation, you've disclosed another five ongoing cases with a cumulative total contingent liability of, I think, greater than $5 billion. Can you just confirm that the case that was decided last week does not set any legal precedent for the other four cases, especially the three cases that are in the Luxembourg courts, where there's a more material exposure? And can you confirm that the litigation charge does not change your aspiration to resume the buyback at H1 2026?

And then secondly, on slide 10, which is a really nice slide, you've made 11 disposals year to date. It can be quite difficult sometimes to track the transactions coming out of the P&L. Is it possible to give us some idea of the annualised cumulative PBT lost as a result of these sales? Although the transactions may be ROTE-positive together, it would be good to get a sense of the PBT headwind going into next year. Thank you.

PAM KAUR: Okay, thank you, Ben. So, firstly, on the Madoff litigation provision charges, you can expect that we did a thorough exercise with advice from internal and external counsel as well as colleagues in the accounting function to determine what would be our best judgment on this case. In terms of the other cases, of course we look at read-across and those get factored in, but each case has very distinct factual considerations, so there's nothing more to add in that other than what we've already called out as disclosures in the mid-year, so please don't read more into that. As you know, on this case, we won on the cash element of the case, but it was the securities element that we are providing against.

In terms of our share buy-back and announcements, at the time of Hang Seng privatisation offer, as you can imagine, this case had been pending for a while. We had looked at all kinds of downside scenarios, so, when we came with our view of the suspension of share buy-back for the Hang Seng offer for up to three quarters, we still stand behind that number, and that was all included. As you know well, we will go through a rigorous process every quarter. We continue to be highly capital generative, as you've seen with also the upgrades on our guidance. And once we look at that, we see where the organic growth opportunities are. Obviously, inorganic – that's where the Hang Seng privatisation offer comes in. And then the residual, after looking at the 50% dividend payout, which is a key element of our capital distribution, then we look at share buyback. So don't expect any headwinds in that. The 'up to three quarters' still holds.

In terms of the 11 disposals, I note your point. These are all relatively, as you can see, small disposals. What is very important is each time a disposal happens and is completed, like we had with Grupo Galicia but also as we did with the closure of the investment bank, we immediately reinvest, and the kind of areas we've reinvested, and we've actually seen the benefits come through, is we have invested in the UK and, as you see, we have seen some loan growth in the UK. We have invested in wealth both in the UK and Asia and the Middle East, and, of course, the numbers speak for themselves, but also we take very specific opportunities where we see either growth in volumes or new customer mandates, as we saw in Securities Services, so that we can be in a prime position to take those opportunities.

So that's an ongoing piece of work. We don't stop at the end of each quarter or regularly to see what we need to reinvest. As soon as we have the money available, we reinvest.

JOSEPH DICKERSON, JEFFERIES: Great, thanks. It's just more of a conceptual question, really, in terms of the return profile of the bank. Why isn't HSBC post-Hang Seng integration more of a high-teens bank than a mid-teens bank? Clearly, the exit rate for this year on banking NII is going to be much higher, I think, than what most analysts would have thought, particularly given that the HIBOR move. You only had about six weeks of that embedded in Q3, so you get a full quarter of that in Q4 and, effectively, you feed that through to next year and, yes, you can have lower rates, but ultimately you probably have a structurally higher banking NII, given the deposit mix.

And then, if you look at your invested assets in Wealth, you clearly have a strong business there that continues to grow and the marginal ROE is much higher. Throw in Hang Seng, you're 70-80 bps just from the minority deduction. Why don't we get to a number that's in the high teens here as opposed to mid-teens?

PAM KAUR: Thank you, Joe. It's a really good question. As you can imagine, we in the bank obviously reflect on this very closely as well, and you'll see that we have upgraded, obviously, our guidance for this year. But let me just remind you when we came up with our target of mid-teens ROTE for the medium term, 2025, 2026, 2027, that's a target. There's nothing that says that you will stop working once you achieve the target. You continue to work to both achieve the target as well as to improve on the target. In terms of the target itself, we are not making any change. We will, of course, reflect on it as we go through our year-end results and go into next year, and give greater details on our forward-looking guidance. But just remember, a target is something that you have to achieve or better. Target is not where you stop.

KENDRA YAN, CICC: Thanks for taking my questions. My first question is regarding to the wealth management revenue. We observed a very strong, very rapid growth rate in the third quarter. Could you elaborate on the key drivers behind this performance and its sustainability?

My second question is about the credit risk. In recent weeks, we've seen some risk involving the US market, the small and medium-sized banks in the US. They have some risk. And also JP Morgan – they cautioned the market about credit risk during its earnings call. Although HSBC's primary client base is not in this segment, still I'd like to ask whether HSBC has any exposure or concern in loans to non-bank financial institutions or the private credit corporate sector. Thanks.

PAM KAUR: Thank you, Kendra. Two really good questions. So, firstly, in terms of Wealth, we are very comfortable with our medium-term guidance of double-digit growth in fees, though obviously quarter-on-quarter it can vary. So what has been really strong this year has been Investment Distribution, notably in Hong Kong, and strong equity volumes. As I said earlier, our insurance business has continued to grow, and that momentum is helped both in terms of existing client base but also the new clients we are onboarding in Hong Kong in particular.

Obviously, strong equity markets have been favourable, and that becomes a lever for Wealth in terms of both the sentiment and the activity we see. Overall, not changing our guidance, but very optimistic for wealth in the future, as seen from the Q3 results. Of course, be mindful that there are some seasonal fluctuations. Q4 can be a little less and Q1 more, but we will see how it progresses. So far, all on a very good trajectory.

From a credit risk perspective, as you can appreciate, I have been a Chief Risk Officer for five years, so indulge me. I will share my thoughts on that with you. Private credit as a sector, of course, is going to have stronger players and weaker players. What is very key is how you do the due diligence and what are the kind of underwriting standards you apply in this new area. You are quite right: this is primarily US-driven, 80% a US-driven business, and our footprint in the US is relatively small. All I can tell you is that our direct exposure in the private credit space is single-digit billion dollars. We apply the same strong credit underwriting principles there, so I'm very comfortable in that space.

What I do want to call out is – you're right – it is always the second and the third-order risks that you should be very mindful of, which are not your direct exposures, but exposures you may have through weaker counterparties. We have always taken a very conservative view in terms of our exposures to smaller banks, regional banks in the US and elsewhere. We have been doing that right through the COVID period, through Russia-Ukraine, through inflation, high interest rates and so on, as well as exposure to smaller hedge funds.

Having said that, we closely monitor this space because you can never get too comfortable in this space and good risk management really means looking forward to see what else can impact the overall ecosystem, which then can cause indirectly concerns to all participants.

KIAN ABOUHOSSEIN, JP MORGAN: Thanks for taking my questions. Just to come back on the NBFI exposure, because you mentioned private credit just now, single digit – NBFI would be similar. Clearly you get your US legal entity exposures, as well as the branches, which is below $10 billion, so should we see that as overall group exposure roughly for total NBFI? Can you confirm that?

Secondly, on tariff scenarios, you gave an impact scenario or sensitivity scenario of low single digit on group revenues before. Clearly, things have changed, but also that was on a very specific part of your business. I'm just trying to understand how you're thinking about impact scenarios going forward in the current situation and expectation of a trade deal and, secondly, also what the impact has been so far.

PAM KAUR: Let me come to the NBFI exposures. As you can appreciate, NBFI is a very broad industry. My comment on our discipline and conservative approach to weaker NBFIs holds. From an exposure perspective, both in terms of quantum that I've called out and beyond, I am very comfortable in terms of our approach to date, as well as going forward. For the tariffs exposure and the impact, as you've seen, the trade segment has continued to perform well. We have the advantage that, as much as there is impact on US dollar-related corridors, there are other corridors which are growing, which we have a strong presence in, whether it's India, UK, Middle East, Asia, intra-Asia. That's been quite good for us.

Overall, guidance that we've given on the direct impact of tariffs has not changed and, of course, we look at that as part of our downside risk scenarios even for the ECLs. From an overall view on the macro environment, with all the trade deals being done, I'll just give one reflection: that the probabilities we give to our upside, downside and base case scenarios have now normalised and that's resulted in some modest releases of ECLs, because we think the situation is improving compared to where they were more weighted towards the downside scenarios in the previous quarters.

AMIT GOEL, MEDIOBANCA: Thank you. Two questions from me, the first just on the UK business. It looked like there was a bit more investment and there was also a little bit of a tick up in the impairment rate versus prior quarters. I just wanted to check what kind of investments you're making there for what kind of opportunity and then, on the impairment, what's driving that? The second one is just a follow up on the Madoff litigation. I was just kind of curious – what is really the range of outcomes? I know it says that it could be materially different to the provision. There are a lot of numbers in the release, so just curious how you see that range and I was also kind of curious why a provision wasn't taken in December 2024, when you had the original ruling that went against. Thank you.

PAM KAUR: Thank you, Amit. First, on the UK business, we have continued to invest for wealth, both in terms of hiring of RMs to grow our Premier customer numbers and to sell more wealth products for the customers with who we already have very strong deposit bases. We are also investing, as we've opened the new wealth centre in the UK in this space, and then Business Banking has been important for us for investing in, in terms of customer service, customer journeys and that's primarily a liability-driven business.

Having said that, we are very pleased that our corporate lending book in the UK has shown sustainable growth in the sectors that we have lent into, so more into the new economy sectors, into infrastructure, into social housing, into innovation and so on. That has been really positive for us. From an impairment perspective, just to give you context, a $300 million charge in a quarter for the UK is not abnormal. In prior quarters, where we had a release, the charge can fluctuate between $200 million to $300 million. In terms of the specifics, there were a few single-name defaults, but they were all of very small amounts, so nothing notable, and no specific concentration in any sector. I feel quite comfortable in that space.

From a Madoff perspective, just to be clear, we had an appeal as of December and the outcome of the appeal was only known to us on Friday 24 October and, therefore, we gave our RNS and announcement on the provision yesterday. The provision we have given is our best judgment of likely outcomes. It's not a mid-point. It's not a broad range, as people may think, but it's just our best judgment based upon advice from our both external and internal legal counsel.

CHEN LI, CHINA SECURITIES: Thanks, Pam. I also have questions about wealth management, because of the further interest rate cut, so whether resident new customers in Hong Kong will slow down or keep stable. Also, how will the migration of retail deposits into wealth management products impact on wealth management revenue? Thank you.

PAM KAUR: Thank you. The growth of wealth management that we have seen comes both from new customers, but primarily from our existing customer base in Hong Kong. We do not believe that, at a normalised HIBOR rate – which we have seen for quite a long period of time, despite the fluctuations we've had earlier this year – that should have an impact on both the appetite of our customers for wealth management products, their desire to diversify and our matched product offering, which is in a prime position to meet their needs.

I don't think there's anything more to call. Obviously, a positive stock market is a good optimism factor and encourages customers to invest even more, but the baseline growth that we are seeing quarter on quarter is very much expected to continue.

ALASTAIR WARR, AUTONOMOUS: Morning, Pam. Thanks for making the time for us. I just wanted to quickly return to that Hong Kong CRE question. You saw, as you touched on, some downward migration. You said before you've been focused particularly on the higher LTV problem loans and those have gone up quite a bit at, again, the third quarter versus the half year. Could you just give us a little bit more about what's going on in collateral there in the background and why the ECL would be able to come down by quite a bit in terms of, say, individual clients posting more collateral, what the values have been doing in the quarter? Thank you.

PAM KAUR: Thank you for the question, Alastair. In terms of the Hong Kong CRE, you're right: if you look at the LTV, 70% plus, the number has grown but, in the same note, we've taken more provisions. Net of the provisions, quarter on quarter that number has pretty much stayed steady around the $900 million. Now, in terms of valuations, of course we look at valuations across the board and particularly for these we look at them on a quarterly basis, as well as if there are any transactions or events that cause us to pause and look at the valuations again. We are looking at that.

The real distinction between perhaps what you saw in the middle of the year and now is that there is no individual surprise name or situation and, overall in Hong Kong CRE, retail has got better. Residential, as we know, has stabilised and, on the office space, which is challenging, we are not so far seeing improvements which are coming from the momentum, even slight as it may be, in terms of 'A'-type properties going into the rest of the office space, hence I think that challenge will continue.

ANDREW COOMBS, CITI: Good morning. A couple of questions, please. Firstly, just to follow up on divestments, you've now announced Sri Lanka. You've talked about Egypt retail being up for review. I see there's no mention of Australia or Indonesia in the slides this time, whereas there was in Q2. Can you just provide us with an update there, particularly Australia, because that is a potentially more sizeable divestment?

Then, the second question, just on the new disclosure on slide 7, where you provided the resident versus non-resident split of the additional customer base in Hong Kong, perhaps you could just give us an idea of what the split is of the stock, as well as the flow, how that changes with Hang Seng Bank – if you were to combine the two, not just look at the red brand – and how the revenue margins compare between resident versus non-resident. Thank you.

PAM KAUR: Thank you, Andrew. Firstly, your questions on the divestments that we had called out in terms of strategic reviews – there is no further news. They are continuing through that strategic review process. That's why we haven't called out anything specific here. It's work in progress, no turning back, as such.

The slide that we have said on the resident and non-resident – the reason for that slide is really twofold: firstly, to explain to you this growth and the reasoning of how it's grown up since the borders opened up in 2023 and see that trajectory, and that shows how that trajectory is continuing. However, it does show that, fundamentally, the customers who are coming in to begin with are coming with small balances and it's a deposit-led growth story. There is also an uptick on insurance, which is a preferred product, so we call that out. The other wealth products it takes time to convert.

Overall, if you look at the Premier customer base, between the start and the end, it stays pretty much stable, 15% to 16%. That's how I would look at it. The new customers coming in, in terms of a trajectory, has continued pretty consistently, at least through this year, at 100,000-plus every quarter. It's a little higher than what it was in 2024, which was a little high, to begin with, from where it was in 2023, so you can see that as a continuum.

In terms of Hang Seng, they don't do a third quarter filing, so I don't want to say anything about that. There's no news to share. They're a listed company in their own right but, obviously, as we have talked about, the opportunities for revenue growth and operating leverage as part of our offer – that does call out that, from a revenue perspective, particularly on wealth products, we will have greater opportunities to leverage the wealth products in the red brand, for the green brand customers, both existing and new, which continue.