Credit Update

27 October 2026

Investment Research

Corporate Bond News

HSBC

- We regard HSBC's Q3 26 results as credit neutral based on a solid operational performance and consider the asset quality overall as healthy, with a low and controlled ECL performance. We are monitoring the ECL performance but note it has ticked down to below the guided range. We believe the ECL factors should not impair investors' view of the overall investment case, as uncertainties are a natural element of operating a global institution. Also, the group is close to its CET1 ratio target range, and we see its current capitalisation as strong and robust, enabling it to weather any potential deterioration in its asset quality.
- We note the group continues its shareholder prioritisation, which seems justified by the targeted capitalisation and high profitability. Moreover, we note positively the bank's solid and diversified revenue generation, measured cost evolution, and robust capitalisation, but we continue to monitor the underlying asset quality and its composition. In addition, the group aims to simplify its operations through four businesses to deliver even more estimated cost savings, targeted at USD2bn from year-end 2027. USD0.8bn was realised in 9M 26.
- Regarding valuation, we reiterate our Marketweight recommendation on the HSBC 3.125% 2028 tier 2 bond in EUR (XS1428953407), which is priced at a YTM of 3.8% pa (Z-spread of 51bp). The recent modest spread widening of around 40bp since end-August 2026 has lifted the spread level, but not more than the rest of the market, in our view.
- Also, we reiterate Marketweight on the HSBC 4.375% 2026 tier 2 bond in USD (US404280BH13) as maturity closes in.

Issuer information

Sector	Banking
Corporate ticker	HSBC Corp
Equity ticker	HSBA LN
Market cap	GBP291.3bn
Total assets	GBP3,445bn

Issuer credit rating

S&P	A- (Positive)
Moody's	A3 (Positive)
Fitch	A+ (Stable)

Latest publication on issuer

Credit Comment - HSBC, 21 September 2026

Source: Bloomberg, Danske Bank Credit Research

Selected bonds

Company	ISIN	Min. Piece	Seniority	Currency	Maturity/Call	CPN	Issue Size (m)	Credit Ratings	Price	Yield*	Recommendation
HSBC HOLDINGS PLC	US404280BH13	200,000	Subordinated	USD	Nov. 2026	4.375	1,500	BBB+/Baa1/A-	100.0	3.9%	Marketweight
HSBC HOLDINGS PLC	XS1428953407	200,000	Subordinated	EUR	June 2028	3.125	1,000	BBB+/Baa1/A-	98.9	3.8%	Marketweight

*Note: Credit ratings by S&P, Moody's, Fitch, respectively. *Yield to Worst.*

Source: Bloomberg, Danske Bank Credit Research

HSBC: Q3 26 credit update

HSBC reported Q3 26 profit before tax (PBT) of USD9.6bn, up USD2.3bn y/y and down USD0.5bn q/q, reflecting higher revenue and supported by lower costs and slightly lower ECL charges. The result (before notable items) was USD10.1bn, slightly ahead of the Bloomberg equity market consensus of USD9.9bn. In addition, quarterly profit after tax was USD7.6bn, up USD2.1bn y/y, but down USD0.4bn on a sequential basis.

The main revenue component in the quarter benefitted from moderately elevated interest rates, holding up at a reasonable level of USD9.3bn, flat q/q, reflecting favourable interest days (USD0.1bn), deposit and loan growth, and a supportive yield curve. The deposit base rose 0.4% while loans rose 0.7% on a q/q sequential basis. Moreover, the non-NII component contributed USD7bn, down USD0.4bn q/q and up USD0.2bn y/y. Fee and other income continued to see robust contributions from the continued activity in Wealth, while fee income was supportive in the Markets unit. In Q3 26, the

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More information:

For further information, see the latest *Corporate Bond Lists*, 26 October 2026.

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bank's core earnings (NII+Fees-Costs) were USD9.8bn, down USD0.6bn q/q and up USD2.1bn y/y. In relation to operating expenses, these amounted to USD8.8bn, driven down by 12% y/y, due primarily to underlying operating expenses benefitting from the simplification cost focus. The baseline target of an underlying 1% increase for the year remains in place, while restructuring and costs related to organisation simplification drove USD0.8bn in reduced costs during 9M 26. The programme targets USD2bn in expected savings. The profitability translates to an adjusted return on average ordinary shareholder equity (annualised) of 18.2% in Q3 26, down from 19.5% q/q and up from 16.6% y/y. Also, accounting for the notable items, the RoTE was 19.1%, which compares to 12.3% in Q3 25.

Additionally, the result was impacted by more favourable ECL levels of USD0.8bn, down USD0.3bn q/q and down USD0.2bn y/y. In Q3 26, ECL was 0.31% of total gross loans, compared with 0.41% and 0.52% in Q2 26 and Q1 26, respectively. The annualised level amount of 31bp, and HSBC reiterated its expectation for the ECL for FY 26 to be approximately 45bp, reflecting the ongoing uncertainties due to the conflict in the Middle East and exposure relating to Hong Kong CRE.

Furthermore, the CET1 ratio was 13.9% at end-September 2026 (medium-term target of 14.0-14.5%), down 20bp q/q, mostly driven by capital generation but mitigated by dividend payments and a change in risk-weighted assets (RWA). The liquidity coverage ratio (LCR) remains solid at 132% as at end-Q3 26 (down 2pp q/q).

Regarding the outlook, for the 2026–2028 period the group targets are unchanged with revenue growth, rising to 5% y/y by 2028, a RoTE target of 17% or better, and the dividend policy to include a payout ratio of 50% of EPS (excluding notable items). Furthermore, the 2026 specific guidance and targets include a NII of at least USD46bn (raised in Q1 from at least USD45bn), an ECL charge of approx. 45bp (raised in Q1 from 40bp), the costs to grow by 1%, and the CET1 ratio to range between 14.0-14.5%.

Credit conclusion

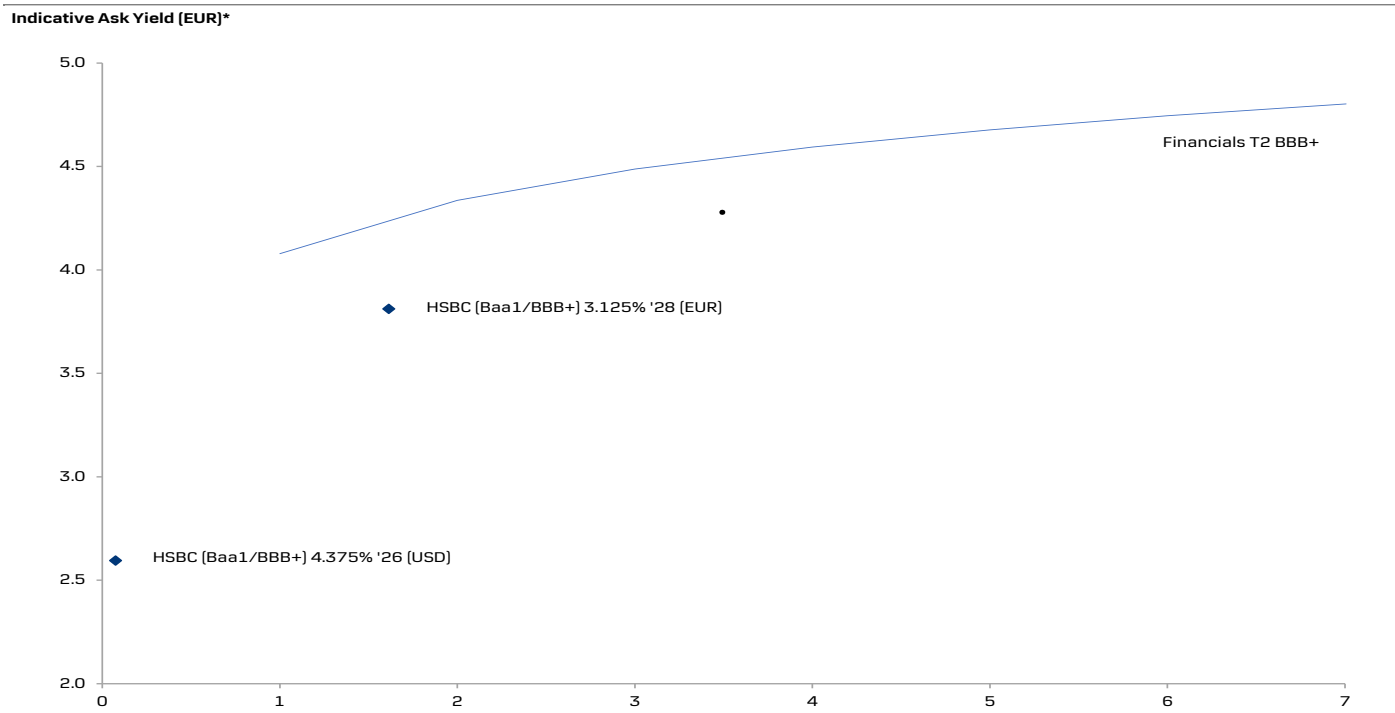
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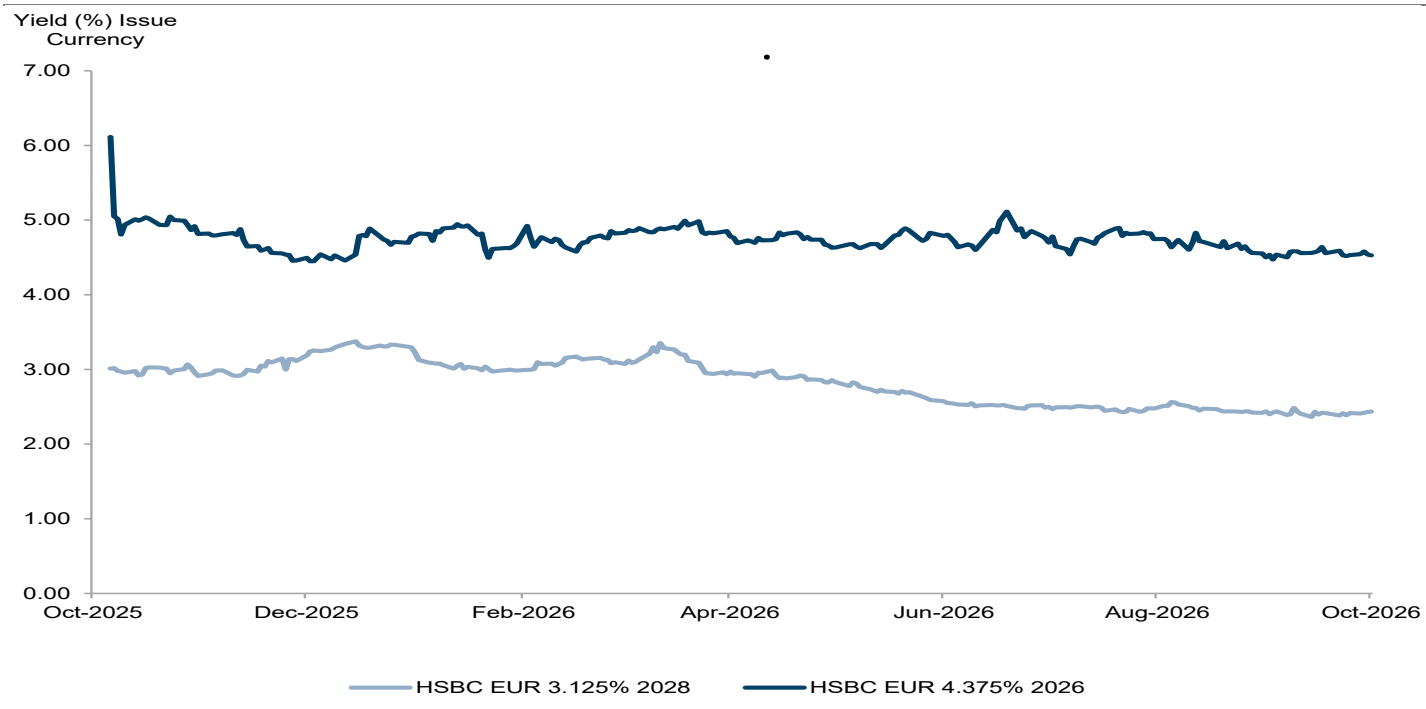
Relative value chart: selected HSBC notes



* Yield to convention in %. Swapped to indicated currency. ** Years-to-workout
Note: Fair value curve(s) based on Danske Bank Credit Research's (mid) peer group of European issuers

Source: Bloomberg, Danske Bank Credit Research

Historical yield: selected HSBC notes (YTM)



Source: Bloomberg, Danske Bank Credit Research

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Rating	Anticipated performance	Time horizon	Distribution of recommendations	Investment banking relationships
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Sell	A decrease in price of more than 10%	12 months	-	-

Changes in recommendation over past 12 months

US404280BH13

Date	New recommendation	Old recommendation
5 May 2026	Marketweight	Overweight

XS1428953407

No changes to recommendation.

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