

Fixed Income Call Annual Results FY25

25 February 2026, 1.00pm GMT

FAISAL YOUSAF, GROUP TREASURER: Hello, everyone, and thank you for joining our full-year 2025 Fixed Income investor call. I'm Fas Yousaf, Group Treasurer, and I'm joined today in Hong Kong by Alastair Ryan, Global Head of Investor Relations, and from London by Greg Case, Head of Debt Investor Relations.

My remarks today will cover three areas. First, I'll provide a summary of Group performance and progress against strategic initiatives. Second, I'll discuss the strength of our balance sheet, including capital, funding and liquidity. Finally, I'll highlight a few forward-looking topics relevant to debt investors, including an update of Group targets and guidance and, of course, issuance plans.

As I speak, we'll show some selected slides from our 2025 Fixed Income investor presentation. The full presentation is available on our Investor Relations website. Once I finish, we'll move straight into Q&A.

Starting with the full year, our results were strong and continue to demonstrate the power of our diversified and capital generative business. I will refer to our results, excluding notable items, and comparisons are on a constant currency basis, details for which are set out in the appendix of the presentation.

Group revenue for 2025 was \$71 billion, representing a 5% year-on-year growth. This included \$44.1 billion from Banking NII. Profit before tax was \$36.6 billion. This is 7% up on last year, and represents a record high for HSBC. The Group generated a return on tangible equity of 17.2%, achieving our mid-teens or better target. Importantly, each of our four global businesses returned a mid-teens or better RoTE.

I refer you to the main investor presentation for full business highlights, but a few standouts include fee and other income from Wholesale Transaction Banking, which grew 4% year-on-year within our CIB business, and also in IWPB, Wealth fee and other income rose 22%, with growth across all subsegments. Our robust performance allowed us to declare ordinary dividends for the year of \$0.75 per share, an increase of 14% on the prior year.

Turning next to progress we're making on strategic execution, as our CEO and CFO set out in detail on the analyst call earlier today, we've made significant progress this year in creating a simple, more agile, customer-centric bank, which is well-positioned to deliver sustainable growth. Given that I'm speaking to you from Hong Kong, let me briefly begin with an update on the privatisation of Hang Seng Bank. First of all, we were pleased to complete the transaction ahead of schedule, further strengthening our position in our Hong Kong home market. Hong Kong is not only a dynamic financial centre, but also a super-connector, a trade and capital gateway between the mainland and the rest of the world. This transaction brings together global reach and local depth, allowing us to drive growth across both banks for all customers and investors.

We've already identified initial synergies from the transaction, and we see further revenue and cost upside to come. Moreover, we believe growth and asset quality improvement will bring additional value.

Beyond the privatisation, we've continued to simplify the Group and sharpen our focus on core markets and businesses. In 2025, we announced 11 business exits, and four of these have

been completed to date. These actions reduce organisational complexity, improve capital efficiency and support a more stable earnings profile. In addition, we've taken actions to realise approximately \$1.2 billion of annualised simplification savings in 2025, which is ahead of our original timeline. Of this, \$0.6 billion were realised in P&L this year. The delivery of this plan and our ongoing discipline has allowed us to guide for 1% cost growth in 2026 on a target basis.

Next, moving on to the second area, the strength of our balance sheet, asset quality, funding, capital and liquidity. The power of our franchise, and our deep customer relationships drove 5% growth in deposits during the year. This includes held for sale balances, and is equivalent to a \$78 billion increase. Growth was broad-based, but notably strong in Hong Kong, where we see ongoing capital and wealth inflows.

Across our two home markets, our deposits continue to skew significantly more towards current and savings accounts than we see across the broader market. Our loan book grew by 2%, as increases in three of our four businesses: the UK, CIB and IWPB were partially offset by ongoing customer repayments and muted demand in Hong Kong.

Our cost of risk for the year was around 39 basis points, aligned with our guidance of around 40. As we look out into 2026, our expectation is for around 40 basis points again. Stage 3 balances were 2.5% of customer loans, up marginally on the 2.4% level last year. The overall grading of our loan book continued to improve, with 77% rated strong or good, up one percentage point on last year.

Turning to capital, our CET1 ratio was 14.9%. This is at an elevated level due to our strong organic capital generation and retained capital in the fourth quarter to support the Hang Seng privatisation. This transaction completed on 26 January, with a \$13.7 billion purchase price. The removal of the \$3.8 billion minority capital inefficiency takes us to around \$10 billion of Common Equity Tier 1 consumption. This lowered our CET1 ratio by 110 basis points in January this year, post the balance sheet date. A slide in the appendix sets out the capital impacts in more detail.

We expect to remain capital generative and will continue to manage our CET1 ratio in the operating range of 14-14.5%. The midpoint of this range gives over 300 basis points of headroom above our MDA hurdle requirements.

Our MREL ratio was 32.9%, which is 4.5 percentage points above our requirement, equivalent to around \$40 billion of available capital.

Touching a little on regulation, the implementation of Basel 3.1 in the UK will take place on 1 January 2027. We have well-established programs in place to support this change, and the reform is expected to be modestly beneficial. We do not expect this to alter our capital target operating range or our issuance plans, and our focus at this stage is on model alignment, data preparation and ensuring a smooth transition.

Also in the UK, the Financial Policy Committee published their review of bank capital requirements in December last year. We believe the review of the framework and the intended alignment with other jurisdictions is a positive step. This review is a welcome catalyst to improve the framework to support growth and competitiveness, and should proceed with ambition and pace. We are committed to continuing our engagement with the Bank of England and UK government on this topic.

Moving on to liquidity, the Group's large and well-diversified deposit base provides strong levels of liquidity. The total HQLA on hand is now \$0.9 trillion, covering around half our total \$1.8 trillion customer deposit base. Our Group LCR is 137%, but this is a conservative methodology which excludes \$160 billion of HQLA. Our underlying entity LCRs are extremely healthy, with the lowest at 148%, and the rest generally considerably higher. Our loan-to-deposit ratio continued to reduce and is now at 55%, representing a \$0.8 trillion customer surplus.

Our structural hedge is \$593 billion, which increased by \$64 billion in 2025. The average life remains at 3.1 years. During the year, we expect to redeploy \$110 billion of structural hedge assets, currently yielding 2.7%. The structural hedge remains the tailwind for Banking NII, and

whilst large increases in the hedge are behind us, we continue to look for opportunities to add to the hedge, as always, dependent on market conditions.

On to the third and final part, the forward-looking dimension, that is targets, guidance, issuance plan, but also growth and innovation. Our franchise strengths that I outlined earlier, together with the strong execution of our strategic plans, has meant that today we announce improved targets and guidance. Revenue growth is expected to be rising towards 5% by 2028, excluding notable items. We are targeting a return on tangible equity at 17% or better each year to 2028, also excluding notable items. For 2026, our guidance for Banking NII is at least \$45 billion, reflecting expectations of deposit growth and the contribution of the structural hedge.

Alongside these financial targets and guidance, we continue to invest and develop for the future, particularly in our digital asset capabilities and use of artificial intelligence. This will support new revenue opportunities, promote market innovation and drive internal operational efficiency. In digital assets, our activity remains client-driven and focused on custody, tokenisation and market infrastructure. We are delivering innovative solutions across bonds, gold and tokenised deposits for both institutional and retail clients across geographies. We are pleased that our HSBC Orion digital bond platform recently secured the UK Government's digital gilt mandate. Our HSBC Gold Tokens in Hong Kong, now with a gold gifting feature, demonstrate our commitment to practical innovation.

We remain closely engaged with emerging developments, including the Hong Kong stablecoin and, in the UK, the GB Tokenised Deposits live pilot, ensuring we continue to lead responsibly as the digital asset landscape evolves. These activities incur limited balance sheet usage and are all conducted within an established risk appetite framework. In artificial intelligence, our investments are directed at empowering colleagues, delivering end-to-end process reengineering and enhancing our customer experience.

Finally, on to issuance. We are pleased with the engagement and support from our investors across multiple currencies in 2025. For 2026, we expect to issue approximately \$20 billion of HoldCo senior, \$1 billion of Tier 2 and \$4 billion of AT1. We will once again have minimal needs for OpCo funding this year given our strong funding position.

Across all asset classes, we will continue to look for opportunities to diversify the currency of our issuance to fit with our footprint and franchise. As with recent years, this will include significant issuance in US dollar, but we will also continue to look for opportunities in sterling, euro, Singapore dollars, Australian dollars and others. We also continued our focus on legacy securities management in 2025 with the tender of some of our New York law instruments that no longer have value as regulatory capital or MREL. Where appropriate and proportionate to do so, and where the economics make sense, we will manage this stack further over time.

In summary, with the strong performance in 2025, we're moving at pace to continue to deliver a simpler, more agile and growing HSBC. We are on track to deliver against our simplification savings target. We continue to progress with our exit of non-strategic activities, and we are confident in our ability to continue execution with discipline and precision. On that note, let's open this call up for Q&A. Faizan.

FAIZAN ARSHAD: Thank you, Fas. We will now be taking questions over Zoom. If you would like to ask a question today, please indicate using the 'raise hand' option on your screen. I will then announce you, and you will be able to ask your question. Please ensure you unmute your line. You may also submit your question via the Q&A function. While we wait for the questions to line up, we can start with a pre-submitted question. Greg.

GREG CASE, HEAD OF DEBT INVESTOR RELATIONS: Thanks, Faizan. Yes, so we've had a pre-submitted question in, Fas. The question is: could you give us an update on your plans around currency of the various different bits of issuance that you've outlined in the issuance plan, please?

FAISAL YOUSAF: Okay, thanks, Greg. Really, it's very similar to what I've said in the past on these calls. Generally, you'll see much of our issuance issued through the US dollar markets, given that that's the largest liquidity pool. In 2025, we did about 68% of our MREL issuance in dollars, although as I said in my prepared remarks, we did have some other currencies as well. What I'd say is that, generally this year, you should probably expect us to do between two-

thirds and three-quarters of our senior HoldCo in US dollars. For AT1, we do have a preference for US dollars, given that's our functional currency. Where we do other currencies, it would be, frankly, where we could downstream it to legal entities that have a functional currency in that alternative currency. Yes, largely US dollars, but we are open to looking at euro, Aussie, Sing, sterling, yen, and maybe a few other currencies as well.

FAIZAN ARSHAD: Our first question on Zoom comes from Lee Street of Citi. Lee, your line is now open. Please unmute yourself and ask your question.

LEE STREET, CITI: Hello, good afternoon. Good morning. Thank you very much for taking my questions. Well done on the results. I have three, please. Firstly, you mentioned the FPC review as a positive step. In a bit more detail, what, practically, do you actually expect to change as a consequence of the review? Secondly, you mentioned tokenised deposits. When do you expect to have that as a broad offering for your client base? Is that this year's business, next year's? The timing on that would be helpful. A technical one on bonds. You obviously continue to include par call windows as refinancing windows within your subordinated instruments. Obviously, other banks are now seeking to include those. What are your thoughts around that, please. That'd be my three questions. Thank you.

FAISAL YOUSAF: Thanks, Lee. Good to hear from you. I'll probably take your questions in order. First of all, on the FPC review, I think perhaps I'll start by providing a little bit of context for people that are perhaps not familiar with this. At the back end of 2025, December 2025, the FPC, Financial Policy Committee, in the UK published their initial findings of the capital review. We welcomed that, those findings, and we think this is an important process. And as I said in my prepared remarks, it's one we want to move forward at pace and with ambition, because, for us, it provides a real and genuine opportunity to make thoughtful amendments to the framework.

What the FPC have said, and I think you will know this, Lee, but just for everyone else's benefit, is that they've said that they would like firms and other interested parties to submit written feedback by the beginning of April. They've highlighted four core areas. From memory, that's, first of all, usability of buffers. The second was leverage ratio and the leverage ratio framework. The third was looking at the interaction within the capital regime of different aspects and different requirements. The fourth was really indexation of thresholds, proportionality, complexity etc. Those are the four core areas that have been highlighted for feedback.

To your question, it's a little bit early to predict what will come out of that review process, but I'd certainly say there are a few things that would be positive for us, from our perspective, and that we would like to see happen. The leverage ratio is one of those things. We think there are several angles that could be considered. As I think many of us will know, this is something that the US have looked at in terms of changes to the eSLR framework. That's one thing.

Second thing, buffers and usability of buffers. Obviously, the FPC announced a change in their benchmark guidance, moving that to between 13% and 14%, which in itself is positive, but buffer usability is really the catalyst that helps firms, from our perspective, use that and change ratios.

Perhaps the third thing I'd call out on this one is ring-fencing. We think that this is an area that should also be looked at and would provide meaningful opportunity. There is meaningful opportunity for adaptation there. The ring-fencing regime was obviously developed a few years ago, and the whole framework, in terms of capital, and the Basel rules have evolved since that was first established. That's what probably I'd call out on the FPC review.

I think your second question was on tokenised deposits. What I would say in that regard is that we have spent a lot of time ourselves developing our capability for tokenised deposits. I would say we're a leader in that space, and certainly within the technology aspect of that. As I mentioned in the prepared remarks, we have spent some time developing our HSBC Orion platform, and we were very pleased for that to be selected to have the UK gilt mandate as part of the pilot. We're also actively engaged in the GBTD pilot exercise among UK banks.

I think your point was probably very specifically about expanding our tokenised deposit offering to clients. What we've done in that regard is we started in Hong Kong, and we have onboarded clients in Hong Kong on our tokenised deposit offering. Since that initial launch, we have

expanded to other jurisdictions, including the UK, Singapore and Luxembourg. That's not the extent of our ambition. We want to go beyond that. It's clearly an area of focus. That's probably what I would call out in terms of tokenised deposits.

Then, if I recall correctly, your final question was on the six-month par call window. As you've probably seen, we issued a call notice a few weeks ago, which was actually the first AT1 that came up for us with that six-month par call window within it. We chose to call that really at the start of the window. The way we think about this, I would say, is that we continue to see benefits in having securities issued with this call window, as it gives flexibility when we're in stress markets, to ensure we can call or to maximise the probability of calling it. We're not in itself trying to derive value from the call window. Generally, we would look to exercise early on.

What we do here is that we do not leave the refinancing of our AT1s right to the last minute. We will look multi years ahead, certainly months ahead, and we will ensure that there's no refinancing risk. Keeping an AT1 through the call window, we're effectively incurring a carry cost. It's quite often to our disadvantage to do that, but the six-month call window for us does create the opportunity, as I say, in a stressed market to maximise our opportunity to call. It's one of the things. We don't think there's a clear market consensus that's formed here. I know that some parties have chosen to remove that. Others retain it as well. We'll keep track of how that evolves over time. At the moment, there's no cost for us in the primaries to having that call window in. If a cost were to arise, then we would maybe reconsider as well. Hopefully, that addresses your questions and I haven't missed anything.

LEE STREET: No, that's perfect. Thank you very much for your time.

FAISAL YOUSAF: Cheers, Lee. Thanks a lot.

DANIEL DAVID, AUTONOMOUS: Good afternoon, all. Hopefully, you can hear me. Congratulations on the results. I've got three questions. The first one is on the CET1. Thanks for providing some guidance on the proforma impact of Hang Seng. I'm just interested in how long it will take to come back into your CET1 range and what actions you're taking. If you can just refresh on that, that would be great.

The second one is on MREL. The requirement has gone up quite a bit – 60 basis points, which equates to about \$5 billion, which is quite large. Can you give us some detail on what's driven the increase in the requirement? Do you expect the, I guess, half-yearly volatility to continue?

And the third one is a bit broader on, I guess, Hong Kong CRE and the ECL charges. So I think the ECL charges looked pretty small in Q4 on slide 16, but I think, on the call earlier, you said there were some macro-related upgrades which offset the underlying charges. Could you maybe provide some guidance on or break out the pieces that are moving the underlying from the macro-related upgrades, and maybe give us some background on what drives the timing of that macro reflection or change in your view to push through into the models? Thanks.

FAISAL YOUSAF: Thanks, Dan. That's very clear. What I propose to do is split that up. So perhaps I'll take question 1 on CET1. Perhaps I'll ask Greg whether he can make some comments on the MREL requirements, and I'll ask Alastair to take question 3 on Hong Kong CRE.

So on CET1, yeah, look, we closed the year at 14.9%, so that's our group CET1 ratio, and that was a 40 basis points increase on the quarter. That's above our target operating level, which, just to remind everyone, is 14-14.5%, but we built that capital up in expectation of the Hang Seng privatisation going through and, as you will have seen, Dan, and as you quoted in your question, that's now gone through and that, effectively, recognises a 110 basis points drop in the CET1, so that takes us just marginally below our target operating level.

It's my expectation that we will recover back into the operating range fairly quickly. As we've said a few times, we are and continue to be incredibly capital generative. I'm not going to give you a timeline for that, but I don't think you should expect us to take too long to get back into the range.

In terms of share buybacks, what we said at the beginning, when we announced the transaction, which was around 9 October, was that we were suspending share buybacks for

up to three quarters. Now, we're not changing our guidance or messaging on that point. Generally, share buybacks are something we consider each quarter as we go, and they are one of the tools that we have at our disposal in terms of capital deployment. Clearly, we look at other things as well. We will look at organic growth opportunities and inorganic growth opportunities, and then share buybacks probably come a little bit after that. So no clear guidance that I can give you today on when we will resume share buybacks, but there's nothing that we see at the moment that would require us to change what we've said previously. So that's CET1.

Perhaps, as Alastair is sitting next to me here in Hong Kong, perhaps I'll ask him to do the Hong Kong CRE, and then I'll come over to Greg for MREL.

ALASTAIR RYAN, GLOBAL HEAD OF INVESTOR RELATIONS: Many thanks, Fas. So slide 36 in the fixed income deck, you can see there's a very modest deterioration in the book in the second half of the year in Hong Kong CRE. The major feature of the percentage moves was the best borrowers repaying, so the top of the stack – the strongest lines went down because of borrowers deleveraging, so that was a theme across the market. We'd like to be lending more in Hong Kong in general, but the demand isn't there. There was one stage 3 loan of materiality in the fourth quarter. There'd been one in the third quarter. Parts of the market here are still stressed – in particular, parts of the office market and particular pockets of retail – but we haven't seen a broad-based deterioration that people were worrying about, I think, at some of the banks.

In terms of the revised economic assumptions, we run that regularly. We update that in our quarterly reports. The key features in Hong Kong in the recent past have been things like better retail sales, stronger tourism arrivals, increased property transactions, better GDP growth, and rising prices, certainly in residential property, so a number of positive signs in the market. It just happened that those numbers, the single name and the revisions were broadly comparable in the quarter.

I guess, back in Fas's slides, on slide 33, there's some disclosure on Hang Seng Bank, where I think the market was asking more questions. The first half had a number of significant moves into stage 3 at Hang Seng. That hadn't happened in the second half of the previous year and it didn't follow through in the second half of this year. So I'd say we felt the second half on the book was very much as we'd expected. We are calling out, in the group's 40 basis point guidance for this year, that there remain the risks of further moves into stage 3 or deterioration in other ways, certainly in pockets of the Hong Kong market, but, overall, the market conditions have been improving of late, which is the driver of revisions to economic assumptions.

FAISAL YOUSAF: Thanks, Alastair. Greg, over to you.

GREG CASE: Thanks, Fas. On the MREL, I think, firstly, it's just important to note, of course, that our buffer above our minimum remains very significant, at around \$40 billion or around four percentage points of RWAs, but, as you can imagine, given we are, I think, quite unique in the way that our MREL requirements are made up, in that you take the component parts of all our group – so all the various, different resolution entities – and add that together, there are some complexities in there. Primarily, the one that I think is driving the increase that you saw in the second half was that some of the entities that make up the whole are leverage-constrained rather than RWA-constrained, so there has been some growth in leveraged assets, and that has driven that increase, albeit still, as I say, leaving us with a decent buffer.

DANIEL DAVID: Great. Thank you very much.

GREG CASE: Thanks, Dan. I've had a submitted question in from Ivan Zubo from UBS, who asks around an update on our legacy position, Fas, and specifically, on the 5.844s alongside, if you could give us an overview of where you are on legacy.

FAISAL YOUSAF: Okay. Thanks, Greg. Let me start with the 5.844s. So these are legacy make-whole calls that we issued – Tier 1 instruments that we issued out of our European entity. We had another series as well, which was a 10 handle series issued out of our holding company that we decided to exercise the make-whole call on, I would say, in 2024 now. We, at the time, looked at the 5.844s and concluded that it was not optimal economically to call those at the time. We continue to monitor that, I would say, and look at it on a regular basis, but we have

no intention at this point to call them, so there is no update I can give in terms of timing of that, though I'm aware that this is of interest to our investor base and it is something that we look at regularly. So that's on the 5.844s.

More broadly on the legacy stack, I'm pretty pleased with the progress we've made in terms of reducing it. That stack was over \$14 billion back in 2022 and, over the intervening years, we've cut it by approximately half. You will know that we undertook a liability management exercise for some of our New York law instruments in 2025, where we took four of the five series that were there and offered a tender and premium on the tender for exercising that. This is something we'll continue to look at. We'll continue to look at opportunities to reduce the legacy stack, but really, for us, it needs to be proportionate and reasonable in terms of cost, complexity and other things. So that's where we are at the moment.

PAUL FENNER, SOCIÉTÉ GÉNÉRALE: Hi, can you hear me?

FAISAL YOUSAF: Yes, we can now.

PAUL FENNER: Hello. Thank you. Sorry, I'm not on Zoom. Zoom is a pain for me, by the way, because of all the firewalls. I've got four very quick questions. The first is HSBC is known as seeing risks way before anyone else does. In that context, I just wanted to know what it is that you guys talk about internally that no one else is yet talking about. I noticed that Georges was questioned about AI, and talked about AI as if it's still the great opportunity, but is that a major risk coming down the pipe in two years' time that we're not really thinking about? I'd love to know and get some colour around that.

Second, Hang Seng strikes me as a perfect in-market merger/integration, significant cost-cutting. I know it was discussed this morning, but I'd love to get a sense as to why it is that you are not rebranding. Is it because there are very, very different customers and there's brand loyalty? A little bit of colour on that.

Third, you mentioned this in relation to Daniel's question, but, at the group level, on slide 17, you've got a nice little chart with what's been going on in stage 3 loans over the last four years. Obviously, the trend has not been your friend. You've got \$25 billion of stage 3 loans. You may not think of it this way, but do you see that stabilising now? How big a number do you think stage 3 can get? I know what you're saying around cost of risk, but I'm thinking specifically around that number would be helpful.

And then the very last question – you did talk about the currency of supply. I may have missed what you said about Tier 2. In euros, Tier 2 remains cheaper to issue into, even on a cross-currency basis, I think. And given that it's about \$1 billion that you are saying, and not \$1.5 billion, that suggests more of a size of a euro. Am I overthinking it? Is euro making more sense in Tier 2? Thank you. Those are my four questions.

FAISAL YOUSAF: Thank you, Paul. So noted on Zoom, but thank you for making the effort to call in, first of all. That's really appreciated. So I'm going to – I'll perhaps start with 1, which is the risks question. I'll touch on Hang Seng, but I'll also bring in Alastair to give you a bit of colour on that, then I'll pick up 3 and 4. So we'll probably go that way, if that's good.

So look, thank you for your comments on HSBC seeing risks before anyone else does. Look, I think we spend a lot of time looking at scenarios that can play out. We have a vast network of banks across the world, and so I think it's incumbent on us to be close to the market, be close to risks that can occur, and to test them out. We have great teams that look at stress-testing, look at scenario analysis, geopolitics and the like. We're also very tapped into policies – regulatory policies, governments, etc. So we're not complacent about that at all. It's something we continue and will always monitor, but it's something we have to monitor, I would say.

Now, on AI, look, we are positive about AI. There's huge opportunity in that arena, as Georges rightly said earlier on in the day, but this is going to, we believe, lead to structural shifts as well, and one needs to be aware of that. So it will lead to changes for some of our client base, and we stay and remain close to those client bases in terms of talking to them about the impacts of AI – positive and negative – and helping those clients transform and evolve what they do. But ultimately, this is happening regardless. The momentum is there around AI, and I think we

need to be conscious of it, aware of it, and embrace it where we can and be aware of the risks as well. I know that's pretty high level, but that's probably how I'd comment on your first question.

On Hang Seng, just to share my own take on that, look, we are incredibly pleased to have done this privatisation and completed it ahead of time. When we announced it in October, we had a timeline that was longer than 26 January, so it's great to have completed it. For us, it brings two iconic brands together and allows us to really fulfil our potential in Hong Kong and exploit the opportunities within the Hong Kong market. That's a market that we're incredibly positive on.

We think these two brands together is best placed to do that. We've called out some synergies, which were described earlier on, and those synergies will allow us to take the best of both brands. So, for HSBC, that is taking some of the great things that are done in Hang Seng and adopting those, but also, for Hang Seng, we really believe that the vast product suite that we have within the red brand – within HSBC – the technology that we have as well, the customer base – the international customer base, are all things that can benefit the green brand – i.e. Hang Seng. So that's the way we see it.

Alastair, would you like to comment on the rebranding and the other dimensions?

ALASTAIR RYAN: Yeah. Thanks, Fas. All I'd add, Paul, is we recognise it's a relatively unusual thing that we're doing. It is our intention to run two banks with a full market service, so the synergies will naturally be around the revenue opportunities that Fas was talking about. We have identified significant cost opportunities, but they are not as big as a typical in-market deal, because this is not a typical in-market deal. You'll retain your sort code, your bank account with Hang Seng – no change.

I'd also just mention a number of the back offices were already working together, because, clearly, we had a controlling stake in Hang Seng for the previous 60 years. So it is a different structure to what I think you'll have seen from just about any other set-up. That's why there's the emphasis on the revenues and, just back to the beginning and what Fas said, this is an opportunity, we think, to increase the economic exposure of the Group to a market that is a great banking market and one we think has a lot of growth in the future.

FAISAL YOUSAF: Okay, thank you, Alastair. Moving on, then, the stage 3 loans – look, they have ticked up a little bit, as you say, Paul, up to 2.5%. Really what I would point you to is our cost-of-risk guidance, and I know you comment on that in the question, but cost-of-risk guidance is around 40 basis points for this year. We see this as a cycle, actually. The range we often quote is 30 to 40 basis points, so we're quoting at the moment at the top end of that. There are still pain points, particularly in commercial real estate. Pam talked on the call earlier about Hong Kong commercial real estate and the three areas that we look at within that – so, residential, office and retail – and they're at different points in terms of the evolution. There are still pain points, but there's optimism in others, and that might be a source of stage 3 in the future, but we're quite conservatively placed at the moment. There's nothing that I would call out in terms of something that we're looking at on the horizon that would move that number materially.

So that's on stage 3. Then, finally, I think your last question was on Tier 2.

PAUL FENNER: Tier 2, yeah.

FAISAL YOUSAF: I didn't say anything previously on Tier 2. There are no set plans, really, in terms of Tier 2 or currency at the moment. We'll look at the options and, really, it's in line with my prior comments for senior. We'll see what there is and we'll be quite deliberate about that in terms of spread and demand for it in terms of our entities – so nothing I can add, really.

PAUL FENNER: Many thanks.

FAISAL YOUSAF: Okay, thanks, Paul. Thank you.

FAIZAN ARSHAD: This brings us to the end of our Q&A session, as we have no further questions lined up. I will now hand it back to Faisal for his closing remarks.

FAISAL YOUSAF: Okay, thank you, Faizan. Thank you, everyone, for joining today. I will just reiterate it's a pleasure to be sat here in Hong Kong, especially having completed our privatisation. I spent some time with Hang Seng colleagues today, and we are working, as you would expect, closely together.

I would like to say *kung hei fat choy* to colleagues across Asia who are celebrating Lunar New Year. I wish everyone else a great day, and talk to you soon. Thank you.