Asian Credit Daily

2 May 2025

Market Commentary:

- The SGD SORA OIS curve traded lower on Wednesday with shorter tenors trading 2-3 bps lower, and belly tenors and 10Y trading 3bps lower.
- Flows in SGD corporates were moderate on Wednesday, with flows in HSBC 5.25%-PERP, HSBC 5%-PERP, OLAMSP 4% '26s.
- Per Bloomberg, global loan issuance and equity offerings are down for the year to date through April by 12% and 2.5% respectively while global bond sales are up 3.9%. Loans fell the most while equity offerings were the highest in APAC ex-Japan. For global bond sales, US and EMEA high yield fell the most (-19.4% and -16.1% respectively) while APAC-ex Japan G3 currency bonds rose ~51%. Driving this may be relatively stable credit conditions following the 90-day tariff pause and issuers front loading issuance ahead of potential market volatility and recession concerns that may lead to tighter funding conditions as the tariff pause nears its end. Issuers are also diversifying funding sources to where funding costs are cheaper due to a flight to safety. As an example, Indonesia's Finance Ministry is reportedly seeking to diversify currencies of its future global bond issuances.
- Bloomberg Asia USD Investment Grade spreads widened by 2bps to 94bps since Wednesday while Bloomberg Asia USD High Yield spreads widened by 11bps to 551bps yesterday before tightening 3bps to end at 548bps. (Bloomberg, OCBC)

Credit Summary:

- **Barclays PLC ("Barclays"):** Barclays announced a strong 1Q2025 result as solid total income performance offset higher operating costs and higher credit impairment charges. Barclays diversified businesses are expected to support against ongoing market volatility and uncertainty.
- **CapitaLand Investment Ltd ("CLI"):** CLI reported its 1Q2025 business update.
- **Crédit Agricole Group ("CAG") / Crédit Agricole SA ("CASA"):** CAG's 1Q2025 income before tax was up 1.6% y/y to EUR3.40bn although net income was down 9.0% y/y owing to a 37.9% y/y rise in tax that reflects an exceptional and temporary corporate tax surcharge.
- **HSBC Holdings PLC ("HSBC"):** HSBC Chairman Mark Tucker will retire by the end of 2025, a search for a replacement is underway.
- **Mapletree Industrial Trust ("MINT"):** MINT reported its 4QFY2025 results for the financial year ending 31 March 2025. Uncertainty over upcoming lease renewals, particularly among its US data centres may weigh on portfolio occupancy and revenue somewhat, while trade tariffs may weigh on its Singapore industrial-focused portfolio, although these are mitigated by its stable credit metrics.
- **Société Générale ("SocGen"):** SocGen's 1Q2025 performance was ahead of its 2025 annual targets with net income doubling y/y to EUR1.86bn due to strong operating income performance, a y/y fall in the cost of risk and one-off gains from disposals.
- **UBS Group AG ("UBS") / UBS AG ("UBSAG"):** 1Q2025 results reflect management's ongoing ability to manage the operating environment, including the integration of Credit Suisse Group AG and solidifying its underlying fundamentals driven by its business profile.

Credit Headlines

Barclays PLC ("Barclays")

- Barclays announced a strong 1Q2025 result with profit before tax of GBP2.72bn up 19% y/y as solid total income performance offset higher operating costs and higher credit impairment charges. Income grew across all of Barclays' business segments, most notably in Barclays Investment Bank which grew 16% y/y to GBP3.87bn and contributed 50.2% to total income of GBP7.71bn. Overall, Barclays diversified businesses are expected to support its fundamental profile against ongoing market volatility and uncertainty. Per management, stable income streams contributed 68% of 1Q2025 group income, stable y/y and just below the 70% 2026 target.
- Total income performance by segment was driven by the following:
  - Barclays Investment Bank ("IB") was supported by a 21% y/y rise in Fixed Income, Currencies and Commodities ("FICC") due to market volatility and client activity, particularly in macro and securitized products as well as equities, together with 16% y/y higher investment banking income from higher corporate lending, transaction banking and deposit growth. Banking fees and underwriting income was also up 4% y/y reflecting higher market share per Dealogic.
  - Barclays UK ("BUK") contributed 26.9% to total income and rose 14% y/y on the acquisition of most of Tesco PLC's ("Tesco") UK retail banking business and structural hedge income. This led to a 18% y/y rise in net interest income which offset higher deposit costs, mortgage margin compression, and a 9% y/y fall in net fee, commission and other income.
  - Barclays US Consumer Bank (11.2% of total income) rose 1% y/y from higher card accounts and balances which was positive for net fee, commission and other income which rose 9% y/y. This offset the absence of a gain on sale of receivables in 1Q2024 and margin compression from lower interest rates which reduced net interest income.
  - Barclays UK Corporate Bank ("BUKCB") and Private Bank and Wealth Management ("BPBWM") contributed 6.3% and 4.5% respectively and was both up 12% y/y on higher deposit and lending balances for BUKCB and growth in client balances from net new inflows and market movements and client activity in BPBWM.
- Total income growth offset a 7% y/y growth in operating costs that relate primarily to the Tesco acquisition. Operating costs were also impacted by ongoing investment and business growth related expenses as well as inflation and employee share grants. This was partially offset by GBP150mn in cost efficiencies as part of its GBP500mn target cost savings for 2025. Given the solid total income performance, Barclays cost to income ratio improved to 57% in 1Q2025 from 60% in 1Q2024 and below its 2025 guidance of ~61% that includes the 2025 target cost savings.
- Credit impairment charges were up 25% y/y to GBP643mn, which includes a net GBP74mn post model adjustment for US macroeconomic uncertainty related to recent developments and Tesco related impacts. The macroeconomic uncertainty has not yet impacted Barclays' delinquency ratios with US and UK cards 1Q2025 arrears either stable to slightly improved y/y. Nevertheless, management has raised the probability of its economic downside scenario. Given the higher credit impairment charge, the 1Q2025 loan loss rate of 61bps is now above the 2024 loan loss rate of 46bps and the through the cycle range of 50-60bps. While it is lower than the 4Q2024 loan loss rate of 66bps, the 4Q2024 charge included a 19bps impact from the Tesco acquisition.
- Barclays CET1 ratio of 13.9% as at 31 March 2025 was up 30bps against the 13.6% as at 31 December 2024 and remains within the target range of 13-14%, albeit at the upper end. The q/q movement reflects a net +10bps impact from earnings, net of shareholder distributions, a GBP1.0bn share buyback and 2025 dividend accruals, a +10bps impact from the sale of its German consumer finance business in 1Q2025 and a +10bps increase from other movements including currency translation reserve and foreign exchange movements.
  - The ratio is also above its 12.2% maximum distributable amount ("MDA") minimum requirement comprising the 4.5% Pillar 1 minimum, a 2.5% Capital Conservation Buffer, a 1.5% Global Systemically Important Institution buffer, a 2.7% Pillar 2A requirement and a 1.0% Countercyclical Capital Buffer.

  - The Minimum Requirement for own funds and eligible liabilities ("MREL") ratio of 36.2% as at 31 March 2025 remains above the total MREL requirement of 30.7%.
  - Other credit ratios remain stable to improve with the leverage ratio stable q/q at 5.0% as at 31 March 2025, above the 4.1% UK leverage ratio requirement, as higher trading activity in IB was offset by higher Tier 1 capital. The average liquidity coverage ratio of 175.3% as at 31 March 2025 was improved q/q and translated to a surplus of GBP132.0bn while the average Net Stable Funding Ratio also rose q/q to 136.2% as at 31 March 2025, equal to a GBP169.5bn surplus and well above the 100% regulatory requirement.
- Given the solid 1Q2025 performance and higher than expected deposit balances, Barclays has increased or affirmed its 2025 targets including increasing its 2025 Group net interest income guidance excluding Barclays Investment Bank and Head Office increased to above GBP12.5bn (from GBP12.2bn) with Barclays UK net interest income guidance raised to above GBP7.6bn from GBP7.4bn. (Company, OCBC)

CapitaLand Investment Ltd ("CLI")

- CLI reported its 1Q2025 business update.
- **Overall stable on like-for-like basis:** Total revenue fell to SGD496mn (1Q2024: SGD650mn) due to deconsolidation of CapitaLand Ascott Trust ("ART"), following the sale of 4.9% stake in ART. On a like-for-like basis, revenue was stable y/y (1Q2024 excluding ART: SGD496mn).
- **Continued shift from balance sheet to fee-based revenue:** Fee Income-related Business ("FRB") revenue grew ~3% y/y to SGD281mn, Real Estate Investment Business ("REIB") revenue fell ~6% y/y to SGD242mn (excluding ART). Meanwhile, corporate and others revenue was -SGD27mn in 1Q2025, narrowing from -SGD54mn in 1Q2024.
- **Nearly broad-based growth within subsegments of FRB:** The growth in FRB revenue was due to growth in recurring revenue of listed funds management (+4% y/y to SGD73mn), Lodging Management (+8% y/y to SGD80mn) and Commercial Management (+4% y/y to SGD95mn), though private funds revenue fell 4% y/y to SGD25mn. FRB revenue is likely to increase further, with SGD1.49bn invested under the listed and non-listed funds in 1Q2025, with FUM reaching SGD117bn as of end-1Q2025. In addition, Lodging signed ~4,600 units and opened ~1,800 units in 1Q2025 while RevPAU grew 5% y/y. For Commercial Management, there was an increase in third party contracts.
- **Decline in REIB revenue due to divestment of balance sheet assets:** The decline in REIB revenue was mainly due to the divestment of 16 USA multifamily assets and Ascendas iHub Suzhou, which resulted Europe, UK and USA revenue falling to SGD103mn (1Q2024: SGD114mn) and China revenue falling to SGD56mn (1Q2024: SGD65mn). Value of effective stakes in assets on the balance sheet, based on open market value has fallen to SGD4.3bn as of end-1Q2025 (end-1Q2024: SGD7.9bn).
- **Credit metrics remain manageable.** Reported net gearing of 0.39x remains unchanged q/q while reported interest coverage ratio of 3.6x is slightly improved q/q (2024: 3.5x). We note that CLI has committed SGD700mn to SC Capital Partners Group ("SCCP") and Wingate to scale their FUM, and CLI has flagged up to SGD7.4bn total capital available for deployment. (Company, OCBC)

Crédit Agricole Group ("CAG") / Crédit Agricole SA ("CASA")

- CAG announced a solid 1Q2025 result with income before tax up 1.6% y/y to EUR3.40bn although net income was down 9.0% y/y to EUR2.36bn owing to a 37.9% y/y rise in tax that reflects an exceptional and temporary corporate tax surcharge. Otherwise, underlying performance was driven by solid growth in revenues with record performance at CASA that offset higher growth in operating expenses and a 12.9% y/y rise in the cost of risk.
- 1Q2025 revenues of EUR10.05bn rose 5.5% y/y due to broad based improvement as follows:
  - French Retail Banking benefited from solid new customer acquisition leading to marginally higher deposit and lending balances, particularly in home loan production in France, as well as higher fee and commission income. This offset net interest margins which was down 1.7% q/q.

  - Asset Gathering saw strong inflows in asset management with record gross savings/retirement inflows in insurance, solid performance in property and casualty insurance from price changes and portfolio growth, and the consolidation of Degroof Petercam. Overall assets under management were EUR2,878bn, up +8.7% y/y with asset management +6.2% to EUR2,247bn, life insurance +5.2% to EUR352bn, and wealth management (Indosuez Wealth Management and LCL Private Banking) +41.3% y/y to EUR278bn due to the impact of Degroof Petercam in 2Q2024.
  - Large Customers performance was assisted by record revenues in Corporate and Investment Bank ("CIB"), particularly in Capital Markets and Investment Banking due to the market volatility, while higher commercial activity positively impacted financing performance.
  - Specialised Financial Services business momentum was lower, reflecting reduced activity in automotive financing in Europe and China. That said, revenues were up 2.6% y/y with higher revenues in Crédit Agricole Personal Finance & Mobility from improved margins and higher equipment leasing and factoring within Crédit Agricole Leasing & Factoring.
  - International Retail Banking was slightly down due to a high base effect with 1Q2024 performance assisted by exceptional foreign exchange business in Egypt.
- At the same time, operating expenses rose 7.2% y/y to support business activity as well as for integration costs for Degroof Petercam and other accounting related costs. The negative JAWS translated to a cost to income ratio of 59.6% in 1Q2025, up from 58.7% in 1Q2024.
- CAG's cost of risk rose 12.9% y/y to EUR735mn and comprised EUR677mn for proven or stage 3 risks and EUR47mn for performing or stage 1 and 2 risks. Management did not alter their weighted economic scenarios q/q which impacts provisioning levels. As such, management do not seem to believe the current operating environment may impact balance sheet quality materially. The cost of risk to average outstandings was 27bps in 1Q2025 on a four rolling quarter basis and 24bps on an annualised quarterly basis, broadly stable to the 4Q2024 result. CAG's loan quality metrics remain sound and also stable q/q with the coverage ratio for doubtful loans at 84.9% and the non-performing loan ratio at 2.1% for CAG as at 31 March 2025.
- CAG's fundamentals remain anchored on its strong capital position with a phased in CET1 capital ratio of 17.6% as at 31 March 2025, up from 17.2% as at 31 December 2024 and above the medium term plan target of higher than 17.0%.
  - The buffer to its 9.82% Supervisory Review and Evaluation Process threshold was ~780bps.
  - CAG's capital position on a q/q basis was influenced by Capital Requirements Regulations III impacts (+56bps), retained earnings (+25bps) and changes in risk weighted assets from business growth (-17bps) and methodology changes (-17bps).
  - The distance to its Maximum Distributable Amount ("MDA") trigger which is defined as the lowest of the respective distances to the SREP requirements for CET1, Tier 1 and total capital was EUR50bn in CET1 capital as at 31 March 2025.
- Its Total Loss Absorbing Capacity ("TLAC") ratio was 28.5% as at 31 March 2025 (26.9% as at 31 December 2024), well above the 22.32% minimum requirement that includes the combined capital buffer requirement that comprises a 2.5% capital conservation buffer, a 1% G-SIB buffer and the counter-cyclical buffer set at 0.75%. (Company, OCBC)

HSBC Holdings PLC ("HSBC")

- HSBC Chairman Mark Tucker will retire by the end of 2025. A search for Mr Tucker's replacement is underway.
- Mr Tucker commenced as Chairman in October 2017 and has been a constant presence amidst several significant restructurings and multiple CEOs of HSBC including its current pivot towards Asia and disposals of major businesses in Canada and France, amongst others.
- A possible search for a successor to Mr Tucker was first reported in early December 2024 given his maximum nine-year term was coming to an end and expectations that he would step down around the bank's annual general meeting in Spring 2026.
- HSBC's 2025 annual general meeting is today (2 May 2025). (Bloomberg, OCBC)

Mapletree Industrial Trust ("MINT")

- MINT reported its fourth quarter results for the financial year ending 31 March 2025 ("4QFY2025"). Uncertainty over upcoming lease renewals, particularly among its US data centres may weigh on portfolio occupancy and revenue somewhat, while trade tariffs may weigh on its Singapore industrial-focused portfolio, although these are mitigated by its stable credit metrics.
- **Positive rental reversions although occupancy softer:**
  - Both overall revenue and net property income ("NPI") for MINT declined by 0.5% y/y in 4QFY2025 to SGD177.8mn and SGD131.2mn respectively, driven by non-renewal of leases in the North American portfolio and loss of revenue from the divestment of the Tanglin Halt cluster in March 2024, partly offset by contribution from a mixed-use facility in Tokyo (bought in October 2024) and higher contributions from the renewals and new leases in Singapore. On a q/q basis, revenue increased by 0.3% mainly from full quarter contribution of the mixed-use facility in Tokyo and higher revenue from Singapore, offset by non-renewal of leases and lower rental rates from the North American portfolio.
  - Overall portfolio occupancy as at 31 March 2025 was 91.6%, lower versus 92.1% as at 31 December 2024. A q/q decline was observed in Data Centres which was lower by 1.7 percentage point to 89.9% as at 31 March 2025, Light Industrial Buildings by 1.2 percentage point to 50.8% as at 31 March 2025 while Stack-up/Ramp-up Buildings was lower by 0.6% q/q. All other segments saw occupancies that went up q/q.
  - Per MINT, its rental reversions were between +1.4% and +12.0% for renewal leases across segments, with portfolio weighted average rental reversion rate of +8.1% for renewal leases. MINT's overall portfolio weighted average lease expiry by gross rental income was 4.4 years as at 31 March 2025.
  - Post quarter end, MINT had announced the sale of a small property in the US for USD11.8mn (~SGD15.5mn). MINT is expected to continue pursuing selective divestments of non-core assets and re-invest into new opportunities.
- **Stable credit metrics**
  - For the 12 months to 31 March 2025, MINT's Reported Interest Coverage Ratio (which includes perpetual distributions in the denominator) was 4.3x, stable versus the 12 months to 31 December 2024.
  - As at 31 March 2025, reported aggregate leverage (includes proportionate debt and asset of joint venture, does not include perpetuals) was 40.1%, increasing somewhat from 39.8% as at 31 December 2024.
  - As at 31 March 2025, including proportionate debt at its joint venture, MINT faces SGD783.5mn (representing 21%) of debt coming due in FY2026, comprising mainly of bank debt, SGD189.3mn of debt at joint venture and the SGD60mn MINTSP 3.79% '26s that comes due in March 2026. MINT's proportion of its debt fixed or hedged into fixed rate was 78.1% as at 31 March 2025, slightly lower than the 78.3% as at 31 December 2024. (Company, OCBC)

Société Générale ("SocGen")

- SocGen's 1Q2025 performance was ahead of its 2025 annual targets with net income doubling y/y to EUR1.86bn due to strong operating income performance, a y/y fall in the cost of risk and one-off gains from disposals.
- 1Q2025 operating income of EUR2.14bn was up 68.8% y/y as net banking income was up 6.6% y/y while operating expenses were down 7.6% y/y to EUR4.60bn. This was due to lower transformation charges. Excluding this and other one-offs, operating expenses were slightly up amidst ongoing cost efficiency measures. SocGen's cost to income ratio was 65% in 1Q2025, below its 2025 target of 66% and well below the 74.9% in 1Q2024.
- Driving the net banking income growth was:
  - French Retail Banking, Private Banking and Insurance with revenues up 14.1% y/y to EUR2.3bn with a 28.4% y/y improvement in net interest income due to asset disposals and short-term hedges

(excluding these, net interest income was stable), client acquisition in online bank BoursoBank and growth in assets under management within Private Banking and Insurance (+6% and +5% respectively)
    - A 10% y/y rise in revenues within Global Banking and Investor Solutions to EUR2.9bn due to record performance in equities within Global Markets as well as solid rates and forex brokerage from market volatility. This offset weaker performance in fixed income and currencies (-2.4% y/y) from lower client activity on rates investment solutions and lower financing activity margins. Financing and Advisory performance within Global Banking and Advisory was also solid on volumes within asset finance and higher payment volumes and client activity in Global Transaction and Payment Services. Mergers and Acquisitions and Debt Capital Markets was reportedly resilient.
    - Mobility, International Retail Banking and Financial Services however saw weaker revenues that fell 7.4% y/y due to asset disposals. Excluding this, revenues rose 0.8% y/y. Asset disposals relate to Africa (Morocco, Chad, Madagascar) and Societe Generale Equipment Finance's ("SGEF") operations except in the Czech Republic and Slovakia.
- By segment contribution to core business net income, Global Banking and Investor Solutions Mobility contributed 53.6% or EUR856mn, International Retail Banking and Financial Services contributed 20.0% or EUR319mn while French Retail Banking, Private Banking and Insurance contributed 26.4% or EUR421mn.
- Of note is the 13.9% y/y fall in the net cost of risk to EUR344mn despite the current uncertain outlook. Per management, SocGen's exposure to tariff vulnerable countries is relatively low while its outlook for Europe will be supported by growth opportunities in Europe including Germany's fiscal stimulus and higher infrastructure and defence investments. France and Western Europe comprise 45% and 22% respectively of on and off-balance sheet exposure at default as at 31 March 2025. North America is the next largest at 17%.
    - That said, the y/y fall is due to a lower net cost of risk for non-performing loan provisions of EUR330mn (EUR499mn in 1Q2024) while performing loan provisions of EUR14mn in 1Q2025 are higher than the net reversals in 1Q2024 (EUR99mn) and 4Q2024 (EUR48mn).
    - The cost of risk at 23bps of gross loans outstanding at the beginning of period (annualised) in 1Q2025 was stable q/q and below the 2025 target range of 25-30bps with the gross non-performing loan ratio remaining broadly stable q/q at 2.82% as at 31 March 2025 (2.85% as at 31 March 2024) and still below the pre-COVID level of 3.09% as at 31 December 2019.
    - Providing some comfort to SocGen is the net coverage ratio after netting of guarantees and collateral on non-performing loans of 82% as at 31 March 2025 and SocGen's total provisions on performing loans of EUR3.13bn as at 31 March 2025, up from EUR3.12bn as at 31 December 2024. This equates to stage 2 coverage ratio of 4.7% as at 31 March 2025. Commercial real estate exposure also appears contained with 50% in France and 34% in Europe and comprising ~2% of SocGen's total exposure at default.
- SocGen's CET1 capital ratio as at 31 March 2025 was 13.4%, up 10bps from 31 December 2024 (13.3%). This equates to a 320bps buffer above the 10.22% regulatory requirement as per the European Central Bank's Supervisory Review and Evaluation Process ("SREP"). Earnings (+18bps) and asset disposals (+43bps) offset regulatory and other impacts (-50bps). Management expect the CET1 ratio to remain above 13% in 2025 post Basel IV implementation. Additional capital ratios are also above minimum requirements as at 31 March 2025 including the Total Loss-Absorbing Capacity ratio (29.7% against the 22.32% minimum) and the Minimum Requirement for Own Funds and Eligible Liabilities ratio (33.3% against the 27.59% minimum)
- Other credit ratios remain sound including the Liquidity Coverage Ratio at 140% as at 31 March 2025, while the Net Stable Funding Ratio was 115%.
- SocGen's results continue its recent outperformance seen in 3Q2024 and 4Q2024 results and provide a solid footing for 2025 amidst the current economic uncertainty. (Company, OCBC)

UBS Group AG ("UBS") / UBS AG ("UBSAG")

- UBS announced its 1Q2025 results with operating profit before tax of USD2.13bn down 10% y/y but up ~104% q/q. The y/y performance largely reflected weaker net interest income that was down 16% y/y:

  - On an underlying basis (mostly excluding integration items), 1Q2025 operating profit before tax was USD2.59bn and down 1% y/y although core business profit before tax comprising Global Wealth Management ("GWM"), Personal and Corporate Banking ("PCB"), Asset Management ("AM"), Investment Bank ("IB"), and Group Items, was up 15% y/y.
  - Overall, the results reflect management's solid ongoing ability to manage the challenging operating environment, including the successful integration of Credit Suisse Group AG ("CS") and solidifying its underlying fundamentals driven by its business profile.
- Total revenues of USD12.56bn were down 1% y/y although was up 6% y/y in UBS's core businesses despite a 72% y/y fall in revenues from the smaller Non-core and Legacy division. As mentioned, this was largely influenced by the lower net interest income in GWM and PCB. This offset very solid performance in net fee and commission income that was up 4% y/y to USD6.78bn due to:
  - 15% y/y growth in underlying transaction based income in GWM. Higher recurring net fee income and transaction based income drove a 5% y/y rise in GWM reported total revenues to USD6.42bn and offset the lower net interest income.
  - Record underlying revenues in Global Markets within IB that was up 32% y/y from higher client activity within Equities and Foreign Exchange. Overall IB revenues rose 16% y/y to USD3.18bn as strong Global Markets performance was offset by weaker Global Banking revenues, likely from net interest income but also a possible slowdown in activity.
  - Total revenues in PCB were 7% lower y/y in Swiss Franc terms to CHF2.0bn from net interest income developments and this was despite CHF30bn in new or refinanced loans in Switzerland while total revenues in AM were down 4% to USD741mn from lower net management fees and despite marginally higher invested assets.
  - Total revenues were also affected by a 6% y/y fall in other net income from financial instruments measured at fair value through profit or loss to USD3.94bn and a 71% y/y rise in other income to USD213mn.
- Operating expenses were up marginally by 1% y/y to USD10.32bn and as such UBS achieved reported negative JAWS in 1Q2025. On an underlying basis however, operating expenses of USD9.22bn were stable y/y amidst ongoing integration and cost efficiency strategies.
- UBS's business profile remains sound.
  - Total group invested assets of USD6,153bn as at 31 March 2025 was up 5% y/y. Within this, GWM saw net new assets of USD32bn while Asset Management achieved net new money of USD7bn. Overall, GWM invested assets rose USD36bn y/y to USD4,218bn while AM Invested assets rose USD23bn to USD1,796bn.
  - On the CS integration**,** performance remains within expectations:
    - Underlying loss before tax of USD200mn in 1Q2025 improved compared to 3Q2024 and 4Q2024 although was down from USD197mn in net profit before tax in 1Q2024. Overall performance continues to be affected by relative position exits and their impact on revenues and expenses.
    - Cumulative cost reduction of USD8.4bn are now 65% of the expected USD13bn in total cumulative gross cost saves with USD900mn in exit rate gross cost saves achieved in 1Q2025.
    - Risk weighted assets within the Non-core and Legacy division continue to reduce and was down to USD34bn as at 31 March 2025, which is around 26% of its starting position.
- Amidst the solid business performance and CS integration is lingering uncertainty on UBS's capital position.
  - It's current capital position remains sound with its CET1 capital ratio of 14.3% as at 31 March 2025 stable q/q and up 50bps y/y as earnings and risk weighted asset reductions offset dividend accruals, share repurchases and allocations to the capital reserve for expected future share repurchases.
  - The ratio remains above its 10.60% minimum CET1 capital ratio requirement and management guidance of around 14%.
  - In its recent Annual General Meeting, management continued to push back against potentially higher capital requirements as proposed by Swiss regulators. Per comments from UBS Chairman Colm

Kelleher, regulator plans could result in a 50% increase in capital levels and a 50% higher requirement compared to international competitors that would harm UBS's competitiveness. As such, there have been reports of UBS management considering a potential move of UBS's headquarters and suggestions by UBS management to put a regulatory limit on the size of its investment bank. UBS currently operates with a self-imposed limit of 25% of its risk weighted balance sheet.
    - More details on the regulatory proposals are expected to be announced in June 2025.
- UBS's outlook is somewhat constructive despite heightened uncertainty with active engagement of its clients to facilitate transaction and trading activity ahead of an inevitable slowdown in decision making on investing. In our view, any risks to UBS's outlook are not within the balance sheet (mortgages comprise 57% of UBS's loan book with 93% of lending positions collateralized) but in earnings performance with financing and deal making to remain weak and net interest income to continue to decline. The operating environment may also affect the pace and returns in the continued wind down of its Non-core and Legacy division. Offsetting this in our view is UBS's strong market positions in GWM as the world's largest wealth manager by assets under management and the performance of its IB segment which should provide a buffer against the operating environment with our current fundamental expectations. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
30 Apr	CBB International Sukuk Programme Co WLL (Kingdom of Bahrain)	Fixed	USD	1750	8Y	6.25%
30 Apr	Bahrain Government International Bond (Kingdom of Bahrain)	Fixed	USD	750	12Y	7.50%
30 Apr	China Construction Bank (New Zealand) Limited (guarantor: China Construction Bank Corp)	FRN	USD	100	3Y	SOFR+52bps
30 Apr	Sihai International Investment Ltd (guarantor: Wuxi Hengting Industrial Co Ltd)	Sustainable, Fixed	USD	65	3Y	5.15%

Mandates:

- There were no notable mandates on Wednesday.

Key Market Movements

	2-May	1W chg (bps)	1M chg (bps)		2-May	1W chg	1M chg
iTraxx Asiax IG	97	3	15	**Brent Crude Spot ($/bbl)**	62.7	-6.3%	-16.4%
				Gold Spot ($/oz)	3,247	-2.2%	3.6%
iTraxx Japan	70	0	12	**CRB Commodity Index**	289	-2.8%	-7.7%
iTraxx Australia	91	-2	4	**S&P Commodity Index - GSCI**	520	-3.2%	-9.0%
CDX NA IG	67	1	8	**VIX**	24.6	-7.1%	14.4%
CDX NA HY	104	-0	-2	**US10Y Yield**	4.23%	-1bp	10bp
iTraxx Eur Main	67	1	3				
iTraxx Eur XO	343	2	15	**AUD/USD**	0.641	0.2%	1.8%
iTraxx Eur Snr Fin	71	1	3	**EUR/USD**	1.130	-0.6%	4.1%
iTraxx Eur Sub Fin	125	2	6	**USD/SGD**	1.309	0.5%	2.8%
				AUD/SGD	0.839	0.3%	1.1%
USD Swap Spread 10Y	-53	-1	-9	**ASX200**	8,218	3.1%	3.6%
USD Swap Spread 30Y	-88	-2	-10	**DJIA**	40,753	1.6%	-3.5%
				SPX	5,604	2.2%	-1.2%
China 5Y CDS	61	-0	9	**MSCI Asiax**	718	1.8%	-0.5%
Malaysia 5Y CDS	62	0	7	**HSI**	22,422	2.3%	-3.4%
Indonesia 5Y CDS	99	3	4	**STI**	3,833	0.0%	-3.1%
Thailand 5Y CDS	62	3	8	**KLCI**	1,538	2.1%	0.8%
Australia 5Y CDS	15	-0	0	**JCI**	6,780	2.5%	4.1%
				EU Stoxx 50	5,160	0.9%	-2.7%

Source: Bloomberg

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