

IAM AT1 Capital (Hybrids) Redemption Options – AN3PH & CBAPG

Written by Adam Juillerat

Following APRA's confirmation last year that the current AU \$44 billion bank hybrid market will be phased out over the next 7 years, IAM has been fielding incoming queries regarding where best to reallocate funds. As the phase-out period of these hybrid instruments draws nearer to the 2032 deadline, we expect the market to shrink at roughly 10% per annum. Over the next month, there are two upcoming hybrid redemptions which will require investors to begin making alternative reinvestment decisions; on the 20th of March, AU \$931 million of AN3PH falls due, and on the 15th of April, AU \$1.365 billion of CBAPG redeems.

IAM believe that for investors seeking to retain beneficial ownership of their fixed-income portfolios (unlike alternatives such as fixed-income funds and ETFs), the Tier 2 (subordinate bonds) market provides a logical reinvestment solution. The Australian Tier 2 market is currently three times the outstanding volume of the AT1 (hybrid) market, so from a liquidity standpoint, investors are already better off. Whilst Term deposits have also been touted as a potential option, looking across the bank capital stack, IAM sees the best relative value in the Tier 2 market, where yields are ~1.25% higher than term deposit rates, and liquidity is available within two business days.

Please see below a list of eligible Tier 2/Subordinate bond reinvestment options for the upcoming redemptions:

Issuer	CCY	Sector	Rank	Cpn Type	Cpn Formula	ISIN	S&P, Moody's, Fitch Rating	Call Date	Maturity	Duration	Yield	Margin (bps)	Running Yield	Face Value	Clean Price	Clean Consideration	Accrued Interest	Gross Consideration
AUST & NZ BANKING GROUP	AUD	Financial	Subordinated	FIXED	6.124%	AU9CB0311561	A-, A3, A-	25-Jul-34	25-Jul-39	7.249	5.631%	143.7	5.914%	50,000	103.545	51,772.50	389.00	52,161.50
COMMONWEALTH BANK AUST	AUD	Financial	Subordinated	FIXED	6.704%	AU9CB0297653	A-, A2, A-	15-Mar-33	15-Mar-38	6.394	5.486%	138.1	6.218%	50,000	107.811	53,905.50	-28.00	53,877.50
HSBC HOLDINGS PLC	AUD	Financial	Subordinated	FIXED	5.722%	AU9CB0319473	BBB, NR, NR	11-Mar-30	11-Mar-35	4.415	5.595%	173.1	5.691%	50,000	100.545	50,272.50	8.00	50,280.50
NATIONAL AUSTRALIA BANK	AUD	Financial	Subordinated	FIXED	6.342%	AU9CB0310175	A-, A3, A-	06-Jun-34	06-Jun-39	7.073	5.597%	141.1	6.022%	50,000	105.308	52,654.00	836.50	53,490.50
BANCO SANTANDER SA	AUD	Financial	Subordinated	FIXED	5.800%	AU9CB0319184	BBB+, Baa2, BBB+	06-Mar-30	06-Mar-35	4.394	5.660%	179.6	5.765%	50,000	100.599	50,299.50	47.50	50,347.00
WESTPAC BANKING CORP	AUD	Financial	Subordinated	FIXED	7.199%	AU9CB0304376	A-, A3, NR	15-Nov-33	15-Nov-38	6.583	5.513%	136.5	6.457%	50,000	111.496	55,748.00	1,163.50	56,911.50

Disclosure

IAM Capital Markets Limited (AFSL 283119) ('IAM Capital Markets') is a financial service business and provides general financial product advice only. As a result, this document, the Content and the Reports are not intended to provide financial product advice and must not be relied upon or construed as such. IAM Capital Markets does not express any opinion on the future or expected value of any financial product and does not explicitly or implicitly recommend or suggest an investment strategy of any kind. The Content and the Reports provided in this document have been prepared based on available data to which IAM Capital Markets have access. Neither the accuracy of that data nor the research methodology used to produce the Content and Reports can be or is guaranteed or warranted. Some of the research used to create the Content and the Reports is based on past performance. Past performance is not an indicator of future performance. Any forecasts are predictive in character and based on specified assumptions generally available at the time and no reliance should be placed on the accuracy of any forecast information. The actual results may differ substantially from the forecasts and are subject to change without further notice. The data generated by the research in the Content or the Reports is based on research methodology that has limitations; and some of the information in the Content or the Reports is based on information from third parties. IAM Capital Markets does not guarantee the currency of the Content or the Reports. If you would like to assess the currency, you should compare the Content or the Reports with more recent characteristics and performance of the assets mentioned within it. You acknowledge that investment can give rise to substantial risk and a product mentioned in the Content or the Reports may not be suitable to you. The Content and Reports have been provided or made available by IAM Capital Markets without taking account of your objectives, financial situation, and needs. IAM Capital Markets strongly recommends that you seek independent accounting, financial, taxation, and legal advice, tailored to your specific objectives, financial situation or needs, prior to making any investment decision. Neither IAM Capital Markets, nor any of its directors, authorised representatives, employees, or agents, makes any representation or warranty as to the reliability, accuracy, or completeness, of the Content and Reports. Nor does IAM Capital Markets accept any liability or responsibility arising in any way (including negligence) for errors in, or omissions from the Content and Reports. IAM Capital Markets, its staff and related parties earn fees and revenue from dealing in the securities as principal or otherwise and may have an interest in any securities mentioned in this document. Any reference to credit ratings of companies, entities or financial products must only be relied upon by a 'wholesale client' as that term is defined in section 761G of the Corporations Act 2001 (Cth). IAM Capital Markets does not provide tax advice and is not a registered tax agent or tax (financial) advisor, nor are any of IAM Capital Markets' staff or authorised representatives. IAM Capital Markets does not make a market in the securities or products that may be referred to in this document.

An investment in notes, corporate bonds, syndicated loans, or any debt instrument should not be compared to a bank deposit. Notes, corporate bonds, syndicated loans, or any debt instrument have a greater risk of loss of some or all an investor's capital when compared to bank deposits. IAM Capital Markets is not licensed to provide foreign exchange hedging or deal in foreign exchange contracts services. IAM Capital Markets may quote to you an estimated yield when you purchase a bond. This yield may be calculated by IAM Capital Markets on either A) a yield to maturity date basis; or B) a yield to early redemption date basis. Some bond issuances include multiple early redemption dates and prices, therefore the realised yield earned by you on the bond may differ from the yield estimated or quoted by IAM Capital Markets at the time of your purchase. To the extent IAM Capital Markets has utilised research from BondAdvisor, the following Disclaimer applies. BondAdvisor has acted on information provided to it and our research is subject to change based on legal offering documents. This research is for informational purposes only. We note that this security offering is only being made to investors who are not retail clients under the Corporations Act nor located outside Australia. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. The Content of this Report is not intended to provide financial product advice and must not be relied upon as such. The Content and the Reports are not and shall not be construed as financial product advice. The statements and/or recommendations on this web application, the Content and/or the Reports are our opinions only. We do not express any opinion on the future or expected value of any Security and do not explicitly or implicitly recommend or suggest an investment strategy of any kind. The Content and Reports provided have been prepared based on available data to which we have access. Neither the accuracy of that data nor the methodology used to produce the Report can be guaranteed or warranted. Some of the research used to create the Content is based on past performance. Past performance is not an indicator of future performance. We have taken all reasonable steps to ensure that any opinion or recommendation is based on reasonable grounds. The data generated by the research is based on methodology that has limitations; and some of the information in the Reports is based on information from third parties. We do not guarantee the currency of the Report. If you would like to assess the currency, you should compare the Reports with more recent characteristics and performance of the assets mentioned within it. You acknowledge that investment can give rise to substantial risk and a product mentioned in the Reports may not be suitable to you. You should obtain independent advice specific to your particular circumstances, make your own enquiries and satisfy yourself before you make any investment decisions or use the Report for any purpose. This Report provides general information only. There has been no regard whatsoever to your own personal or business needs, your individual circumstances, your own financial position or investment objectives in preparing the information. We do not accept responsibility for any loss or damage, however caused (including through negligence), which you may directly or indirectly suffer in connection with your use of this Report, nor do we accept any responsibility for any such loss arising out of your use of, or reliance on, information contained on or accessed through this Report.

© 2025 IAM Group | Income Asset Management Group Limited ABN 42 010 653 862 (ASX: IAM) and wholly owned subsidiaries, IAM Capital Markets Ltd ABN 86 111 273 048 AFSL 283119, IAM Cash Markets Pty Ltd ACN 164 806 357 as corporate authorised representative (no. 001295506) of AFSL 283119, Trustees Australia Limited ABN 63 010 579 058 AFSL 260038 and IAM Funds ABN 54 643 600 088, together the IAM Group.

The information in this website is for general information purposes only and does not purport to contain all matters relevant to any particular or financial instrument. It is not intended to be a recommendation, offer or invitation to purchase, sell or otherwise deal in securities or other investments. Before making any decision in respect to a financial product, you should read the relevant Financial Services Guide and Product Disclosure Statement available from IAM Group <https://www.incomeam.com> and seek independent and specific advice from an appropriately qualified professional. IAM Group shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information contained here.