

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市場日報

- *AT1 bounced back to 0.1-0.3pt higher this morning. VNKRLE 27-29 edged 0.7-0.8pt higher. SOFTBK 31-65s were 0.4-0.8pt higher. VLLPM 29 dropped another 1.5pts. ACPM 4.85 Perp was 0.9pt lower.*
- **BSFR:** *FY25 net income up 18% yoy to SAR5.3bn on stronger operating income and lower net ECL. See below.*
- **DALWAN:** *Dalian Wanda reduced sole offshore loan outstanding to USD150mn from Wanda Hotel Management sale proceeds. DALWAN 12.75 02/05/28 was 0.1pt higher this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, the new MIZUHO Float 32 and MIZUHO 32-37 tightened 2-3bps from ROs. HYUELEs squeezed another 3-4bps tighter. S&P upgraded SK Hynix by one notch to BBB+ from BBB on expected strong operating performance over the next 12 months driven by demand growth in high-bandwidth memory (HBM) and conventional memory. In HK, FAEACO 12.814 Perp/SUNHCK 26/LASUDE 26/BTSDF 28 edged 0.1-0.2pt higher. In Chinese properties, LNGFOR 27-32 were unchanged to 0.6pt lower. VNKRLE 27-29 closed 0.1-0.3pt lower. FUTLAN 28/FTLNHD 26-27 were 0.1pt lower to 0.1pt higher. In SE Asian space, GLPSPs dropped another 0.8-1.5pts, and GLPCHI 29 was 0.7pt lower. See our comments [last Friday](#) on downstream liquidity support from GLPSP to GLPCHI through a parent-backed tender offer. VLLPM 27-29 leaked 2.0-2.2pts. On the other hand, ACPM 3.9 Perp was 0.6pt higher. Media reported that Ayala Corp's subsidiary Ayala Land is considering bidding for two Philippines assets valued at a total of PHP40.5bn (cUSD688mn). SMCGL Perps were unchanged to 0.4pt higher. In Indonesian space, MEDCIJs/INDYIJ were 0.1-0.5pt lower, except for MEDCIJ 26 edged 0.1pt higher. Moody's changed the outlook of Indonesia to negative from stable on reduced predictability in policymaking and affirmed its Baa2 ratings. VEDLN 28-33s traded up to 0.5pt lower. IHFLIN 27-30s closed 0.1-0.3pt lower. In the Middle East, BSFRs were unchanged to 0.1pt lower. See comments on its FY25 results below. Long-end KSAs were 0.1pt lower to 0.2pt higher. Yankee AT1s leaked another 0.1pt despite some PB and AM buying from Asia. LGFVs remained firm as higher-yielding papers continued to compress tighter.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
KZOKZ 3 1/2 04/14/33	90.6	0.8	TTMTIN 4.35 06/09/26	97.6	-2.3
CIFIHG 0 06/30/27	7.5	0.7	VLLPM 7 1/4 07/20/27	56.6	-2.2
GARUDA 6 1/2 12/28/31	92.5	0.7	VLLPM 9 3/8 07/29/29	44.7	-2.0
PTTTB 5 7/8 08/03/35	105.8	0.6	GLPSP 4.6 PERP	67.2	-1.5
ACPM 3.9 PERP	67.1	0.6	GLPSP 4 1/2 PERP	71.1	-1.4

❖ Marco News Recap 宏观新闻回顾

Macro – &P (+1.97%), Dow (+2.47%) and Nasdaq (+2.18%) were higher on last Friday. 2/5/10 year UST yield was higher on last Friday. 2/5/10/30 year yield was at 3.50%/3.76%/4.22%/4.85%.

❖ Desk Analyst Comments 分析员市场观点

➤ BSFR: FY25 net income up 18% yoy to SAR5.3bn on stronger operating income and lower net ECL

We maintain buy on BSFR 6.375 Perp and BSFR 5.761 09/03/35, we view they offer more appealing risk-return profiles compared with those of its peers. These are the first USD AT1 and T2 issued by Banque Saudi Fransi (BSF). We consider the likelihood of its AT1 and T2 to be called on first call date is high given BSF's large capital buffer even though SAMA proactively raised CET1 requirements for 25bps in Jan'26 and will raise another 50bps in May'26 for D-SIBs in view of interest rate volatility and fast loan growth. We take some comfort on BSF's call record in Nov'25 when it redeemed BSFR Float Perp of SAR5bn on the first call date, which was the first AT1 instrument issued by BSF back in 2020. The redemption was partly funded by issuance of BSFR 6.4 Perp of SAR2.5bn. See below for our AT1 and T2 picks within Middle East space.

Table 1: Our Middle East AT1 and T2 picks

Security name	Amt o/s (USDmn)	Basel III	Ask px	YTC	Mod dur	First call	First coupon reset	Issue rating (M/S/F)	Issuer rating (M/S/F)
BSFR 6.375 Perp	650	AT1	100.8	6.2%	4.0	11/07/2030	05/07/2031	Unrated	A1/A-/A-
BSFR 5.761 09/03/35	1000	T2	100.0	5.8%	3.9	09/03/2030	09/03/2030	-/-/BBB	A1/A-/A-
FABUH 6.32 04/04/34	1,000	T2	104.1	4.7%	2.4	10/04/2028	04/04/2029	-/-/A	Aa3/AA-/AA-
FABUH 5.804 01/16/35	750	T2	103.0	4.8%	3.1	07/16/2029	01/16/2030	-/-/A	Aa3/AA-/AA-

Source: Bloomberg.

BSF's FY25 operating income rose 9% yoy to SAR10.5bn, driven by a 10% yoy increase in net special commission income to SAR8.9bn, supported by 5% yoy loan growth. NIM was stable at 3.04% in FY25 and FY24, the lower cost of deposit and reduced hedging costs were offset by a decline in interest yields following rate cuts. Saudi Arabia cut interest rate 3 times with 25bps each in Sep, Oct and Dec'25. Net fee and commission income declined 2% yoy lower to SAR956mn due to higher fee and commission expenses. FY25 net ECL fell 15% yoy, reflecting higher recoveries and lower commercial ECL, partly offset by higher consumer ECL. The gross ECL was SAR1.4bn, 7% yoy higher than FY24. As a result, FY25 net income rose 18% yoy to SAR5.3bn. ROE improved to 10.7% in FY25 from 10.3% in FY24, slightly below internal guidance of 11-12%, reflecting higher operating expenses. For FY26, BSF guided a stable NIM of c3% and an improvement in ROE to 12-13%, driven by higher operating income and disciplined cost management.

Asset quality was broadly stable as of Dec'25, with mild increase in NPL and decrease in NPL coverage ratio compared to that of Dec'24. The NPL ratio rose to 0.97% from 0.93%, driven by both commercial and consumer portfolio, while the NPL coverage ratio dropped to 178% from 182%. That said, BSF's capital remained ample. The CET 1 ratio rose to 16.2% as of Dec'25 from 15.8% as of Dec'24, comfortably above the regulatory minimum requirement of 7.5%. BSF guided CET1 ratio to remain stable in FY26 at >15%. Liquidity also strengthened, with liquidity coverage ratio increased to 194% as of Dec'25 from 162% as of Dec'24.

➤ **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 126 credit bonds issued yesterday with an amount of RMB110bn. As for Month-to-date, 608 credit bonds were issued with a total amount of RMB521bn raised, representing a 6625.6% yoy increase
- **[BHARTI]** Bharti Airtel seeking recalculation of USD4.4bn in AGR dues with India's government, not deferment
- **[BIOLIN]** Fitch revised the outlook of Biocon Biologics to positive from stable, affirmed BB- rating
- **[DALWAN]** Dalian Wanda reduced sole offshore loan outstanding to USD150mn from Wanda Hotel Management sale proceeds
- **[HNMNWP]** Hanuman Wind Power postponed USD bond deal
- **[INCLEN/INGPHL/RNW/RPVIN]** ReNew Global project SPV obtained USD50mn debt funding from DEG. Total project cost is USD615.6mn with 20:80 equity and senior debt. Senior debt of USD 492.5mn to be split between ADB, DFI's facility
- **[LGCHM]** LG Chem battery arm to buy out Stellantis, gain full control of Canadian JV
- **[TYANLI]** Tongyang Life Insurance FY25 sales rose 2.1% yoy KRW3.6tn (cUSD2.4bn)
- **[ZHHFGR]** Zhuhai Huafa Properties forecasted RMB7-9bn net loss for FY25, mainly to increase in interest expenses, loss from asset disposal and provision for asset impairment

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