Q1 Results Analyst and Investor Call

5 May 2026, 7.45am BST

PAM KAUR, GROUP CHIEF FINANCIAL OFFICER: Welcome, everyone. Thank you for joining. We have had another quarter of positive performance, which reflects further progress towards creating a simple, more agile, growing HSBC. Annualised return on tangible equity, excluding notable items, was 18.7%. We are confident in achieving the targets we set out to you at the full year.

We are updating two pieces of guidance today: Banking NII to around $46 billion, and our expected ECL charge to around 45 basis points. I'll talk to the drivers of both shortly.

In the quarter, we continued to make disciplined progress in simplifying the group to unlock HSBC's growth potential. We actioned a further $0.2 billion of simplification saves and remain well on course to deliver the $1.5 billion target. We completed the privatisation of Hang Seng Bank, the sale of UK life insurance, Sri Lanka retail banking, and South Africa, and as you will have seen, we have agreed the sale of our retail banking business in Indonesia. We expect to realise an up to $0.4 billion gain on completion, anticipated in the first half of 2027. Our CIB business in Indonesia is unaffected.

On outlook, the economic landscape remains complex, and uncertainty will persist. Our thoughts are with all those affected by current events in the Middle East. We are fully engaged in supporting our colleagues, customers and partners across the region. We are well positioned to work with our customers and manage the uncertainties in the global environment from a position of financial strength.

Let's turn first to the income statement, where I will focus on year-on-year comparisons unless I indicate otherwise. Profit before tax, excluding notable items, was $10.1 billion. Notable items this quarter include a loss of $0.3 billion on moving Malta to held-for-sale, a loss of $0.2 billion on the sale of UK life insurance, and $0.1 billion of restructuring costs related to our simplification programme.

Revenue, excluding notable items, grew 4% year on year to $19.1 billion. This was driven by Banking NII and strong growth in wealth Fee and other income. Annualised ROTE was 18.7%, 0.3% higher than last year. It benefited from the removal of Hang Seng Bank minorities.

Looking at capital and distributions, our CET1 capital ratio is 14.0%, down 90 basis points on the quarter, as expected, following the privatisation of Hang Seng Bank. Reflecting our strong organic capital generation, we are already back to our operating range of 14-14.5%. The dividend for the quarter is 10 cents. We continue to target a dividend payout ratio for 2026 of 50% of earnings per ordinary share, excluding material notable items and related impacts.

Let's now turn to our business segment performance. Each of our four businesses grew revenues, and each also delivered annualised ROTE in excess of 17%, excluding notable items. This broad-based performance shows our strategy is working. I would just mention the $0.2 billion gain from a one-off property asset disposal in the Corporate Centre, which is not a notable item.

Banking NII increased $0.3 billion year on year to $11.3 billion. It fell by $0.5 billion quarter-on-quarter. $0.3 billion of this quarterly decline is day count. We also noted, at the fourth quarter, $0.1 billion in gains that we did not expect to repeat. In addition, this quarter, HIBOR was lower in March, and we also recognised a $0.1 billion adverse one-off. We are now upgrading our full-year Banking NII guidance to around $46 billion. This reflects an improved interest rate outlook. I would highlight that interest rate curves have been volatile and can, of course, change further in either direction.

Turning now to Wholesale Transaction Banking, recent economic, market and tariff situations have validated the strength of our franchise both over the last 12 months and in this quarter. We grew Fee and other income 2% year on year. Customers continue to turn to us to help them navigate volatility and uncertainty. Our balance sheet and franchise strength are particularly valuable in times like this.

In the quarter, Securities Services grew Fee and other income 11%, reflecting new mandates and higher transaction volumes. Trade grew 8%, driven by continued growth in volumes. Payments grew 3%, driven by growth in volumes across most regions. Foreign Exchange fell by 1% compared to a strong first quarter last year. We continue to see growth in volumes and strong client engagement.

Turning now to wealth, we grew Fee and other income by 15% to $2.7 billion. I remind you that the first quarter of last year was a high base. Growth was driven by all four income lines, and we added 287,000 new-to-bank customers in Hong Kong. It is worth remembering there is, typically, favourable seasonality to the first quarter when compared with the fourth quarter.

Having said that, we are pleased the investments we are making in our wealth products, distribution channels and customer experience are translating into real results. Private Banking grew 8%, and Asset Management 3%. Investment Distribution performed very well, up 21%, reflecting particularly strength in our customer franchise in Hong Kong. Insurance growth of 19%, from a strong base, was also pleasing, again with Hong Kong the standout. Our insurance CSM balance was $15.2 billion, up 19% versus the prior year.

First-quarter wealth balances were $1.6 trillion, up 12% or $170 billion year on year. Net new money in the first quarter was a strong $39 billion, of which $34 billion came from Asia. This is a broad-based and robust franchise. Our investments and focus are paying off. I will note that we saw a slowdown in flows in the early days of the conflict, but activity recovered in April across our wealth franchise in Asia.

Turning now to credit, our first-quarter ECL charge was $1.3 billion, equivalent to an annualised charge of 52 basis points as a percentage of loans and advances. Given the ongoing uncertainty in the outlook, we are updating our full-year 2026 credit guidance to around 45 basis points. This quarter includes a $0.3 billion charge related to the Middle East conflict. This is precautionary and related to the impact of the conflict everywhere, not just in the Middle East.

We also include $0.4 billion for fraud-related secondary securitisation exposure with a financial sponsor in the UK. I will emphasise that we regard the stage 3 charge this quarter as idiosyncratic and not representative of the risks in the wider portfolio. We have completed a full review of the highest risk areas in our portfolio and have not identified any comparable fraud concerns. We have updated our risk appetite and are incorporating lessons in our due diligence processes. This remains an area in which we are comfortable, but it is not a significant growth driver in our plan.

In Hong Kong commercial real estate, we had some small recoveries in the quarter and, overall, it remains broadly stable. You will see our usual detailed breakdown on slide 21. On slides 15 and 16, we have also set out our private markets exposure. We have made these expansive definitions to give you a full picture of our full-service business in private markets.

Let's now turn to costs. We continue to take a disciplined approach to cost management. We are on track to achieve our target of 1% cost growth in 2026 compared to 2025 on a target basis. Cost growth this quarter is 3% year on year. This included 1%, driven by higher variable pay, accrual-based on business performance. If you exclude the variable pay accrual, target-based cost growth was around 2% year on year. We manage costs on a full-year basis, so looking at a quarter in isolation is not meaningful. We remind you that our simplification actions provide a cumulative year-on-year benefit through 2026. For the avoidance of doubt, our 2025 target cost baseline is $34.0 billion when updated for FX.

Now, let's turn to customer deposits and loans. Our deposits momentum continues with $99 billion of deposit growth, including held-for-sale balances, over the last 12 months. CIB deposits increased $10 billion quarter on quarter in what is usually a soft quarter. Hong Kong was a particular driver. This corporate inflow offset a slower retail floor in our Hong Kong pillar. You will see deposits seasonality on slide 20. Excluding the movement of Malta to held-for-sale, IWPB deposit growth was $4 billion. You will see, on slides 18 and 19, that we have set out additional deposit disclosure. This shows you the deposit base split between fixed-term and

instant-access accounts. The 70% instant-access proportion should help you see the strength and breadth of our deposit base across our businesses.

Turning to loans, growth picked up in the quarter. CIB mainly reflects continued momentum in GTS, higher-term lending in Hong Kong, and drawdowns on committed lines by high-quality borrowers in the Middle East. We are pleased to be there for our customers when they need us most.

Hong Kong returned to volume growth this quarter after a period of decline. We are pleased to see borrowing appetite return as the economy grows and as residential property prices recover. Our $13.7 billion investment in Hang Seng Bank is a signal of our confidence in the opportunity in Hong Kong. We are investing across both iconic banks, and we see significant growth runway for both ahead.

In the UK, we delivered another quarter of good growth. This was both mortgages and our commercial lending book. We see good momentum in our domestic portfolio. Low levels of household and corporate debt in the UK provide a platform for the continued growth of our franchise.

Now, turning to capital, our CET1 capital ratio was 14.0%, down 90 basis points in the quarter. This follows the 110-basis-point impact of the Hang Seng Bank privatisation and Malta disposal loss. We also saw a 12-basis-point impact from the fair value through other comprehensive income bond portfolio, as government yields rose following events in the Middle East. These were offset by ongoing, strong organic capital generation. We are pleased to have remained within our CET1 operating range since the announcement of the Hang Seng Bank privatisation. A decision on future share buybacks will be taken quarterly, subject to our normal buyback considerations.

Let's turn to targets and guidance. First, targets. We reiterate the targets we set out to you at the full year – revenue rising to 5% year-on-year growth by 2028, excluding notable items. Return on tangible equity of 17% or better, excluding notable items, each year. Dividends 50% of earnings per share, excluding material notable items and related impacts.

Finally, to guidance. Today, we are updating our Banking NII to around $46 billion, given the higher rate outlook, and our ECL charge to 45 basis points, given macroeconomic and market uncertainty. In addition, to inform management planning, we have assessed a range of top-down stress scenarios. We have set these out for you on slide 17. I am happy to discuss these further in Q&A. All other guidance set out on this slide remains unchanged.

To conclude, the intent with which we are executing our strategy is reflected in the growth and momentum in our first quarter. It shows discipline, performance and delivery – discipline in the way we are applying strong cost control and investing to deliver focused, sustainable growth. We are on track to achieve our target of around 1% cost growth in 2026, compared to 2025, on a target base, and we are reallocating costs from non-strategic or low-returning businesses towards growth opportunities, while upgrading our operating model. This includes investing in artificial intelligence to empower our colleagues, simplify how we operate and enhance the customer experience by personalising service at scale.

Performance in our earnings – each of our four businesses grew revenues, and each also delivered annualised ROTE in excess of 17%, excluding notable items, and delivery – our first quarter results show we are creating a simple, more agile, growing HSBC built on the strong foundations of a robust balance sheet and hallmark financial strength. This is why, during periods of greater uncertainties, our customers turn to us as a source of financial strength, and we remain confident in delivering against our targets.

With that, I'm happy to take your questions.

GUY STEBBINGS, BNP PARIBAS: Hi. Good morning and afternoon, everyone. Thanks for taking questions. The first one was on wealth. Clearly, another very good performance, particularly on Investment Distribution and Insurance. Can you talk about what you're seeing in terms of flows in the competitive landscape in Hong Kong right now? Mindful it's been a very good story, and the benchmark for comparisons is getting tougher in terms of growth rates, but, equally, there's no evidence of let-up in momentum, and can see another really good performance for new business CSM, which is well above what you're booking through the P&L right now.

And then the second question was on private markets. Thanks for slides 15 and 16. Interested in any changes you're making in your approach to this segment. You've called out the $400 million hit in Q1, and you've not identified anything comparable in the book. One of your peers has signalled partially stepping away from some exposures in this segment as they've assessed levels of financial controls. I know you said this wasn't a big growth driver in the plan but are you changing how you are thinking about this segment in any way? Thank you.

PAM KAUR: Thank you, Guy. So, if I take your questions in turn, on the first question on wealth, we are really pleased with the growing CSM balance, as well as on Investment Distribution. The first quarter is always a very strong quarter for us, but I am pleased to say that, even after some slowdown in the month of March, we again see momentum coming through in April. We have a very vast range of products that we offer to our customers, so we've seen some shift in the products, so people moving from bonds and mutual funds into structured products and equities, and all that contributes very well to our fee income in wealth.

We have an iconic brand in Hong Kong, and yes, competition is fierce, but, as you can see, we are also growing new customers, despite adding fees for some new customers from January. And these new customers, over time, also become customers from a wealth perspective, but more in the near term for the insurance business. So those are all very positive signs for us.

Our overall exposure on private credit has stayed the same, as I called out at the year-end, at $22 billion, both drawn and undrawn private credit and related exposure, which is within 2% of our balance sheet, so that, is a comfortable position in terms of the concentration.

Following the experience we've seen in the fraud, I've always said that, in this ecosystem, no one is immune to second-order exposures, which is what we have had from financial sponsors. As a learning, we are working on looking at, very specifically, some of the additional due diligence processes we may carry out, even where we are relying on the due diligence of financial sponsors.

In terms of concentrations, we are also looking at specific concentrations on individual counterparties in this space, but remain comfortable overall. So we continue to be even more diligent where we're relying on financial sponsors-related secondary exposures and their due diligence.

AMIT GOEL, MEDIOBANCA: Hi. Thank you. Two questions from me. One was on the cost growth. It seemed like the cost growth was a bit higher this quarter, even ex the VP, than the overall target for the year, so in terms of why you think the costs will be a bit more contained, or at least the cost growth will be a bit more contained, and the drivers there?

And then the second question is on the Middle East scenario. Appreciate the extra slide. Just curious on the stress scenarios - what would we have to see to be seeing some of that scenario play through and to have further impact on your ECL guidance? Thank you.

PAM KAUR: Thank you, Amit. I'll take the cost question first. As we have said, our simplification actions will be completed by the middle of the year, and those simplification actions will give us cumulatively more savings in the second half of the year. If we factor those in and phase out, in line with our forecasts, we are very comfortable that we will be within our cost guidance of around 1% growth on a target basis. It is timing of when you have the gross costs increase, which we said last year would be 3%, and then the timing of when the 2% savings come, so that you come to the net 1% cost growth.

On the Middle East scenario, firstly, to be clear that in our ECL guidance we look at plausible downside scenarios, and we are by nature quite conservative in how we approach these matters. We have, in the fullness of an integrated, top-down stress scenario, called out a bookend stress scenario which requires all five things[1] to happen. To give you some perspective, in this kind of a scenario, you would expect stock markets to be down 35%, so it's pretty severe. You would also expect oil price at $145 and market disruption, as well as significant GDP slowdown across markets globally. That is the context of this scenario but, in terms of the right probability weighting from an ECL perspective, that has already been factored in in the 45 basis points guidance.

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[1] Reference to the five stress scenario assumptions disclosed on slide 17: higher oil prices; rising inflation; material slowdown in GDP; rising unemployment; market disruption

This scenario gets driven by not just an ECL number, but also an impact on the revenue line. It assumes that the wealth business – which has continued to do really well, even through the month of April – will see a significant impact. In a stress position, we will typically see inflows of deposits but under the scenario, because of the extreme market disruption, very high inflation, the deposits come down because customers need to get money in order to survive through a very stressful economic scenario.

AMAN RAKKAR, BARCLAYS: Good morning, Pam. Thank you very much for the chance to ask questions. I just wanted to ask one quick follow-up on the Middle East scenario. Back of the envelope, it's a $2-3 billion hit to PBT in terms of the mid-to-high single digit percentage on 2026. Is there any chance you could round out the disclosure in terms of what the breakdown in that scenario is between revenues and impairments? I'm assuming it's literally revenues and ECLs. If you could just quantify that for us, that would be really helpful.

The second question was just on Banking NII, please. First of all, I think you're calling out a $100 million negative impact in the quarter. Just adding that back in, I guess, to the underlying run rate, it looks like your Q1 Banking NII is annualising a shade above the $46 billion that you are guiding for your full year, so I'm interested in the sequential drivers of net interest income, please, from here, as you see them. Presumably rates are not that much of a headwind and you've got some balance sheet momentum. I'm trying to work out what the negative is from here to offset that, please.

PAM KAUR: Thank you, Aman, for your two questions. Taking the first one – firstly to say, yes, the impact, absolutely, is equal between revenues and ECLs broadly in this scenario and your numbers were right. I also want to say this is what I would call an unmitigated impact. In other words, it's prior to management actions. We are very comfortable that, even in stress scenarios, we have a range of management actions we would be taking and, therefore, we are very confident in reiterating our ROTE targets for 2026, 2027 and 2028.

On Banking NII guidance, as always, as you would expect, we tend to be quite conservative. We consider in the guidance downside scenarios as well – at least the plausible ones. In terms of the mathematical calculation as you've done, ex the one-off and looking at the day count, etc, it takes you above the $46 billion. Our guidance is "around $46 billion", not just $46 billion. That's the first point to call out.

The things that we have considered in terms of a possible plausible headwind – there's an uncertainty on the interest rates. There were a few weeks of impact of lower HIBOR in the month of March, but I'm very pleased to note that the HIBOR has again come to the range that we are most pleased with, which is around 2.5%. There is the continuing tailwind of our structural hedge reinvestment. We have given you disclosures on that and the deposit flow overall continues to be very strong, but we are happy to say "around $46 billion" with our usual conservatism.

ANDREW COOMBS, CITI: Hi. A couple of follow-ups from me, please. Firstly, coming back on the private credit exposures on slide 16, I think the exposure on which you booked the charge today falls within the $3 billion "Securitisation financing" bucket that you list on that slide. Can you just give us an idea, please, of how much of the exposure that you've taken a charge on today accounts for of that $3 billion total, please?

Secondly, coming back to wealth, it's difficult to quibble on 15% year-on-year growth, but that revenue growth does look slightly weaker than your peers. Can you give us an idea of where you think the differences are? Is it business mix, which means that you have lower transaction income benefit year-on-year? Anything you can comment on relative performance? Thank you.

PAM KAUR: Thank you. In terms of the exposure, we have substantially provided for that exposure, and that exposure – and you can see mathematically – is not an insignificant part of the $3 billion. You've called it quite rightly - it comes from that particular bucket.

Coming back to your point on our revenue, I'll just bring to attention that the CSM balances have been growing, but the way they actually hit the P&L – it is really over a period of time and therefore what you capture in the P&L is one-tenth, and that then flows through over the following years. That is how I would look at it. In terms of the fee income growth, if you ex that or adjust for that, we are very much in line or, indeed, ahead of peers in certain pockets.

KATHERINE LEI, JP MORGAN: Hi, Pam. I would like to ask about the fraud case. Can we have more colour about the fraud case - what is your total exposure? The key concern is

whether this $0.4 billion is a one-off, or are we going to see more of a step-up in impairment charges because of these cases?

The number two question is – I look at the [ECL scenario] risk weighting. It seems like downside scenario, now we assign 45%, versus before the war. Say, for 2025, it's roughly 15%. Can we get more colour – under what situations do you think we will continue to see a continued rise in this 45% of downside scenarios? Thank you.

PAM KAUR: Thank you, Katherine. So, firstly, this fraud is an idiosyncratic fraud. We have gone back and reviewed all our highest-risk exposures across our portfolio and specifically looked at private credit exposures as called out in the slide, and we see no comparable fraud risks in this matter. Of course, we continue to review our risk appetite, tighten due diligence and so on, so therefore we feel quite comfortable that this is a one-off fraud, indeed, and it comes to us through a secondary exposure that we have through a financial sponsor and where there was reliance on the financial sponsor's due diligence. That's the first case.

In the second one, in terms of the downside scenarios, the 45% downside scenario is built also from a 30% Middle East-related, specific scenario we created, a fifth scenario. We do not expect that 45% downside scenario to shift much. I can just give you as a comparison – as we went through periods of Covid, Russia-Ukraine, that sort of leaning on the downside scenario is pretty much at the top end of the downside scenarios. Then, once the situation gets more normalised, we bring the scenarios back to what are our normalised scenarios.

I also want to stress to you that the IFRS 9 downside scenarios factor in what we think at this point of time the full extent of the forward-looking guidance, as we would obviously calculate based upon what we're seeing on the ground, as well as assumptions, as well as the probabilities given to all the scenarios. This is quite distinct and different from the bookend Middle East conflict stress scenario on slide 17, which has a much more holistic view and a range of things happening, including, as I called out, very severe stock market disruptions, as well as oil price disruption.

I want to make a clear distinction between what you account for, what you have in your outlook, versus what you keep as part of a planning exercise in terms of the range of scenarios that you should always be aware of as a good management practice.

CHRIS HALLAM, GOLDMAN SACHS: Good morning, everybody. Two from me – the first on wealth. $5 billion of that $39 billion of net new money was deposits, so it feels as though 90% of the flows were invested, whereas, when you think about the stock of your wealth balances, it's closer to 60%. How should we think about that? Is that a structural change you're seeing? Are clients becoming more invested and, if so, what does that mean for fee margins and for returns going forward? Within the $39 billion, without the conflict in Iran, would that number have been higher or lower?

Second, on capital, like you said, well managed through the guidance range throughout the HSB privatisation process. Obviously, this quarter, a couple of one-offs within the quarter, but the underlying business performance appears to be encouraging. Given all of that, can you comment on when you expect to restart share buybacks? Thank you.

PAM KAUR: Thank you, Chris. Firstly, in terms of invested assets – we are very pleased with the growth in invested assets, but I just want to remind you: typically, Q1 is strong for investments. There is some seasonality of money moving from deposits into investment assets in Q1. We've also been very strong in terms of the new mandates we've got from Private Banking, so, overall, wealth is a very robust story to call out and it's very broad-based, not just dependent on one lever.

In terms of the conflict, there was a bit of risk of wait and watch in the second half of March. However, as April has come through, we continue to see a high volume of transaction activity and, as I said earlier, our customers continue to readjust their portfolios, and our strength lies in the broad range of products we have on offer. We have really invested in this business. Going forward, from a fee income perspective, I do believe there is a huge tailwind for us in terms of how we build on this year on year.

Coming back to capital now, firstly, I'm really pleased that, even with this very large core investment we have done in Hong Kong – which is a critical market for us, where we are hugely confident about the future growth prospects – we have still remained, throughout the entire

period, within our CET1 operating range and that truly reflects the very strong capital generation capabilities of our business across all four businesses. That is very encouraging.

Now, in terms of share buybacks, you're right that, even with all the one-offs we've had in the first quarter, we are in a good position, and I expect Q2 to be equally highly capital generating for us but, of course, a share buyback decision is done on a quarterly basis. Starting point is always capital generation, which looks strong. We have to also look at loan growth. Then, we have to look at our 50% dividend payout ratio, which is an important target for us, and the residual is always in terms of share buybacks and distributions, notwithstanding any inorganic opportunities for which we have an extremely high hurdle rate. We will look at it again starting from Q2.

KUNPENG MA, CHINA SECURITIES: Morning, Pam. I've got two questions for you and the first one is about Hang Seng. I'm glad to hear the momentum in deposit and wealth management in the first quarter and the pick up in the momentum from April. What proportion of such momentum could be attributed to the synergies out of the Hang Seng deal? Also, some colour on the future synergy effects of the Hang Seng deal would be helpful for us.

The second question is on HSBC's global footprint. This is out of the proposed disposal of the Indonesian retail business. The Indonesian market is quite important. It's not some marginal or less important market. I want to know HSBC's views on your global franchise. Which markets are important to you or which markets and which businesses are less important? Thank you.

PAM KAUR: Thank you, Kunpeng. Firstly, we have made a very good start on the Hang Seng privatisation, but the synergies at the moment have been very little, if any, because it's just the start of the process. We have already started investing in Hong Kong, both in the red brand and the green brand, in terms of technology, in terms of simplifying customer journeys and training and scaling of our colleagues, so we do expect progressively the growth from the synergies to come through starting from the second half of this year, but mainly through 2027/28. That's a very strong tailwind, again to support our targets as we progress.

So far, everything is very much on plan and with a lot of engagement with colleagues on the ground, which is really important, both in terms of maintaining the momentum, the sentiment, as well as reinforcing our strong optimism in Hong Kong, as you've already seen in the results, as well as in the stabilisation of the Hong Kong commercial real estate market.

Coming to our global footprint, we think Indonesia is a critical market for us from a CIB perspective. It is an important network market, and the economy is significant from an ASEAN perspective. However, our retail business of the size and the scale it was, and the scope it had, was not within the strategy of our wealth business. It was a valuable business. It remains a valuable business, as you've seen from the financials for the transaction that has been announced but, from our perspective, from a wealth perspective, it did not meet the high hurdle rate criteria we had. We have other markets where we are investing in a far more focused manner.

ALASTAIR WARR, AUTONOMOUS: Good morning, Pam. Thank you for taking our questions. Just a couple of follow-ups on the credit costs and on the insurance that we touched on just a moment ago. If you've got 52 basis points booked in for the first quarter on credit costs, it looks like, therefore, to get to your 45bps over the rest of the year, that you'd be looking at a little bit above 40bps for the remaining quarters of the year. You were at 40bps for the full year before. Is that just implicitly building in maybe a little bit more drag from the Middle East or is there anything else going on anywhere else for us to be thinking about?

The second point – you touched on the CSM there and how it can make a difference to how you're booking your speed of growth of income at the wealth line. HSBC has been really strong on some big-ticket, quite short payment period products that some of your big-name peers in Hong Kong are not necessary so keen on. Can I just confirm – you talked about a tenth there – that your release rate in years is about 10 years and that this shorter payment period thing doesn't turn up in a shorter release rate as well? Thank you.

PAM KAUR: Thank you, Alastair. Firstly, on the credit costs, you're right. This quarter's credit cost of 52 basis points has two significant numbers in it. One is obviously the idiosyncratic one-off fraud-related. If you take that off, we are pretty much aligned with where we would be in Q1 of 2025. Our books overall, ex these two items, have performed really well – the second being, obviously, the Middle East reserve. If you take the Middle East reserve of $300 million and the

fraud number, then the actual credit cost would be lower than what it was in Q1 2025, at around $600 million.

As we look at going forward into the next few quarters, we are always a bit conservative and we do have a little bit of scope built in, both in terms of what happens on stage 3s, if the fraud-related item – obviously that's a one-off, but the ex-fraud-related stage 3 build-up increases, because of a prolonged conflict in the Middle East. Also, Q1 has been very benign on Hong Kong commercial real estate. We are very pleased that we are seeing the beginning of a stabilisation, but we are not calling it the end of the cycle. Therefore, we keep that sort of a buffer for the rest of the year.

In terms of the CSM balances very specifically, there is no change in the accounting policy. Obviously, it's based upon IFRS 17 principles, hence the drip feed over the 9 to 10-year period that we will see. The key thing there is, as long as with the new customers that we are onboarding, with the growth in the CSM balance, the growth in the CSM balance exceeds the P&L floor from the CSM balance, because the trajectory is very positive in the growth of that business in Hong Kong. It is an iconic brand for us so, therefore, the demand for the product from a distribution perspective remains extremely strong.

JOSEPH DICKERSON, JEFFERIES: Hi, Pam. Thank you for taking my question. I just wanted to ask, in terms of the numbers you've given – the guidance upgrade on the Banking NII, is that taking into account effectively marking the market for the current yield curve in the UK? I note some footnotes around you were using rates as at mid-April. Does that take account of the yield curve in the UK? Presumably, there's some outer-year tailwind into that and, given you've got some outer-year revenue growth assumptions, I'd been keen to know how any maturities at higher rates might influence the outer-year revenue growth rate. Many thanks.

PAM KAUR: Thank you, Joe. From a Banking NII perspective, yes, we looked at the yield curves as at the middle of April across the currencies. That's correct. In terms of the revenue growth projections that we gave for the outer years, they were based upon the yield curves as when we set our targets. If the yield curves continue to be higher or grow then, everything else being equal, that will be a tailwind for revenue in future years. The Banking NII guidance – as you know, we always only give for the current year.

Thank you all for your questions. As you've seen from our results, we are very pleased with our return on tangible equity of 18.7%. We have never printed a number of this size for nearly 20 years now. That gives us a very good start in terms of where our targets are and how firmly we stand behind them for the next three years. Of course, there are macro uncertainties in the current environment, and we have given disclosures which are very fulsome both on private credit as well as on extreme downside stress scenarios, bookends.

Hopefully, in that context, I've answered all your questions. Obviously, if you have any more detailed questions, please reach out to the IR team. Thank you very much again for your patience and interaction.