HSBC

Edited transcript

Post-Results FY Event

6 March 2026, 11.00am GMT

ALASTAIR RYAN, GLOBAL HEAD OF INVESTOR RELATIONS: Thank you, everybody, for joining us. Thank you for everybody that's online as well. We've an hour. We'll take a couple of questions in the room first, then we've a good group of people on the Zoom.

CHRIS HALLAM, GOLDMAN SACHS: Maybe just to start with the obvious question, given the tensions in the region, anything you're observing on your business and footprints in the Middle East, either on the client side or on your own side, in terms of frictions or changes in patterns or behaviour that we should be mindful of for the quarter?

PAM KAUR, GROUP CFO: Thank you, Chris. So far, we haven't seen – other than a couple of names doing more drawdowns from the obvious sectors, there's not really large drawdowns happening. We see some deposits coming in, as we always do, but it's still pretty much focused from a Middle East geographic sense as opposed to across the board. In terms of wealth products, particularly on the Private Bank side, we see some of our customers readjusting their portfolios. There's some transactional activity and the rest is pretty much the same.

What we are really waiting for – and we are engaged with our customers – is to see, particularly with regard to the freight traffic slowdown and the Hormuz Strait, what is it that our customers will be doing next? We are there to support our customers, to give them more shorter term lending and, in some cases, have done so when their goods are at sea and some of those activities have slowed down. I expect, as we go into next week and beyond, we'll see more of a broader perspective. We are also not seeing any stress on our credit books at this point of time.

PERLIE MONG, BANK OF AMERICA: Just following up on that, rates expectations have gone up and yield curves are steepening. Do you see that as something that benefits you? Naturally, you should, because of the deposit book and the deposits coming in. How do you see that balanced with some of the other negatives from this type of environment, whether it's impairment risk or whatever you're seeing? Can you comment on that?

The second one is one Hong Kong deposits. Hong Kong deposits especially were very strong in the quarter – I think up maybe 4% to 5% in one quarter. Can you comment on exactly what happened? Is there any initiative that you've done in the last few months that drove that? One of the questions I've been asked quite a lot is, with Hong Kong system-level deposits so strong, why is it that, in Q1 to Q3, it hadn't come through as strongly, but Q4 was obviously a very strong quarter?

PAM KAUR: Firstly, from a Middle East perspective, the way we are looking at it is to say, if this is something that is weeks, then there's one degree of impact, as opposed to if this continues for months. Clearly, if it stays for a longer period of time, in terms of timing of interest rate reductions, that is a tailwind, and the deposit base is a tailwind. However, one should be very mindful that, if the stress continues for longer, we do have a trillion-dollar balance sheet. There would inevitably be some further stress on the balance sheet, and that would impact the ECL guidance.

Also, there's a bit of a balancing between how much you make from the deposits in Banking NII, and what happens specifically with regard to wealth growth, both in terms of transaction volumes - initially higher as people are readjusting - but in terms of being risk-on or risk-off at the Private Bank end, but also further down the chain. In the round, based on things as they stand today, in terms of shorter-term view and a more medium-term view, depending on what you think in terms of the timeline for this existing situation, we are not changing our guidance.

The one area you should be mindful of is the IFRS 9 macro impact. In terms of reserve build, we will have to see what happens in terms of Q1 because - we'll look at possible downsides, extreme downsides, and give some probability weighting. That's the only thing I can say, but otherwise, the books have held very well.

The trend on Hong Kong deposits has continued to be strong through the early part of this year. We did say that in terms of the new momentum we were seeing. I haven't seen very specifically any big shifts or changes this week, and the fourth quarter is always seasonally strong for Hong Kong deposits. HIBOR was very volatile during the second and third quarter and, as it stabilised in the fourth quarter, was also a contributing factor.

JACK YANG, TREASURER, ASIA, MIDDLE EAST AND IWPB: Thanks, Pam. Yes, indeed, the Q4 is seasonal effect in both the retail and wholesale side. One thing to note is, as HKMA stats pointed out, in 2025, for the first time in the system, US dollar deposits are larger than Hong Kong dollar deposits, so we did see some of those inflows. But as you say, in Q1 so far, we cannot say there is any trend.

ALASTAIR RYAN: Just in terms of the credit exposures, it's in the back of the data pack, with a little over $20 billion in our Middle East entity of lending. That's within the $1 trillion of loan book that Pam referenced. We also own 31% of Saudi Awwal Bank, which isn't in that number, and then we bank the largest global corporates all around the world. There are very direct exposures. There's all the other stuff, just to give you some figures around what Pam mentioned.

KATHERINE LEI, JP MORGAN: I have two questions. Domestically in Hong Kong, we saw a loan pickup in 2026, has HSBC observed a similar trend in Hong Kong? Also, Paul Chan, the Financial Secretary, said that he's expecting more flows into Hong Kong resulting from the Middle East conflict. So far, aside from the tailwind deposits, have you talked to clients – have clients changed plans or have clients made any plans, say, on the wealth side and also on the corporate planning side? Thank you.

PAM KAUR: Firstly, nothing really notable to say in terms of Hong Kong loans. We will update as at the quarter but, just to remind you, our pressure on the loan book is not so much on the growth numbers, but also the repayments we have been having on Hong Kong commercial real estate last year and the year before. I do expect that to taper down as that sector stabilises so, in net terms, you don't have that so much of a pressure on the balance sheet as you had in the prior years.

In terms of Paul Chan's comments, of course, from a projection on the growth of the Hong Kong economy, that is positive, and that was positive in itself even before the events of the last few days. In terms of customers changing their activity patterns and the flows for Hong Kong or Asia being beneficial, it's really too early to call at this point of time. The only things which you've seen – and this was every day growing news – is that, even from an oil perspective, there's been now given a 30-day period where India can import more Russian oil, as per the US announcement.

Given all those changes of traffic, of course there will be more activity, and the same would apply from an Asian context, but it is too early to say that people will start shifting their supply chains just as yet. What is beneficial from an Asian perspective is that, to some extent, the activity that you have within Asia, the activity you have from Hong Kong to other parts within Asia, that doesn't get affected as much as the activity from the Middle East to Europe or Middle East to Asia. In that context, it's a relatively more stable position.

ALVARO SERRANO, MORGAN STANLEY: A couple of follow-up questions. The $20 billion, Alastair, you mentioned, are there any particular sectors – there's been physical damage there – in case there's anything that we should bear in mind. Then, when you think about the IFRS 9 provisioning sensitivities, to help us think through it, Asia is seen as more vulnerable to the inflation shock. Is there any 'compare and contrast' to help us think it through, when comparing this to the 2022 situation with Russia and Ukraine? Maybe what you saw then – are there any lessons, with your old hat on, to compare and contrast?

PAM KAUR: The loan book is primarily weighted towards very strong CRRs, large numbers, with the obvious supranational – what I mean by that is oil and gas sector – the largest companies, as you're well aware of. What happens in practice with these is they have strong cashflows, they have a very strong position. Typically, they have very low drawdowns, which are well within the risk appetite. In these kind of circumstances, they just draw down a bit more. We saw the same in Covid – in this case, more Middle East, but also oil majors globally. We saw the same as after Covid. We get into the Russia and Ukraine situation as well but, even during Covid, second quarter, the same thing happened. I think that's a bit of a read across.

We have been very focused in derisking some of our Middle Eastern exposures, primarily driven by the boom on the commercial real estate side. That's been done years ago. There's nothing of a size that we are concerned about in that book. It's relatively more granular, whether trading houses, contractors or commercial real estate. The one sector we are focusing on is –

even if they're smaller exposures - food and beverage and hospitality. That needs to be mindfully looked at.

In terms of the stress testing and the whole situation post-Russia and Ukraine – when we do stress testing, one of the stress tests we do is for a much higher oil price. Typically in those scenarios you don't say that there's no flow of oil - producers are able to still sell the oil. This is slightly different now, because of that freight issue we talked about. In those circumstances, as a region – the Middle East as well – when there's higher oil price and the net importers of oil, whether it's India or other parts of Asia and Singapore, etc, you're always conscious to say, with the higher oil price, what happens, but net-net, it's in a containable space.

What's different this time is you have people who are having the stress from oil price, the net importers, but the exporters – what are the challenges they have? That's quite different and unique. When we go into IFRS 9 calculations, we'll do what we always do, i.e. a range of scenarios. Typically, what happens is, when there is greater market environment volatility, like we saw in the Covid period, we start giving greater probability to the downside scenarios. You always have the real upside and the real downside and, throughout Covid and the period post-Russia and Ukraine conflict, we built up on the probability on the downside scenarios.

We do it in a very calibrated manner, depending on the geographic exposure and the legal entity. Some will have more; some will have less, and then what happens over time is that reserve buildup happens but, as things normalise, we like to go back – and that's in line with accounting rules – to our normalised probability distributions. That's what I expect to be the most likely.

JON BINGHAM, GLOBAL FINANCIAL CONTROLLER: If you're thinking of numbers to calibrate, the types of the stress are not necessarily hugely dissimilar to Ukraine and Russia, but the significance is probably less. In Q1 2022, we took a $250 million management uncertainty overlay through the forward economic guidance, but there it was more systemic - about whether European gas would stop flowing at that stage. I'm definitely not giving you a prediction of what's going to happen, but we shouldn't think of it as being bigger than those numbers, I wouldn't have thought.

PAM KAUR: It's not across the board. It has to be by legal entity by sector and, as Jon said, when these probabilities increase, you can do overlays at the sectoral level and increase the probability a bit. To us, a great deal will depend on what happens by the time we get into the first week of April. In my mind, that's the cut-off point. Will this end in March, continuing into the beginning of April or it continues beyond – i.e. weeks become months.

ALASTAIR RYAN: Just a moment on our business in the Middle East. We were the first bank in Saudi. We were the first bank in the UAE. These are very longstanding businesses. The deposit rate and loan deposit in our business in the Middle East is about 61%. They're diversified. They're very well established and we bank from all the way up in size.

As Pam mentioned earlier, not all of the Middle East exposures are in the Middle East entity, because the largest companies will bank globally, but that's just a piece of context. They're very longstanding businesses that are robust to a range of economic shocks and, as Jon just said, we're not making any predictions.

PAM KAUR: As of now, based on everything we know we have not changed our ECL guidance for the year. We may think about it differently in a few weeks' time when it's Q1 but, as of now, no. In normal circumstances, your ECLs tend to be at the mid-to-lower end, so you always go with a guidance with a large amount of buffer because a range of things can happen in the world. Last year, there was more on Hong Kong commercial real estate. This year that seems to be a little stable so far. There's another item, so there's enough of an envelope. Clearly, if everything hits you at the same time, then you have to re-look and see to what extent you have to add on to the buffers and shift your guidance, but not as of now.

TIM FRADIN, INVESTOR RELATIONS: On the disclosure point, we published the HSBC Middle East accounts last week, and they're on our website. I'll point you towards them, but that's a full set of accounts with plenty of helpful disclosure in addition to the numbers we published in the Group data pack.

SONGTAO LV, CICC: I've got a question for the operating assumptions behind your guidance and the targets. Management have provided very attractive guidance, including NII, revenue and ROTE, but now we have potential pressures from the Middle East, and several months ago – before HSBC published the results - most Chinese investors expected NII to remain flat or decline slightly year over year in a rate-cutting cycle. There are still worries about whether the non-NII, including Wealth Management, can sustain double-digit year-over-year growth given this high base. How does the management currently assess the operating assumptions that support these growth targets? Are you still full of confidence in the current environment?

PAM KAUR: We have not changed our guidance based upon the current environment. There are tailwinds and headwinds in terms of the interest-rate curve, deposits, banking NII at one end of the spectrum, and cost of credit and others, which may change, on the other end.

Our guidance is not based upon a single driver for growth. In terms of banking NII – giving guidance just for this year - based upon the trajectory, we look at it as a low single digit, 1%, sort of growth level.

Our transaction banking business stays pretty strong in terms of both volumes and market environment, but still that's at the lower end of the revenue growth, so mid-to-low single digits – that's the trajectory we've seen and we are looking at.

Wealth is a very important driver, and we are confident in terms of the growth of wealth and what we've seen so far. However, it is on a small base, so it is not the only or the biggest contributor to the overall picture.

This year we have not included any revenue growth from loans and advances because the market environment was still settling after some of the issues we have seen in the last two years, whether it's tariffs or Hong Kong commercial real estate early repayments, but our growth overall relies on some loan growth going into 2027, and there's nothing that's happened in the last few days that makes us think otherwise.

AMAN RAKKAR, BARCLAYS: On the Middle East, your colour and context is really, really helpful. I just wanted to round it out in terms of capital. If you would expect any kind of pro-cyclical impact on RWAs, is it the end of Q1? There's a duration point - if this is weeks, then the impact is reasonably contained, but, given an assumption that this goes on a bit longer, should we think about some kind of pro-cyclical impact on RWAs? And would you be looking to operate your capital position any differently in light of the uncertainty? Obviously, we're all looking at Q1.

PAM KAUR: In terms of RWAs, of course, when there is credit uncertainty and there is a deterioration on CRRs, that has an impact on RWAs, but, for the Middle East specifically, given the largest exposures tend to be at the strongest name level, the impact on RWAs in terms of CRR deterioration is far more limited than if you have a more bulge-bracket exposure at the middle end of the credit curve. So that's one piece - I'm not saying that there isn't any – but just to give you context. The way we look at it is - what is the CRR increase-related RWA growth versus the reduction in the RWA forecast? - because the lending you expected to happen has actually come down? And then the draw-downs also are at the top end of the credit-rated counterparty.

In terms of your question on how we are looking at capital - what happens in terms of the macroenvironment is within the target operating range - it is a range of 14% to 14.5% - on which all the guidance and the targets are based. Your appetite to want to operate, whether it's at the top end or the medium or the lower end within that range – that's the only thing that gets affected, and that is the reason why you have a range in the first place.

Then it depends on how long-dated you see the plausible downside scenarios that you need to consider in your range. If it's sharp and short, you don't have to really - but if it's elongated, those plausible downside scenarios are what you bear in mind when you determine whether you want to be towards the top end or the lower end of the range.

In terms of the decision-making and the processes you have to follow on a quarterly basis, nothing has changed. Every quarter you look at capital generation, where you are in the range, and follow through to see, in terms of deploying that capital internally for organic reasons and, beyond that, what you have to do on shareholder distribution.

ALASTAIR RYAN: I think it is a great question because, per Jon's point, in 2022 UK gas prices were one of the big drivers, and who knows if that's the case again? It's not necessarily direct exposure. It's where the price of everything else moves, but we are mindful of that.

CLAIRE BAIRD, CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR, HSBC UK: I would also say, if you remember what happened during the Covid pandemic, the regulator cut the countercyclical buffer from 2% right down to zero, and then it was gradually rebuilt over time, that's another factor. If you're in a real prolonged deep war that persists, the regulator itself, logically, should start adjusting those buffers too.

KUNPENG MA, CHINA SECURITIES: I have two questions. ROTE has been increasing for several years, and it's the highest level since 2008. So I start to look at the longer period, about the through-the-cycle level. How should management view a reasonable through-the-cycle ROTE? It can't be just a simple average of the past 10 years – so any thoughts about the reasonable level of the through-the-cycle ROTE will be very helpful.

The second question is I still want a quick confirmation that the resumption of buy-backs is still off the radar at this moment.

PAM KAUR: On the ROTE level, what's distinct now from what you've seen in the past is, with our divestments and re-carving of our businesses, all our businesses on their own are giving above-mid-teens ROTE, that's a really strong position because you're not having one business trying to subsidise the other - that's how we are going to run the bank - for performance. That's how we're going to make the choices on the products we offer, the customers we serve and so on - that's a strong position.

As we look at where ROTE is, we look at the various drivers in our guidance and our revenue growth driving that ROTE. Based on that, we feel fairly comfortable. Just to compare with last year, we had a ROTE of 17.2%, which is the starting point, despite the fact that, from an ECL perspective, it was not a benign year. You had the highest number of ECLs from commercial real estate in Hong Kong for quite a while, though I know we've had that before, but we also had, at the same time, HIBOR which was at a very uncertain low level for a prolonged period of time. HIBOR always has these fluctuations, so we look at it in the round and say, given the various business mix we have, whether it's the banking NII, fee income, lending, wealth, etc, we feel quite comfortable that it encompasses that, and we have, in particular, no headwind because of some businesses being sub-optimal in their performance and how they run versus others. Of course, there's a range. There are those who are just above mid-teens and those who are well above 20% and 30%, but overall that seems quite a comfortable space to be in.

In terms of share buy-backs – nothing has changed in terms of saying that, as at 9 October, when we said a three-quarter- pause, that really is fourth quarter last year, first quarter this year, second quarter this year as well. However, what we did say is that, if your capital generation is strong, every quarter you have to follow through a process, which says, once you are in your operating range, no matter at what level, you look at, in the round, the plausible downsides, the macroenvironment as well as your capital deployment needs before you make any determination, and that's a very well-tested, thoughtful process. We engage particularly through my colleagues in Treasury, and we work through the regulators in terms of saying, 'Okay, what is our readiness and what is our decision-making point to make those choices?' and nothing changes for that, irrespective of what's happened the last five days, other than what I said to you: the level of comfort you want to be in within that operating range may shift.

JAMES INVINE, ROTHSCHILD & CO REDBURN: I wanted to ask about Hang Seng, please. Thank you for the details that you've given on revenue and cost synergies, but I was wondering about capital because the CET1 ratio is really strong. I was wondering what you think is the right CET1 ratio for that bank, now that you own it, and, if you think you can lower that ratio somewhat, would that be taking capital out or maybe putting some risk-weighted assets in?

PAM KAUR: It's a really good question. As we said, with this transaction, what you have is a 100% privatised subsidiary. Like any other subsidiary we have globally, you have the ability to have more capital optimisation and at least efficiency and flexibility on how you move it from one legal entity to another, so that's the kind of starting point.

It is pretty much subject to the level of NPLs - the level of the stress in the balance sheet of that particular entity. In discussion with regulators, you can make those choices and have those choices to upstream capital, exactly to your point, depending on what more you can build in terms of RWAs in that entity or move it to other entities within the Group where you may have the demand, and those are all the factors we will be looking at and considering from here on.

JAMES IRVINE: Do you think it's reasonable to bring it down to the HBAP level?

PAM KAUR: There's a big distinction between HBAP and Hang Seng in terms of the fundamental nature of the business. So when I said 'depending on the balance sheet', HBAP is a far more diversified business and HBAP is a business where, if you look at the earnings that come from credit products versus fee income, it's also more diversified, so you can't say immediately it should come to that level, but direction of travel would be a reasonable assumption.

ALASTAIR WARR, AUTONOMOUS: If I could skip back to the UK, in fact, your loan growth and your RWA growth are looking quite high. They don't really look like macro pace or close to what UK peers have been doing. Have you seen a change in risk appetite here in the last year?

PAM KAUR: We have not changed our risk appetite and nor have we changed our return hurdle rate. What we have been working in the UK is two sort of areas. One is, where in terms of market share we were falling behind, we have regained that market share and kept it, within those hurdle rates and risk appetite - that was for mortgages.

On the corporate side, we've taken a much more calibrated approach to see where is it that there is a both within-risk-appetite opportunity but also demand, and the growth we have seen has been in the direct middle market lending as well as some very specific sectors, and you will see that, as we go through the rounds in terms of – not just the ECL charges, but, as you will see, when we look at IFRS 9 and reserve build, if you do change your risk appetite, even if you don't have ECL hits by definition, your reserve built will get more acute, which it hasn't.

CLAIRE BAIRD: Thanks, Pam. Just to reiterate, we're operating comfortably within our risk appetite in the UK. If anything, we just weren't consuming it, and now we're consuming a little bit more of it. The loan growth in corporate is the key driver in terms of risk density of the RWA growth, and typically the year 1 RWA weighting when you put the business on to the book is higher than as the business seasons through, so I think that's how you would see that evolve over time.

As Pam said, we've targeted sectors that are growing faster than the economy overall and that are within our strategic appetite and risk appetite, so infrastructure, social housing, real estate. We saw a little bit of growth, too, about 5% loan growth, in Innovation Banking, which was good. Business Banking – up 13% underlying. We had about £1.5 billion of Covid loan repayments offsetting that. We did also buy a small social housing loan book, very low risk, from a third party, which you would have seen disclosed in our annual report and accounts, so that contributed about two percentage points to the loan growth. We are comfortable that this is good business to write. We still only have about 9% loan share in corporate banking in the UK, so we do have plenty of space still to grow within that market.

EDWARD FIRTH, KEEFE, BRUYETTE & WOODS: I had two questions. One, if we're covering off problem areas, I guess private equity – it seems to be every single day...

ALASTAIR RYAN: We don't have to. We can talk about nice things. You're talking about problem areas.

EDWARD FIRTH: I know, but we might as well knock them all on the head. So, just any observations you have in terms of your own exposure, what you're seeing, any stresses you're seeing in that market and how we might see that play out – it would be interesting to get your thoughts.

And then a slightly broader question, away from the problem areas, but, if we look at how the business has shifted over the last five years, a DuPont analysis or something, the big shift has been this massive growth in NII, partially offset by a bit of credit, but that's been the big shift which has moved you from high-single-digit returns to 17% or so. If I look forward in the next five years, it feels to me that you're still like going to be a 17%-ish business. So I'm just trying to think is that where we are now? Are we in a steady state now for HSBC? It's basically 17% and we can trade around that? Or what is there in that business, when you're looking forward five years, that's exciting you? Is it unit cost of delivery that you think is going to be amazing? What would excite somebody externally over that sort of horizon?

PAM KAUR: So, firstly, I know there's lots of different definitions of private credit and, any which way we cut it, our exposure to private credit, even being conservative, is less than 2% of our loan book, so it's not significant. If you want look in the broadest sense of second, third-order risk on private credit, you look at NBFIs and the growth in the NBFIs, then you see, out of those NBFIs, how many are real asset managers, insurers, which is different, and you look through.

What worries me on private credit is really a couple of factors. Firstly, not that dissimilar to what I said a few quarters ago, you can be very certain and comfortable with your own underwriting standards, but there is second- and third-order risk that comes, because even with the best and strongest players, you are exposed to the due diligence they do, whether you lend to them directly at the Holdco or you lend to them at the feeder legal entities they may have, which have, in turn, private credit exposure.

And like everybody else, we are very mindful, whether it's credit-related direct or it's fraud risk that one needs to consider in terms of the developments we have seen recently, or which may even happen, because, given what's happening in the Middle East, some of the private credit exposures which are highly leveraged because of liquidity constraints may come under further pressure, so that's no different and we will always have something in our overall guidance that we will have as a buffer if any of those things change, because we do have a $1 trillion balance sheet.

In terms of our business overall, I'll bring to you a few points. Firstly, our guidance is at least 17% ROTE, the operative words there are 'at least', rather than just the 17%, if you look medium-to-longer-term. The guidance is three years, so it's one, two, three years. Let's not go far beyond that, but what excites me beyond that is banking NII continues in a strong position

– yes, great – but the fee income-generating businesses, particularly Wealth, are doing really well.

At this point, what they add to the top line is limited because their base is small, but, as with this very strong growth, their base gets bigger, their contribution to the top line and the balance between fee and the non-fee income gets better, that helps us through. We're also doing a lot of work in terms of optimising our balance sheets, looking at capital, looking at booking models, that helps as well.

From a cost perspective, we are very comfortable with our cost envelope. We've got a really good cost-income ratio across all businesses, but what we are shifting and changing is that, within that cost envelope, we spend more money in terms of investing in the future of the bank as opposed to just run-the-bank, and that's particularly looking at technology, deployment of AI, etc. These, over time, make you more efficient and give you more choices to lean into. In terms of the overall strategy and footprint, it stays pretty much the same.

EDWARD FIRTH: Do you have any numbers around that in terms of the investment for the future? I think JPMorgan were talking about $20 billion a year of tech spend. These numbers are vast, but we don't have any way of auditing them, so I don't know.

PAM KAUR: We are not giving any specific numbers that can't be audited, but the approach I can share with you. One can take an approach like some of our peers that you've called out, that you put a lot of money and you make a lot of bets, and even if seven out of ten succeed, it's a really great day.

The approach we are taking is to say, based upon our strategy, based upon our competitive advantage, 'Which are the few blocks that we really want to invest in which will give us that scale, benefit, and advantage?' So key processes within the back office that we have called out, whether it's contact centres, transaction monitoring, whether it's small-size credit underwriting. Those are the areas we're looking at in terms of re-engineering processes and improving, with AI deployment, the cost base.

We're also looking at it as a competitive advantage, that, when it comes to products like Wealth, payments and the increasingly real-time expectations of our customer base and the competitive landscape, to what extent, from a revenue perspective, with the deployment of AI, we can both have operational leverage – i.e. grow without growing the headcount at the same level as we've had to before – but also make the product choices available seamlessly to the customers through a streamlined client account opening and product offering.

We will do the same, but we will do it in very specific pockets of where we are already strategically positioning our business for growth. That's the big difference. And how you'll see that is – as you come through, we'll give you cost guidance every year, but you'll see through that the very initiatives we have deployed and got returned from within the cost envelope. That will be the way to judge us, and that's what we have included as part of our underlying work and analysis to give you the guidance for both our ROTE as well as revenue growth over the next three years.

AMIT GOEL, MEDIOBANCA: I'm getting a lot of questions on asset quality, even prior to this weekend's event. I'm also curious – I appreciate you being able to swerve the big headline ones, but I'm asked - some cockroaches - like how you're thinking about this. Are there potentially a lot more to come in terms of fraud risk, double pledging of collateral? Are you re-reviewing the book? I'm curious how you're thinking about that and whether that's something we do need to be a bit more concerned about, maybe for the industry or how you think about that.

On asset quality, I'm getting a lot more questions about the impact of AI on employment. I'm trying to get how you think about that – your sense, if you think that's something to really be concerned about or something that we'll just see over time?

PAM KAUR: Your first question really is much more near-term and the rest is more near- and medium-term. Let me address the asset quality question straight away. As you look at market events and developments, particularly given what we've in the last few days in terms of the conflict, you know your capital and your credit deployment – you want to really focus on your customers, retail, corporate in your key markets. In those circumstances, because you want to make those choices, you increase approval levels. In other words, for some of those transactions, you get more senior people engaged for approval because you could, at the same time, have a need for credit deployment in other areas. It's not as though your underwriting standards change, but, because of the choices you have to make, you get more senior people engaged because it's the same capital where you want to best deploy, and that's something we've done.

We did the same when Russia-Ukraine happened – typically, you raise the level of escalation at which you'd have to do credit approvals in these kinds of macro environments.

When we at AI, we look at how it is impacting the business models of our customers. And to the extent that there's an impact on the business models of our customers, that is considered … as we look both at an individual corporate level or institutional level, you adjust your appetite accordingly if you feel there's an impact on their business model, but you also looked at sectoral caps and you see, because of certain developments, would you do differently on your sector caps, whether sector caps for data centres, logistics companies, just like we did for commercial real estate, or names in AI and other areas.

It's those who provide the AI, those who consume the AI, and the ancillary businesses that depend on it. And that's an ongoing process that we will constantly continue to monitor as the world around us moves at different speeds.

PERLIE MONG: On capital, I don't want to jump ten steps ahead of time, but, given the dislocation we're seeing, what is happening with share prices, whether for HSBC yourself, but also for some of the assets you might be looking at, how would you think about allocation in terms of buybacks versus acquisitions, if this is a little bit more prolonged?

PAM KAUR: Let me go straight on in terms of how you deploy capital when the world gets tougher. Your first priority is to stay with your customers through good and bad times, so your corporates and retail customers whom you support during these times, and organic growth as a consequence within your risk appetite is a key area.

From an acquisition perspective, your question is, 'Just because something is looking really cheap and maybe cheaper than you are, will you go and jump into it?' The answer is an emphatic 'no', because that should not be the decision-maker. The decision-maker always on these should be the four criteria we've called out - does it give you scale? is it strategically important? is this going to be in an area where you have that competitive advantage to build on, like Hang Seng? will it be a distraction to your focus on organic growth? And is it better than a share buyback option? That's what you need to consider, and that's what we will consider. We are not going to immediately swoop on things just because they look too good to be true. When something is too good to be true, it often is too good to be true.

AMAN RAKKAR: I had a question about your divisional returns, and how much you would, or would not, encourage us to look at divisional RoTE profile of your business. I'm interested in whether you think you can lift each of the individual divisional RoTEs higher from here and, if so, which division would you call out? I'm looking at your CIB division. It consumes the most capital in the group context. It delivers the lowest RoTE. Would you encourage us to think about that as a – because the guidance and the commentary so far is very top-down - but, presumably, there's a bottom-up focus too?

PAM KAUR: Firstly, yes, of course, we encourage you to look at RoTE for the division. Sometimes it changes back and forth a bit because of allocations and how the Corporate Centre works, but the starting point is pretty strong, so I wouldn't be moving away from it.

In terms of the upside for improvements on the RoTE numbers, clearly is in the Wealth business, because, as it grows and gets more into scale, if you'd compare it with larger-scale competitors, there's more room there.

On CIB, I'm quite pleased because CIB – I know it's difficult to compare with other banks because we have commercial banking as part of CIB - whether I look from a cost-income ratio or I look at from a returns perspective, it is a strong business. One of the things we will be looking at, within what's allowed by regulatory requirements, is Significant Risk Transfer. That helps in that space. But overall, I'm pleased with our CIB business and where it's progressing.

When it comes to deployment of capital and looking at other competing areas, whether it's from a UK or a Hong Kong home market, we bear that in mind. But as long as loan growth is where it is, there isn't really that much more that we are, as an opportunity cost, considering, given the differential on the return on these four businesses.

ALVARO SERRANO: One more on private credit and then capital. I think one of the problems with – it was not strictly private credit - but NBFI – is, when we had the issues in October, we were told by other banks – this is more an industry question, not about you – that they had scrubbed the books and there was nothing more to worry about regarding double pledging of collateral, etc, etc, and, four or five months later, we have another case. From your experience, are you able to check the books so quickly? Can we rule out more issues down the line? That statement wasn't from you, obviously, so feel free to comment.

Then the other one on capital. This is not a short-term question. All I've heard during this session is you're much more profitable than you've ever been. There are capital efficiencies from Hang Seng Bank. Is 14 to 14.5% still the right range? It's a question more for the next forecast period, but, in the next plan, is running with a lower capital ratio given the improvement of your profitability of the business structurally? You could theoretically run with a lower capital.

PAM KAUR: I think it takes a very brave person to say, 'I've scrubbed everything and there's no fraud risk', because fraud risk is deeply embedded. I'm not going to make comments on any names. Whether it's to do with us or anybody else, there is always a fraud risk, and you're always exposed to either the due diligence you have done, or relying on what others have done.

We ourselves had issues with a commodities trading name a few years ago in one of our markets where we got hurt – so did others – through fraud risk. Of course, you go and scrub your books, but, typically, the only way to immunise is with sector caps and name caps - in those situations, you reduce. So my view always has been, when you run very large businesses, you are going to have credit losses, and that applies to all of us.

The question is, 'Is the size of that credit loss in line with expectation and the business you run?' and that's driven by your geographic presence and the expectation of how much you're leaning into it and the overall size of your balance sheet. I think that's what everybody needs to try and do, as opposed to saying, 'well, now there's no fraud risk'.

If you ask me, 'will there be more issues in this space?' the answer is yes. Hopefully, they will not be outsized issues and, hopefully, people will learn from them, and they will adjust their risk appetites accordingly. That would be my really strong view, as opposed to say, 'Now, no fraud risk here at all'.

Second comment on capital is really good, because, clearly, there are a couple of things happening in the market environment, in terms of regulatory changes and shifts. The external environment at the moment, is more volatile, and you typically would not reduce your capital operating range in these environments.

In terms of the FPC announcements, in terms of the UK credit requirements, the 50 basis points that have been talked about at the industry level, they need to be looked at and understood at an individual entity level. And we are still in a consultation period with the regulators - we will do the same homework and follow our way through.

Once your own business model has settled down, you've gone through your divestment journey, like we are on, and this profitability, which has been good over the four quarters, shows some sustainability – not just one or two good quarters, but you've got some more quarters behind you – then you look at and see what is the right level of capital that you can comfortably run, and you can then shift your operating range.

But for now, just to be very clear, all guidance, every target, is based on that operating range staying the way it is for that entire period. Of course, if it changes, it becomes a tailwind.

ALASTAIR RYAN: Thank you, everybody. Thanks for those who have joined us in person. Much appreciated. Thanks, everybody, who stayed up late in Asia. Thanks, indeed, everyone, for coming along today. We'll see you in a few short weeks with Q1.

PAM KAUR: Thank you all.