After comparing all the subordinated bonds currently in existence by the issuers, we have finally decided to recommend the AT1 bond issued in October 2020 by BEA and the T2 bond issued in August 2019 by NAB. Both of these bonds are Eurodollar bonds, and being denominated in US dollars enables us to avoid exchange rate risk.

Let's focus on the redemption clauses and loss-absorbing mechanisms of these two subordinated bonds, which are important features of CoCo bonds. One of them, BEA's AT1 bond, has an embedded at-will redemption clause with a 21 October 2025 first callable date. As we have said before, there is currently a high market expectation for BEA to redeem its subordinated bonds that have already been issued. In contrast, NAB is embedded once only issuer call and its earliest callable date is later than the first bond. In terms of loss-absorbing mechanisms, BEA bonds are permanent write-downs, while NAB bonds can be converted to equity upon trigger. The trigger of both two bonds are discretionary.

Let me take a look at the historical performance of these two bonds. This page presents the changes in price, Yield to Convention and Z-zpread movements of the two coupons over the past 6 months. We can see that both coupons have performed very well this year. the Z-spread of the BEA bond has narrowed considerably since February this year, by about 600 bp. the spread of the NAB bond has also maintained a better narrowing trend, but by a lesser extent than that of the BEA bond, by only 100 bp. the DV01 of the two is currently 118 and 415, respectively.