

Asian Credit Daily

1 September 2025

Market Commentary:

- The SGD SORA OIS curve traded higher last Friday with shorter and belly tenors trading 2-3bps higher while 10Y traded 3bps higher.
- Flows in SGD corporates were heavy, with flows in EQIX 2.9% '32s, KREITS 3.78%-PERP, CKPH 3.38%-PERP, STTGDC 5.7%-PERP, MCTSP 2.45% '32s, PSASP 2.23% '35s, BACR 5.4%-PERP, SATSSP 2.45% '32s, FLTSP 2.18% '28s, HPLSP 5.5%-PERP.
- As per Bloomberg, S&P Global downgraded Hanwha Totalenergies Petrochemical Co Ltd's credit outlook from stable to negative while affirmed the BBB- rating, citing ongoing oversupply in Asia's chemical market that threatens profitability and credit metrics. The company's 1H2025 results fell significantly short of expectations due to a sharp oil price drop and inventory losses, with weak chemical segment performance contributing.
- In other news, Seazen Group Ltd plans to issue tokenised private debt and establish a digital asset management unit by year-end, entering Hong Kong's favored digital asset market. It will launch Non-Fungible Tokens tied to its Wuyue Plaza properties and shopping centers and develop a proprietary Real-World Assets trading platform.
- Meanwhile, Yuzhou Group Holdings Co Ltd completed the restructuring of USD6.68bn in offshore debt. The debt was fully discharged and waived in exchange for cash, new shares, and new notes, with near-unanimous noteholder approval. The move is expected to cut debt and interest payments by about USD3.5bn.
- Bloomberg Asia USD Investment Grade traded flat at 62bps and Bloomberg Asia USD High Yield spreads tightened by 5bps to 332bps respectively. (Bloomberg, OCBC)
- There were no notable issuances in the Asiadollar and Singdollar Market last Friday.

Credit Summary:

- **GuocoLand Ltd ("GUOL"):** GUOL is selling a hotel and the associated land at Johor Bahru for MYR150mn (~SGD46mn).
- **China Construction Bank Corporation ("CCB"):** CCB reported 1H2025 results with profit before tax down 5.48% y/y to RMB182.44bn, despite operating income rising 2.95% y/y to RMB385.9bn. This was due to more cyclical influences that offset weaker net interest income.

Credit Headlines

GuocoLand Ltd ("GUOL")

- **Selling a hotel at Johor Bahru for MYR150mn:** GUOL is selling a hotel and the associated land at Johor Bahru for MYR150mn (~SGD46mn). The buyer is Restoran Kisap, a wholly-owned subsidiary of YTL Hotels & Properties Sdn Bhd.
- **Sale realises value:** According to GUOL, the sale is an 'opportunity to realise the capital value of the Property and the Assets'. As the net book value of the property is MYR93mn (~SGD28mn), the expected net gain from the sale is ~MYR35mn (SGD11mn). (Company, Business Times, OCBC)

China Construction Bank Corporation ("CCB")

- **Performance weighed by operating environment:** CCB reported 1H2025 results with profit before tax down 5.48% y/y to RMB182.44bn, despite operating income rising 2.95% y/y to RMB385.9bn. This was due to more cyclical influences that offset weaker net interest income. Credit impairment losses rose 22.8% y/y to RMB107.7bn and as a result, 1H2025 net profit declined 1.45% y/y to RMB162.6bn.
- **Non-interest income supporting operating income:** The rise in operating income was supported by higher non-interest income (+25.93% y/y) of RMB99.2bn, primarily from other net non-interest income that rose 111.4% y/y to RMB34.0bn due to improved investments and net gains on derecognition of financial assets measured at amortised cost, both related to the bank's bond holdings.
 - a. Net fee and commission income also improved by 4.0% to RMB65.2bn due to higher income from the asset management business (higher assets under management and improved performance from wealth management products) and higher cost consultancy and financial advisory fees.
 - b. Otherwise, net interest income fell 3.16% y/y due to margin compression with net interest margins down 14bps y/y to 1.40% from loan prime rate repricing and low market rates while reductions in liability costs lagged. This offset the positive impact on net interest income from higher average loans and deposit balances. Total assets rose 9.52% h/h to RMB44.43tn, with loan and deposit growth of 6.13% and 6.11% respectively.
- **Cost effectiveness:** CCB achieved positive JAWS with a 1.18% y/y rise in operating expenses and as such the cost to income ratio improved marginally to 23.72% in 1H2025 vs 24.15% in 1H2024. Underpinning the cost performance was a 3.12% y/y rise in staff costs that was offset partially by a 5.95% y/y fall in premises and equipment expenses from lower depreciation charges.
- **Higher impairments but looks pre-emptive:** As mentioned, 1H2025 net profit declined 1.45% y/y to RMB162.6bn, weighed by a 22.81% y/y rise in credit impairment losses related to loans and advances. Total allowances for impairment losses were RMB869.4bn as at 30 June 2025, up 8.3% h/h. The largest increase was in stage 1 allowances (+14.9%) followed by stage 2 allowances (+4.1%). Stage 3 allowances of RMB263bn rose 3.3% with the reported non-performing loan ratio stable h/h at 1.33% as at 30 June 2025 (1.34% as at 31 December 2024). At the same time, the allowance ratio to non-performing loans improved to 239.4% as at 30 June 2025, from 233.6% over the same period.
- **Capital buffers stable:** CCB's CET1 ratio of 14.34% as at 30 June 2025 was marginally down from 14.48% as at 31 December 2024 from higher risk weighted asset growth than CET1 growth.
- Overall despite a still challenging operating environment, CCB's fundamentals continue to hold due to its solid business position within China that drives resilient loan quality and solid capital buffers. (Company, OCBC)

Key Market Movements

| | 1-Sep | 1W chg (bps) | 1M chg (bps) | | 1-Sep | 1W chg | 1M chg |
|---------------------|-------|-----------------|-----------------|----------------------------|--------|--------|--------|
| iTraxx Asiax IG | 66 | 1 | -6 | Brent Crude Spot (\$/bbl) | 67.2 | -2.3% | -3.5% |
| | | | | Gold Spot (\$/oz) | 3,474 | 3.2% | 3.3% |
| iTraxx Japan | 53 | -1 | -6 | CRB Commodity Index | 302 | 0.8% | 2.4% |
| iTraxx Australia | 67 | 2 | -3 | S&P Commodity Index - GSCI | 550 | 0.8% | 0.8% |
| CDX NA IG | 51 | 1 | -3 | VIX | 15.4 | 8.0% | -24.6% |
| CDX NA HY | 107 | -0 | 1 | US10Y Yield | 4.23% | -5bp | 1bp |
| iTraxx Eur Main | 55 | 4 | -1 | | | | |
| iTraxx Eur XO | 268 | 8 | -12 | AUD/USD | 0.654 | 1.0% | 1.1% |
| iTraxx Eur Snr Fin | 59 | 5 | 1 | EUR/USD | 1.171 | 0.7% | 1.0% |
| iTraxx Eur Sub Fin | 101 | 9 | 0 | USD/SGD | 1.283 | 0.2% | 0.5% |
| | | | | AUD/SGD | 0.840 | -0.8% | -0.6% |
| | | | | | | | |
| USD Swap Spread 10Y | -54 | 1 | -12 | ASX200 | 8,911 | -0.7% | 2.9% |
| USD Swap Spread 30Y | -84 | -0 | -5 | DJIA | 45,545 | -0.2% | 4.5% |
| | | | | SPX | 6,460 | -0.1% | 3.6% |
| China 5Y CDS | 44 | 2 | -1 | MSCI Asiax | 824 | -2.2% | 2.7% |
| Malaysia 5Y CDS | 39 | -0 | -4 | HSI | 25,505 | -1.3% | 4.1% |
| Indonesia 5Y CDS | 70 | 5 | -4 | STI | 4,268 | 0.3% | 2.8% |
| Thailand 5Y CDS | 39 | 1 | -5 | KLCI | 1,575 | -1.4% | 2.7% |
| Australia 5Y CDS | 10 | 0 | 0 | JCI | 7,714 | -2.7% | 2.3% |
| | | | | EU Stoxx 50 | 5,352 | -2.5% | 3.6% |

Source: Bloomberg

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