HSBC

Edited transcript

Annual Results 2025 Announcement

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GEORGES ELHEDERY, GROUP CEO: Welcome, everyone. Thank you for joining us. As we celebrate the Year of the Horse, *gung hei fat choy*. Our 2025 full-year performance was strong. It was a year in which we performed, transformed and invested for growth. I will discuss our strong strategic progress today: first, the strong momentum in our 2025 performance; second, the execution of our three strategic priorities, where we are progressing at pace and with discipline; and third, the new growth and return targets we are setting out today for 2026, 2027 and 2028.

First, the full-year earnings. My comments will exclude notable items, and the comparisons will be year-on-year on a constant currency basis. In 2025, there were $6.7 billion of notable items. You are already aware of these from prior quarters. They are set out on appendix slide 36.

First, we delivered strong earnings. Group revenues grew 5%. Profit before tax rose 7%, reaching a record $36.6 billion. Return on tangible equity was 17.2%. We delivered 3% cost growth on a target basis in 2025, in line with our cost target.

Second, we delivered strong growth. Our deposit balances grew 5%, with deposit growth in each of our four businesses. Our deposit base is a core strength. It contributes the lion's share of our banking NII.

We also grew fee and other income. In Transaction Banking, it grew by 4%. Elevated market activity demonstrated the power of our deep international network, which gives access to 86% of world trade flows, alongside our product and service expertise. In Wealth, it grew by 24%, reflecting our leadership position in the world's fastest-growing wealth markets and continued investment in our products and proposition.

We are investing for strategic, long-term growth. We completed the $13.7 billion privatisation of Hang Seng Bank. This brings together 255 years of history and heritage, combining global reach and local depth. It reflects our confidence and conviction in Hong Kong's future growth.

Third, we delivered strong returns to our shareholders. We announced a full-year ordinary dividend per share of 75 cents, up 14% on 2024.

Let us turn straight to the progress we are making on strategy execution. In October 2024, I set out a clear agenda to unlock HSBC's full potential. To do so, we now run the bank on four core complementary businesses: two home market businesses, UK and Hong Kong, and two international network businesses, Corporate and Institutional Banking, and International Wealth and Premier Banking. Each business is growing; each is generating above-mid-teens return on tangible equity; and each is building on a strong foundation for future growth.

We are focused on three clear priorities, and we are moving at pace with each: 1) be simple and agile, 2) drive customer-centricity, and 3) deliver focused, sustainable growth. Now, let's look each priority in turn and our progress.

First, simple and agile. The first step in unlocking HSBC's full potential is reengineering to reduce complexity and cost. Structure and strategy are now aligned. Accountability is sharpened, and roles deduplicated. In 2025, we reduced net Managing Director positions by circa 15%. We are taking $1.5 billion of annualised simplification saves straight to the bottom line, with immaterial revenue impact. We expect to have taken action to deliver these saves by the first half of 2026, six months ahead of plan.

We are also making positive progress with the reallocation of circa $1.5 billion from non-strategic or low-returning businesses, the medium-term intent being to reallocate these costs to areas of competitive strength and generate accretive returns. In 2025, we announced

11 business or market exits. Completed and announced exits account for $0.7 billion in annualised cost savings, with around $1 billion of associated revenue. $0.6 billion remains in active execution, including those under strategic review.

Following the privatisation of Hang Seng Bank, we are increasing reallocation costs to $1.8 billion, reflecting an additional $0.3 billion of reported-basis cost synergies across HSBC and Hang Seng Bank. We will direct this $0.3 billion to growth opportunities in Hong Kong. We are also streamlining and upgrading our operating model by simplifying the bank at scale and retiring non-strategic applications. We are reengineering while focusing on resilience and risk management.

Next, priority number 2, drive customer centricity. Our four businesses are built on customer trust. Our investments to improve customer proposition and experience are yielding results. Net promoter scores have improved or top-ranked in our home markets. In Hong Kong, we added 1.1 million new-to-bank customers, taking the total number of customers to more than 7 million. Our UK business banking lending grew 13% year on year, excluding Covid loan run-off. In CIB, corporate surveys have positioned us as a market leader in Trade, in Payments and in Foreign Exchange. In IWPB, we attracted net new invested assets of $80 billion.

Next, priority number 3, investing to deliver focused, sustainable growth. Our Hong Kong home market is a dynamic economy, a top-three global financial centre and a thriving trade gateway. It is the super-connector between mainland China and the world, and it is set to become the world's leading cross-border wealth hub by 2029. The privatisation of Hang Seng Bank enables us to scale capabilities and drive growth across both banks for all customers. We have the ambition and we have comprehensive plans to deliver $0.9 billion of benefits through reported synergies and an unlock of opportunities by 2028. It is an investment for growth.

If we move beyond Hong Kong and look at HSBC's other core strength, we are an Asia and Middle East powerhouse. Asia and the Middle East are increasingly central to global trade and capital flows. Global trade is being rewired. Asia's growth is increasingly powered by intra-Asia demand. Asia is buying Asia. The Middle East is scaling as a global capital trade and investment hub. Its integration with Asia is accelerating. The Asia-Middle East corridor is becoming a defining axis of global growth. Wealth creation across Asia and the Middle East is also structurally strong. That is why we are investing to consolidate our powerhouse position and capture these growth opportunities.

We are also investing to connect the world, scaling our capabilities, building new capabilities and supporting customers to secure commercial advantage from real-time services. Our customers are making real-time, 24/7 payments across 35 markets. They are also using frictionless tokenised deposits and payments in four markets, including the UK, with more to follow. We are pioneering the future of finance. Last month, the UK treasury selected HSBC's distributed ledger technology as its preferred platform for its UK digital gilt pilot.

Next, our people and technology. We see innovation and culture as core to our competitiveness, and we are investing in both. We are scaling AI adoption, first to empower our colleagues, second, for end-to-end process reengineering, and third, to enhance customer experience. Our customer relationships are built on trust. AI strengthens how we act on that trust, personalising service at scale.

The strong culture turns a clear strategy into results, and we are investing to nurture a high-performance culture. All our senior leaders and the broader Managing Director cohort have attended our new group-wide leadership training.

Finally, let's turn to our new targets for 2026, 2027 and 2028. 2025 has been a year in which we have performed, transformed and invested for growth. This gives us the confidence to set out new growth targets. We will target revenues growing year on year every year, rising to 5% in 2028, excluding notable items. We will target return on tangible equity of 17% or better in each year from 2026 to 2028, excluding notable items, and a dividend payout ratio of 50% for each year, excluding material notable items.

To conclude, we are creating a simple, agile, growing bank, built to generate high returns. We are executing our strategy with discipline and precision. We are delivering growth, we are investing for growth, and we are confident we can navigate uncertainty from a position of strength. That is why we are confident in setting these new targets and in our ability to continue delivering for our shareholders.

Let me now hand over to Pam. Thank you.

PAM KAUR, GROUP CFO: Thank you, Georges. Thank you, everyone, for joining. We have had another strong quarter, which reflects the positive progress we are making towards creating a simple, more agile, growing HSBC. We are investing for growth. Throughout this presentation, I will exclude notable items and focus on the fourth-quarter numbers compared to the same period last year on a constant currency basis. Let's turn straight to the highlights.

In the fourth quarter, revenues grew 6% to $17.7 billion. This was driven by broad-based growth in banking NII and fee and other income. Profit before tax was $8.6 billion, up 17%. Our customer deposit balances stand at $1.8 trillion, an increase of $78 billion when we include held-for-sale balances. Full-year return on tangible equity was 17.2%, achieving our mid-teens or better target. In 2025, we maintained tight cost discipline, managing target basis cost growth to 3%, in line with our cost growth target.

Turning to capital and distributions, our CET1 capital ratio was 14.9%, up 40 basis points in the quarter, reflecting our organic capital generation and expectation not to initiate any further buybacks for up to three quarters following October's announcement of our intention to privatise Hang Seng Bank. As Georges said, this strong performance allows us to announce ordinary dividends for the year of 75 cents per share – an increase of 14% on the prior year.

Turning to our business segment performance, we grew full-year revenue by 5% to $71 billion. Each of our four businesses grew revenues. Each grew deposits, deepening customer relationships. Each returned a mid-teens or better return on tangible equity, excluding notable items. We are pleased to be making such positive progress firm-wide.

Moving next to our privatisation of Hang Seng Bank. On 9 October, we announced our intention to privatise Hang Seng Bank. We are pleased to have completed on 26 January, sooner than our initial expectation of the first half of 2026. This slide explains the financial rationale. Let's walk through it, starting with the $13.7 billion purchase price. The removal of the $3.8 billion minority capital inefficiency takes you to the $9.9 billion of common equity tier 1 consumption. The removal of the capital inefficiency is around a quarter of the purchase price. The $9.9 billion CET1 consumption is equivalent to buying back 4% of group shares at the point of announcement.

Next, we show the $0.8 billion minority interest in the P&L and the $0.5 billion of pre-tax synergies from the privatisation. Together, the minority interest and the synergies contribute more than 4% to our profit, beating the buyback threshold. On top of this, we see further revenue and cost upside of $0.4 billion, enabled by the privatisation.

Then, on the right of the slide, we see good growth in Hong Kong in the years ahead. Having two fully-owned banks positions us well to capture this growth. As we said in October, 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.

Let's now turn to banking NII. Our full-year banking NII was $44.1 billion. In the fourth quarter, banking NII of $11.7 billion grew $0.7 billion. $0.4 billion of this growth was in Hong Kong, including the recovery of HIBOR during the quarter. Banking NII in the fourth quarter included a positive benefit of around $100 million for items that we do not expect to repeat. We expect full-year 2026 banking NII of at least $45 billion, with the impact of expected lower rates more than offset by deposit growth and the tailwind from our structural hedge.

Next, to Wholesale Transaction Banking. This year has really validated the strength of our franchise in a range of economic, market and tariff situations. We have deepened customer relationships, and our global network has helped our customers navigate volatility and uncertainty. In the quarter, Securities Services grew fee and other income 6%, reflecting higher market valuations and new mandates. Payments grew 3%, driven by new mandates and payment volumes, in particular international payments. Foreign Exchange increased by 1%, reflecting strong client flows and higher levels of volatility. This was a good performance, given the strong prior-year comparison. Trade was down 5% in the quarter, but it was stable over the full year. I would note the first half was particularly strong, given advance ordering as we supported clients to navigate a fast-changing landscape. We continue to see growth in volumes and strong client engagement.

Let's now turn to Wealth, including the new disclosures we are setting out today. We are very pleased with the 20% year-on-year fee and other income growth to $2.1 billion, and we are very encouraged that this was driven by all four income areas, which shows the sharpening of our strategy is working. Asset Management grew 14%, and Private Banking grew 8%. Investment Distribution also performed well, up 14%, reflecting strength in our customer franchise in Hong Kong. Our Insurance CSM balance was $14.6 billion, up 21% versus the prior year. We continue to attract net new invested assets, with $7 billion in the fourth quarter. Today, we are giving you new disclosures, which you will see through on this slide. These better show the strength of our relationship with our customers, including both their deposits and invested assets. We are focused on capturing the full wealth opportunity, and we will now report Wealth balances and Net new money.

I appreciate that the Wealth balance figure is similar to the Invested assets, but I would highlight two changes to note. You will see these set out on appendix slides 31, 32 and 33. We have added $608 billion of Premier and Private Bank deposits to the Invested assets. That is offset by taking out $580 billion of Asset Management third-party distribution assets. This is a good business, but it does not reflect our Wealth customers. Adjusting our disclosure in this way also means our Wealth business is more easily comparable to the broader peer group. These new disclosures will replace the existing ones from the first quarter of 2026. We saw Net new money in the quarter of $26 billion, of which $19 billion was in Asia. Wealth is not just a Hong Kong story; it runs across our Asia and Middle East franchise, with double-digit Invested asset growth in Singapore, mainland China, India and the UAE.

Next, to credit. Our ECL charge this quarter was $0.9 billion. There was no material impact from Hong Kong commercial real estate in the quarter. On slide 29, you will see we have updated the commercial real estate disclosures. Movements in the fourth quarter were in line with our expectations. Our full-year 2026 ECL guidance is around 40 basis points. This is at the higher end of our typical range, reflecting the economic outlook and remaining pressures in parts of retail and office commercial real estate in Hong Kong.

Let’s now turn to costs. We delivered 3% target basis cost growth in the full year. Hitting our cost goals while making the space to invest in the bank was a key theme of 2025. It will be again in 2026. We have taken actions to realise $1.2 billion of annualised simplification savings with an immaterial revenue impact. This is ahead of our original timeline of $1 billion by the year end 2025. On a realised basis, we have taken $0.6 billion of the simplification saves into the full-year 2025 P&L. Together, with ongoing discipline, this allows us to guide for 1% cost growth on a target basis for 2026 while reinvesting in the business.

Next, to customer deposits and loans, we had another strong quarter with deposit growth of $50 billion. We saw good growth in each of our four businesses. Loans increased by $5 billion. The UK was again the standout, with another quarter of growth in mortgages and commercial lending. Our UK business is well positioned to support growth in the UK economy. We are particularly pleased with the momentum in our commercial loan book, where we see significant potential, particularly in infrastructure, innovation, social housing and mid-market direct lending.

Now turning to capital, our CET1 ratio is up strongly to 14.9%, primarily reflecting good, organic capital generation, although after the balance sheet date, I draw your attention to the impact of the Hang Seng Bank privatisation, which is -110 basis points in addition to the -10 basis points already incurred in the fourth quarter. We have set this out in appendix slide 27. As a reminder, we said, when announcing the offer on 9 October, that we expected to suspend buybacks for up to the next three quarters. That is, of course, dependent on underlying capital generation. With strong profitability and current modest loan growth, we remain highly capital generative. A decision on future share buybacks will be taken quarterly, subject to our normal buyback considerations.

Let’s next turn to the full-year performance. Excluding notable items and at constant currency, revenues grew 5% to $71 billion. Profit before tax was $36.6 billion, up 7% year on year to a record high. Return on tangible equity was 17.2%, achieving our ‘mid-teens or better’ target. Our strong performance allows us to announce ordinary dividends for the year of 75 cents per share, or $12.9 billion.

Let’s briefly return to the new targets Georges set out earlier before I close on guidance. We made clear and positive progress in 2025. That is why we are now raising our ambition to target 17% return on tangible equity or better, excluding notable items, in each year from 2026 to 2028. We will also target year-on-year revenue growth in each year over the period, rising to 5% in 2028 compared to 2027, excluding notable items. As you would expect, we maintain our discipline of a 50% dividend payout ratio, excluding material notable items and related impacts.

Finally to guidance, this slide gives you our guidance, mainly for 2026. We saw revenue momentum continue in January, including in Wealth. On the slide, you see banking NII of at least $45 billion. Our revenue ambitions for our Wealth business are contained within our revenue target. We have therefore removed 'growth fee and other income at a double-digit percentage CAGR' from our guidance. We see an ECL charge of around 40 basis points, broadly stable on 2025. We expect to constrain cost growth to 1% on a target basis. This benefits from our organisational simplification and allows us to continue to invest in the business. There is no change to our CET1 target range of 14% to 14.5%. In 2026, we will deliver the $1.5 billion of savings from the reorganisation. We are well on track with the $1.5 billion of reallocation costs, which will be redirected towards priority growth areas. We are now adding the expected $0.3 billion of Hang Seng Bank cost synergies to the original $1.5 billion of reallocation costs, taking this to circa $1.8 billion.

On Hang Seng Bank specifically, we see $0.5 billion of revenue and cost synergies to be achieved by year end 2028, as well as an additional $0.4 billion of potential further upside enabled by the privatisation. To achieve this $0.9 billion, we will incur a restructuring charge of $0.6 billion from the Hang Seng privatisation, which will be a material notable item.

To close, as I said to you last year, I am fully focused on discipline, performance and delivery. Discipline means prioritising with precision, maintaining strong cost control, and ensuring investment rigour for growth. Performance means gearing our final strategy towards achieving our new returns target. Delivery means ensuring we remain agile and resilient, enhance operating leverage, and are always well positioned to support our customers. This is exactly how we will continue to run the bank. With that, we are happy to take your questions.

ALASTAIR RYAN, GLOBAL HEAD OF INVESTOR RELATIONS: Thank you, Pam. Thank you, Georges. We will take any questions from the room here in Hong Kong first. If I could ask you to introduce yourself and your company, and this being the hard part, constrain yourself to two questions each, please. That goes for people on Zoom as well as people in the room. Would anybody like to ask a first question here? We will take a question from Nick.

NICK LORD, MORGAN STANLEY: Thank you very much for taking my question. I will put it as one question in two parts. I am interested in your revenue target by 2028 of achieving 5% revenue growth. I wonder if you could talk about some of the components of how you would get there. Presumably Wealth is part of that, and so maybe you could talk about the Wealth trajectory and how sustainable that is. Presumably, at some stage we are going to see a kick-in of development of Markets in Asia, and that Markets business can grow more, so I wonder if you could talk a little bit about how you want to grow that Markets business in Asia.

GEORGES ELHEDERY: Thank you, Nick, for the question. I am going to share some high-level comments as we are looking at the growth opportunities, and Pam can take you through the various components. The first thing is we have delivered growth in 2025. We have delivered growth, as we mentioned, across all our businesses and all our key metrics, including deposits, loans, fee income in Transaction Banking and Wealth. This is reflected in our revenues growing at 5% in 2025.

The second item to call out is, if you look at our footprint, we are basically aligned to the strong structural growth opportunities. Hong Kong – we have called it out, and we are basically consolidating our leadership position to capture these growth opportunities with the privatisation of Hang Seng among others. Asia and Middle East – structural growth opportunities in wealth, but also Asia and Middle East hitting record volumes in shipments for trade. Asia is buying Asia, and our footprint allows us to capture these growth opportunities. In the UK, we have seen the strongest loan growth in 2025, and we have indicators to believe that there is a possibility for this trend to carry on. This is the strongest loan growth we have seen in the UK for many years, but it is also the strongest loan growth we have seen across all our businesses that we have seen in the UK.

The last thing I will call out is that we are investing for all these growth opportunities. We are now putting in investment from within our cost base. We are putting in investment from the additional costs we are taking in 2026, and we will be putting in even further investment from the reallocation of the $1.8 billion, as we free up these costs, back into those core areas where we can grow, and this is what's giving us this confidence to give you the growth targets of revenue growing year-on-year every year, rising to 5% in 2028.

PAM KAUR: In 2026, we expect broad-based growth in revenue across all our businesses, but just unbundling a little, in banking NII, as we have said, we expect a low single-digit growth, fundamentally driven through deposits. Yes, there are pockets of growth in loans, but so far, we've just seen in the UK market. Overall, we expect that growth in Wealth and Transaction Banking and our fee-generating businesses will continue to be very positive.

As we go beyond 2026, we do expect balance sheet growth should kick in in Asia and other markets, not just in the UK. Of course, we are seeing domestic growth in the US already, but we're not a big player in the US market. We are continuing to invest in our fee businesses, and our investment plans are multi-year plans, so it's not just for growth for one year; it's a very strong building block for growth through the period we have called out and beyond, particularly in markets like Hong Kong, in the UK, and other key markets for us in Asia and the Middle East.

JOE DICKERSON, JEFFERIES: Good set of results, guys. Just a quick question on the costs. If you look at the 2026 number that you've given, the 1% growth, I know you've got your recycling. How do you think about, when you peel that back – and what's the metabolic rate of growth in costs, particularly coming from investments, because you clearly have some global peers who have accelerated their investments around AI? So I was just curious how you think about that.

And then, secondly, a nit-picky question, but what rate of HIBOR have you assumed in the banking NII guide of greater than $45 billion? Thanks.

GEORGES ELHEDERY: Thank you very much, Joe, for your questions. Let me share some high-level considerations of how we're looking at costs, and I'll ask Pam to comment then on costs and on HIBOR rates. I shared a bit earlier, but I want to emphasise, first, within our cost base, there's a proportion set aside for investments, for change-the-bank, investments, digital capabilities, additional people hires, relationship managers, wealth advisors, etc, of course, generative AI efficiency generation. That's within our cost base. Second, the fact that we're adding cost adjusted for these savings, half of that additional cost will go towards payroll inflation, but the other half will go towards additional investments. Then, third, the recycling of the $1.8 billion, which is commensurate to about 5-6% of our cost base, will go back into those areas of investment for growth. We believe we have ample capacity to invest and deliver the growth that we are setting targets to deliver against.

Then the next thing I would say about cost is that it's important, Joe, we are committed to cost discipline. We are confident in our ability to deliver to cost discipline. As you've seen for our 2025 results, we have met our cost targets. I think that's an important guide also as you look at our cost guidance for 2026.

PAM KAUR: I would note that we are ahead on our simplification saves because our plan and the actions we have taken have come through sooner than what we had originally outlined. This gives us incremental saves of $700 million in full-year 2026. That has been a consideration in the overall 1% cost growth envelope. As Georges said, as we have divestments happening, we are continuously reallocating those costs to our priority growth areas. What's really important for us is that our investment rigour is focused on our strategic priorities. That's what we've done in 2026. That's what we will do going forward. These are committed plans, which are multi-year plans. They don't go back and forth every year. That's all part of the overall cost envelope guidance we have given for this year. Again, we're giving guidance for this year only, but we expect to maintain our cost rigour on a continuous basis.

In terms of rate assumptions, we have used the end-January forward rate curve for our banking NII guidance for all major currencies. In terms of HIBOR, just to note a couple of points, our HIBOR volatility that we saw in Q2 and Q3, when HIBOR was at 1%, it has an impact of about $100 million on banking NII. The moment HIBOR stabilises, as it did in Q4, and indeed this year, although it has fluctuated a little bit around the 2.5% mark, that is captured in our guidance. We look at a few plausible downside scenarios as well before we give full guidance.

BENJAMIN TOMS, RBC: Firstly, on your ROTE guidance of greater than 17%, I'm just looking for some commentary about how sustainable you feel that guidance is beyond the announced planning horizon. How much do you feel this guidance isn't all-weather guidance post all the investments that you've been making into the business?

Then secondly, on the Hang Seng synergies on slide 13, do you mind just talking a little bit around why you've adopted two buckets that you've labelled 'synergies' and 'upside'? Is the upside bucket basically where there's a lower degree of certainty over the synergies? Some colour on what type of synergies fall into each bucket would be useful. Presumably, there's no incremental restructuring costs associated with the upside bucket on top of the $0.6 billion. Thank you.

GEORGES ELHEDERY: Thank you very much, Ben. On the Hang Seng guidance, what I will share is we do have the management ambition, and we do have comprehensive sets of plans to achieve the full $0.9 billion upside with the restructuring costs that we've called out. I'll let Pam give you the details. Under ROTE guidance, we are not guiding beyond our horizon, but you should always assume that we are ambitious.

PAM KAUR: Just to say, on our ROTE guidance, we continue to see positive momentum in our businesses. As we said earlier, we are investing for growth, but, of course, the targets are only for three years. In terms of the Hang Seng synergies, you're quite right; the $500 million is what I would call the reported synergies following accounting rules. The $400 million synergies are depending to some extent on markets and customer behaviour, so there is some degree of uncertainty, and they don't strictly fall between what is considered to be accounting reported synergies. That's the reason why they're separate.

Both these synergies, the plan to get that $900 million benefit is by the end of 2028. The restructuring cost of $600 million covers the benefits across both buckets. Beyond that, we actually believe, as it says on the slide, that, at some stage, the credit cycle will be normalised, so there'll be some benefit coming from there. There'll be more growth in lending, as well as overall Hong Kong growth, which we will continue to be very well-positioned for. Because of the redeployment of the cost allocations that we have, there will be a fair chunk that obviously goes into Hong Kong, which is a core market on our strategy.

MELISSA KUANG, GOLDMAN SACHS: Just two questions. In terms of the strategy that you have, rising to 5% revenue growth, I just wanted to see if you can give a bit of a CAGR growth instead, so we can understand the pathway there. In terms of that, will it be coming largely from the non-banking NII portion, or will it be from the banking NII? That's my first question.

On the second question, perhaps on the restructuring cost at HSBC of $0.6 billion, can you just give a little flavour about what is it that we are doing and this in terms of the restructuring that we need such a cost? Where are we focusing on in terms of delivery, and then how we'll see the revenue synergies? In terms of the revenue synergies, can it be as quick as next year, or will it be more heavy into 2028 as per your three-year guidance, rising to 5%?

PAM KAUR: Firstly, we've said that revenue growth is positive each year, but it's also progressive, and reaching 5% by 2027 to 2028. In terms of the underlying building blocks, we've said to you that, in 2026, where we have given the guidance on banking NII, it's a low single digit, so therefore, similar to the prior year, we will see more positive growth momentum on the fee-generating businesses.

Beyond 2026, banking NII, of course, we look and see where the guidance is, where it is, where the rates are and what's the timing of the rate cuts as we go into 2026, but we are continuing to invest in our fee-generating businesses, so we see that momentum in those businesses, including Wealth, which really underpins this revenue growth, and Wholesale Transaction Banking, to continue. I'm hoping that, at some stage, we'll see a little bit more of growth on the balance sheet in terms of lending beyond UK that we have already seen.

In terms of the restructuring costs, there are a couple of elements that drive it. One is there's some organisational alignment, so there will be some roles which will evolve and teams that will be realigned. A large chunk of this is really in terms of the investment in technology so that we can better harmonise our technology and better get results from the technology investment we have across both the green and red brands. This is really quite critical for us in order to achieve the overall ambition of $900 million, because the $900 million ambition, just to reiterate, it's not just a cost story; it's a revenue and a cost story, and this is an investment for growth. That's how we look at it. We plan to spend the restructuring costs of $600 million across the three years. Of course, this will be spread through these three years. We are not seeing any more.

In terms of revenue synergies, we strongly believe that, by the privatisation of Hang Seng Bank, our ability to be able to provide a broader product proposition into the green brand is highly enhanced. We'll have better Wealth products for our retail customers. We will have Capital Markets and broader Wholesale Transaction Banking products for the wholesale customers. More importantly, we will be able to have access for the same international network that we have for the red brand also within the green brand. Last but not least, we will have more balance sheet flexibility in terms of how we leverage our treasury capabilities, but also in terms of upstream and downstream capital. This will all be done over the next three years.

AMAN RAKKAR, BARCLAYS: I had two questions, please. One is around capital. There looks like a decent chance that you'll be within your target CET1 range in Q1, based on historical and perhaps projected capital generation estimates. Obviously, it raises the prospect as to whether you might be able to reintroduce a buyback earlier than planned. I don't know if you're able to comment on whether that's a realistic or plausible scenario. I guess, more specifically, just interested in the capital allocation thought process from here. Clearly, your stock's trading at a level now where the return on investment around buyback might be beaten by alternative uses of capital. Obviously, you did it with a Hang Seng, but should we be thinking about inorganic growth as well as the compelling organic growth within your footprint.

Then I just wanted to ask around banking NII, please. Clearly, that Q4 jumping off point is flattered by $100 million. I don't know if there's anything else that you'd direct us to, to strip out of that number in terms of deposit catch up or the impact of HIBOR. I was particularly interested in what your deposit growth assumption is that sits behind the guidance you give in 2026, please, because I think that could be a sensitivity around the ultimate outturn of banking NII in 2026. Thank you very much.

GEORGES ELHEDERY: Thank you, Aman. Pam is best placed to answer both, but I want to share a few thoughts about our philosophy on capital. First, we remain capital generative, as you've seen from our targets, but also as we've experienced over the first month and a half in the year in 2026. We're very pleased to see that our capital generation is strong. Our first priority is now restoring the CET1 ratio following the privatisation of Hang Seng, which we estimated to take us three quarters. Of course, we do that assessment quarter by quarter.

I do want to point to the increased dividend we are paying this year, 75 cents, 45 cents on the fourth quarter, which is, on a full-year basis, 14% higher than last year. We are distributing through dividends. What I wanted to share about the discipline, how we use capital, we have shared it in February 2025. We've set ourselves four key criteria. They are a high bar, and we strictly adhere to them in the way we look at inorganic opportunities. Insofar as these four criteria are met, like in the case of Hang Seng privatisation, then we will consider inorganic, but if one of these criteria is defeated, then our preference will be to utilise or return any excess capital back to our shareholders in the form of share buyback.

PAM KAUR: As Georges said, we continue to remain highly capital generative. We've had a good start to the year, as I called out earlier in my remarks. As you know, we look at our share buyback decisions on a quarterly basis, and that will be a quarterly process. The starting point is clearly our target operating range, which we are working hard on, so that we can replenish the capital that has been deployed in the Hang Seng Bank privatisation. That's the first priority, as Georges said. That CET1 operating range remains 14-14.5%. That's the one which underpins all the targets and guidance we have given today, just to clarify.

In terms of our priorities from there on, of course, the priorities are: 50% is the dividend payout ratio, which we have again reaffirmed. We would like to see balance sheet growth, and we want to invest for growth. That's if we can have growth at the right return levels. Our distribution priorities, hence, have not changed, and share buyback remains for us a useful tool to deploy surplus capital, irrespective of where the share price is. I think that's an important consideration for us going forward.

Next question - on banking NII, you're right; there was a $100 million non-repeat items. If you take that out for modelling purposes, you come to $11.6 billion. There are no other one-offs. There was a higher HIBOR quarter-on-quarter, and HIBOR also stabilised. That's why, as you remember, third quarter, when we gave a more cautious outlook, because we didn't know where HIBOR would be. Having seen HIBOR stabilise, it gave us the beat on our banking NII results. We also saw low betas on savings accounts in Hong Kong. Very importantly, we saw strong deposit growth. We do expect this strong deposit growth to continue to be a key driver in 2026, along with the tailwinds of the structural hedge, similar to last year, and redeployment at higher rates.

The only thing to bear in mind is that, for this year, clearly in Q1, given that there will be two days less, there will be a headwind of $300 million in Q1. We have assumed, obviously, the rate changes, both that we've seen to date as well as projected for the year, but a lot depends on, as you can imagine, the timing of those rate changes, particularly in the US dollar and sterling.

AMIT GOEL, MEDIOBANCA: Two for me. The first one, just coming back on the upgraded ROTE targets, the 17% plus, I just want to check, in terms of how you're thinking about that on a year-on-year-on-year basis for 2027/28, are you thinking that ROTE continues to improve, or are you thinking more 17% is a very acceptable and a good level, and so any additional upside you would look to reinvest? Within that, I note that, on the LTIP, you've brought up the lower end of the boundary for performance, I think to 16.5% from 14%, but the 18% at the top end hasn't changed. So I appreciate that's done by the compensation committee, but I'm just curious how you're thinking about what an appropriate or sustainable level of return is.

And then, secondly, again just coming back, maybe more clarification on the Hang Seng Bank benefit and restructuring charge. I guess I was just curious really for a bit more detail on the $0.4 billion of additional benefit that I guess from an accounting standpoint can't be treated as a synergy, what exactly that is, and within the restructuring charge, I think previously you said that there's actually going to be more natural attrition and redeployment, so there'd be very limited day-one costs, so I'm just curious what you're spending that money on. Thank you.

GEORGES ELHEDERY: Thank you, Amit, very much for your two questions. Pam can address them, but just to talk about the LTIP briefly, this is indeed a Remuneration Committee consideration. It reflects the performance that we will achieve in 2026, 2027, 2028, which aligns to the guidance we're giving you. There isn't more we can say at this stage apart from that it is more ambitious and reflects our ambition to the business.

PAM KAUR: So, firstly, yes, we have ambitious targets and the target is '17% plus' each year. We are not giving a trajectory, whether it's the same or progressive, but, of course, we continue to grow our business and invest in it diligently, but the target is just '17% plus' each year.

In terms of the Hang Seng benefits. Firstly, to call out these are both benefits we are getting from a cost perspective, but also a revenue perspective. Classically, what you would see in terms of cost synergies and all the restructuring is actually severance costs. That is not the case here. Because there is so much on the revenue as well, a lot of the restructuring will be in terms of investment from a technology perspective.

The cost synergies themselves – of course, there will be some realignment and evolution of roles and individual areas. It's not something which is going to lead to severance or staff reductions. There could be some role changes, clearly. There will be some scale in product manufacturing and there will be some technology harmonisation.

Now, when you think in terms of the two bits, with the $500 million and the $400 million and why it's so, clearly, from a cost synergies perspective, it's easier to call out. Revenue synergies, there are greater haircuts, but we do have very detailed, comprehensive plans on how we are going to drive these revenue synergies, and those plans underpin the $400 million, even though they were haircut in the $500 million. Just in total, to reiterate, because there are lots of numbers going around –think of it as a $900 million benefit in those two buckets, with different degrees of accounting rules and different probability of expectations, and then an overall restructuring cost of $600 million to achieve that total.

GEORGES ELHEDERY: Amit, we are a net investor in people in Hong Kong. We are also an investor in technology in Hong Kong to capture all these growth opportunities we have been talking about. Therefore, we do not expect, anticipate or plan any programme of redundancies. We do, though, expect that some roles may need to evolve, and we are basically committing to training, reskilling, to make sure that our own colleagues have these growth opportunities, career opportunities, to be able to capture these roles in which we will be investing over the duration of our programme of three years.

PAM KAUR: There's a meaningful number that we have already included in that $600 million restructuring cost for training and reskilling of our colleagues as their roles change and evolve.

KIAN ABOUHOSSEIN, JP MORGAN: Thanks for taking my questions. First of all, Georges, congratulations. I have to say you're really driving the bank to a better process and discipline we haven't seen in HSBC before, if I may say so.

To the questions, tech stack – can you go a little bit more into detail? You gave a number in 2022 that you're spending about 20% on IT as a percentage of expenses. I'm wondering if we should think about a similar ballpark. Within that, can you go a little bit under the hood and discuss where are you on cloud transformation? Are you done? Where are we on platforms?

Are you done or what platforms still have to be produced new or integrated data management? So I really want to understand a little bit what you're doing on the tech side.

And then, CRE, this is still an area where I'm a little bit uncomfortable. Stage 3 CRE China, 18% coverage; 14% on Hong Kong stage 3 – can you talk a little bit where you want to drive that to? And clearly, I heard Pam's remarks about provisions, and CRE was mentioned.

GEORGES ELHEDERY: Thank you, Kian, for your two questions and your feedback. I'm going to take your tech question and Pam will cover the Hong Kong CRE, and I think it's a very important question. Thank you for asking it. We're indeed driving both performance and transformation, with discipline, with precision, and we are doing it at pace. We are very glad to see that the results of both performing, growing and transforming is delivering at pace, as you have seen in our 2024 numbers.

So, in terms of tech, you could broadly assume that 20% is the cost that we're spending on technology, but the way we're talking technology now is, number 1, we are thinking about all those legacy or non-strategic applications which are consumers of run-the-bank costs – consumers of maintenance costs, patching costs, licence fees – that we're going to very proactively demise at scale. We're very pleased to be able to say that we've demised more than 1,100 applications in 2025. This is more than a third of the about 3,000 applications that we have deemed non-strategic and looking to demise. Just to give you a perspective, we run about 10,000 applications – 9,000, actually – of which 3,000 are flagged for demise over the horizon between now and 2028, and we're moving at pace for that. Now, that demise will allow us to free up investment capacity, to put it in new technology and new capabilities in tech space.

Cloud transformation – I think we are quite mature on Cloud. I think we've moved from a 'Cloud-first' strategy where we moved many of our applications to Cloud to now a more mature and therefore more sophisticated approach to Cloud by looking at optimisation of hosting of applications, and therefore, we would look at any new applications or our existing stack, where it is better sat. If it is on Cloud, where the majority is, then it'll be on Cloud, and then we will look at portability capabilities and the resilience capabilities, and if it is on-premises or in the private Cloud, then we will look at that. So I think we have matured our Cloud approach, and we're already in a place we want to be, but of course, we will continuously evolve it.

If you ask me where is the biggest investment going into the new technology today, it is definitely going into Generative AI. I want to just take a minute to explain how we're thinking about Generative AI because that's quite important. We're looking at Generative AI in three workstreams. They're on slide 8 of the pack. The first workstream is we're making Generative AI available to all our colleagues in time – 85% mostly now enabled – to make sure that we're helping our colleagues upgrade themselves and become future-ready.

The first thinking is 'How can we bring our whole colleague population with us in becoming future-ready, Generative AI enabled?' They will have Generative AI tools that they can use. They will have coding assistants, or vibe coding assistants for those among our engineers – 31,000 already enabled, and we're seeing immediate productivity gains. We're seeing 60% speeding up in our unit testing. We're seeing five times faster patching of vulnerabilities in code thanks to all these capabilities. This is our first mission, all our colleagues to benefit, to be trained, to be upskilled, to become future-ready, better version of themselves, more productive, better outcome for our customers.

The second workstream in Generative AI is fundamental re-engineering of our processes end to end. 50 of those processes are already under review. Some of them have already delivered and finished, such as onboarding and KYC, but all sorts of processes, including fraud detection and prevention, credit applications, capital allocations, data visas and what have you, do allow generative AI to help us redesign the process in a much simpler way and also allow GenAI to be integrated in the process to process data in a much more efficient way, the result of which is a more productive bank, a more efficient bank and a safer bank with stronger controls and, more importantly, a very simple bank that will be able to ultimately deliver to our customers closer to near-real time or real time at the highest possible standard that's available for us. That is an ongoing journey.

The third workstream we're taking Generative AI is how we enhance customer experience at the customer touchpoints. This is our relationship managers, wealth advisors, contact centre operators. As they engage with customers, Generative AI tools already rolled out – as you can see on the slide – will allow them to personalise at scale, to tailor make, to customise at scale, at the highest possible standard for our customers, close to real time in a way that can allow us to deliver our capabilities to customers in a much more seamless, faster, better way. Customer experience will be materially enhanced. Today, we will have operators using this Generative AI to service our customers, but you can envisage that, in a few years' time, we could possibly put these Generative AI tools straight for utilisation by our customers.

Those are the three workstreams. What I want to say, though, is that we are doing this with safety and security at the forefront. We're doing this in a way that we can review, monitor and audit everything we're doing in the space as a critical standard, and we're doing this in a way to keep controls, resilience and human accountability always there because we are a regulated industry and our customers' trust is the most important asset and we will do everything to make sure the customer's trust is always protected and nurtured. Thank you for that question. I'll hand over to Pam on the Hong Kong CRE.

PAM KAUR: Thank you, Kian. Just looking overall in our guidance, our around 40 basis points guidance for 2026 considers all our portfolios and, of course, Hong Kong commercial real estate as well as the very small residual amount of mainland China commercial real estate and we look at a range of plausible downside scenarios before we give you this guidance so just unbundling a bit. The mainland China commercial real estate portfolio has really come down. It's now less than $1.5 billion and our ECLs this year for this were below $200 million. In that context, the names from that portfolio that's left, we feel much better about it compared to where we started.

When you think in terms of Hong Kong commercial real estate, firstly, I'm going to give you a bit of an update on the three segments within this Hong Kong commercial real estate portfolio and then how we look at the names, and particularly the credit impaired names. The first one – we've been calling it for a year, and now I'm very pleased to say that the residential component of Hong Kong commercial real estate is near normalised, and I say that because, when I look at it in terms of price increases, HPI has been up 5% year on year in 2025 but more importantly, we've seen a 10% growth in also sales volume. Rentals had already stabilised, both in terms of the rental demand as well as the rental pricing.

Now, when we look at retail and the office space, of course, there are pockets of distress in it, but just a broader context, we saw retail sales also in Hong Kong in May turn into positive and they are now up year on year at 6.6%. But of course, this alone is not going to solve the problems of the retail sector because people's retail shopping patterns have changed. They don't necessarily need to go to shops in malls, etc. Having said that, as there is more consumption in Hong Kong, we are seeing this shift from shopping places being changed into more food and beverage and so on, but there will be pockets of stress in it, and that will be coming from mainly oversupply at this point of time.

Office is a sector we are watching very carefully because recently we have seen, both in terms of rental demand and in transactions for the best properties with the best spec in Central, in the best areas, there are some green shoots. The downside is, at this point of time, vacancy rates are still around 17%, so that's what we will be managing through and then following up very carefully. Having said that, in Hong Kong, we are not a distressed seller. It's a market we are deeply embedded in and we really understand well, but we are very resilient in terms of how we do our valuations. We go and look at valuations, including distressed valuations, and we look at with our collateral position, and we stay well collateralised, and we've been following through this very closely over the last couple of years.

The one metric which I personally follow, though my job has changed now, is what happens to credit impaired names, and the exposure that you need to focus on is credit impaired names which have an LTV over 70%. Now, this number has grown, and it now stands at $1.9 billion but the ECLs against it have also grown, to around 900 million and if you go back quarter on quarter, that differential between the ECL number and the exposure sits around a $1 billion number. That's where you think your risk is and, of course, you have to see if some of the sub-standard names don't fall down. All I would say, given what we are seeing and particularly to note is that in this quarter, we had a stage 3 against one name but the macro environment in Hong Kong was positive and, as a consequence, through IFRS 9 calculations, those two almost offset each other. In that broader picture, we feel very comfortable with the 40 basis point guidance.

ROB NOBLE, DEUTSCHE NUMIS: Just on non-interest income in 2026, what are the negatives in non-interest income for the next year? If you were to grow at the same level, which was I think the low teens in 2025, you would blow through 5% revenue growth in 2026, let alone 2028 so why aren't we much more positive on revenues than you're sat here now? Secondly, just on Hang Seng, what's the difference in the local capital requirements in Hong Kong and the UK? Does the transaction change anything in terms of minimum group regulatory requirements and how you manage capital through the group? Thanks.

GEORGES ELHEDERY: Let me address your first question and Pam may add to it and address definitely the Hang Seng capital question. The 90% or more of our non-interest income – and therefore our fee or other income – is driven by Transaction Banking and Wealth so looking at the dynamic in these two will give you a good perspective of how non-NII is evolving. Transaction Banking, we've reported full-year growth of 4% year on year. We're seeing continued momentum in this space. We are a leader in practically all the aspects of transaction banking that we prosecute with our clients. We've been voted by 30,000 businesses as the leader in payments, both in product services and technology. We've been nine years consecutively a leader in trade. We've been voted by corporates using foreign exchange as the leader in servicing them with foreign exchange. We continue investing in this space. We continue expecting resilience in this space, in particular, in trade and I can talk more to trade if desired.

As you look at wealth, it remains unequivocally one of the strongest growth opportunities, in particular, given our footprint where we are focussing on Asia and the Middle East and the underlying growth in Asia and the Middle East of wealth is very strong and our ability to capture more market share is very strong. We are already a leader in wealth in Asia if you look at Wealth balances, and that's an area where we can benefit from this underlying structural growth opportunity.

Second, wealth – because we are also accelerating our investments in this space, you've seen we've launched 26 or 27 wealth centres in 2025, taking the total to 64. We're hiring relationship managers, wealth advisors. We're empowering ourselves with Generative AI wealth capabilities. We're building technology. We're creating a comprehensive set of products, and we continue investing in this space. So we do believe wealth remains a very strong growth opportunity, albeit we have dropped the guidance on that, and the idea is to give you an overall revenue guidance which is better encompassing the overall opportunities, and probably more relevant for your forecasting.

PAM KAUR: On wealth, we are very comfortable in our broad-based product proposition. The only thing we need to remember is that this year, with how the markets have performed, therefore some of the wealth that is generated through transactional activity, we'll just have to see how that progresses in next year. We're not going to make a call out on how volatile or otherwise markets are going to be in 2026, so if there's anything, that's what would have been good consideration, because we have to look at plausible downsides in giving our guidance, as opposed to just a base case or an optimistic case.

From a Hang Seng capital perspective, we have already got the $3.8 billion benefit, which comes from the disallowed minority capital, which we don't need to have an impact on a CET1 anywhere. So that's a positive straight on. But generally, in a broader picture, across all our subsidiaries – which are 100% owned – we do have more flexibility in terms of how we move our capital, whether it's up-streaming or down-streaming, obviously subject to what we consider the market outlook is, where our portfolio is, and subject to regulatory discussions. So all in all, it does give us a better ability to move capital around the group and be more efficient in the deployment of capital.

CHEN LI, CHINA SECURITIES: I have a question about the preservation of Hang Seng Bank. Could you provide further information about the growth opportunities? I want to know which aspects of the wealth management business will have stronger synergies with Hang Seng Bank, and what are the outlooks for the Wealth balances and Wealth Management margins?

GEORGES ELHEDERY: Thank you very much. I'll hand over to Pam, but remember what we said at the announcement on 9 October of our intent to privatise Hang Seng. These are commitments we are holding. Hang Seng Bank will retain its own authorised institution and governance. It will retain its own brand in Hong Kong, of course, as a major community bank and the largest local bank. It will retain an independent customer proposition that will compete in the market for all customers. It will retain its branch network, and that proposition will remain intact with a distinctive cultural strength and customer proposition – customer experience strength – that Hang Seng has been known for practically a century in Hong Kong. What we are driving through this privatisation is better efficiency in cross-selling, or better efficiencies in aligning back office or manufacturing capabilities that are not related to the customer proposition. Pam.

PAM KAUR: So firstly, the positioning of Hang Seng Bank as an iconic community bank in Hong Kong stays. What we will endeavour to do is, post the privatisation, we don't have that arm's length relationship restriction that prevents us to do more in terms of product proposition offerings and cross-referral to our customers. Also, in terms of the investment dollars that we spend, we can spend them – if it's on the same product, on the same customer journeys – seamlessly across both the red brand and the green brand. So that gives us a very good position that, as these two standalone brands, our ability to lean into the growth in Hong Kong and the macro opportunities, including cross-border, will be available to the broadest customer base while maintaining that community element of service for those customers. So that's how we are looking at it, and we will look at wealth products as well as pricing margins so that we can really make them more easily available for our customers.

GEORGES ELHEDERY: Chen, we are the market leader in Hong Kong, undisputed. We are consolidating and cementing this leadership. The Hang Seng Bank privatisation will allow us to consolidate that leadership even further in all sorts of a broad range of products and services, and we have a leadership position in capturing these growth opportunities that Pam was talking about in Hong Kong as a super-connector between the mainland and the world, poised to become the leading cross-border wealth hub on the planet before the end of the decade. It's really a privilege to be in the position we are in, to be able to capture this with the full HSBC and Hang Seng propositions.

ED FIRTH, KBW: I just had two questions. One, just talking about the HIBOR benefit in Q4 for your net interest income, I think one of your peers talked about it as a temporary benefit. I guess I'm not close enough to the franchises and how you price, etc, domestically. Do you know, is there anything peculiar about you or some of the peers about the way you repriced CASA accounts or something in Q4 which would mean that yours should be sustained, but somebody else's might be temporary? So I guess that's the first question.

The second question is, I guess, slightly an extension of Rob's question. I'm not quite sure what is so specific about 2028 that means you can get 5% revenue growth there, but I assume you don't feel you can before then. I know that at the moment in 2026 we've got some headwinds from interest rates, but you've also got very strong tailwinds around things like wealth management. Pam highlighted that. And 2027, I guess, should be a reasonably normal year. So I'm just trying to think, is there something that I need to think about that you can see that is happening from 2028 and beyond that will make your revenue growth better that we're not seeing today? Thanks very much.

PAM KAUR: So let me just unbundle the situation with regard to HIBOR. So in the fourth quarter, HIBOR stabilised, and we had called out in the prior quarters that – and I'll come to Q1 in a second – that in Q2 and Q3 HIBOR was very volatile, and we were looking at the comparison for a HIBOR close to 1%, where it has an impact of about $100 million in terms of banking NII on a monthly basis, and then stabilising to something which is in the 2% mark. We look at HIBOR on a one-month HIBOR basis. We feel very comfortable as long as HIBOR is around 2.25%, 2.5% and so on. I fully recognise that, and I don't know what other peers would say, like what tenor of HIBOR rate is most relevant for them. I'm just telling you from our perspective.

Now, in Q1, HIBOR has fallen, but we have to see the context. There's been a range of IPOs. That normally happens, when there's that demand for HIBOR, fluctuation, but it has fluctuated within a narrow range, so the impact isn't there. Also, last year in Q4, there was a benefit of lower betas, so when HIBOR went up the same impact wasn't there on the savings rates. Of course, we'll have to look at betas, how they evolve.

Then, we have a very strong deposit franchise, and I think that's our differentiator in terms of the CASA level that we have in terms of our accounts. Therefore, we have a good positioning where that deposit base helps us on the banking NII more than most of our peers. Obviously, in terms of both banking NII this year and also our ambition, it's the rate headwinds and, as I said earlier, it's the timing of the rate headwinds. If they're delayed, of course, it becomes less of a headwind. If they are earlier, then there is more sensitivity to it. So I would say from a wealth business, as I also alluded to earlier, yes, the growth is very strong, whether it's asset management, wealth products, insurance. It's broad-based growth. Last year, there was a great advantage of a tailwind coming from markets, which gave us a lot of uplift on the transactional-based fee income. We can't assume that for this year. Of course, if markets stay well and that happens, then that's a positive tailwind. So that's how I would look at it.

GEORGES ELHEDERY: I would look at 2028 not specifically as the year 2028, but as what we believe our long-term structural opportunity to grow. It's our guidance for 2028, but we've delivered 5% revenue growth in 2025. We've delivered 4% in 2024. So it's just the footprint we're in, and the capabilities for us to capture the growth is there.

PAM KAUR: We like to be cautious, to be fair. We have to consider downside scenarios as well. We don't always take the best case.

ALASTAIR WARR, AUTONOMOUS: Two questions. Back to Hang Seng Bank, I'm afraid. You touched on potential upside from asset quality improving. I just wondered if that's something you're thinking about in terms of maybe more active steps, or is this just about being patient with the property cycle? Then just on the wealth side for a second question, looks like there's a bit of a slowdown in the new account opening in fourth quarter if you've got 1.1 million customers for the year and you were running at about 300,000 a quarter. Is that just seasonal, or anything's changing there that we should be aware of? Thank you.

PAM KAUR: So, just in terms of the asset quality, the comment I made was that if you look at Hang Seng's pre-impairment margins, they've been very strong. If you look at what Hang Seng's ECL charges have been prior to 2022 versus in 202425, and even the run rate for the first half of the year, and then what's consolidated for the for the full year, that's what I meant by the overall improvement. That would be both for Hang Seng Bank as it would be for HSBC red brand. That's the only way to look at it. In terms of our own policies or processes on how we manage exposures, both for the red brand and green brand, they are highly aligned, the rigour we follow through them. I don't expect any of that to give us either a tailwind or a headwind.

So in terms of the new-to-bank customers, yes, it was 1.1 million, just to clarify, for the red brand, and the fourth quarter also had a good number. We believe that these new-to-bank customers is a huge growth opportunity for us. However, we are trying to be now a little bit more selective on the acquisition, because we have now had a three-year trend on how the acquisition has happened in between the lower end of the customer base and the more Premier.

We have added a fee for the new to bank customers who have a balance less than HKD10,000, and because of that, we expect that there would be slightly slower acquisition in 2026. The focus on our affluent customers is going to continue. The focus of the improvement in our overall income, whether it's through deposits, wealth products, insurance is very healthy coming from these new-to-bank customers, so we don't see any change. We just don't want people to say that every month is going to be like a 100,000 number, because this is almost like a ticker number, because that's what the trend was. There will be fluctuations and changes month to month and quarter to quarter, but nothing material to call out as such.

KENDRA YAN, CICC: My question is related to macro side, as the newly nominated US Federal Reserve Chair has proposed interest rate cuts and balance sheet reduction. Could you please share your macro assumptions behind the future three-year guidance, and are there any risks that we need to pay attention to? Thanks.

PAM KAUR: When we look at our guidance, we look at plausible downside scenarios. That includes interest rate cuts, both quantum as well as duration this time around. As we said, the starting point for the guidance for this year was the January year-end cuts – but we also stress test our portfolios on a regular basis for a range of scenarios, and we consider those and the impact on ECLs also on a weighted average basis when we look at our overall portfolios. We have looked at some of the macro, I would say, recent news, whether it's to do with private credit or otherwise because, as I said earlier, we look at second- and third-order risks that may come from some sort of a macro event or issue, even though our own underwriting practices are very stringent and very rigorous in this respect.

What I will say is that, despite the evolving scenarios that we are facing on tariffs and trade, our business has been really quite resilient, and that overall it is up 2% year-on-year in 2025. In a complex market, as this landscape evolves, our relationships and engagement with clients get even stronger. We have taken market share in corridors in Hong Kong, UK, Asia overall as supply chains are moving and corridors are shifting. So I would say overall, if I think in a macro sense, there are headwinds and tailwinds as well as for the world at large, but also for HSBC. We look at specific idiosyncratic factors that could impact us, any risk concentrations we may have in our home markets, and that's all part of our guidance. That's why I said to the earlier question, that when we give our guidance and our targets, we like to be rightfully conservative.

The most important thing is, through this period, we have made an assumption that we will continue to invest for growth. We have the right strategy. We have the right priorities. We have the focus to retain and win market share, and we will continue to do that with the basic underlying principle that Georges called out earlier. We are here to serve our customers, and it is the strength of our relationship with our customers that gives us the confidence for our guidance and targets.

KATHERINE LEI, JP MORGAN: My question is still on revenue side. I think the 5% revenue growth in 2028, and then the above 17% ROTE guidance, I think these two key drivers, one will be on NII, and the other will be on wealth. My question is on NII. What gives HSBC the confidence then on the sustainability of the deposit growth? One trend we noted is that, say, for example in mainland China, with RMB appreciation and also mainland China starting to tax its citizens globally, will that actually slow down, for example, mainland Chinese nationals coming to Hong Kong to open new accounts and then the money flow movement? So can we be more a bit specific on what are the key drivers and then the key path on the deposit growth? This is number one.

Number two is on wealth and on that trend. What do you think that will have an impact on wealth as well?

GEORGES ELHEDERY: I'll speak a little bit about wealth, and I'll share some thoughts about deposits, and Pam can give you additional granularity to address your question. Wealth remains structurally a very important growth opportunity for HSBC, as we said, specifically that we're aligning our wealth footprint, Asia and Middle East, to where the wealth is growing fastest in the world, in Asia and the Middle East; also, our ability to capture wealth from the Premier customer base, which is the affluent middle class, all the way to the high net worth, means we have a better catchment of all these opportunities.

We're also present in a number of onshore markets such as China onshore. We are the leading international wealth manager in mainland China onshore, which is not dependent to flows outside China, for instance. We're investing in India. We of course have big wealth hubs in places such as Hong Kong, of course, Singapore, the UAE and a number of other markets. The challenges possibly to anticipate are there is a turnaround or a change in the overall outlook of investment, because inevitably wealth will depend on the underlying performance of the invested markets, and today, there is a strong resilience in these markets, which is what our customers are also looking at, but that is of course always a risk that we need to be watchful of.

We're also investing to gain share. We're investing to diversify the product offering and to diversify the wrapper offering, all the way from insurance to asset management, to other forms of brokerage, etc. so that we are able to meet the varying wealth customers' needs in how they look at their investment requirements. Finally, we're also investing in generational wealth, so specifically supporting a transfer to the youth, or the next generation, or transfer between wealth centres in a way our footprint allows us to do. That is competitively very strong, compared to a number of our peers who are offering wealth from a very, very few number of hubs. That is the wealth.

Now with regards to deposits, Pam will give you a better answer in the details you're asking for but let me tell you one thing about deposits. It is the foundational product on which our customers' trust is expressed with HSBC, and this is how we look at it. Customers trust us with their deposits. That's the starting point of any possible service and proposition in transaction banking, payments, financing and otherwise. So we cherish this asset class. We have always cherished it through thick and through thin, in good rates and bad rates, and we will always focus on what it takes to make sure our customers trust us, the final strength, the level of service, so that we earn their trust with their deposits.

When you look at our deposit base, it has grown in every business. It has grown, and we have highly surplus liquidity in every currency, every major currency, in every major geography. So there is a deep-rooted trust, across our four businesses and across all the geographies where we operate, which we nurture to support customers giving us their deposits and using us as their deposit bank, by preference or by excellence, that can support, if you want, our outlook on our deposit growth.

PAM KAUR: We have seen deposit growth, as you've seen in our new disclosures and wealth, across the spectrum of our customer base, Premier, Private Bank, Retail, in every market, in every jurisdiction, even when there isn't a home market. And that really underpins the growth that we are seeing in our banking NII. We have taken a very conservative trajectory on loan growth. I'm hopeful at some stage loan growth will also pick up, which will then also support the banking NII, if, from an interest rate perspective, the timing of the interest rate becomes a headwind in one of those plausible downside scenarios.

We have a structural hedge which is continuing to be a tailwind, given all the work we did a few years ago. We will also continue to build on this structural hedge even though the largest increases we have done have been behind us now. So, if I look at all of these things in the round and I look at the momentum of the business that we have seen in the first seven weeks of this year, that gives us confidence for our banking NII guidance for 2026. If you underpin that just based on the fourth quarter, obviously, it will give you a number of 46, but we are not calling that out because we are very cognisant of the headwinds on interest rates. And you are right here. The interest rates in the US are down 50 basis points, the UK, 25 basis points just year-to-date, with a further two to three rate cuts to happen.

With that, I think, in the round, we feel very confident that the banking NII, which is again the trust of our customers, and we are doing everything to preserve their trust and to build on those relationships because I'll just end with one thing. We are fundamentally a relationship bank. We have a full-service suite of products we offer to our customers. So, for our guidance, for our targets, we look at that full range. We are not a product proposition-based bank, in which case come of the comments you made would obviously be a bigger headwind.

GEORGES ELHEDERY: Thank you, Pam, and thank you, Katherine, for your last question. Thank you, everyone, for joining us. We are pleased to report strong revenues, strong profits, strong returns and strong distribution to our shareholders. We are confident we can navigate the challenges ahead of us from a position of strength, and this has allowed us to put ambitious targets about our revenue growing every year for 2026, 2027 and 2028, rising to 5% in 2028, as well as our return on tangible equity delivering 17% or better, every year over that period, with a 50% dividend pay-out ratio, all excluding notable items. Thank you very much for joining us this morning or this afternoon, and I hope you have a good day.