HSBC

Transcript

Annual Results 2023 Presentation to Investors and Analysts – Transcript

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NOEL QUINN, GROUP CHIEF EXECUTIVE: Good afternoon to those in Hong Kong and great to see you all. Good morning to those watching in London and around the world. Before Georges takes you through the Q4 numbers, I'll make some opening comments.

First, I'm really pleased with the performance that the team delivered in 2023. We reported $30 billion of PBT for the first time ever, and we delivered a return on tangible equity of 14.6%, or 15.6% excluding material notable items.

Second, there were some items in the fourth quarter which make it harder to understand the underlying performance. Georges will take you through them in detail, but I want to stress, there was still good underlying growth in the fourth quarter. Excluding the impact of notable items and Argentina hyperinflation, our profit before tax was $7.3 billion.

Third, we distributed $19 billion of capital returns to our shareholders in respect of 2023. This included a full-year dividend of $0.61 per share, which is the highest since 2008, and $7 billion of share buybacks, which have reduced the share count by over 4% at completion of the current buyback.

Fourth, we still expect to have substantial distribution capacity going forward. We've announced a further share buyback of up to $2 billion. We're committed to considering a special dividend of $0.21 per share as a priority use of the Canada proceeds, subject to the completion of the transaction. And we finished the year with a strong CET1 ratio of 14.8%, which will be further boosted by the Canada deal.

Fifth, we remain committed to cost discipline. We have flow-through impact of 2023 inflation on our costs this year, but expect a downward trend in inflationary pressures in 2025 and beyond. We continue to invest in growth opportunities and the digitisation of our business to drive incremental efficiencies. We remain very focused on funding much of that investment through cost-saving initiatives. Finally, we expect to have further opportunities to grow revenue, even in a lower rate environment. Georges will take you through how we're reducing our sensitivity to rate movements. And we do acknowledge the downside risks to NII, but we're confident that we have the levers for growth that allow us to deliver mid-teen returns in 2024. I'll take you through some of these levers later. But let me now hand over to Georges.

GEORGES ELHEDERY, GROUP CHIEF FINANCIAL OFFICER: Thank you, Noel. Warm welcome to everyone here in Hong Kong. For those of you watching in London, good morning and thank you for joining our full-year 2023 results call.

We delivered a good underlying business performance in the fourth quarter. Let me first start by clarifying that our reported profit before tax was impacted by $5.8 billion of notable items, and a further $0.5 billion from Argentina hyperinflation, including the more than 50% devaluation of the peso in December. Let me unpack three of those notable items.

First, we reinstated the impairment on the sale of our France retail business as signalled at the third quarter. Second, we booked $0.4 billion of treasury disposal losses in the quarter, again in line with the guidance at the third quarter, to extend the duration of hedges in anticipation of rate decreases. And finally, as you know, each quarter, we conduct a value-in-use test on the carrying value of our investment in BoCom, described in detail in our Annual Report and Accounts. Following the outcomes of that test in Q4, we took a charge of $3 billion in the quarter against our carrying value. The charge had an insignificant impact on CET1 capital and our CET1 ratio, and no impact on our dividends or share buyback. And just to be clear, this has no impact on our strategy in mainland China, it has no impact on our strategic relationship with BoCom, and it has no impact on HSBC's or BoCom's operations, strategy or outlook.

So on a reported basis, our profit before tax was $1 billion in the fourth quarter, down $4 billion from the fourth quarter of 2022. Excluding the $6.3 billion impact of notable items in Argentina hyperinflation, our profit before tax was $7.3 billion, up $0.7 billion versus the fourth quarter of 2022, primarily due to growth in banking NII.

On the next slide, so on a reported basis, fourth quarter revenue was down $1.6 billion compared to the same period last year, due to the impact of notable items in Argentina hyperinflation. Excluding these, our revenue was up $1.5 billion, primarily banking NII. The strength of our deposit franchise, our access to two deep pools of liquidity in the UK and Hong Kong, and our enviable balance sheet made it possible for us to benefit from the more favourable rate environment.

On the next slide, fourth quarter NII and banking NII were again impacted by Argentina hyperinflation and a re-classification of cashflow hedge revenue between NII and non-NII. Excluding these, both NII and banking NII were broadly stable on the third quarter, and NIM was down three basis points, primarily due to higher time deposit costs and deposit migration in Hong Kong.

Turning to the outlook, taking our fourth quarter banking NII and adjusting for Argentina hyperinflation and the re-classification of cashflow hedge revenue, and the disposal of our France retail and Canada businesses, gives you an annualised run rate of just above $43 billion. That should be your starting point for modelling our 2024 banking NII.

We expect four key variables to drive our banking NII from that starting point in 2024: changes in interest rates, the re-investment of maturing structural hedge assets at higher yield, deposit migration, particularly here in Hong Kong, and balance sheet movements. There is a degree of uncertainty inherent in all of these. We're guiding towards a banking NII of at least $41 billion in 2024. This is our current estimate of the bottom end of the range of reasonable outcomes, and is intended to help you with your modelling. We will continue updating further as the year unfolds.

And before turning to non-NII, I'd like to direct your attention to the chart on the bottom right of this slide. Over the last 18 months, our banking NII sensitivity has reduced by around $3.5 billion. More than one third of this reduction is due to increased structural interest rate hedging. Subject to market conditions, we expect to increase both the notional and the duration of our structural hedge in the coming quarters, in order to reduce our banking NII sensitivity still further.

Non-NII was down $0.9 billion compared to the same quarter last year due to notable items and Argentina hyperinflation. And again, excluding these, non-NII was up $1.7 billion versus the same quarter last year. This was primarily due to the revenue offset into non-NII from the central cost of funding Global Banking and Markets trading activity, which is included in banking NII, and from the cashflow hedge income re-classification between NII and non-NII I referred to previously.

Other non-NII was up modestly versus the same quarter last year, including an increase of $0.1 billion in net fee income, primarily in Commercial Banking and Wealth and Personal Banking. Looking at non-NII from our two strategic activities of Wholesale Transaction Banking and Wealth, in Wholesale Transaction Banking non-NII was up 2% on the fourth quarter of 2022. There was good growth in Global Payments Solutions, in Trade and in Foreign Exchange, reflecting the strength of our international network and transaction banking capabilities, as well as increased client activity and re-pricing initiatives. This was partly offset by a relatively small decrease in Securities Services.

In Wealth, non-NII in both Asset Management and Private Banking grew by double digits versus the fourth quarter of last year due to an increase in assets under management, partly driven by net new invested assets. However, total Wealth non-NII was down $0.1 billion as a result of a $0.2 billion correction to historical valuation estimates in our insurance business. For the full year, non-NII in Wholesale Transaction Banking was $10.6 billion, up 5% on 2022, and $6 billion in Wealth, up 7%.

Turning now to credit, our fourth quarter ECL charge was $1 billion primarily in Wholesale. This brought our full year ECL charge to $3.4 billion, which was 33 basis points of average customer loans, including those held for sale, or 36 basis points excluding those, and within our full year 2023 guidance. Due to ongoing macroeconomic uncertainty, we're guiding towards ECLs of around 40 basis points for 2024.

We took an ECL charge of $0.2 billion for mainland China commercial real estate in the fourth quarter as part of the $1 billion charge for the quarter referenced in the last slide. This brought the full-year charge on this portfolio to $1 billion, crystallising the plausible downside scenario that we set out last February.

Our main area of focus remains the portfolio booked in Hong Kong. That exposure is now $6.3 billion, down $1.2 billion in the quarter, and down $3.1 billion compared to full year 2022. We continue to monitor the sector closely, and we are comfortable with our current level of provisions.

Turning to costs, full year 2023 costs on a constant currency basis were down 1%. On a target basis, full year 2023 costs came in 1% higher than our Q3 guidance, driven by three items that unexpectedly landed in the fourth quarter. First, the FDIC special assessment, which was expected to be incurred over 2024 and 2025. Second, the UK bank levy was higher than forecast, primarily due to adjustments relating to prior years. And third, there was an offsetting benefit from Argentina hyperinflation in the quarter.

Looking ahead, we are aiming to limit cost growth to around 5% in 2024 on a target basis, which excludes the reduction in 2024 costs from the France retail and Canada disposals. This will be driven by the flow through impact of 2023 inflation to 2024 costs, investment and volume growth, partly offset by cost-saving initiatives.

On the next slide, customer lending and deposits were broadly stable versus the third quarter once you exclude the sale of our France retail business. Without that, there was $35 billion of deposit growth, of which $27 billion was in Asia, with around half of this in Hong Kong. Deposit growth in Asia benefited from seasonality, and we would expect at least some of that growth to reverse in the course of Q1.

Turning now to capital. Our CET1 ratio at the end of 2023 was 14.8%, which was down 0.1 percentage points on the third quarter. There are three things I'd like to draw your attention to. First, as I said earlier, the BoCom charge had an insignificant impact on CET1 capital and our CET1 ratio due to the compensating reduction in regulatory capital threshold deductions, and it had no impact on dividends or share buybacks. Second, we expect the share buyback announced today to have an impact of around 25 basis points on our CET1 ratio in the first quarter of 2024. And finally, we expect the Canada sale to generate around 1.2 percentage points of CET1 in the first quarter of 2024. We remain committed to consider $0.21 per share special dividend in the first half of 2024 as a priority use of the sale proceeds, which equates to around 0.5 percentage points of CET1.

Before I hand back to Noel, I am pleased to share some enhancements that we have made with regard to our international disclosures. There are two sets of data, and Noel will also comment further on them. Starting with our wholesale business, let me walk you through the data on this slide. In 2023, we generated $33.5 billion of client revenue across Commercial Banking and Global Banking and Markets. Of this, $20.4 billion was generated from multi-jurisdictional clients. By this, we mean clients that bank with us in more than one market. The charts on the right show that two thirds of the client revenue we generate from those clients comes from providing them with services in markets outside their home market, where they also bank with us. It is also worth pointing out that two thirds of multi-jurisdictional client revenue, or $13.4 billion, was generated from clients whose home market is in the West, with the remaining $7 billion from clients whose home market is in the East.

Turning now to WPB international revenue, more than $10 billion, or 40% of our WPB revenue, comes from international customers, around two thirds of which is generated in Asia. So to summarise, both the wholesale and WPB client revenue data clearly demonstrates the strength of our international network and our unique capability to serve international clients. Our network and further investment into our international proposition position us to capture an even greater share of this vital, fast-growing segment. Let me now hand back to Noel.

NOEL QUINN: Thank you, Georges. You've just heard about good underlying performance in the fourth quarter, and Georges has introduced more detailed information about our international revenue. Our wholesale international business model is a mature and differentiated business model with substantial scale. And in recent years we have started to develop and invest in our WPB international business model. What Georges' slide showed is that already 40% of WPB revenue comes from international customers, and we believe we can take it much further.

So let me now turn to how we will drive revenue growth, not just this year and next, but over the next three to four years. As always, I'll begin with our purpose, ambition, strategy and values. These have helped to drive the good underlying business growth, which alongside supportive interest rates, have given us strong momentum. In the short term, we're conscious of the potential downside risk to NII. The structural hedging we have put in place will help to protect that income. But we do have some clear focus areas under our four strategic pillars, which I will cover on the following slides.

Starting with Focus, and our international Wholesale business, which remains our biggest competitive advantage and, because of its scale, our biggest growth opportunity. In the past, our businesses in the West were primarily focused on domestic clients. Over the last four years, we have re-positioned those businesses to align them with our international strategy, exiting low-return and low-growth domestic RWAs. The result is the differentiated model you see today. In Commercial Banking, we are unique in our ability to serve clients across multiple geographies, which is what HSBC was founded to do. The result was the $13.3 billion of profit before tax that Commercial Banking generated last year. In Global Banking and Markets, I believe we are uniquely positioned to connect clients between West and East, which was evident in our market leading performances in markets like the Middle East and businesses like Global Foreign Exchange.

We have clearly got a strong international franchise. As you can see, we facilitated more than $850 billion of trade last year, with the diversification of supply chains leading to revenue growth opportunities for HSBC. We ranked second globally by revenue in our payments business, and processed around $500 trillion of electronic payments. And we've been number three globally by revenue in FX since 2021.

But I believe there is a significant amount of untapped opportunity still to go for, which can drive revenue growth in the face of declining interest rates. Importantly, this potential revenue growth is not necessarily dependent on GDP, as that growth opportunity already exists within our client base, and it is often fee-based and strongly influenced by opportunities that are inherent to the international nature of our client base. To provide some evidence of this growth potential, we grew wholesale multi-jurisdictional client revenue by 29% in 2023, and the revenue multiplier for multi-jurisdictional corporate clients in Commercial Banking was five times that of an average domestic-only customer.

I'm pleased that international isn't just a wholesale story. We are doing more with our WPB customers as well. Building our Wealth business to meet the rising demand for wealth management services, especially here in Asia, has been a strategic priority in recent years. So I'm pleased that we attracted net new invested assets of $84 billion last year, compared to $80 billion in 2022 and $64 billion in 2021. This is a good indicator of future revenue opportunities, which again is often fee income and should benefit in a lower interest rate environment as investors shift from cash reserves into invested asset classes.

Another trend is the growing demand for seamless cross-border banking services. Innovation is key here, and we hadn't innovated enough in this space in the past, which meant we weren't offering our customers what they wanted. But we are now. Global Money has more than 1.3 million customers, up from 550,000 a year ago. We also launched a new, strengthened International Banking proposition. Overall, we grew revenue from WPB international customers by 41% last year, from $7.2 billion to $10.2 billion. And while you might assume this was driven solely by higher rates, I'm pleased to say there was a 43% jump in new-to-bank international

WPB customers last year. Again, these are higher revenue-generating customers, bringing in three times as much revenue as an average domestic-only customer.

Next is the continued growth in our two home markets. Our leading propositions in Hong Kong and the UK provide us with deep liquidity and a differentiated proposition. These two pools of liquidity underpin our exceptionally strong balance sheet, which gives us the safety and security that our clients trust us to provide. Hong Kong and the UK are both highly connected global financial centres. We have increased our market-leading share of trade finance in Hong Kong by 6.6 percentage points over the last three years. This included a 2.4 percentage point increase last year alone.

We are also ideally positioned to capitalise as the mass affluent population in Hong Kong and mainland China continues to grow, driven by rapid urbanisation across mainland China and the increased use of the Connect schemes between mainland China and Hong Kong. We grew new-to-bank retail customers in Hong Kong by 36% over the last three years, including by capitalising on the significant increase of visitors from mainland China post re-opening.

In the UK, we also have good traction in Commercial Banking. In 2023, we were the number one bank for UK large corporates as well as the best bank in the UK for SMEs, according to *Euromoney*, and we are continuing to grow in Wealth and Personal Banking. We attracted over one million new-to-bank customers in the UK last year and we have had steady mortgage growth, increasing our market share of UK stock to 8%. As economic conditions improve and we continue to invest, we are confident in our ability to grow our business further in these critical areas.

Next, I showed a slide like this last year to demonstrate how we have gone from a business that depended on our home markets for the vast majority of our profits while the rest of the franchise underperformed, to one with broad-based profitability across markets. This slide shows the increase in profitability of these diversified growth opportunities. The number one rankings speak for themselves, and I especially want to call out the great work that the Global Banking and Markets team are doing in the Middle East. They have now topped these rankings three years in a row in a region that presents significant growth opportunities going forward. India, mainland China excluding associates, and Singapore all contributed more than $1 billion of profits in 2023, with Singapore doing so for the first time. This underlines why HSBC was named best bank in Asia by *Euromoney*, but there was strong growth in all these markets.

The next slide underlines that we have reshaped our portfolio to reinforce strengths while exiting areas of underperformance and/or lower strategic priority. Over the last 12 months, we have announced exits in a number of our smaller markets. This is one way that we expect to take out further costs, alongside our continued focus on improving the internal efficiency of the bank, and by making savings we can invest in the areas on the left that help us to drive growth.

Before I move on, I want to mention SVB UK. Everyone knows that HSBC is an international bank, but we also have a long history of supporting innovative entrepreneurs, and the acquisition of SVB UK enabled us to build a bigger proposition that can help us to become known as the go-to bank for innovation companies. It is encouraging that Innovation Banking had its best ever quarter for customer onboarding in the fourth quarter of 2023. I'm also encouraged by how many of those innovative companies want to take their capabilities cross-border.

The next slide sets out how we're investing in technology to make customer experiences better, sale processes more efficient and our cost of execution lower. I am pleased to see more of our personal and corporate customers are mobile and digitally active. HSBC has traditionally grown by cross-selling products to our existing banking clients, but innovation also enables us to open up growth avenues that are beyond our traditional customer footprint. Zing is one such growth avenue, because it offers cross-border payment capabilities, but critically it is targeted at non-HSBC customers. Our embedded finance joint venture announces with Tradeshift last year is another such growth avenue. It's still early days for both, but they will allow us to break outside of the existing business model.

I will also briefly cover our final two pillars. There isn't a conversation I have with a client where the net-zero transition doesn't come up. Our first Net Zero Transition Plan shows how we intend to finance and support the transition to next zero and collaborate globally to help enable change at scale. It will be a complex journey, but we have exactly the right geographic footprint, where the need and opportunity are greatest.

Finally, Energise. Over the last four years we've increased the pace of execution across the organisation. Our management team is confident about the business, but it's even more important that our colleagues are confident, because when they are we stand a much greater chance of succeeding. So I'm pleased that our 2023 staff survey showed the number of colleagues seeing the positive impact of our strategy was up 11 percentage points from 2020 to 73%, and I'm also very excited by the number of quality new hires we've been able to bring into the organisation over the last 12 months. It's also a vote of confidence in our strategy and the momentum we have built over the last four years.

In summary, I will go back to what I said at the start. I'm really pleased with how we performed in 2023 and the contribution that our people made. We reported $30 billion of PBT for the first time and mid-teens RoTE. There was good underlying growth in the fourth quarter. Excluding the impact of notable items and Argentina hyperinflation, our profit before tax was $7.3 billion. We distributed $19 billion of capital returns to our shareholders in respect of 2023. This included the best four-year dividend since 2008 and three share buy-backs, and we still expect to have substantial distribution capacity going forward. We remain committed to cost discipline, and we expect to have further opportunities to grow revenue, even in a lower rates environment. We are confident that we have the levers for growth that allow us to deliver mid-teens returns in 2024.

With that, let me hand over to Neil for Q&A.

NEIL SANKOFF, GLOBAL HEAD OF INVESTOR RELATIONS: Thanks. We'll start with questions in the room.

GURPREET SINGH SAHI, GOLDMAN SACHS: Thank you. Two questions, if I may, please. The first one is on FY25 and beyond. We note that the RoTE guidance for this year, but if there can be any comments regarding the RoTE for '25 and beyond, in particular if the banking NII sensitivity for the next hundred basis points of rate cuts can be guided to us. The second one is around the gain, the implied improvement in the capital from the gain in Canadian operations, and that remains at around $10 billion of which $4 billion can be special dividend. So the $6 billion, have you decided on how much between capital distribution to shareholders and then business growth? Thank you.

GEORGES ELHEDERY: Thanks, Gurpreet. So we have not at this stage giving guidance for full year '25. I point you to the guidance we've given for full year '24 of at least $41 billion in banking NII and mid-teens return on tangible equity. In terms of banking NII sensitivity, we do have a slide at the back end of the deck which I can point you to, which shows for the further 100 basis points and for future years what's the impact. What I can point you to is, number one, we continue to intend to increase, subject to market conditions but as of today, to increase the structural hedge, second the volume of the structural hedge. Second, we continue to intend to increase the weighted average life of the structural hedge, having now reached 2.8 years and with the intent to take it to about three years, both of which should give you a sense of how we're mitigating rate impacts into '24 an '25 from the structural hedging activity.

With regards gain on Canada, so $10 billion proceeds, $4 billion will be considered – well, we committed to consider as a priority use for a special dividend. The residual $6 billion will constitute about 0.8% or 0.9% additional CET1, which very likely will be at the Q1 outcome. We will continue looking at opportunities, but it remains our intent, subject to market conditions, our capital position, regulatory position, it remains our intent to continue a rolling series of share buy-backs beyond this one.

NEIL SANKOFF: Thank you. Our first question from the line will be from Andrew Coombs from Citi.

ANDREW COOMBS, CITI: Morning from London. Good afternoon, to yourselves. Two questions, please. Firstly, I just want to clarify the messaging on the banking NII outlook. If I rewind 12 months ago, I think you gave guidance for greater than $36 billion of reported NII, but then this time a year ago you said you weren't seeking to move consensus, which at the time was actually higher. It was at $37 billion. If I fast forward to today, you're guiding to greater than $41 billion. If I look at consensus to NII, I adjust the trading book funding costs, it looks like consensus banking NII is around $44 billion. So are you seeking to rebase consensus banking NII or should we put greater emphasis on your 'greater than' within that $41 billion target? So that's my first question. I just want to clarify that messaging.

My second question is around the hedge. Thank you for the extra disclosure on the $478 billion nominal and the 2.8 years average life. Can you give us an idea of both the average yield on that book and also what it's currently rolling off at and what you're aiming to roll it back on at, if you are extending the duration out? Thank you,

GEORGES ELHEDERY: Thank you, Andrew. So obviously today we cannot see consensus banking NII and basically I'll use this opportunity to ask you collectively if you can start giving us your banking NII, so we can see the NII forecasts and then the funding costs of the trading book gets lumped together with the non-NII and it's, to be fair, difficult for us to unpack it, although $44 billion does sound high if we try to do the math ourselves. But let me take a step back and just walk you through how we're thinking about NII and just bear with me for two minutes, but I think that explanation will probably help guide you.

So we start from a Q4 $10.7 billion banking NII. We would adjust then Q4 for the parts related to Argentina hyperinflation, as well as the reclassification of the cash flow hedges between NII and non-NII. We'll adjust for the part that does not pertain to Q4, so that's full year correction, and that's about an additional $0.5 billion you could use on the Q4 $10.7 billion number. So that takes you to $11.2 billion adjusted quarterly run rate. Annualise, take into account day counts, you get to $44.4 billion. From that $44.4 billion, remember you have to deduct the full year France retail NII, as well as three quarters from the Canada NII, which together combined come to about $1.3 billion. So $44.4 billion minus $1.3 billion takes you to just above $43 billion. That would be our starting position, if you want, in terms of an annualisation of a run-rate, before factoring in structural hedges, etc.

Now, from that $43 billion, there are various tailwinds and headwinds. We have the tailwind of reinvestment of the structural hedges from lower rates into the current rate environment. We do have some tailwinds. Probably cautious on H1, but tailwinds beyond H1 in terms of volume growth and loan growth. And we do have headwinds including the rate cycle, if indeed we're starting the decreases in the second half of the year, and we obviously have the headwinds which we have observed, specifically Hong Kong around deposit migration to term deposits. Taking all of that into account, we're getting to the guidance of at least $41 billion that we're comfortable sharing today.

With regards to the structural hedge, we have shared with you volume, we have shared with you the weighted average life, and we have shared with you now banking NII sensitivity. We have not yet shared and we have not yet found the level of standard we would need to be able to share the yield, but what I can tell you about the yield is that both the yield of the maturing hedges being replaced at current rates, as well as the additional hedges we're doing with inverted curves, are all baked into our at least $41 billion banking NII guidance.

NOEL QUINN: If I could just add a couple of comments, one reason we're not giving a statement regarding consensus is, as Georges says, we think consensus is a mixture of updated thinking that has adjusted for some of these annualisation effects of disposals and other things, and some consensus hasn't adjusted for that at the moment. There's a little bit of apples and pears in today's consensus position.

What Georges is clearly trying to articulate for you is: take the Q4, adjust it for the known items, get to a new starting position of $43 billion. He's underpinned that starting position of $43 billion with an at least $41 billion, therefore the range of modelling has got to be somewhere between $41 billion and $43 billion, depending on the assumptions you might make on the headwinds and the tailwinds. We think, given that lack of consistency on consensus and the uncertainty in the market, that's probably the best to guide you on banking NII. There's a very clear repositioning of the starting position to get us back on an apples and apples basis. That's what I wanted to say, those two comments.

KATHERINE LEI, JP MORGAN: I have two questions here. The first question is I want to clarify the mid-teen RoTE guidance is a normalised RoTE. That means that the RoTE excludes Canada disposal gain. I want to clarify that, because if that is the case in mid-teen RoTE then, if you look at the company compiled consensus the RoTE is 17.4%. I just calculated on a very top-down basis you're excluding the disposal gain and consensus, RoTE is roughly around mid-teens as well. The thing is that I think that means the HSBC guidance and consensus is quite in line in terms of normalised RoTE, but on NII, on costs, in previous questions I think there may be a bit of reset in expectations. I think the 5% cost is a bit higher than where consensus was indicating. Does that mean that you are quite optimistic on non-NII growth, i.e. fee growth? Or maybe you have a different view on asset quality, and hence the ECL charges. This is the first part of the big question.

The second part is on BoCom. May I know what triggered the $3 billion impairment charges? As China's yield is declining – they just announced 25 basis point on five-year LPR cuts and all those – should we be expecting more impairments on the BoCom investment? Basically I want to see if there is any one-time event that triggered this impairment, or if it is going to be a normalised part of the business. I think in the statement you clearly stated that that would have no impact on dividend and shareholders' return. I believe this is related to the $14 billion capital deduction which you have already made on Associates. I think that is primarily BoCom. Can you explain a bit of that mechanism? I think today's share price reaction is partly factoring in the kind of concern that there is an ongoing impairment on BoCom that will affect the company's ability to deliver shareholders' return.

GEORGES ELHEDERY: Katherine, taking them in the order you said, first, the mid-teens RoTE is excluding notable items, therefore it is excluding the gain on Canada. Your calculation is correct. In terms of NII and cost, a couple of things to share. We recognise the cost assessment. In terms of banking NII, we have given the guidance here. I mentioned it in my earlier speech, but I will just point you that our banking NII sensitivity has reduced by more than half from the full-year 2022 due to, among other parameters, our structural hedging activity, so therefore the rate impact on our banking NII is reduced commensurately.

Equally, we do have some anticipation of volume growth if and when rates start decreasing, which is now planned for H2, and this is why we have some positive outlook for H2. If rates decrease, volume could pick up, subject to economic conditions, etc, but that's the assessment we have made today.

Thirdly, on the non-rate-sensitive earnings, I've called out Transaction Banking and Wealth earlier. Between them they constitute about 80% of our non-rate-sensitive earnings. One has grown 5%, 2022 to 2023, and the other one has grown 7%, and therefore we do feel there is momentum in both these areas for continued growth. I didn't talk about the residual 20%, but in the residual 20%, capital market activities, for instance, is included. Again, in a different rate environment we have grounds to believe this can also pick up. So yes, we are comfortable with the momentum we have in the revenue.

Can I point you on one thing about costs? We called it out. 5% for 2024 has a flow-through impact from inflation in 2023. 2023 experienced high inflation. There's some flow through, some adjustments, including wage inflation, which we anticipate to do in 2024. Based on current outlook of inflation that parameter is easing as we look forward beyond 2024. Without giving you any guidance for 2025, the inflationary component flow through into 2025 does look like easing from where we stand today, looking at 2024 outlook for inflation.

If I move on to your second question about BoCom, this is a – we do talk about the value-in-use model. It's following the Hong Kong accounting standards, international accounting standards. Without boring you with the accounting details, the AR&A has many pages, which we can point you to, that explain it. It feeds into parameters all essentially in the public domain, including macro data, other factors, including analysts' comments. It feeds in through the model. The model is not highly intuitive, but the outcome is the outcome and we've been consistently applying it for umpteen quarters now, and therefore will apply for Q4. It is very difficult to predict what the model will give us in Q1. We will take into account the information we receive over the course of Q1, and we will run the model as we do every quarter and consistently apply the outcome.

Finally, capital deduction. I think this is a very important point. Your math, Katherine, is correct. There is about $14 billion sitting today in our regulatory capital deductions, because they sit above our threshold. Therefore, you could legitimately assume that there is that much of buffer against any impairments we face in our financial holdings, BoCom being one of them. The other one is insurance. That's the two, essentially, and therefore you can legitimately assume that the compensation we would get from any hypothetical future impairment will be commensurate, given the size of our threshold deductions at this stage.

JOSEPH DICKERSON, JEFFERIES: Just cutting to the chase on some of the questions that have come through on the NII guide, I think you can probably get a sense that there's some reasonable confusion about what the message is for the 2024 baseline. If we work back from your clean mid-teens RoTE you've given us some guidance on cost, you've given us some guidance on credit. It's getting into a baseline revenue number of about $64 billion. I think consensus is $63.5 billion or thereabouts. Are you comfortable with that consensus number? Are you seeking to change that with this guide? That is question number one.

Question number two is why the focus on banking NII versus total NII? Because there's going to be, as rates come down, a lot of moving parts on the trading book funding cost dynamic. Indeed, if I look at your annual report you've actually got a benefit coming through in the USD bucket from rates falling in terms of the aggregate NII. Why are you trying to distinguish between those two conceptually for us? Again, it's creating a fair amount of confusion with investors.

GEORGES ELHEDERY: Yes, so I recognise your arithmetic, Yes, I agree with your arithmetic. This being said, I cannot give you guidance on total revenue, otherwise I'll be giving you guidance on our full profitability, but we recognise your arithmetic. A couple of things just to highlight for your consideration. The first one is our guidance for banking NII is not $41 billion, it's at least $41 billion, factoring in elements of uncertainty that I called out earlier. That's for full-year 2024.

You do have the building blocks for cost and for ECL, and then the residual part, if you want, of our earnings story is the non-NII component excluding the gains from Canada. As I said earlier, about 80% of it is generated from Transaction Banking and Wealth, both of which do have momentum, both of which are areas where we continue investing, both in terms of digital capabilities and client servicing, and in terms of net new invested assets. We are excited about the potential of these two businesses, and we believe our mid-teens RoTE is not based on unreasonable growth in these areas, it's based on momentum growth in these areas.

Maybe I can point you to our net new invested assets, $84 billion for the year, up from $80 billion last year, up from $64 billion the year before. Clearly we're acquiring new assets, but equally, as you've seen, Asset Management and Private Banking grew double-digit percentage points. That's also partly due to the valuation. Our AUM is also increasing because the underlying valuation is improving, which is therefore a generator of fees commensurately, subject to market conditions as we go forward.

Just on your second point, so we're guiding we would like to move to banking NII guidance. We recognised last year we have moved from NII into a dual guidance of NII and funding costs of the trading book. We think it is much simpler to look at our overall rate-sensitive earnings through a banking NII lens. The shift from one to the other – which is a zero-sum game, so it moves from one to the other – is reflective of business decisions as regards how much of our funding we would want to give to the trading book based on various parameters, including opportunities in the trading book, as well as opportunities for loan growth. We think that it would be too noisy if we have to really manage both on a separate basis.

BENJAMIN TOMS, RBC: Firstly, on cost of risk, in relation to your guidance of 40 basis points is there still a plausible downside to this guidance, or does the 40 basis points encapsulate that plausible downside? Secondly, on loan growth, I know you're cautious on loan growth in the first half of 2024. We expect growth to pick up in H2, but for 2024 as a whole can you just confirm you expect net growth in the balance sheet? It sounds like you do, because you earlier described volumes and the potential tailwind to NII. Could you narrow down how much lending we should expect for growth for this year?

GEORGES ELHEDERY: The cost of risk of 40 basis points encapsulates everything we currently foresee in our balance sheet. We have not communicated a further plausible downside on the China commercial real estate portfolio booked in Hong Kong, because we believe at this stage that, number one, we're well provisioned for this portfolio after the provisioning that's taken place last year. Number two, we also have less concerns going forwards on our residual exposure in that portfolio. I can point you to our exposure is now at $6.2 billion. That's down $3.1 billion from full-year 2022, so therefore we have a reduced level of concern. I can walk you through, if needed, how our ECL positioning is in this portfolio, but we're comfortable, and no additional concerns than we called out last year.

On the long growth, yes, our expectation is that as economic conditions continue improving and the interest rate environment becomes more supportive we would expect to see loan growth. We continue to guide on a medium term basis to mid-single digit percentage points, loan growth and balance sheet growth. It's very difficult to forecast what H2 will look like, but that is part of our projections.

NOEL QUINN: I think our view is, given the shift in the interest rate cycle and the shift in inflation, we'll start to see more economic confidence or business confidence and consumer confidence in the second half. We're not expecting significant growth in the balance sheet in the first half. If you start to see that kick in the second half you're unlikely to see full-year mid-single-digit growth in 2024. You're going to see a proportion of that start to kick in in the second half of the year, and then you'll see it kicking in more strongly in 2025 and beyond. I think in your modelling you're probably looking at limited growth in the first half and growth starting to come back in the second half.

ROBERT NOBLE, DEUTSCHE BANK: What was the size of the hedge last year? How much has it ramped up this year? Can you give us an idea of what the currency mix of hedges and whether there's any duration differences between those currencies as well? Secondly, what exactly is, in the quarter, the cashflow hedge reclassification, the impact it had from transferring from NII to non-NII? What exactly was that? Lastly, the timing of the special dividend post the Canada sale, will it come with Q1 results if the deal is announced prior to release, or is it not linked to the results announcement at all?

GEORGES ELHEDERY: Robert, we've added north of $80 billion to our hedge this year in terms of bond notional, a little bit more in terms of other derivative notional, and that's on top of an $80 billion we've added over Q4 and starting in Q3 in 2022. That should give you an idea of also what is the quantum we could reasonably do in 2024 if the market conditions remain supportive for the hedge.

In terms of duration, the obvious one to call out is we can certainly hedge on our weighted average life for slightly longer currencies such as the pound, the US dollar, and to some extent the euro. We have an inability to hedge in any reasonable size or shape – and this is due to structural market – our Hong Kong dollar exposure. Our Hong Kong dollar exposure hedge would remain much lower, and therefore our exposure in Hong Kong dollar would remain more sensitive to the rate outlook compared to the other currencies.

In terms of Canada sale, you could expect in Q1, subject to completion – which is now planned to be on track to be by the end of Q1 – you would expect to see a jump of 1.2%, 1.3% in our CET1 ratio. The special dividend, which we're committed to consider, would happen afterwards. Our best estimate is H1, but frankly, afterwards as soon as we can, subject to all necessary approvals. That will drop the CET1 by about 0.5, with a resulting net of around 0.8 in our CET1 after the dividend. We will update you at the Q1 results about the special dividend considerations.

NOEL QUINN: Yes, it's probably not possible to close at the end of March and declare in the same quarter, just for accounting reasons, so it's likely to be - close at the end of Q1 and probably declare Q2, and then pay following that. That's likely to be the accounting requirement, just to get the books closed for Q1, and then declaring Q2 is the most likely outcome.

ROBERT NOBLE: Sorry, declare in Q2, not with Q2 results?

NOEL QUINN: Probably with Q2 results.

ROBERT NOBLE: Right, so pay in Q3?

GEORGES ELHEDERY: It's our intent to do it as soon as we can. I can take you through the process, but there is a process we have to go through and the timelines will need to just flow through. But we'll confirm the timing at the Q1 results.

ROBERT NOBLE: Alright, thank you. There was just that one little question of what the cashflow hedge reclassification in the quarter…?

GEORGES ELHEDERY: Yes, that reclassification is an error in reporting. It related to one geography where some of our cashflow hedges were booked wrongly between NII and non-NII, and we've done this correction. It has affected one jurisdiction. The amount is a full-year amount, so the $0.3 billion charge we've taken reflects a full-year correction, of which around a fourth relates to actually the fourth quarter. The rest is a catch up for the first three quarters of the year. Just to be clear, Robert, the total income is not affected. This is just a reclassification of income from one line item to another line item.

ROBERT NOBLE: Got it, thank you.

ALASTAIR WARR, AUTONOMOUS RESEARCH: Just a quick question on the ECL charges. Things have subsided a bit on the China property side. Obviously that's nice for you guys to see, but a few cracks popping up in Mexico. Is that something you characterise as cycle stuff that might be going somewhere from here we need to keep an eye on, or something a little more one-off?

GEORGES ELHEDERY: Thank you, Alastair. The Mexico ECL related to an increase in our activity, specifically in unsecured lending. It's a feature of that jurisdiction where margins are very healthy but the ECL charge tend to be a bit higher. It will depend on our activity, but we expect to run at a slightly higher activity in unsecured lending, among others in Mexico, than we were before. So I wouldn't look at it as a one-off, but obviously it will depend on the cycle.

ALASTAIR WARR: But it's a function of doing business and growing the business, as opposed to a function of a historic problem materialising?

GEORGES ELHEDERY: Correct.

PERLIE MONG, KBW: Just a couple. I guess the first one is costs. What can you do with costs in a falling rate environment? Because you've talked about management actions; I guess the reason I'm asking is because this year I believe all-in it's about 7% year-on-year, and of course it includes a lot of one-offs like levies in this quarter and SVB earlier in the year, but on the basis that it crept up from plus 2% year-on-year, which is I think the first slide you talked about, the 2023 guidance, to the end result being something like 6%, 7%. I'm just wondering what levers you have in your cost management action pocket to combat costs if revenue were to disappoint? That's number one.

The second question is I think we all talked a lot about what might happen to revenues in various rate environments. Also, just thank you for the disclosures on the structural hedge. I guess stepping back a little bit from that, just a couple of clarifications. In a falling rate environment, how would you expect things like customer behaviour to respond? Things like deposit mix shift like in Hong Kong. I guess the mix shift towards term happened quite a lot faster in Hong Kong versus the UK on the way up, and it's still ongoing from the disclosures today. If rates were to turn, would you expect that flip back to be pretty quick, we're still in a pretty high rate environment, or do you still expect the mix shift to continue?

I think you talked about things like capital markets might outperform in a falling rate environment. I guess, on an underlying basis, just how do you see that? Because capital markets and loan growth, etc, I guess a lot of it's also to do with the underlying GDP as well, and there's still a lot of uncertainty on the horizon. So, even if rates were to come down, just how quickly do you think these benefits can come through?

NOEL QUINN: We'll tackle the cost first, and then maybe we come to the revenue second, and I'll do a few introductory comments on how I see revenues. On costs, Georges, do you want to just do a quick analysis of reported costs, 2023 versus 2022, target basis, and then reported 2023 to 2024 target basis? I might just add a few comments at the end of that on cost levers, the way I look at it.

GEORGES ELHEDERY: So, on the reported basis, 2023 to 2022, we were down 1%. The growth against our target of 6% also is reflective of the fact that a lot of the restructuring costs we've taken in 2022 did not repeat. We've guided how the costs have increased from our initial 3%, where we included severance, into the 6%. Obviously the last percent this quarter was unexpected. The rules for the FDIC special assessment came in November. The earlier draft rules we've seen in September indicated we would be incurring that cost in 2024 and 2025, but the rules that came in November had a different accounting treatment and accelerated all that, as did all other banks who were subject to the FDIC special assessment. I just want to call it out that this one was a particular event we called out.

As we look going forward for 2024, we're looking at a 5% on the target basis growth. This is excluding the cost reduction we will get from exiting the French retail business and the Canada business. Between the two of them we will be exiting on an annual basis an equivalent of $1 billion, just shy of that, which is around 3%. That would be a reduction in cost of 3%, but that is excluded from the way we're managing our target basis.

Just explaining how we're coming up with this cost – and then Noel can talk you through the levers to manage our costs – first there is this flow-through inflation from 2023. There is some wage adjustments we need to take into account for 2024 based on the flow-through inflation from 2023. That component, we feel, is easing, and hopefully in the outlook of inflation will ease as we go out of 2024 into the future. There is continued spend in technology and continued investment in some of the growth areas, organic growth areas. That's particularly true in Wealth. That spending is partly offset by a number of cost management actions, some of which we have taken already such as the severance programme, which will have a flow-through benefit into 2024, and other actions we're planning to take.

Just before Noel talks to levers, we're looking at cost as in growth on the target basis in dollar numbers. We're not looking at our costs on a cost efficiency ratio basis. There may be fluctuations to our revenue, but frankly in a year like 2023 our CER has dropped from 65% in 2022 to 48%, so we will tolerate some volatility on the CER, as long as we're managing our cost in a spend dollar basis.

NOEL QUINN: I know this is an important topic. Let me reiterate up front that we remain committed to cost discipline. The question is, how are we achieving cost discipline? We obviously look for efficiencies in the existing organisation. We invest in tech to drive efficiencies in our processing costs, and we're continuing to do that. We invest in simplification of the portfolio, closing down businesses organically, exiting costs organically, but we're also exiting costs through M&A, and in our target basis we adjust for that. I don't want you to lose sight.

We'll be exiting $1 billion of cost in 2024 as a function of M&A decisions; portfolio choices made for good, strategic reasons. $300 million of that was the exit of our French retail business. It's a business that was losing money, so we've exited $300 million of cost by selling and it's going to be profit accretive, because that business was a loss-making business. We've exited $800 million of cost in Canada through selling – we hope to by the end of Q1. Not tempting fate. Why are we doing it? Because that business in our hands was probably valued at around one-times book and we were able to generate two-and-a-half-times book, over two-and-a half-times book. We sold it because it was worth more to somebody else than to us and we're redistributing the proceeds of that to our shareholders, because we thought it was the right answer for our shareholders. We do internally generated cost efficiency and externally generated cost efficiency for good, strategic reasons and we'll continue to pull those levers.

The other thing is we do believe an organisation like us, with the growth opportunities we have, we should invest and we made a decision last year, on our original cost target of 3%, to actually move it up to 4% because we were continuing to invest in tech. Tech today, as proportion of our overall cost base, is now around 22%. When I took over four years ago, tech as a percentage of our cost base was 16%. We're trying to remain disciplined on costs and change the nature of the costs to be a much more strategic cost component in driving future enhancements for customer propositions and efficiencies.

That's the thinking we have. You have our absolute commitment, both myself and Georges, and the management teams, we will keep cost discipline. We'll invest and save at the same time. We have to acknowledge the flow through of inflation, but the other component we made a decision on in 2023, given the very, very strong performance the business had, we thought it was right to go from 4% to 5% by topping up the variable pay pool by an extra percent. We thought that was the right decision for our people, so we think it's the right cost decision, but it has inflated our costs compared to our original target of 3% and I think we had to do the right thing by our people on that.

And then the final 1%, taking us to the 6% number you talked about, was unexpected. When we talked to you in Q3, we didn't expect that final 1% to come through for FDIC and bank levies. The FDIC was probably a timing issue. It was going to come through in '24 or '25, but it actually surprisingly came through in the final quarter of the year. You've got our commitment. We'll remain with tight cost discipline.

Let us now turn to revenue and let me maybe, again, decompose how we think about revenue growth outside of NII or interest income. Clearly, the great work that Georges and the team have done on hedging and the further structural hedges we've put in place and the extra duration is a mitigant to the downside. I look at the opportunity on the upside in two components.

One is our core USP of international banking. We have, within our franchise, clients who operate in more countries than we currently bank them, be they personal clients or corporate clients. We still have huge amounts of untapped opportunity to further penetrate that client base and every time – you saw in the revenue multipliers – we take a client to multiple jurisdictions, a revenue multiplier of five times domestic revenue in wholesale banking, three times domestic revenue in retail banking. That is an internal generated revenue opportunity, not dependent on GDP. That's in our hands.

The second revenue opportunity you talked about in your analysis is countercyclical and I do believe – I've been around 37 years, so I've seen some cycles - and I do believe lower inflation leads to lower interest rates. Lower interest rates lead to a pick-up in economic activity, normally with a lag effect, and I do believe that pick up will have a positive impact on capital markets activity in our Global Banking and Markets business. I think it will have a big and positive impact on demand for corporate lending and personal lending in our wholesale and retail business – lag effect, as I've talked about – and, thirdly, I think consumers will start to shift out of cash into invested assets, and that's a huge opportunity for our Wealth business. You've seen our track record on our ability to attract net new invested assets over the last three years – $84 billion, $80 billion, $64 billion. That's where we're very focused and a lot of our investment is going.

It's for us, the management team, to deliver on that. We know we've got to deliver on tight costs and cost discipline and we've got to deliver on revenue diversification. My final comment on this is I'm grateful that we've had four years of transformation, because we now are through the majority of that transformation focus – the majority – and we're now focused on that growth opportunity and we're in a fortunate position that all of the hard work of the last four years has given us that platform for growth. Thank you.

NEIL SANKOFF: We have time for one last question, then I'll hand it back to you, Noel, if you want to make any concluding remarks. Our final question comes from Aman Rakkar at Barclays.

AMAN RAKKAR, BARCLAYS: Thank you very much. Hello, Noel. I have two broad questions. The first one is kind of split into two and then I've got a second question around GB&M. The first broad question is around fee income. The first part of it is I'm a bit confused by your banking NII sensitivity. You can see in slide 34, $3.4 billion on 100 basis points rate cut, but the majority of that comes from non-NII. Can you help me there? Because I just don't understand that. I thought banking NII stripped out the trading funding costs, so whatever colour you can give us there.

And the related question is that your outlook for fee income, more broadly – I get your messaging around Wealth and Transaction Banking is demonstrating positive momentum, but can I ask you about the other big chunk of fee income, which is GB&M? There's various moving parts there. I suspect that you think cyclically it's not earning its full amount, but I also do note that Global FX has been decent for a while. Can you give us your view on to what extent that business is operating at, below or ahead of capacity? That was a broad, two-pronged question on fee income, believe it or not.

The second question was around your approach to distribution. You're potentially facing down the barrel of slower volume growth in 2024 and I'm interested in – you're arguably then going to be more capital generative this year on still decent profits and not a lot of balance sheet growth. How do you approach that? Do you give us additional buybacks through the course of this year or do you hold that powder dry for a bigger rebound in 2025, say? Thank you very much.

GEORGES ELHEDERY: Aman, what, historically, we have been giving you is NII sensitivity but, as you know, there is a big component that is rate sensitive in our earnings, which doesn't sit in NII. It sits in non-NII under funding cost of the trading book and what we have been doing – and hopefully that slide was meant to clarify, but I'm assuming now we have to take probably more offline with you to go through it.

What we have been doing is showing the sensitivity of both the NII to rates, as well as the sensitivity of the funding cost of trading book to rates, and then giving you the full sensitivity of banking NII to rates, because that would be a better representation of how sensitive our earnings are to rates and that will take away the noise that is created by ongoing commercial decisions on how much funds we provide the trading activity or take away from the trading activity in-year. It cleanses that information out, because it's just giving you the total that is relevant for our overall earnings. That sensitivity has reduced by more than half over the year, in part – at least for 30%, 40% of it – due to our structural hedging activity.

With regards the fee income, you mentioned FX having a good and decent income. A couple of things about GB&M to call out. First, the PBT of GB&M was more than 20%, 25% higher year-on-year, so clearly a business that increases PBT. Its return on tangible equity has exceeded our cost of capital. It's something that has been not achieved for many years. It's above 12% and, to be also fair to GB&M, its return on tangible equity only increased by about 10% because there are some Corporate Centre-related adjustments which have affected them. Otherwise, their return on tangible equity could have followed the trend of PBT growth because their RWAs were down they could have seen close to 20%, and therefore well above their cost of equity. We're comfortable with how the business continues to transform itself, focusing on their strengths and adjusting their footprint, and that momentum continues.

In terms of distribution, first it remains our ambition to have a rolling series of share buybacks as long as our capital supports it, and the outlook for capital does support it, but this remains subject to ongoing macroeconomic developments and regulatory approvals, etc. One thing to call out with regards our bolt-on acquisitions is, when we look at an acquisition, obviously the first parameter is making sure it's a strategic and accelerating growth area that we strategically want to grow, but the second parameter that we also use equally is that it is accretive compared to a share buyback. We're making sure that, when we go for a bolt-on acquisition, the investment is more accretive than the investment in buying our own shares, and this would be a disciplined measure, to make sure we're doing M&A that is both strategic and accretive.

Finally, in terms of other parts of the distribution, around 50% dividend payout ratio for 2024, which we reaffirmed, and then if you want to have a benchmark on where we would operate on a target basis, our CET1 ratio, it will be in the 14 to 14.5% range, which we reiterate, but we recognise we may not need that target, because we may be well above it for a few quarters, in particular thanks to Canada, but also to our own capital generation.

NOEL QUINN: The pace at which we can get back down to that target is going to be dictated by two things: the capacity of the market to take buybacks and, second, are there alternative uses of that capital to support growth? But I think it's fair to say there's going to be excess of our CET1 over our target range, more in the near term because possibly the capacity of the market to take the volume of buybacks that could be done.

AMAN RAKKAR: Thank you so much. Can I just clarify – is it reasonable, then, to expect – is it reasonable to target year-on-year growth in the fee income business and GB&M? Given those various moving parts, should we think about growth?

GEORGES ELHEDERY: In the strategic areas, certainly – the areas we called out, such as foreign exchange, such as payments, such as supporting trade. We do expect also growth in, as Noel mentioned earlier, capital markets activity if and when rates come down. We see progress in this area of the fee income space. Clearly, GB&M has focused itself and the message is that, in the areas where they're focusing strategically – yes. In the areas where they have exited or are downsizing, then this would be non-strategic areas that they would continue doing downsizing.

AMAN RAKKAR: Thank you so much.

NOEL QUINN: I just wanted to say thank you all for joining. I also want to just say clearly I'm really pleased that we've had a record profit year in 2023 and the best returns that we've had for a decade. Really pleased we were able to reward our loyal shareholders with $19 billion of capital returns to our shareholders in respect of 2023. This included the best full-year dividend since 2008 and three share buybacks. We still expect to have substantial distribution capacity going forward and we are committed to cost discipline. I want you in no doubt on that.

We expect to have further opportunities to grow revenue and we're very focused on it, because we've come out of that four-year transformation phase with a very strong focus on growth. We continue to target a mid-teens ROTE in 2024 and I just want to say thank you for joining us and Neil and the team are available should you need them. I hope to see many of you here in Hong Kong in April, when we hold our inaugural Global Investment Summit. Looking forward to being back here at the end of March and for the investment summit in early April. Thank you all very much.