

CMBI Credit Commentary

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

- *The new KDB 29-31s tightened 5-7bps from ROs this morning. Higher-beta Asian IG bonds tightened 1-3bps. European AT1s edged 0.3pt higher. SOFTBK 61 was 0.6pt higher. ACPM 4.85 Perp was 0.5pt lower.*
- **KBANK:** *FY25 profitability softened on lower-rate environment. Maintain buy on KBANK 3.343 10/02/31. See below.*
- **TOPTB:** *Thai Oil accepted USD116.047mn of TOPTB 2.5 06/18/30, USD58.481mn of TOPTB 4.875 01/23/43, USD135.786mn of TOPTB 5.375 11/20/48, USD235mn of TOPTB 3.5 10/17/49 and USD4.686mn of TOPTB 3.75 06/18/50 in the tender offer as of the early deadline, totaled USD550mn in principal. TOPTB 30-50s were unchanged and TOPTB 6.1 Perp edged 0.3pt higher this morning.*

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Yujing Zhang 张钰婧
(852) 3900 0830
zhangyujing@cmbi.com.hk

❖ Trading desk comments 交易台市场观点

Yesterday, Taiwanese lifers tighten 2–5bps, driven by buying interests in NSINTW and SHIKON. KUAISH 31-36s/MEITUA curve tightened 1-4bps. ZHOSHK 28 was 1bp tighter. In Asian higher-beta credits, there were mixed two-way flows on perps as investors switched out of lower-yielding names for higher yielding counterparts across the region. FAEACO 12.814 Perp and MTRC Perps gained 0.1-0.4pt. On the other hand, NWDEVL Perps/VDNWDL Perps were unchanged to 0.7pt lower. Media reported NWD aims to sell at least one asset by the end of Jun'26 to generate positive cash flow. In Chinese properties, VNKRL 27-29 rose 0.5-0.6pt. FUTLAN 28 gained 0.5pt, while FTLNHD 26-27 were 0.1-0.4pt lower. In SE Asia, KBANK 31 tightened 1bp. See comments below on KBank's softened financial results in FY25. TOPTB 28-50s tightened 3-8bps. TOPTB 6.1 Perp edged 0.2pt higher. Thai Oil accepted a total of USD550mn tender offers for TOPTB 30-50s as of the early deadline. OCBCSP 32s/35s attracted better buying flows; OCBCSP 35 tightened 5bps but OCBCSP 32 closed unchanged. We saw PBs selling front-end UOBSP, which widened 1bp. GARUDA 31 dropped 2.4pts. In KR corporate space, HYNMTR/POHANG/SKBTAM tightened 2-3bps to recover from the previous dip. Japanese insurance subs were largely stable amid active two-way flows. RESLIF 6.875 Perp bounced back by 0.4pt. Yankee AT1s also managed to recover 0.4pt after London opened, as on-the-run UBS 7 Perp/SOCGEN 7.125 Perp recouped most of this week's losses. In the Middle East, FABUH curve and long-end KSA were traded in balanced two-way flows. ARAMCO belly bonds were 3bps tighter to 3bps wider. LGFV credits remained resilient against the macro volatility. In particular, there was solid demand from RMs across higher-yielding USD and CNH issues.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
BHP 5 3/4 09/05/55	103.1	1.1	GARUDA 6 1/2 12/28/31	89.6	-2.4
TACHEM 5.8 07/05/64	98.8	1.1	SDECDI 2.4 06/03/26	98.0	-0.8
EXIMBK 5 3/4 01/12/56	100.6	1.0	NWDEVL 5 1/4 PERP	69.0	-0.7
WDSAU 5.7 09/12/54	94.5	1.0	ACPM 3.9 PERP	66.1	-0.7
CSLAU 4 3/4 04/27/52	86.8	1.0	NWDEVL 10.131 PERP	71.6	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.16%), Dow (+1.21%) and Nasdaq (+1.18%) were higher on Wednesday. UST yield was lower on Wednesday. 2/5/10/30 year yield was at 3.60%/3.83%/4.26%/4.87%.

❖ Desk Analyst Comments 分析员市场观点

➤ **KBANK: FY25 profitability softened on lower-rate environment**

We maintain buy on KBANK 3.343 10/02/31 (first call in Oct'26) which is trading at 98.7 and offering YTC of 5.2%. Kasikornbank (KBank) has track records of first-call redemption, and we expect KBank to continue to call its subordinated bonds on the first call dates, taking cues from its sufficient capital buffer and track records for early redemption.

KBANK reported softened FY25 results with operating income lowering 2% to THB194.8bn. In FY25, net interest income increased 15% to THB57.7bn while NIM dropped to 3.2% from 3.6% in FY24, due to lower-rate environment, the strategic focus on higher credit quality loans and marginal decline in loans. The higher housing and large corporate loans was more than offset the declines in loans to other business segments. During 2025, BOT cut its interest rate three times to 1.25%, i.e. 25bps each in Feb'25, Aug'25 and Dec'25.

Net fee income increased 5.9% to THB35.4bn, supported by growth in insurance services and wealth management services, as well as higher investment income. Cost-to-income ratio rose slightly to 43.6% in FY25 from 42.5% in FY24. Profitability softened on margin pressure, with ROA declined to 1.11% in FY25 from 1.15% in FY24, while ROE declined to 8.62% from 9.13%.

KBANK's asset quality was largely stable with NPL ratio flat at 3.2% as of Dec'25 compared with its target of below 3.25%. Its NPL coverage ratio increased to 163% as of Dec'25 from 152% as of Dec'24. Moreover, KBANK's capital adequacy remained solid as of Dec'25, despite the redemption of USD500mn KBANK 5.275 Perp on 14 Oct'25 (the first call date) without tapping the offshore bond market. KBANK's standalone/consolidated CET1 ratios were at 17.2%/18.0% as of Dec'25, respectively, increased from 16.5%/17.4% as of Dec'24. Its standalone/consolidated Tier 1 ratio stood at 17.6%/18.4% as of Dec'25, respectively. We view KBANK's capital position sufficient and the risk of a non-viability event appears low in the medium term.

The Basel III finalization was delayed to 2029 from 2026 while BOT has not yet announced the detailed requirements. KBANK projects the impact from Basel III finalization to be a CET1 reduction of 1-2%. We view that the impact is manageable in view of KBANK's CET1 ratios of 17.2%/18% as of Dec'25 (vs requirement minimum of 8%). KBANK aims to maintain its CET1 ratio at 15% or above in the medium term.

Looking ahead, BOT projected Thai economic growth to moderate to 1.6% in 2026 from 2% in 2025, with private consumption to slow down in line with income, and merchandise exports to be impacted by US trade policies. Credit should continue to contract in view of slower economic growth. In our view, asset quality could be under

pressure in 2026, in particular exposures to SMEs and retails which are more prone to slower economic growth. That said, we take comfort from KBank's prudent NPL coverage and increasing focus on higher credit quality loans such as housing and large corporate loans.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
	1250/	3yr/	3.75%/	3.75%/	
Korea Development Bank	1250/	5yr/	4.0%/	4.0%/	Aa2/AA/AA-
	500	5yr	SOFR+50	SOFR+50	
SUCI Second Investment Company	2000	10yr	T+85	T+85	Aa3/-/A+

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Panzhuhua Panxi Science and Technology	USD	USD	3yr	5.8%	-/-/-
ReNew Treasury IFSC	USD	-	5NC3	6.875%	Ba3/-/BB-
Westpac New Zealand Ltd.	USD	-	3yr/ 5yr	T+70 SOFR+100	A1/AA/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 92 credit bonds issued yesterday with an amount of RMB84bn. As for month-to-date, 1,222 credit bonds were issued with a total amount of RMB1,006bn raised, representing a 26.1% yoy decrease
- **[AZUPOE]** Azure Power Energy plans full redemption of AZUPOE 3.575 08/19/26 on 5 Feb'26 at par, conditional on the successful drawdown under a loan agreement
- **[NWDEVL]** Media reported NWD aims to sell at least one asset by end of Jun'26 for positive cash flow
- **[SMCGL/SMCPM]** San Miguel Global Power completed full redemption of USD600mn of SMCGL 5.7 Perp
- **[SUNHKC]** Sun Hung Kai accepted for purchase USD152.017mn of SUNHKC 5 09/07/26 in the tender offer
- **[TOPTB]** Thai Oil accepted USD116.047mn of TOPTB 2.5 06/18/30, USD58.481mn of TOPTB 4.875 01/23/43, USD135.786mn of TOPTB 5.375 11/20/48, USD235mn of TOPTB 3.5 10/17/49 and USD4.686mn of TOPTB 3.75 06/18/50 in the tender offer as of the early deadline, totaled USD550mn

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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