Asian Credit Daily

9 May 2025

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday with shorter tenors trading 2-3bps higher, belly tenors trading 3-4bps higher and 10Y trading 5bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 5%-PERP, ESRCAY 5.65%-PERP, INCINS 3.1% '50s, UBS 5.75%-PERP, SINTEC 4.2%-PERP.
- According to Hines, a global real estate investment manager, property markets—particularly in the US—are anticipated to encounter challenges stemming from an expected economic slowdown and elevated interest rates that could lead to a surge of distressed assets. Sectors exposed include retail properties from weaker discretionary spending, industrial and logistics buildings due to trade wars, and hospitality and travel with tourism decreasing significantly in 2025. However, Hines identifies resilience in the residential real estate sector and prefers regions in the US exhibiting robust economic growth and Europe, where they anticipate improved returns due to lower interest rates and limited publicly accessible real estate information.
- In China, Country Garden Holdings Co Ltd's contracted sales for April was down 20% y/y while in South Korea, the Financial Supervisory Service ("FSS") raised concerns on Lotte Non-Life Insurance Co.'s decision to call a KRW90bn bond despite FSS reportedly withholding approval to exercise the call as the insurer did not meet minimum capital adequacy requirements. While FSS indicated that it may act if there is no plan to address the capital adequacy position post the call, it also said separately that the impact on Korea's credit market will be limited.
- Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 89bps while Bloomberg Asia USD High Yield spreads tightened by 16bps to 519bps respectively. (Bloomberg, OCBC)

Credit Summary:

- **ANZ Group Holdings Ltd ("ANZG") / Australia & New Zealand Banking Group Ltd ("ANZ"):** ANZG announced its 1HFY2025 results for the six months ended 31 March 2025. 1HFY2025's cash profit of AUD3.57bn witnessed no growth on a y/y basis, but grew 12% q/q mainly due to AUD286mn of cash profits from Suncorp Bank post its acquisition in 4QFY2024 (31 July 2024). Excluding Suncorp Bank, cash profit of AUD3.28bn is down ~0.4% h/h and down 7.6% y/y. Cash profit reflects core business activities and excludes non-core items. 1HFY2025 statutory profit of AUD3.64bn including Suncorp Bank is up 16.4% h/h and 6.9% y/y.
- **Fraser and Neave Ltd ("FNN"):** FNN reported 1HFY2025 results for the half-year ended 31 March 2025 with stable performance overall as core results improved though Vinamilk's contribution declined.
- **Frasers Property Ltd ("FPL"):** FPL reported 1HFY2025 results for the half-year ended 31 March 2025. While results were somewhat better y/y, net gearing levels have increased.
- **Wing Tai Properties Ltd ("WTP"):** WTP along with its 50:50 joint venture partner, Vanke Overseas Investment Holding Company Limited ("Vanke Overseas", a 75% owned subsidiary of China Vanke Co. Ltd), named its residential development project in Sha Tin as UNI Residence.

Credit Headlines

ANZ Group Holdings Ltd ("ANZG") / Australia & New Zealand Banking Group Ltd ("ANZ")

- ANZG announced its 1HFY2025 results for the six months ended 31 March 2025. 1HFY2025's cash profit of AUD3.57bn witnessed no growth on a y/y basis, but grew 12% q/q mainly due to AUD286mn of cash profits from Suncorp Bank post its acquisition in 4QFY2024 (31 July 2024). Excluding Suncorp Bank, cash profit of AUD3.28bn is down ~0.4% h/h and down 7.6% y/y. Cash profit reflects core business activities and excludes non-core items. 1HFY2025 statutory profit of AUD3.64bn including Suncorp Bank is up 16.4% h/h and 6.9% y/y.
- Cash profit performance including Suncorp Bank was influenced by operating income of AUD10.99bn that was up 6% y/y:
    - This was despite a 13% decline in other operating income which is inclusive of net fee and commission income, markets income and other income.
    - The 13% decline in other operating income was driven mostly by a decrease in markets income due to challenging international trading conditions and lower gains from credit and funding spread movements.
    - Decreased net fee and commission income was also a major driver, with decreased income due to higher customer remediation in the Australia retail division and lower non-lending fees in the Institutional Corporate Finance and New Zealand divisions.
    - Other income partially offset further decline with a 11% increase y/y due to higher foreign exchange-related earnings in Transaction Banking, Corporate Finance and Central Functions, higher foreign exchange-related earnings in Transaction Banking, Corporate Finance and Central Functions.
    - Other income also included a positive impact from higher earnings at P.T. Bank Pan Indonesia and the acquisition of Suncorp Bank. These were offset by net negative impacts from absence of prior period losses from the disposal of AMMB Holdings Berhad in 1HFY2024 and the associated lower equity accounted profit contribution in 1HFY2025 following the disposal.
    - Offsetting the above though was a 12% y/y rise in net interest income to AUD8.87bn mostly due to a 12% increase in average interest earning banking assets driven by the impact of Suncorp Bank acquisition as well as lending growth in the Australia Retail and Institutional divisions. Average deposits and other banking borrowings also grew 11% y/y due to Suncorp Bank and growth in at call deposits and term deposits. Higher assets and deposits mitigated net interest margin pressure in most of ANZG's business divisions with Australia Retail, Australia Commercial and Institutional net interest margins down 10bps, 7bps and 15bps respectively. New Zealand net interest margins rose 4bps y/y with ANZG's overall banking net interest margin down 12bps h/h to 2.38%. This was driven mostly by competition impacting deposit pricing, higher wholesale funding volumes and costs and negative impacts from the asset and funding mix (higher term deposits and Institutional lending).
- Operating expenses rose at a faster pace, up 10% y/y to AUD5.74bn mostly from personnel and technology expenses. The rise was also due to the Suncorp Bank acquisition but also influenced by inflation and higher software license costs. Restructuring expenses were down 40% y/y to AUD85mn following lower operational changes.
- Credit impairment charges including Suncorp Bank of AUD145mn were up ~107% y/y.
    - This comprised of AUD159mn (AUD38mn in 1HFY2024) for individually assessed or non-performing provisions and a AUD14mn writeback (provision of AUD32mn in 1HFY2024) in collectively assessed or performing provisions.
    - The individually assessed credit impairment charge rose by AUD121mn, primarily influenced by the Institutional division, which accounted for AUD66mn due to reduced recoveries, writebacks, and new impairments related to several individual customers. The Australia Commercial division contributed AUD33mn, attributed to impairment activity in the Small and Medium Enterprises Banking and Agri portfolios, while the Suncorp Bank acquisition added AUD14mn due to new impairments in the commercial property portfolio.

  - **The collectively assessed impairment release of AUD14mn was primarily influenced by a revision of modelling assumptions for the severe scenario, along with a slight improvement in the base case economic assumptions**. However, this was partially countered by a decline in the credit risk profile, especially within the Institutional and Australia Commercial divisions, portfolio growth, and a net rise in management's temporary adjustments due to heightened uncertainty and economic volatility.
- By segment on a cash profit basis,
  - Australia Retail banking cash profit of AUD705mn was down 11% y/y while increased lending volumes increased home loan growth by 3%. Net interest margin declined due to reduced margins from competition in home loan pricing and increased net funding costs. Decrease in other operating income was driven by higher customer remediation while operating expenses increased alongside due to inflationary impacts and costs associated with strategic initiatives.
  - Australia Commercial cash profit of AUD665mn was down 2% y/y as net interest margin declined as a result of asset margin contraction due to pricing competition, unfavourable deposit margins, and a shift towards lower-margin savings and term deposits. However, operating expenses decreased due to benefits from productivity initiatives and lower restructuring expense partially offset by inflationary impacts. This division contributed 22% of total Group revenue.
  - Institutional continues to be the highest cash profit generator with AUD1.38bn in 1HFY2025, down 9% y/y. In particular, net interest margin (excluding the Markets business unit) fell due to lower cash rates, an unfavourable mix from faster growth in average lending compared to deposits, and reduced asset margins against growth in lending volumes in Corporate Finance and Transaction Banking.
  - New Zealand cash profit of AUD792mn exhibited minimal growth y/y with net interest margins increasing due to favourable lending margins partially offset by unfavourable deposit margin with business growth in home loans while business and unsecured lending fell.
  - Suncorp Bank reported as a new segment with cash profit of AUD286mn, up from a cash loss of AUD122mn in September 2024.
  - Lending volumes across all segments witnessed a cumulative growth of 15% y/y.
- ANZ's APRA compliant level 2 CET1 ratio was 11.80% as at 31 March 2025, down 170bps compared to 13.5% as of 31 March 2024. The ratio includes a AUD750mn capital add-on by Australian Prudential Regulation Authority ("APRA"), that was subsequently increased by AUD250mn in early April 2024.
  - The ratio remains above the Australian Prudential Regulation Authority's ("APRA") 'Unquestionably Strong' benchmark of 10.25% and above APRA's expectation of an 11%-11.5% operating range.
  - On a h/h basis, ANZ's APRA compliant level 2 CET1 ratio is down 42bps as cash profits (+78bps) was offset by risk weighted asset growth (-30bps from lending growth in Institutional, Australia Retail and New Zealand divisions), dividends (-55bps) and other impacts (-31bps from capital deductions and a higher capital floor).
  - On an internationally comparable Basel III basis, the ratio improves to 17.0% as at 31 March 2025.
  - Including non-operating holding company surplus capital (+4bps) and the remaining amounts under the AUD2.0bn share buy-back announced in 2HFY2024 (+18bps), ANZG's CET1 capital ratio improves to 12.00% as at 31 March 2025.
- Management's tone is consistent with peers and appears to be constructive regarding the bank's capital and liquidity positioning, as well as the resilience of Australian and New Zealand households through volatility. That said, management are taking a cautious approach to its capital return plans, requesting for an extension of its share buy-back period for a further 12 months to allow flexibility to amend the pace of the remaining share buy-back.
- The results are the last under Chief Executive Officer Shayne Elliott who is retiring with new Chief Executive Officer Nuno Matos commencing 12 May 2025. As such, there are somewhat more influences on ANZG's fundamental profile compared to peers in our view with the acquisition of Suncorp Bank and a new Chief Executive Officer. Per comments from ANZG Chairman Paul O'Sullivan at the time of Mr Matos' appointment, Mr Matos' experience in overseeing several business, risk and technology transformations will be a benefit as

ANZG integrates Suncorp Bank and all customers re migrated to ANZ Plus, ANZG's digital banking service. (Company, OCBC)

Fraser and Neave Ltd ("FNN")

- FNN reported 1HFY2025 results for the half-year ended 31 March 2025 with stable performance overall as core results improved though Vinamilk's contribution declined.
- **Revenue rose 13.2% y/y to SGD1.21bn**, with growth in Beverages to SGD429mn (+29.1% h/h, +28.0% y/y) and Dairies to SGD643mn (+4.9% h/h, +8.3% y/y) while Publishing & Printing ("P&P") declined somewhat to SGD96mn (-8.0% h/h, -0.1% y/y).
    - **Beverages revenue growth due to Myanmar Beer and Malaysia:** The 28% y/y increase in Beverages revenue to SGD429.4mn was mainly due to Beer operations in Myanmar, driven by the successful launch of Tapper brand, which contributed to "Others" geography revenue increasing 100% y/y to SGD156.5mn. In Malaysia, there was also an increase in revenue by 9.0% y/y to SGD209.8mn due to higher sales volumes, largely resulting from successful festive campaigns (e.g. Chinese New Year), introduction of new products and improved pricing. However, Singapore revenue declined 2.9% y/y to SGD63.1mn.
    - **Dairies revenue growth was mainly driven by Malayia (+16.0% y/y to SGD211.0mn) and Thailand (+11.1% y/y to SGD364.4mn)**, with strong canned milk sales in key markets in Indochina and Malaysia, higher volumes in Laos and Cambodia, as well as maiden contribution from the Malaysia's School Milk Programme. However, Singapore revenue declined 21.1% y/y to SGD62.3mn.
    - P&P revenue fell 1% y/y mainly due to the absence of one-off contributions that had supported the prior year's performance.
- **Reported PBIT rose 1.6% y/y to SGD165.1mn**, with growth in Dairies by 5.7% y/y to SGD135.2mn, growth in Beverages by 4.2% y/y to SGD30.3mn while losses of Publishing & Printing deepened y/y to SGD9.4mn (1HFY2024 losses: SGD6.2mn).
    - **Beverages PBIT growth of 4.2% y/y was lower than revenue growth of 28% y/y due to Beer cost increase:** Despite the surge in revenues from Beer, Beer faced higher production and operating costs. Meanwhile, increased sales and a favourable cost environment contributed to improvement in profitability for Soft Drinks.
    - **Dairies growth was supported by strong performance in Malaysia (+71% y/y) and Thailand (+11% y/y)** which outweighed fall in profit contribution from Vietnam Dairy Products Joint Stock Company ("Vinamilk") by 21% y/y to SGD36.0mn. Dairies performance was supported by higher sales, favourable input costs and marketing spend.
    - P&P profitability was impacted by higher input costs.
- **To begin milking in June 2025:** 2,500 dairy cattle arrived in April 2025. Together with the initial trial batch of 165 dairy cattle and more than 70 calves born, there are 2,700 cattle at the farm. Fresh milk from the farm is expected to be gradually introduced under the F&B MAGNOLIA brand. FNN reiterated the target to house 20,000 milking cows and produce up to 200mn litres of fresh milk annually. According to FNN, the total project cost is expected to exceed MYR3bn, though the timeline of spending is not made known. We note that on FNN's balance sheet, SGD1.31mn in biological assets were recorded as of 31 March 2025 (30 September 2024: nil).
- **Progression on new dairy manufacturing:** FNN is progressing steadily on development of a new dairy manufacturing plant, with operations on track to begin in early 2026. The plant will produce, distribute and market F&N dairy products.
- **Flagged negative outlook:** FNN expects weaker consumer sentiments in the core markets that it operates in, which should include Singapore, Malaysia and Thailand. According to FNN, the on-going global trade tensions and financial markets volatilities present significant headwinds.
- **Credit metrics remain healthy for now:** Cash of SGD471.4mn exceeds SGD285.6mn in borrowings. FNN remains cash generative with SGD128.6mn net cash from operating activities (1HFY2024: +SGD140.3mn). Reported net gearing rose 1.1 ppts h/h to 19.9%, noting SGD94.3mn deployed for purchase of property, plant

and equipment, which is attributable to capex incurred for the integrated dairy farm in Malaysia and the new dairy manufacturing plant in Cambodia. Depending on the pace of investment in the dairy farm, with more milking cows targeted to be housed, we think net gearing levels will likely increase somewhat. (Company, OCBC)

Frasers Property Ltd ("FPL")

- FPL reported 1HFY2025 results for the half-year ended 31 March 2025. While results were somewhat better y/y, net gearing levels have increased.
- **Small growth overall:** 1HFY2025 revenue grew 2.7% y/y to SGD1.59bn mainly due to higher residential development projects in Singapore, while reported PBIT grew slightly faster at 3.8% y/y to SGD599.3mn, noting the absence of impairment of a commercial property in the UK. Reported PBIT growth was due to Singapore, Thailand and Vietnam while other segments declined.
- **Singapore reported PBIT grew +12.1% y/y to SGD226.7mn mainly due to development properties:** Higher contribution was due to higher residential contribution from Sky Eden@Bedok and The Orie (89% sold), with reported PBIT from Singapore residential properties increasing by SGD26mn y/y to SGD35mn. Meanwhile, reported PBIT from Singapore retail properties declined by 3% y/y to SGD177mn due to lower share of fair value gains from NEX retail mall, while reported PBIT from Singapore commercial properties grew by 10% y/y to SGD21mn due to higher share of profits of Frasers Tower. Revenue for the segment increased 31% y/y to SGD348mn, noting that revenue from Singapore residential properties rose by SGD74mn y/y to SGD109mn. The retail portfolio occupancy rate remained healthy at 98.2% though commercial portfolio occupancy dipped to 85.0% due to higher vacancies at Alexandra Technopark.
- **Industrial reported PBIT fell 1.2% y/y to SGD201.9mn mainly due to absence of fair value gain, otherwise revenue rose**: The decline was due to absence of fair value gain from investment properties held through a JV, partially offset by contributions from newly completed and acquired properties. Otherwise, revenue from the segment increased by 3% y/y to SGD323mn due to contributions from newly completed properties in Australia and from the acquisition of an industrial property in Singapore. In Australia, the industrial portfolio occupancy improved to 99.5% while in Europe the occupancy dipped slightly to 92.9% due to new completions from The Tube in Germany and The Anchor in the Netherlands.
- **Thailand & Vietnam reported PBIT grew +14.9% y/y to SGD71.1mn, due to newly completed industrial properties in Thailand**: Growth was supported by contributions from newly completed industrial properties in Thailand, partially offset by lower level of residential settlements. Thailand is the key driver contributing SGD67mn reported PBIT while Vietnam contributed SGD4mn.
- **Hospitality reported PBIT fell 33.5% y/y to SGD35.3mn due to divestments and absence of one-off adjustments:** Contribution fell due to divestment of properties in Singapore and Spain, and also due to absence of one-off income adjustments (e.g. write-back of provisions) and higher operating costs due to higher pre-opening expenses.
- **Australia reported PBIT fell 73.8% y/y to SGD7.5mn due to absence of one-off gains and timing of revenue recognition:** Reported PBIT fell due to lower level of residential settlements and absence of gain on disposal of 49.9% of a wholly-owned subsidiary to a third-party capital partner. That said, we are not overly worried as results are down currently due to timing of revenue of recognition. Frasers Property Australia recorded sales of 791 units, with sales up 10% y/y.
- Others (+34% y/y to SGD94mn): The increase was largely due to the absence of impairment of a commercial property in the UK.
- **Somewhat weaker credit metrics:** Reported net debt to total equity rose 5.1 ppts h/h to 88.5%, due to capex in Australia, Thailand and Vietnam. Reported net interest cover has also decreased 0.2x h/h to 2.1x. While credit metrics are weaker, FPL flagged that its balance sheet metrics are 'within acceptable levels'. That said, we think that FPL intends to increase the pace of divestment, potentially through capital partners. For example, in April 2025, a capital partner was placed with a portfolio of eight industrial and logistics assets in Australia in a 50-50 joint venture. FPL had also divested other assets such as Capri by Fraser and has proposed to divest Northpoint City South Wing to Frasers Centrepoint Trust. (Company, OCBC)

Wing Tai Properties Ltd ("WTP")

- WTP along with its 50:50 joint venture partner, Vanke Overseas Investment Holding Company Limited ("Vanke Overseas", a 75% owned subsidiary of China Vanke Co. Ltd), named its residential development project in Sha Tin as UNI Residence.
- The land of UNI Residence was acquired by the two developers in September 2022 for HKD786mn, with a gross floor area of ~89,000 square feet, translating to a land price of about ~HKD8,800 psf.
- UNI Residence will offer 240 residential units with a saleable area of 286 sqf to 636 sqf with an estimated completion date of 30 September 2026.
- The project is expected to launch in May 2025, with the first batch offering not less than 50 units.
- WTP currently has three development projects namely (1) UNI Residence in Sha Tin, (2) Cloudview in Fanling and (3) a commercial site at Gage Street, Central. These projects are estimated to complete between 2026 – March 2027. Based on our estimation, WTP will have sufficient liquidity to complete all three development projects. (Oriental Daily News, Bloomberg, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
08 May	HSBC Holdings PLC	FXD/FRN	USD	2250	6NC5	T+125bps
08 May	HSBC Holdings PLC	FXD/FRN	USD	2000	11NC10	T+140bps
08 May	HSBC Holdings PLC	FRN	USD	1250	6NC5	SOFR+157bps
08 May	Medco Cypress Tree Pte. Ltd. (guarantor: Medco Energi Internasional Tbk PT)	Fixed	USD	400	5NC2	8.875%
08 May	GLP Pte. Ltd.	Fixed	USD	300	3Y	9.75%

Mandates:

- There were no notable mandates yesterday.

Key Market Movements

	9-May	1W chg (bps)	1M chg (bps)		9-May	1W chg	1M chg
iTraxx Asiax IG	90	-3	-37	**Brent Crude Spot ($/bbl)**	63.3	3.2%	-3.4%
				Gold Spot ($/oz)	3,320	2.4%	7.7%
iTraxx Japan	69	-1	-13	**CRB Commodity Index**	292	0.9%	1.4%
iTraxx Australia	86	-5	-26	**S&P Commodity Index - GSCI**	526	1.1%	0.8%
CDX NA IG	61	-3	-6	**VIX**	22.5	-8.6%	-33.1%
CDX NA HY	105	0	1	**US10Y Yield**	4.36%	6bp	3bp
iTraxx Eur Main	62	-3	-24				
iTraxx Eur XO	320	-13	-108	**AUD/USD**	0.640	-0.5%	4.0%
iTraxx Eur Snr Fin	66	-3	-26	**EUR/USD**	1.123	-0.6%	2.6%
iTraxx Eur Sub Fin	116	-6	-48	**USD/SGD**	1.299	0.0%	3.2%
				AUD/SGD	0.832	0.8%	-0.8%
USD Swap Spread 10Y	-54	0	-1	**ASX200**	8,231	-0.1%	11.6%
USD Swap Spread 30Y	-86	2	1	**DJIA**	41,368	1.5%	1.9%
				SPX	5,664	1.1%	3.8%
China 5Y CDS	57	-2	-25	**MSCI Asiax**	735	0.2%	15.0%
Malaysia 5Y CDS	58	-3	-18	**HSI**	22,846	3.3%	12.7%
Indonesia 5Y CDS	91	-5	-37	**STI**	3,874	0.8%	14.2%
Thailand 5Y CDS	58	-3	-17	**KLCI**	1,544	0.1%	10.3%
Australia 5Y CDS	14	-1	-6	**JCI**	6,845	0.4%	14.7%
				EU Stoxx 50	5,289	2.5%	14.4%

Source: Bloomberg

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com