Asian Credit Daily

29 October 2025

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 3-4bps lower while belly tenors and 10Y traded 3bps lower.
- Flows in SGD corporates were heavy, with flows in BACR 4.65%-PERP, LLCAU 3.9%-PERP, BACR 5.4%-PERP, BACR 7.3%-PERP, HSBC 5.25%-PERP.
- As per Bloomberg, Indonesian energy and chemicals firm, PT Chandra Asri Pacific Tbk ("Chandra"), is in talks with competing consortiums of lenders to finance its' USD1bn acquisition of Esso-branded service stations in Singapore from Exxon Mobil Corp. Chandra is reported to be in talks with Global Atlantic, the insurance arm of KKR & CO, for a USD750mn unitranche facility and plans to cover the remaining USD250mn with equity. Separately, Chandra is seeking up to USD600mn in senior loans from banks and about USD250mn in mezzanine financing from private credit funds, including Indonesia Investment Authority, Allianz Global Investors and Ares Management, with the rest funded by equity. Chandra Asri is also in talks with at least one other funds for a loan to back the acquisition.
- The Industrial & Commercial Bank of China Ltd has entered into an agreement to take over all of Bank of Jinzhou's ("Jinzhou") businesses and branches, following a 2019 state-led rescue of Bank of Jinzhou, and will continue to provide banking services for this bank.
- Bloomberg Asia USD Investment Grade spreads traded flat at 60bps and Bloomberg Asia USD High Yield spreads tightened by 1bps to 342bps respectively. (Bloomberg, OCBC)

Credit Summary:

- **CapitaLand Ascott Trust ("ART"):** ART disclosed its business update for 3Q2025 which show same-store gross profit decline of -2% y/y due to a one-off land tax adjustment in Australia.
- **First Real Estate Investment Trust ("FIRT"):** FIRT reported 9M2025 financial results. Overall results were stable y/y, though impacted by weaker IDR and JPY against SGD. Credit metrics remained stable. The strategic review alongside the proposed divestment of non-core assets in Indonesia will help mitigate revenue concentration risks.
- **Keppel Real Estate Investment Trust ("KREIT"):** KREIT reported its key business and operational updates for 3Q2025. KREIT's credit metrics continue to suggest a more highly levered REIT versus other REITs under our coverage.
- **Mapletree Investments Pte Ltd ("MAPL"):** MAPL announced that 100%-owned HarbourFront Centre will be redeveloped into a new 33-storey upscale retail and office integrated development
- **Mapletree Logistics Trust ("MLT"):** MLT reported its second quarter results for the financial year ending 31 March 2026 ("2QFY2026"). Thus far MLT's operating performance remained fairly resilient despite trade tariffs tensions. However, results were affected by foreign exchange headwinds against the SGD and divestments.
- **BNP Paribas SA ("BNPP"):** BNPP delivered solid 3Q2025 and 9M2025 results, with continued operating momentum across all divisions and strategic execution reinforced by the integration of AXA Investment Managers ("AXA IM").
- **HSBC Holdings PLC ("HSBC"):** HSBC's 9M2025 profit before tax was USD23.1bn, down 23% y/y or USD6.9bn with the decline primarily due to USD8.2bn in notable items.

Credit Headlines

CapitaLand Ascott Trust ("ART")

- ART disclosed its business update for 3Q2025 which show same-store gross profit decline of -2% y/y due to a one-off land tax adjustment in Australia. ART's credit profile continue to be underpinned by its stable credit metrics and diversified portfolio in key cities across Asia-Pacific, Europe and the US.
- **Stronger operating performance:**
    - While the exact number was not provided, 3Q2025 shared that reported gross profit had increased by 1% y/y. Per ART, the increase was driven by stronger operating performance, portfolio reconstitution and asset enhancement initiatives and these mitigated the impact of depreciation of foreign currencies against the SGD.
    - On a same-store basis, excluding acquisitions and divestments, gross profit for 3Q2025 was lower by 2% y/y in 3Q2025 due to a one-off land tax adjustment relating to Pullman and Mercure Brisbane King George Square in Australia. On a same-store basis, 9M2025 gross profit increased by 2% y/y.
    - In 3Q2025, portfolio Revenue per Available Unit ("RevPAU") increased by 3% y/y, mainly due to higher average occupancy of 83% versus 79% in 3Q2024.
    - Year-to-date to October 2025, ART completed the divestment of two properties (one in Japan and one in China) and bought five properties in Japan (including three rental housing properties in Japan).
- **Stable income now makes up 69% of reported gross profit:**
    - In 3Q2025, 69% of reported gross profit was derived from stable income sources, which include rental housing and student accommodation (excluding one student accommodation property in Japan that is under a master lease), master leases, and management contracts with minimum guaranteed income. The remaining 31% of reported gross profit came from growth income, comprising management contracts for serviced residences and hotels.
    - In 2024, 62% of reported gross profit was from stable income while 38% was from growth income.
    - ART continues to aim for the living sector (rental housing and student accommodation) to be 25% to 30% of portfolio value in the medium term. As at 30 September 2025, 17% of portfolio value comprise of properties in the living sector.
- **Lower q/q reported aggregate leverage and stable interest coverage ratio:**
    - As at 30 September 2025, reported aggregate leverage (not including perpetual as debt) was 39.3%, somewhat lower than the 39.6% as at 30 June 2025. ART has guided that following the divestment of Citadines Central Shinjuku Tokyo on 2 October 2025, ART's reported aggregate leverage is expected to decrease further to ~37.2% when divestment proceeds are used to pare down debt in 2Q2026.
    - Reported interest coverage ratio (takes into account perpetual distribution in the denominator) for the 12 months to 30 September 2025 was 3.1x, stable q/q. ART's average cost of debt remained stable at 2.9% p.a.
- **Highly manageable short term refinancing risk:**
    - As at October 2025, all debt due in 2025 has been fully refinanced or repaid. ART's cash balance was SGD461mn as at 30 September 2025 while it has committed credit facilities of ~SGD419mn. As at 30 September 2025, ART faces SGD592mn of debt due in 2026 (representing 18% of total debt). This includes the SGD165mn ARTSP 5.0% '26s due in May 2026. We see short term refinancing risk as highly manageable. 68% of ART's property value was unencumbered and can be used to raise secured financing, if need be.
    - Debt has been fixed at a relatively high proportion of 78% as at 30 September 2025, albeit lower than the 82% as at 30 June 2025. (Company, OCBC)

First Real Estate Investment Trust ("FIRT")

- FIRT reported 9M2025 financial results. **Overall results were stable y/y, though impacted by weaker IDR and JPY against SGD. Credit metrics remained stable. The strategic review alongside the proposed divestment of non-core assets in Indonesia will help mitigate revenue concentration risks.**

- **Lower NPI due to forex impacts**: 9M2025 net property and other income ("NPI") fell 1.4% y/y to SGD73.3mn, mainly due to depreciation of IDR against SGD. On a local currency and y/y basis, rental income in Indonesia (75.1% of AUM) rose 5.5%, Japan (22.2% AUM) remained stable, and Singapore (2.7% AUM) increased 2.0%.
- **Stable credit metrics**: As of 30 September 2025, aggregate leverage rose q/q to 41.4% (June 2025: 41.2%) as investment properties fell marginally due to forex impacts. Adjusted interest coverage ratio (including perpetual distributions) improved marginally q/q to 3.8x (June 2025: 3.7x) while average cost of debt decreased q/q to 4.6% (June 2025: 4.8%).
- **Manageable liquidity risks:** FIRT will have a substantial debt repayment of SGD294.4mn (59% of SGD496.9mn total adjusted debt (including SGD33.3mn FIRTSP 4.9817%-PERP)) in 2026, comprising of (1) SGD246.7mn term loan due in May 2026, (2) SGD14.4mn social loan due in September 2026 and (3) SGD33.3mn perpetual resettable in July 2026. However, FIRT has an option to extend the SGD246.7mn term loan due in May 2026 for two years to May 2028. Besides, the potential net proceeds of SGD25.5mn from Imperial Aryaduta Hotel & Country Club ("IAHCC"), if completed, would also help to mitigate the liquidity risks. **We think there is a high probability that FIRT will redeem FIRTSP 4.9817%-PERP on the next reset date on 8 July 2026.**
- **Outstanding rentals from MPU narrowed**: As of 30 September 2025, rentals due from PT Metropolis Propertindo Utama ("MPU") under three Hospital MLAs amounted to SGD6.0mn (June 2025: SGD7.0mn), comprising:
    - SGD3.5mn from the mall, which may be treated as bad debt if MPU fails to repay.
    - SGD2.5mn from hospitals, which can be offset by PT Siloam International Hospitals Tbk's ("SILOAM") security deposit of SGD4.0mn.
    - FIRT received SGD2.1mn from MPU in 3Q2025 as partial repayment.
- **Potential disposals of hospital assets in Indonesia**: FIRT continues to evaluate a non-binding letter of intent from SILOAM to acquire its Indonesian hospital portfolio, including the three hospitals tenanted by MPU. Management previously indicated that any disposal would ensure outstanding rentals are settled by SILOAM or MPU.
- **Improved tenant risks:** SILOAM, LPKR and MPU contributed 44.0%, 31.0%, and 5.8% of 9M2025 revenue respectively. LPKR's credit profile improved following its B- rating upgrade in Oct 2024, supported by asset divestments and stronger property sales. SILOAM continues to deliver solid earnings. The proposed disposal of Indonesian assets may further reduce revenue concentration risks.
- **Stable outlook amidst improved tenant profile and potential disposal:** FIRT's stable outlook was underpinned primarily by decent performance of PT Siloam International Hospitals and improved credit fundamentals of PT Lippo Karawaci Tbk ("LPKR").

Keppel Real Estate Investment Trust ("KREIT")

- KREIT reported its key business and operational updates for 3Q2025. KREIT's credit metrics continue to suggest a more highly levered REIT versus other REITs under our coverage. KREIT's Singapore anchored high grade office portfolio continues to buffer its credit profile.
- **Higher property income y/y in 9M2025:**
    - KREIT's property income for 9M2025 increased 5.5% y/y to SGD204.5mn. Property income relates to income from directly held properties including Ocean Financial Centre, Keppel Bay Tower, 50% interest in 8 Exhibition Street office building and 100% interest in the three adjacent retail units, 50% interest in Victoria Police Centre, Pinnacle Office Park, 2 Blue Street, 50% interest in 255 George Street, T Tower and KR Ginza II. Net property income ("NPI") increased by 8.6% y/y in 9M2025 to SGD161.3mn.
    - We calculate the implied 3Q2025 property income and NPI at SGD68.0mn (declined by 0.9% y/y) and SGD53.0mn (declined by 2.6% y/y) respectively.
    - The increase in 9M2025 property income and NPI is mainly due to contributions from 255 George Street and increased occupancy at 2 Blue Street.

- KREIT also owns significant minority stakes in other properties which are equity accounted for. In 9M2025, share of results of associates and joint ventures was SGD93.2mn in aggregate (9M2024: SGD83.1mn).

- **Committed occupancy somewhat higher q/q:**
  - As at 30 September 2025, overall portfolio committed occupancy was 96.3%, somewhat higher than the 95.9% as at 30 June 2025.
  - Committed occupancy for KREIT's Singapore portfolio was 96.3% as at 30 September 2025, dipping from 96.9% in the previous quarter. The Australia portfolio saw a 1.7 percentage point increase to 95.6%, while the North Asia portfolio was fully occupied as at 30 September 2025, rising from 98.7% in the previous quarter. Rental reversion for the portfolio was +12.0% in 9M2025.
- **Reported aggregate leverage increased somewhat q/q:**
  - KREIT's reported aggregate leverage was 42.2% as at 30 September 2025, somewhat higher than the 41.7% as at 30 June 2025. KREIT has announced the acquisition of a 75%-interest in Top Ryde City Shopping Centre in Sydney (KREIT's first major retail property) for a purchase consideration of AUD393.8mn (~SGD334.8mn) with completion expected in 1Q2026. The acquisition is expected to be funded through a combination of debt, perpetuals and equity. In October 2025, KREIT raised ~SGD113mn of new equity through a private placement. We expect KREIT's reported aggregate leverage to continue being on the higher side versus other REITs in the market.
  - KREIT's reported interest coverage ratio (includes perpetual distribution) for the 12 months to 30 September 2025 was 2.6x, unchanged versus last quarter. As at 30 September 2025, KREIT's borrowings on fixed rate was 65%, somewhat higher than the 63% last quarter.
- **Manageable short-term refinancing risk**
  - As at 30 September 2025, KREIT faces only SGD2mn of debt due in the remaining of 2025. KREIT faces SGD637mn of debt due in 2026 (representing 15% of total debt). Of the debt due in 2026, ~40% is due in 1H2026 and ~60% is due in 2H2026. Per KREIT, it is in discussion with lenders for the refinancing of loans due in 1H2026. While KREIT's cash balance as at 30 September 2025 is undisclosed, we note that KREIT has tended to maintain a cash balance of ~SGD100mn while secured debt as a percentage of total assets have been small at ~6.0%, indicating ample investment properties that can be used to raise secured debt, if need be. Additionally, KREIT maintains access to debt capital markets. In July 2025, KREIT priced SGD300mn of perpetuals (the KREITS 3.78%-PERP) where proceeds were used to redeem the KREITS 3.15%-PERP in September 2025. (Company, OCBC)

Mapletree Investments Pte Ltd ("MAPL")

- MAPL announced that 100%-owned HarbourFront Centre will be redeveloped into a new 33-storey upscale retail and office integrated development. The property will comprise 26 floors of Grade A office space and five floors of retail/experiential spaces.
- HarbourFront Centre is slated for closure in 2H2026 and the new development is expected to be completed by 1H2031.
- Currently, HarbourFront Centre houses a ferry terminal. The terminal will commence its operations at the new premises next to the existing HarbourFront Centre around 2H2026.
- Since 2023, MAPL has received provisional permission to redevelop HarbourFront Centre which sits on a prime location next to VivoCity (both are part of the Great Southern Waterfront) where VivoCity is a key property held by Mapletree Pan Asia Commercial Trust ("MPACT", 56%-owned by MAPL and sponsored by MAPL). (Company, OCBC)

Mapletree Logistics Trust ("MLT")

- MLT reported its second quarter results for the financial year ending 31 March 2026 ("2QFY2026"). Thus far MLT's operating performance remained fairly resilient despite trade tariffs tensions. However, results were affected by foreign exchange headwinds against the SGD and divestments leading to lower income. Our base case assumes that acquisitions and divestments will broadly net off each other, however we continue to monitor MLT's acquisition path. Any divergence from our base case may cause us to review MLT's fundamentals.

Decline in top line and net property income ("NPI") amid currency depreciation of overseas assets against the SGD and absence of contribution from divested -assets

- For 2QFY2026, MLT reported gross revenue of SGD177.5mn, lower by 3.2% y/y and NPI of SGD153.3mn, lower by 3.3% y/y. The weaker performance was driven by FX depreciation (notably HKD, RMB, AUD, KRW and VND) against the SGD, and the absence of contributions from 13 divested assets. This was partly offset by the full period contribution from the completed redevelopment of Mapletree Joo Koon Logistics Hub in Singapore and higher contributions from assets across Singapore, Japan and HKSAR. Gross revenue was flat q/q while NPI dipped 0.1%.

China rental reversions remained negative but narrowed, while occupancy improved

- Portfolio occupancy rose to 96.1% as at 30 September 2025 (30 June 2025: 95.7%). All MLT markets with the exception of Japan saw flat-to-improved occupancies q/q. Per MLT, Japan's lower occupancy (fell 1.9 percentage points to 97.5%) was due to transitional downtime at one property where negotiations with prospective tenants are underway.
- In 2QFY2026, China's rental reversion encouragingly narrowed to -3.0%, compared to -7.5% in 1QFY2026, while the overall portfolio achieved +0.6% of rental reversion.
- We expect management to continue to prioritise occupancy in China where near-term expiries remain significant. As at 30 September 2025, ~51% of leases expiring in FY2026 (being 8.4% of the 16.6% of total leases expiring by net lettable area) are attributable to China. Properties' in China make up ~49% of leases expiring in FY2027.
- Management has identified ~SGD1.0bn of older specification properties for divestment where about half of these are located in China and HKSAR. For FY2026, management is targeting SGD100mn to SGD150mn of divestments.

Stable leverage with minimal short-term refinancing risk

- MLT's reported aggregate leverage is on the higher side for a large cap Singapore REIT that we track, this though had fallen slightly to 41.1% as at 30 September 2025 (30 June 2025: 41.2%) following loan repayments from divestment proceeds while total assets was relatively unchanged.
- Reported interest cover ratio (including perpetual distribution) for the 12 months to 30 September 2025 was 2.9x, unchanged q/q. As at 30 September 2025, ~84% of total debt is hedged or fixed.
- MLT has SGD818mn of committed credit facilities while cash balance was SGD296mn against SGD318mn of debt due in the remaining of FY2026 as at 30 September 2026 (representing only 6% of total debt). (Company, OCBC)

BNP Paribas SA ("BNPP")

- BNPP delivered solid 3Q2025 and 9M2025 results, with continued operating momentum across all divisions and strategic execution reinforced by the integration of AXA Investment Managers ("AXA IM"). Pre-tax income rose 5.5% y/y to EUR4.28bn in 3Q2025 and 1.8% y/y to EUR13.08bn in 9M2025, supported by a 4.9% y/y increase in gross operating income to EUR4.96bn and 4.5% y/y to EUR15.01bn respectively. Net income rose 6.1% y/y to EUR3.04bn in 3Q2025, while 9M2025 net income was slightly down 1.2% y/y to EUR9.25bn due to a higher average corporate tax rate of 27.1% (vs. 25.8% in 9M2024). The Group's CET1 ratio remained strong at 12.5% as at 30 September 2025, with 30bps of organic capital generation in the quarter.
- **Group revenue growth** was driven by BNPP's diversified model, with 3Q2025 revenues up 5.3% y/y to EUR12.57bn and 9M2025 revenues up 3.9% y/y to EUR38.11bn. Operating divisions excluding AXA IM grew 3.5% y/y in 3Q2025 and 4.9% at constant exchange rates. Segment performance was as follows:
    - **Corporate & Institutional Banking ("CIB")** revenues rose 4.5% y/y to EUR4.46bn in 3Q2025 and 7.1% y/y to EUR14.42bn in 9M2025. Global Markets led the performance with 9.4% y/y growth in 3Q2025 to EUR2.23bn, driven by strong Equity & Prime Services (+17.9% y/y) and FICC (+3.7% y/y). Securities Services grew 5.0% y/y to EUR775mn on high transaction volumes. Global Banking revenues fell 2.6% y/y to EUR1.45bn due to FX headwinds and lower interest rates but remained resilient with strong

activity in capital markets and transaction banking. CIB's cost-to-income ratio improved to 58.3% in 3Q2025 (60.2% in 3Q2024), with a positive jaws effect of +3.4pts. Pre-tax income was stable y/y at EUR1.67bn in 3Q2025 and up 1.6% y/y to EUR5.93bn in 9M2025.

- **Commercial, Personal Banking & Services ("CPBS")** revenues rose 3.1% y/y to EUR6.62bn in 3Q2025 and 1.6% y/y to EUR19.78bn in 9M2025. Commercial & Personal Banking grew 5.6% y/y to EUR4.30bn in 3Q2025, supported by 6.6% y/y growth in net interest income and 3.7% y/y growth in fees. Specialised Businesses declined 1.2% y/y to EUR2.33bn due to the normalisation of used-car prices at Arval, although Arval's organic revenues rose 9.3% y/y. Personal Finance grew 5.0% y/y on higher volumes and margins, while New Digital Businesses and Personal Investors rose 13.3% y/y at constant scope and FX. CPBS pre-tax income rose 8.1% y/y to EUR2.18bn in 3Q2025 and 5.5% y/y to EUR5.66bn in 9M2025, with a cost-to-income ratio of 58.3% and positive jaws across all sub-segments.
- **Investment & Protection Services ("IPS")** revenues surged 27.5% y/y to EUR1.90bn in 3Q2025 and 13.0% y/y to EUR4.93bn in 9M2025, driven by the consolidation of AXA IM (EUR367mn in 3Q2025) and strong organic growth. Insurance revenues rose 7.7% y/y to EUR615mn, Wealth Management grew 10.4% y/y to EUR452mn, and Asset Management (excluding Real Estate and IPS Investments) rose 6.0% y/y. Total assets under management reached a record EUR2.39tn as at 30 September 2025 (+74% vs. Dec 2024 or +10.4% excluding AXA IM), with EUR60.5bn in net inflows and EUR49.3bn in market performance offsetting EUR37bn in FX impacts. IPS pre-tax income rose 26.2% y/y to EUR816mn in 3Q2025 and 27.4% y/y to EUR2.34bn in 9M2025, with a cost-to-income ratio of 59.9%.

- **Operating expenses** rose 5.5% y/y to EUR7.61bn in 3Q2025 and 3.5% y/y to EUR23.10bn in 9M2025. Excluding AXA IM, expenses rose only 1.5% y/y in 3Q2025 and 2.8% at constant exchange rates, reflecting cost discipline and operating efficiency. All divisions achieved positive jaws effects, most notably IPS (+3.4pts), CPBS (+2.6pts in Eurozone banking, +5.2pts in Personal Finance), and CIB (+6.5pts in Securities Services). The Group cost-to-income ratio was 60.6% in 9M2025, down 20bps y/y.
- **Credit risk remained contained**, with cost of risk rising to EUR905mn in 3Q2025 (+24.1% y/y) and EUR2.56bn in 9M2025 (+20.5% y/y), in line with BNPP's through-the-cycle guidance of <40bps. Stage 3 provisions were stable at EUR1.06bn in 3Q2025, while stage 1 and 2 releases amounted to EUR159mn. The non-performing loan ratio was 1.7% and the stage 3 coverage ratio was 66.6%. The Group's credit portfolio remains high quality, with 79% of gross credit exposures rated investment grade.
- **Capital and liquidity metrics** remained robust with BNPP's CET1 ratio at 12.5% as at 30 September 2025, stable q/q and well above the 10.51% SREP requirement. The ratio reflects +30bps from organic capital generation, -20bps from earnings distribution, -35bps from AXA IM integration, and +25bps from model updates.
  - The liquidity coverage ratio was 138%, with EUR380bn in high-quality liquid assets and EUR481bn in immediately available liquidity reserves.
  - The leverage ratio was 4.3% as at 30 September 2025.
  - BNPP's MREL and TLAC ratios remain well above regulatory thresholds.
- **Strategic execution and growth levers**: 3Q2024 highlighted the integration of AXA IM which, in management's view, is a key strategic transformation, positioning BNPP as the third-largest European asset manager (EUR1.6tn AuM), the leader in long-term savings (EUR850bn), and the leader in alternative assets (EUR300bn). Estimated revenue and cost synergies of EUR550mn by 2029 are expected to contribute >50bps to Group RoTE by 2028. Given its solid performance, BNPP reaffirmed its 2024–2026 trajectory, targeting revenue CAGR >5%, net income CAGR >7%, and RoTE of 11.5% in 2025, 12% in 2026, and 13% in 2028. The AXA integration is balanced by ongoing political uncertainty that may affect France's economic performance as well as news that a court has awarded three plaintiffs around USD21mn as part of a civil class action and related individual actions that sought money damages for BNPP's processing of transactions with Sudanese entities subject to US sanctions. We continue to monitor developments on these fronts although fundamentals continue to remain stable in our view. (Company, OCBC)

HSBC Holdings PLC ("HSBC")

- HSBC's 9M2025 profit before tax was USD23.1bn, down 23% y/y or USD6.9bn with the decline primarily due to USD8.2bn in notable items, including the non-recurrence of USD3.6bn in net gains from the prior year's disposals of its Canadian and Argentinian businesses, USD2.1bn in dilution and impairment losses related to associate Bank of Communications Co., Limited ("BoCom"), and USD1.4bn in legal provisions that includes the recently announced USD1.1bn provision for litigation related to investor losses tied to Bernard Madoff. Excluding notable items and on a constant currency basis, 9M2025 profit before tax was USD28.0bn, up 4% y/y, reflecting solid underlying performance across all four business segments.
- Underlying 9M2025 revenues (constant currency and excluding notable items) rose 5% y/y to USD53.3bn, driven by strong fee and other income growth in Wealth within the International Wealth and Premier Banking ("IWPB") and Hong Kong segments, as well as elevated client activity in Foreign Exchange and Debt and Equity Markets within the Corporate and Institutional Banking ("CIB") segment. Reported revenues fell 4% y/y to USD51.9bn due to the absence of prior year disposal gains and a USD1.1bn dilution loss from BoCom's capital issuance. Net interest income ("NII") rose 4% y/y to USD25.6bn, supported by deposit growth and structural hedges, offset by USD1.5bn in adverse impacts from business disposals. Banking NII fell 1% y/y to USD32.4bn, while net interest margin ("NIM") remained stable y/y at 1.57%.
- Operating expenses rose 11% y/y to USD27.1bn, including USD1.4bn in legal provisions and USD0.8bn in restructuring and related costs tied to Chief Executive Officer Georges Elhedery's organisational simplification strategy. Target basis operating expenses (excluding notable items and FX impacts) were USD24.6bn, up 3% y/y, in line with management's full-year cost growth target of around 3%. HSBC has actioned USD1.0bn in annualised cost savings YTD as part of its organisational simplification and expects to realise USD0.4bn in simplification savings in FY2025, with the full USD1.5bn target expected by end-2026. These actions resulted in USD0.8bn in costs, mostly due to staff severance with a reduction of around USD0.3bn in operating expenses in 9M2025.
- Allowances for expected credit losses ("ECL") rose 44% y/y to USD2.9bn, driven by USD0.6bn in higher charges related to Hong Kong commercial real estate ("CRE"), reflecting new defaults, model updates, and continued pressure on rental and capital values. Additional charges included USD0.1bn for a Middle Eastern exposure and USD0.3bn in the UK. The increase also reflected the non-recurrence of prior year allowance releases and recoveries. Management reiterated its FY2025 ECL guidance of ~40bps of average gross loans, in line with the annualised ECL charge and up from 30–40bps previously. Of HSBC's USD31bn Hong Kong CRE exposure, USD6.4bn or 21% is classified as credit impaired, with USD1.7bn having loan-to-value ("LTV") ratios above 70%. USD0.8bn in ECL allowances have been taken against these exposures. The ratio of stage 3 loans to gross customer loans was broadly stable YTD at 2.5% as at 30 September 2025 (2.4% as at 31 December 2024).
- HSBC's CET1 capital ratio fell 10bps q/q to 14.5% as at 30 September 2025 (14.6% as at 30 June 2025), impacted by USD1.4bn in legal provisions and USD3bn in share buybacks, partly offset by organic capital generation (-20bps) and a USD8bn reduction in risk-weighted assets ("RWAs"), mainly from market risk and credit methodology changes (+10bps). Its CET1 ratio remains within HSBC's medium-term target range of 14.0–14.5% and above its 11.2% Maximum Distributable Amount ("MDA") threshold as reported in its 1H2025 results.
- Given the strong underlying performance, HSBC reaffirmed or improved its FY2025 financial targets, including a mid-teens or better return on tangible equity ("RoTE") excluding notable items, CET1 ratio target range of 14.0–14.5%, and upgraded its banking NII guidance to USD43bn or better (from USD42bn previously). Fee and other income in Wealth is expected to grow at double-digit rates over the medium term. Strategic reviews of retail businesses in Australia, Indonesia, and Egypt are ongoing, along with previously announced exits. CIB activities are unaffected. Other strategic actions underway include the proposed Hang Seng Bank privatisation that is expected to reduce HSBC's CET1 ratio by ~125bps. Management expects to rebuild capital through retained earnings and suspended buybacks.
- Despite notable items and ongoing concern on HK Office Property exposures, fundamentals remain stable in our view. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
28 Oct	Wee Hur Holdings Ltd	Fixed	SGD	175	5Y	4.80%
28 Oct	Meituan	Fixed	USD	800	10Y	T+115bps (reoffer price 99.876 to yield 5.141%)
28 Oct	Meituan	Fixed	USD	600	7Y	T+105bps (reoffer price 99.471 to yield 4.84%)
28 Oct	Meituan	Fixed	USD	600	5.5Y	T+95bps (reoffer price 99.649 to yield 4.573%)
28 Oct	Peak RE Bvi Holding Ltd (guarantor: Peak Reinsurance Co Ltd)	Subordinated, Fixed, Perpetual	USD	350	PerpNC5.25	Par to yield 5.625%

Mandates:

- Bayfront IABS VII Pte. Ltd. (Clifford Capital Holdings Pte. Ltd as Sponsor and Clifford Capital Asset Finance Pte. Ltd as the Originator and Retention Holder) may issue multiple classes of USD-denominated Senior Secured FRN.

Key Market Movements

	29-Oct	1W chg (bps)	1M chg (bps)		29-Oct	1W chg	1M chg
iTraxx Asiax IG	65	-6	-0	**Brent Crude Spot ($/bbl)**	64.5	3.1%	-5.1%
				Gold Spot ($/oz)	4,029	-1.7%	5.1%
iTraxx Japan	55	-3	-1	**CRB Commodity Index**	299	1.2%	-1.2%
iTraxx Australia	66	-6	-0	**S&P Commodity Index - GSCI**	551	0.9%	-0.7%
CDX NA IG	51	-2	-1	**VIX**	16.3	-12.3%	1.2%
CDX NA HY	108	1	-0	**US10Y Yield**	3.99%	4bp	-15bp
iTraxx Eur Main	53	-3	-3				
iTraxx Eur XO	259	-11	-4	**AUD/USD**	0.660	1.7%	0.3%
iTraxx Eur Snr Fin	58	-3	-2	**EUR/USD**	1.164	0.3%	-0.7%
iTraxx Eur Sub Fin	98	-6	-5	**USD/SGD**	1.295	0.2%	-0.4%
				AUD/SGD	0.855	-1.5%	-0.7%
USD Swap Spread 10Y	-43	1	6	**ASX200**	8,926	-1.2%	0.7%
USD Swap Spread 30Y	-71	1	8	**DJIA**	47,706	1.7%	3.0%
				SPX	6,891	2.3%	3.4%
China 5Y CDS	41	-3	4	**MSCI Asiax**	918	1.7%	5.0%
Malaysia 5Y CDS	40	-2	-3	**HSI**	26,346	1.2%	-1.9%
Indonesia 5Y CDS	75	-6	-7	**STI**	4,440	1.1%	4.0%
Thailand 5Y CDS	40	-3	-1	**KLCI**	1,612	0.6%	0.0%
Australia 5Y CDS	11	-1	-1	**JCI**	8,166	0.2%	0.5%
				EU Stoxx 50	5,720	1.4%	3.9%

Source: Bloomberg

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