

## CMBI Credit Commentary

### Fixed Income Daily Market Update 固定收益部市场日报

- *Asian IG space moved +/- 1-2bps this morning. AT1s and corporate perps were under better selling. Two way flows on LGFVs. NWDEVLs were unchanged to 0.4pt lower. DALWANs were unchanged to 0.2pt higher.*
  - *Asian AT1s & T2s: Lower YTC than European peers but higher predictability of return. See comments below.*
  - ***STCITY:** Studio City bought back and cancelled USD37.6mn of STCITY 6 07/15/2025. This is the 8th time YTD Studio City bought back this bond through market repurchases or tender offer. Early redemption of this bond YTD totaled cUSD310mn (vs. issue size of USD500mn). STCITYs are our top picks in Macau gaming sector. STCITYs/STDCTY were unchanged this morning.*
- ❖ **Trading desk comments 交易平台市场观点**

Yesterday, HAOHUA 30s/BABA 35s tightened 1-2bps. In financials, DAHSIN/BBLTB 31-33s tightened 1-3bps. In AT1s, CINDBK 4.8/ICBCAS 3.2 Perps were up 0.1pt. INTNED 8/LLOYDS 8 Perps were up 0.1pt. BNP 7.375/BACR 8 Perps were 0.1-0.2pt lower. In JP, SUMILF/FUKOKU Perps were 0.2pt lower. RAKUTN Perps/27-29s were unchanged to 0.1pt lower. See our comments on [12 Dec '24](#). In Chinese properties, SHUION 26s rose another 0.7pt and closed 2.4pts higher WTD. LNGFOR 28-32s/DALWAN 25-26s/FTLNHD 25-26s were up 0.2-0.4pt. State-owned names such as COGO/YXREIT 26s were unchanged to 0.1pt higher amid mixed two-way flows among RMs. CHIOLI 34-43s, however, were down 0.1-0.8pt. Outside properties, WESCHI 26s were up another 0.3pt and closed 1.2pts higher WTD. In Macau gaming, STCITY/WYNMAC/MPEL 25-29s increased 0.2-0.4pt. Studio City bought back STCITY 6 07/15/25 for another USD37.6mn in principal amount. See our comments on [5 Dec '24](#). In India, GRNKEN 25-28s were 0.3-0.5pt higher. UPLLIN Perp was up 0.4pt. Adani complex bonds were 0.3-1.1pts lower.

In LGFVs, there were active two-way flows with RMs/AMs/HFs to rebalance portfolios. We saw some lower-yielding and short-dated LGFVs being switched out, while the higher-yielding papers were sought after. HZCONI/SXUCI/GZINFU/JNUCGC 26s were 0.1-0.2pt higher, CIXISO 26s/GZGETH 25s were down 0.2pt. There were two-way interests on CNH LGFVs such as ZOUCAO/SHGCON 25s. In SOE perps, HUADIA 3.375 Perp was up 0.1pt, CHCOMU 3.65/CHPWCN 3.45 Perps were down 0.1-0.2pt.

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHUION 5 1/2 06/29/26	85.4	0.7	ADSEZ 5 08/02/41	77.1	-1.1
GRNKEN 4.3 12/13/28	94.0	0.5	TAISEM 4 1/2 04/22/52	93.9	-0.9
WYNMAC 5 1/8 12/15/29	93.6	0.4	CHGRID 4.85 05/07/44	99.3	-0.9
UPLLIN 5 1/4 PERP	89.9	0.4	CNOOC 3.3 09/30/49	75.6	-0.9
STCITY 5 01/15/29	91.8	0.3	TAISEM 3 1/4 10/25/51	74.4	-0.8

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.54%), Dow (-0.53%) and Nasdaq (-0.66%) retreated on Thursday. The latest US initial jobless claim was +242k, higher than the expectation of +221k. Long-term UST yield moved higher yesterday, 2/5/10/30 yield reached 4.18%/4.18%/4.32%/4.55%.

## ❖ Desk Analyst Comments 分析员市场观点

## ➤ Asian AT1 &amp; T2: Lower YTC than European peers but higher predictability of return

We maintain buy on **CHIBK 8 Perp (AT1)**, **CHIBK 5.75 04/07/32 (T2)**, **SHINFN 2.875 Perp (AT1) in Asian DM**, and **BBLTB 5 Perp (AT1)**, **KBANK 5.275 Perp (AT1)**, **KBANK 3.343 10/02/31 (T2)**, **RCBPM 6.5 Perp (AT1) in Asian EM**. On the other hand, we changed recommendations on short-dated to call capital papers with high cash prices and lower coupons to neutral, and recommend investors to switch to longer-dated to call (i.e. 2-3 years to call) capital papers with higher YTC, higher coupon and, in some cases, lower cash prices. We therefore initiate buy on **BBLTB 3.466 09/23/36 (T2)** and **KBANK 4 Perp (AT1)** for their better risk-return profiles, as well as **ANZ 6.75 Perp (AT1)**, **WSTP 5 Perp (AT1)** and **MQGAU 8.125 Perp (AT1)** for the even higher certainty of being called following the Australian Prudential Regulation Authority (APRA)'s proposal to phase out the uses of AT1s starting from Jan'27. The switches are more of RV trades instead of our concerns on non-call. See Table 1 for the summary of our recommendation changes.

While capital papers of European banks offer better YTC, we consider capital papers of Asian banks offer more predictable return. Overall, we believe that the return predictability of our Asian AT1s and T2s picks are high, given these issuers' solid capital adequacy, stable dividend policy and track records of calls and timely distributions. For T2s, the return predictability is even higher given T2s' seniority in the capital structure. Additionally, the annual capital amortization of 20% in the last five years to maturity will create an extra incentive for the issuing banks to call.

Table 1: Our Asian AT1 &amp; T2 picks

Security name	ISIN	Region	Type	Recommendation	Amt o/s (USDmn)	Px	YTC	First call date	Mod duration	Issue rating (M/S/F)
<b>Asian DM</b>										
CHIBK 8 Perp	XS2543377068	HK	AT1	Maintain buy	200	101.0	7.6%	26 Oct'27	2.5	NR
CHIBK 5.75 04/07/32	XS2460522555	HK	T2	Maintain buy	200	99.4	6.0%	7 Apr'27	2.1	NR
SHINFN 2.875 Perp	US824596AA84	KR	AT1	Maintain buy	500	96.6	5.4%	12 May'26	1.3	Baa3
<b>Asian EM</b>										
BBLTB 3.466 09/23/36	US059895AV49	TH	T2	Initiate buy	1,000	87.0	5.8%	23 Sep'31	5.8	Baa3
BBLTB 5 Perp	US06000BAA08	TH	AT1	Maintain buy	750	99.2	6.1%	23 Sep'25	0.7	Ba1

KBANK 4 Perp	XS2371174504	TH	AT1	Initiate buy	350	95.8	6.1%	10 Feb'27	2.0	Ba2
KBANK 5.275 Perp	XS2242131071	TH	AT1	Maintain buy	500	99.3	6.2%	14 Oct'25	0.8	Ba2
KBANK 3.343 10/02/31	XS2056558088	TH	T2	Maintain buy	800	95.8	5.8%	2 Oct'26	1.7	Ba1/-/BB+
RCBPM 6.5 Perp	XS2219370660	PH	AT1	Maintain buy	300	100.3	6.0%	27 Aug'25	0.7	B1

**Australia**

ANZ 6.75 Perp	US05254HAA23	AU	AT1	Initiate buy	1,000	102.0	5.3%	15 Jun'26	1.4	Baa2/BBB/BBB
MQGAU 6.125 Perp	US556079AB79	AU	AT1	Initiate buy	750	101.2	5.6%	8 Mar'27	2.0	Baa3/BBB/-
WSTP 5 Perp	US96122UAA25	AU	AT1	Initiate buy	1,250	98.9	5.4%	21 Sep'27	2.5	Baa2/BBB/BBB
ANZ 2.95 07/22/30	US052528AL09	AU	T2	Neutral	1,250	98.6	5.4%	22 Jul'25	0.6	A3/A-/A-
WSTP 2.894 02/04/30	US961214EM13	AU	T2	Neutral	1,500	99.6	5.6%	4 Feb'25	0.1	A3/A-/A-

**Change to neutral from buy**

BCHINA 3.6 Perp	XS2125922349	CN	AT1	Chg. to neutral	2,820	99.7	4.9%	4 Mar'25	0.2	Ba1/BB+/BB+
ICBCAS 3.58 Perp	XS2229473678	CN	AT1	Chg. to neutral	2,900	98.9	5.1%	23 Sep'25	0.7	Ba1
SHINFN 3.34 02/05/30	US82460P2A28	KR	T2	Chg. to neutral	500	99.7	5.4%	5 Feb'25	0.1	Baa1/BBB/-
DBSSP 3.3 Perp	XS2122408854	SG	AT1	Chg. to neutral	1,000	99.6	5.3%	27 Feb'25	0.2	Baa1/-/BBB+

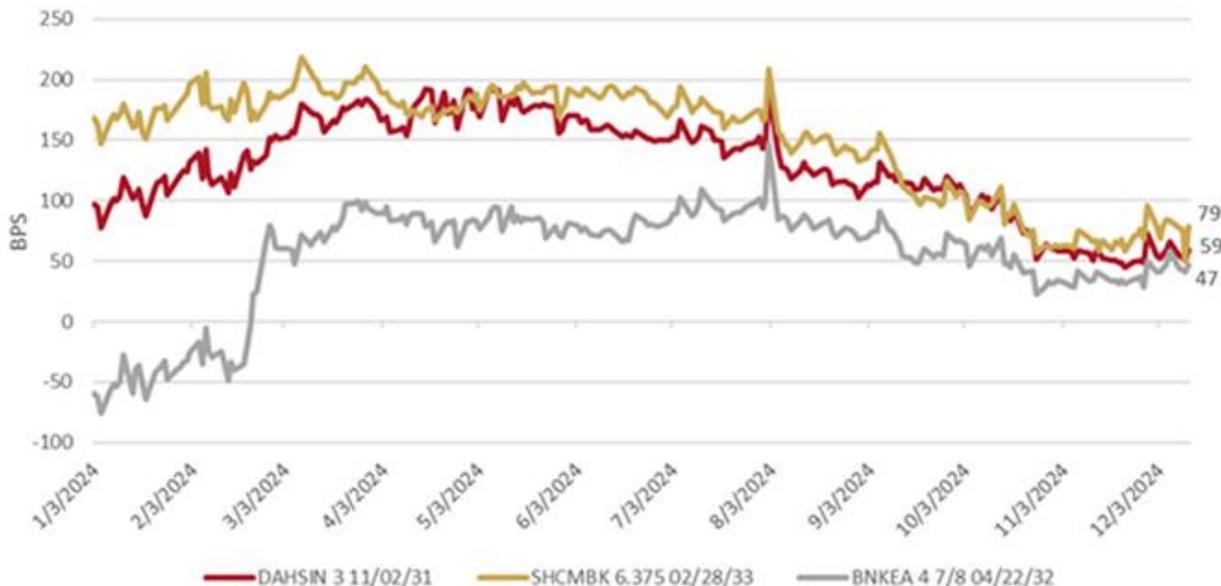
Source: Bloomberg.

**Asian DMs****CHIYBKs**

In Asian DMs, we view CHIYBKs offers more appealing risk-return profiles compared with those of its peers. The YTC of CHIYBK 8 Perp (AT1) is the highest among Asian AT1s after the two Taiwan AT1s, CATFIN 5.1 Perp and ESUNBK 4.75 Perp. At the same time, the YTC of CHIYBK 5.75 04/07/32 (T2) is also the highest among Asian T2s after ESUNBKs and LUSOIBs. We view that the higher YTC of CATFIN and ESUNBK reflects the higher non-call risk. See our discussions on Taiwan AT1s & T2s below. We also prefer CHIYBKs to LUSOIBs because of Chiyu Bank's higher capital adequacy. Luso Bank is indeed an affiliate of Chiyu Bank. Both of them are ultimately owned by Xiamen International Bank. The CET1 ratio of Chiyu Bank was 14.0% as at Jun'24, well above Luso Bank's 6.7%.

We believe that the weaker credit profile of Chiyu Bank, in terms of lower profitability, weaker asset quality, and smaller business scale compared with other Asian peers, is well compensated by its higher YTC. At 101.0, CHIYBK 8 Perp is trading at YTC of 7.6%. At 99.4, CHIYBK 5.75 04/07/32 is trading at YTC of 6.0%, and provided yield pick-up its local peers.

**Chart 1: Yield differential of CHIYBK 5.75 04/07/32 (T2) over its peers**



Source: Bloomberg.

**SHINFN**

We maintain buy on SHINFN 2.875 Perp (AT1) in view of more balanced risk and return profile. At 96.6, SHINFN 2.875 Perp (AT1, callable May'26) is trading at YTC of 5.4%, offering yield pick-up of 42bps over its senior bonds SHINFN 5 07/24/28 with two year shorter in "tenor". As at Sep'24, Shinhan Bank continues to deliver resilient profitability and solid capital adequacy.

We believe that Asian DM **AT1s**, especially those issued by major banks, also offer predictable return, partly because of these banks' comfortable capital adequacy levels even at the trough of last economic cycle around 2008. The chance these banks become non-viable is remote over the medium term. Our belief of Asian DM banks to call their capital papers on the first call dates have reinforced after South Korea's Heungkuk Life insurance reversed the decision of not calling its perp in Nov'22 in response to the negative market reaction.

**Chart 2: Yield differential of SHINFN 2.875 Perp over its senior SHINFN 5 07/24/28**



Source: Bloomberg.

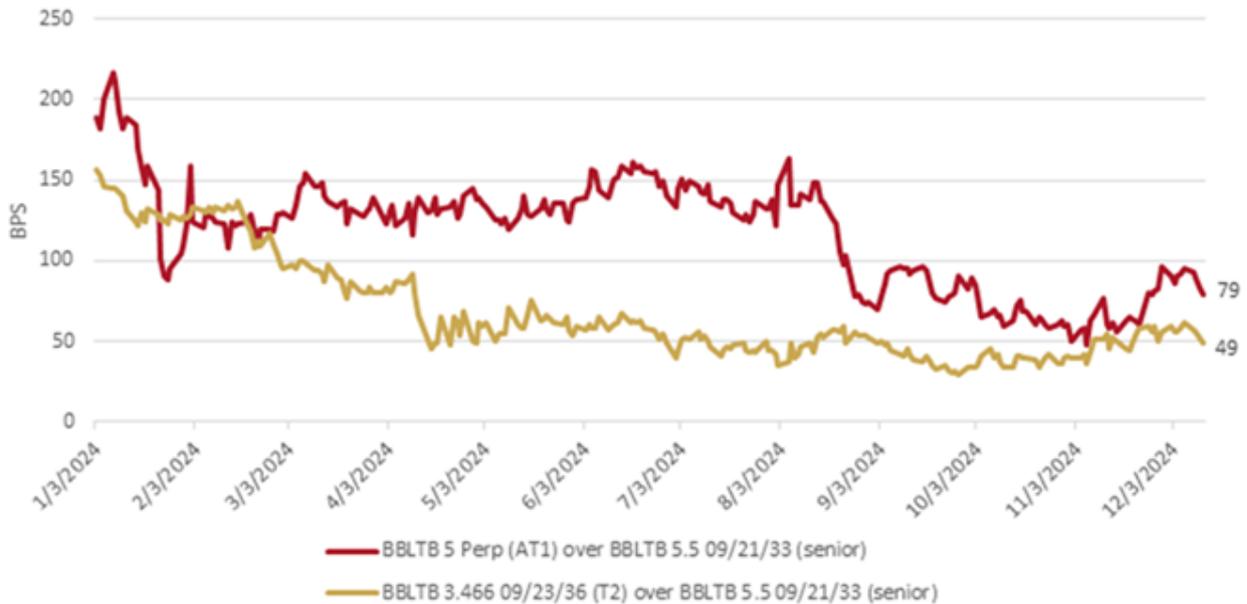
**Asian EMs**

**BBLTBs**

We initiate buy on BBLTB 3.466 09/23/36 (T2) for Bangkok Bank’s resilient business profile, and lower cash price than BBLTB 3.733 09/25/34 with similar YTC but callable 2 years earlier. At 87.0, BBLTB 3.466 09/23/36 (T2, callable Sep’31) is trading at YTC of 5.8%, offer yield pick-up of 49bps over its senior bond BBLTB 5.5 09/21/33 with two year shorter in “tenor”. We also maintain buy on BBLTB 5 Perp (AT1), which is trading at YTC of 6.1% at 99.2 and first callable in Sep’25, offer yield pick-up of 79bps over its senior bond BBLTB 5.5 09/21/33. See Chart 3.

Bangkok Bank is the largest bank in Thailand by total assets and customer deposits in FY23. It accounted for 16.3% and 16.0% of total assets and customer deposits in Thai banking sector, respectively. Bangkok Bank has more geographically diversified operations than its peers. Its international loan book represented 25% of total loans, higher than KBANK (6%) and Krung Thai Bank (2%). The profitability of Bangkok Bank, in terms of NIM/ROA/ROE, have been improving since FY20-21. The profitability of Bangkok Bank, in our view, reflects that majority of its exposure is to larger corporates with lower credit risk and hence lower yield. We take comfort on its sufficient capital buffers above the regulatory minimum requirement. The chance of non-viability for Bangkok Bank remains low in the medium term.

**Chart 3: Yield differential of BBLTB AT1 and T2 over its senior BBLTB 5.5 09/21/33**



Source: Bloomberg.

**KBANKs**

In Asian EM, we like Kasikornbank (KBANK) in view of its higher NIM, stable asset quality, as well as ample capital buffers. The better profitability than peers was supported by more loan directed to manufacturing and commerce sectors where the lending rates are higher. The profitability of KBANK improved in 9M24, in which the NIM increased to 3.66% in 9M24 from 3.62% in 9M23. ROAA and ROAE also increased to 1.17% and 9.47%, respectively, in 9M24. Meanwhile, KBANK’s asset quality has been stable. Its NPL ratio stood at 3.2% as of Sep’24, Dec’23 and Dec’22, and the provision coverage at c150% over the same periods. KBANK also maintained ample capital buffers above the regulatory minimum requirement.

In Thailand, the regulatory forbearance ended in 2023 and the stage 2 and 3 loans to total loans increased in 2024 to reflect the loan reclassification. Despite the higher anticipated credit losses in 2025, we expect KBANK to have sufficient capital buffer to withstand the upcoming stress.

We prefer KBANK 4 Perp (AT1) over KTBTB 4.4 Perp (AT1) at similar YTC, in view of KBANK’s better profitability and lower cash price of KBANK 4 Perp (AT1). At 95.8, KBANK 4 Perp (AT1) is trading at YTC of 6.1%. We also maintain buy on KBANK 5.275 Perp (AT1, callable Oct’25) and KBANK 3.343 10/02/31 (T2), which are trading at YTC of 6.2% and 5.8% at 99.3 and 95.8, respectively. These two AT1s and the T2 also offer good yield pick-up over its senior bond KABNK 5.458 03/07/28. See Chart 4.

**Chart 4: Yield differential of KBANK AT1 and T2 over its senior KABNK 5.458 03/07/28**



Source: Bloomberg.

**RCBPM**

We maintain buy on RCBPM 6.5 Perp (AT1), despite the conviction is lower after the +4pts in 2024. At 100.3, RCBPM 6.5 Perp (AT1) is trading at YTC of 6.0%, offering yield pick-up of 88bps over its senior bond RCBPM 5.5 01/18/29. We noted Rizal Commercial Bank (RCB)’s profitability, in terms of ROAA and ROAE, decreased in 1H24 compared to that of FY23 and 1H23. The asset quality also deteriorated with higher impaired loan ratio at 2.0% as of Jun’24, compared to 1.6% as of Dec’23. These led CET1 ratio declined to 13.8% as of Jun’24 from 14.7% as of Dec’23. That said, the latest CET1 ratio at 13.8% still offered 5.3% buffer against the regulatory minimum requirement of 8.5%. The chance of RCB to be non-viable in the near-term is low, in our view.

**Australia: ANZ 6.75 Perp (AT1), WSTP 5 Perp (AT1) and MQGAU 8.125 Perp (AT1)**

On 9 Dec’24, APRA confirmed the proceeding to phase out the uses of AT1 capital instruments, it will finalize the prudential and reporting standards by late-2025. The new framework will come into effective starting from 1 Jan’27, and the existing AT1s will be eligible to be included as T2 until their first scheduled call date.

As per our calculation, the total outstanding AT1s issued by the big five banks (ANZ, WSTP, Macquarie, NAB and CBA) were AUD40bn, including offshore USD AT1s totaled USD3bn. The APRA proposal will maintain the total capital and buffer ratios unchanged but will replace AT1s with T2s and CET1s. To illustrate, the Advanced Banks (large and internationally active banks) will replace 1.5% AT1s with 0.25% CET 1s and 1.25% Tier 2s, while smaller banks to fully replace AT1 with Tier 2. See Table 2.

Moreover, APRA expects banks with surplus AT1 up to 1 Jan'27 not to issue new AT1, and the last AT1 will reach their first call date by 2032. Hence, Aussie AT1 will become a legacy product once the proposal become effective. We recommend buy on the three Aussie AT1, i.e. ANZ 6.75 Perp, WSTP 5 Perp and MQGAU 8.125 Perp, for scarcity of Aussie AT1 as well as their high certainty of call of its respective first call date. As AT1 will only be accounted as Tier 2 anyway by Jan'27, we can envisage Aussie banks will highly incentivized to refinance their AT1s either with T2s or with CET1, even if APRA would not expect to approve regulatory calls of these AT1 instruments at an earlier date than their first call dates.

With AT1s will be partially replaced with T2s, the supply of Aussie T2s will likely increase over the coming few years. Furthermore, T2s will be more risky instruments without the cushion of AT1. As per APRA, the additional T2s issuance will be AUD36bn from 2025 to 2032, c28% of existing T2s totaled cAUD129bn. c38% of existing T2s are in AUD, c51% are in USD, and the remaining c11% are in EUR, GBP, JPY, etc. The less cushion for loss absorption and notable increase in supply over the coming years will be an overhang for the performance of Aussie T2s. Given high cash prices and short call dates, we turned neutral on the two Aussie T2s, ANZ 2.95 07/22/30 and WSTP 2.894 02/04/30 from buy. While we believe that the segment of Aussie T2s as a whole will likely outperform Aussie and other Asian AT1s, we expect the Aussie T2s would be a more active space offering switching and RV trade opportunities.

**Table 2: Minimum prudential capital requirements under APRA's proposal**

Minimum capital requirements	Advanced banks		Standardized banks	
	Current	Proposed	Current	Proposed
CET 1 ratio	4.5%	6.0%	4.5%	4.5%
Capital conservation buffer	3.75%	2.5%	2.5%	2.5%
Countercyclical capital buffer	1.0%	1.0%	1.0%	1.0%
Additional buffer for D-SIB	1.0%	1.0%	-	-
AT1 ratio	1.5%	-	1.5%	-
Tier 1 ratio	11.75%	-	9.5%	-
Tier 2 ratio	2.0%	3.25%	2.0%	3.5%
Total capital ratio	13.75%	13.75%	11.5%	11.5%

*Note: Advanced banks refers to Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, ING Bank (Australia) Limited, Macquarie Bank Limited, National Australia Bank Limited, and Westpac Banking Corporation. Source: APRA.*

**Table 3: Key financials of our picks**

USDm	ANZ	BBLTB	CHIYBK	KBANK	MQGAU	RCBPM	SHINFN	WSTP
Region	AU	TH	HK	TH	AU	PH	KR	AU
As of	Sep'24	Sep'24	Jun'24	Sep'24	Sep'24	Jun'24	Sep'24	Sep'24
Total assets	782,209	131,750	23,711	128,567	263,670	388,914	685,749	782,209
Total loans	511,272	70,171	10,849	68,347	119,048	266,733	513,427	511,272
NIM (%)	1.6	3.1	N/A	3.7	N/A	3.7	1.6	1.9
ROA/ROAA (%)	0.6	1.0	0.1	1.2	0.9	0.7	0.8	0.7
ROE/ROAE (%)	9.4	8.5	0.6	9.5	9.9	5.7	11.5	9.8
NPL (%)	0.2	3.4	3.5	3.2	1.4	2.0	0.3	0.2
NPL coverage (%)	217.1	266.6	22.4	150.7	42.2	N/A	190.4	49.4
CET 1 ratio (%)	12.2	18.4	14.0	16.9	12.8	13.8	15.0	12.5
CET 1 ratio requirement (%)	10.3	8.0	7.7	8.0	9.0	8.5	10.5	10.3
CET 1 ratio buffer (%)	2.0	10.4	6.3	8.9	3.8	5.3	4.5	2.2

*Source: Bloomberg, CMBI Research.*

### Non-call history of Taiwan TWD AT1s and USD T2s

Despite the high YTC of Taiwanese AT1s and T2s, we are neutral on these given the non-call history of Taiwanese TWD AT1s as well as USD T2s. There were plenty of non-call AT1s in Taiwanese banking sector. See Table 4. We also believe that the likelihood of Taiwan's USD AT1s being called on the first call dates is

lower as Taiwanese banks are less incentivized to call without coupon reset. ESUNBK 4.75 Perp and CATFIN 5.1 Perp are the two AT1s with the highest yields in the Asian AT1 universe. However, ESUN has track records of not calling 4 USD T2s (ticker ESUNBK 0 05/27/45, ESUNBK 0 10/28/45, ESUNBK 0 01/22/46 and ESUNBK 0 06/06/46) on their respective first call dates in 2022-23. These very long-dated T2s were first callable in 2022-23 and will be callable every 5 years thereafter, thus their next call dates will be in 2027-28. We believe that ESUNBK will delay the call of these T2s to 2040-41, five years to maturities, when the capital amortization starts to kick in.

Cathay United Bank (CUB), on the other hand, has a low capital buffer against the regulatory minimum requirement. The minimum Tier 1 ratio requirement on CUB in 2026 will be 12.5%, compared with its CET1 ratio at 11.3% and Tier 1 ratio at 13.0% as at Jun'24. Whether CATFIN 5.1 Perp will be called on the first call date is highly uncertain.

**Table 4: Non-call of outstanding TWD-denominated AT1s**

Security name	Amt o/s (TWDmn)	Issue date	First call date
IBTAIW 4 PERP	750	12/27/2017	3/27/2021
BOPHSN 4 ¾ PERP	1,216	8/31/2016	8/31/2021
BOPHSN 4 ¾ PERP	410	9/30/2016	9/30/2021
TCCBNK Float PERP	1,500	12/28/2016	12/28/2021
LANTAI 3.15 PERP	7,500	12/29/2016	12/29/2021
TCCBNK Float PERP	1,000	3/28/2017	3/28/2022
BOPHSN 4 ¾ PERP	150	4/28/2017	4/28/2022
TCCBNK Float PERP	500	5/18/2017	5/18/2022
LANTAI 2.95 PERP	4,500	6/29/2017	6/29/2022
BOPHSN 4 ¾ PERP	133	7/21/2017	7/21/2022
TCCBNK Float PERP	500	8/28/2017	8/28/2022
TCCBNK Float PERP	1,350	12/5/2017	12/5/2022
SUNYBK 4 ½ PERP	700	12/24/2015	12/24/2022
TCCBNK Float PERP	2,650	12/27/2017	12/27/2022
SINPAC 4 PERP	3,000	6/28/2017	12/28/2022
SUNYBK 4 ½ PERP	200	12/31/2015	12/31/2022
COOPTW 2.28 PERP	5,000	11/26/2018	1/26/2023
TCCBNK Float PERP	1,000	4/25/2018	4/25/2023
HUANAN 2.7 PERP	3,200	2/26/2018	5/26/2023
COTABK Float PERP	600	6/21/2018	6/21/2023
SHIKON 3.4 PERP	2,500	3/30/2018	6/30/2023
CHCB 2.66 PERP	7,000	4/26/2018	7/26/2023
FIRFIN 2.57 PERP	5,000	5/28/2018	7/28/2023
SUNYBK 4.35 PERP	300	8/19/2016	8/19/2023
BKKAOH 2.6 PERP	800	9/12/2018	9/12/2023
TAISTA 4 PERP	200	9/17/2018	9/17/2023
FAREST 3.2 PERP	2,900	9/18/2018	9/18/2023
FIRFIN 2.36 PERP	7,000	9/25/2018	9/25/2023
IBTAIW 4 PERP	700	6/29/2018	10/16/2023
SUNYBK 4.35 PERP	200	10/18/2016	10/18/2023
CHCB 2.3 PERP	3,000	11/8/2018	12/8/2023
TCCBNK Float PERP	1,500	12/18/2018	12/18/2023
TAISTA 4 PERP	130	12/24/2018	12/24/2023
SHCZ 2.15 PERP	7,000	12/12/2018	1/12/2024

FUBON 2.15 PERP	6,500	12/18/2018	1/18/2024
TAISTA 4 PERP	40	1/25/2019	1/25/2024
COSMBK 2.35 PERP	3,000	12/27/2018	1/27/2024
SUNYBK Float PERP	800	3/31/2017	3/31/2024
TAISTA 4 PERP	20	4/25/2019	4/25/2024
TAISHI 2.45 PERP	5,000	3/28/2019	4/28/2024
TAISTA 4 PERP	210	6/17/2019	6/17/2024
CHIFIN 3.7 PERP	10,000	6/18/2014	6/18/2024
SINPAC 2.4 PERP	2,000	1/25/2019	7/25/2024
FUBON 1.9 PERP	3,100	6/25/2019	7/25/2024
COOPTW 1.9 PERP	5,000	6/26/2019	7/26/2024
CHCB 1.9 PERP	5,960	6/27/2019	7/27/2024
HUANAN 1.95 PERP	6,000	4/29/2019	7/29/2024
SUNYBK Float PERP	530	8/30/2017	8/30/2024
SHIKON 2.2 PERP	4,500	6/21/2019	9/21/2024
SUNYBK Float PERP	350	9/25/2017	9/25/2024
FUBON 1.63 PERP	4,400	9/26/2019	10/26/2024

Source: Bloomberg.

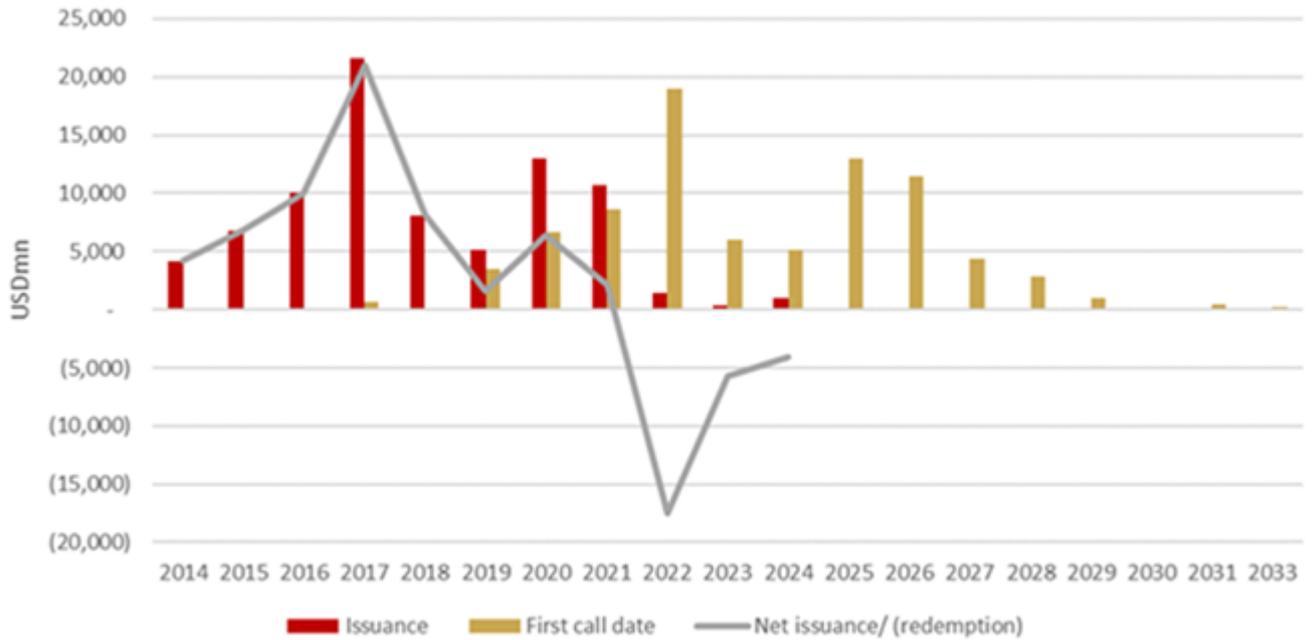
### Net redemption likely to continue in 2025

We expect Asian banks (other than Taiwan banks) to call their AT1s and T2s on their first call dates and issuers will likely refinance part of the call through onshore funding channels. Hence, we see a high chance that the Asian AT1s and T2s will experience another year of net redemption in 2025, taking cues from the sizable AT1s and T2s to be callable next year.

In 2024, the net redemption for Asia ex JP AT1s totaled USD4.1bn in 2024. There was only one AT1 issue, i.e. USD1bn from CCB in Nov'24 and seven AT1s totaled USD5.1bn were called without tapping new offshore USD AT1s. In 2025, there will be AT1s totaled USD13bn first callable in which USD8.5bn are Chinese AT1s. We expect the issuing banks, especially Chinese banks, to refinance a major part of calls onshore given the lower onshore funding cost. YTD, Chinese banks issued AT1s totaled cUSD97.4bn equivalent onshore at coupon rate of 2.17%-3.80%, compared with CCB 5.705 Perp issued in Nov'24 at 5.705%.

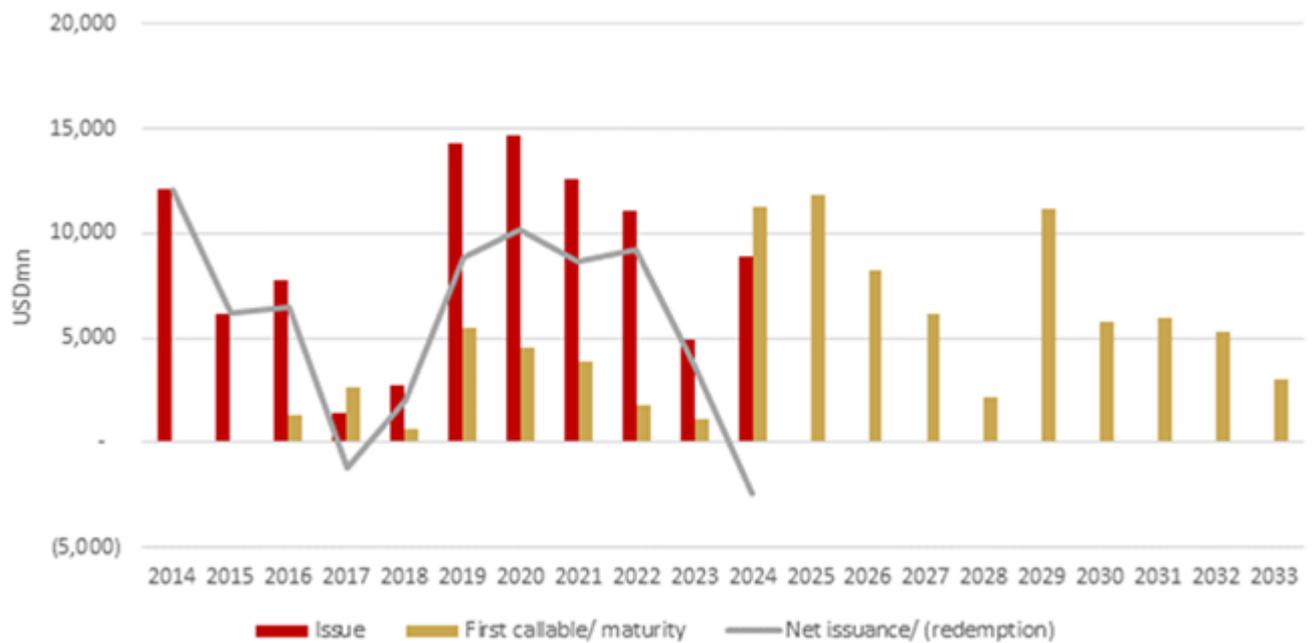
On Asia ex JP T2s, the net redemption in 2024 was USD2.4bn. For the gross issue amount of USD8.9bn, 56% of this was from Australian banks. We expect Australian banks to continue to issue T2s to refinance the callable T2s and maturing T2s (legacy non-callable T2s), as well as to replenish their capital given APRA's plan to phase out AT1s starting from Jan'27. That said, we expect Australian banks to tap onshore market to fulfill part of the refinancing and capital replenishment requirements to lower forex risk. In 2024, Australian banks issued onshore T2s totaled cUSD9.5bn at coupon rates in the range of 5.603-6.342%. On the other hand, only one Chinese bank issued USD T2 in 2024, i.e. CCB's USD1bn issue of CCB 5.579 Perp in Dec'24, compared with onshore T2 issues by Chinese banks totaled cUSD127.8bn equivalent at coupon rate of 2.15-5.05%.

**Chart 5: Net redemption of Asian AT1s in 2024**



Source: Bloomberg.

**Chart 6: Net redemption of Asian T2s in 2024**



Source: Bloomberg.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 133 credit bonds issued yesterday with an amount of RMB100bn. As for month-to-date, 944 credit bonds were issued with a total amount of RMB849bn raised, representing a 56.4% yoy increase
- **[ABMMIJ]** Moody's withdrew ABM Investama B1 rating
- **[SINOCE]** Media reported that Sino-Ocean AHG seeks higher equity stake for creditors in alternative revamp plan
- **[SOFTBK]** Fitch affirmed SoftBank Corp at BBB+ with stable outlook; S&P assigned SoftBank Corp BBB rating with stable outlook
- **[STCITY]** Studio City Finance bought back and cancelled USD37.6mn of STCITY 6 07/15/2025
- **[VEDLN]** Vedanta board meeting on 16 Dec'24 to consider fourth interim dividend for FY25

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