OCBC Bank

Asia Credit Research

CapitaLand Retail China Trust ("CRCT"): New Credit Review

Thursday, September 13, 2018

Recommendations Summary

Issuer Profile:	Bond Recommendation:	
Neutral (4)	CRCTSP 3.25 '22	Neutral
Fundamental Analysis Considerations • Good performance by core assets constitute ~53% of portfolio's NPI • Healthy credit metrics with debt headroom	Technical Analysis Considerations • Strong parentage with CapitaLand Ltd ("CAPL") as the sponsor	

Ticker: **CRCTSP**

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Key credit considerations

- **Portfolio anchored by CapitaMall Xizhimen and CapitaMall Wangjing:** Both malls contribute to ~53% of CRCT's portfolio net property income ("NPI"). Between 2013 and 2Q2018, the malls have seen occupancy rate improving, with NPI growing ~20% and ~30% for CapitaMall Xizhimen and CapitaMall Wangjing respectively. Good performance is expected to persist on the back of the fairly strong outlook for Beijing's retail market, driven by leasing activities in fashion and F&B sectors.

- **Some tenant concentration risk:** Beijing Hualian Department Store ("BHG") accounts for 10.6% of total rental income in 2017. We expect this concentration risk to lower (albeit slowly) as 4,700 square metres (sq m) of space was recovered from BHG in 2Q 2018. Department stores currently occupy 20% of portfolio's net lettable area ("NLA") (2017: 21.3%, 2016: 28.7%).

- **Short retail lease cycle in China:** Weighted average lease expiry ("WALE") has shortened significantly to 2.9 years from 5 years a year ago with the divestment of a mall that was on master lease. For CRCT's multi-tenanted malls, most tenancies are 1 to 3 years with only anchor tenant's leases lasting 5 to 7 years. Therefore, a substantial number of leases expire each year, exposing CRCT to the risk of non-renewal and possibly lower occupancy rates. Given majority of the upcoming expiring leases are in the fashion and F&B sectors, we think this risk is manageable in the short to medium term.

- **Proactive portfolio reconstitution efforts:** CapitaMall Anzhen was divested in late 2017 for a net realised gain of SGD37.3mn. The divestment was timely given increasing capex commitments and ~7 years left on the master lease (master leases are typically 20 years long). Early 2018, CRCT acquired a 51.0% interest in Rock Square, Guangzhou. The mall saw an impressive 24.3% rental reversion in 2Q 2018, highest in the portfolio and will create over 500 sq m additional NLA through conversion of unutilised space and new kiosks.

- **Manageable credit metrics with strong sponsorship:** Reported gearing is 32.1% as at 2Q2018. Reported net debt to EBITDA is stable q/q at 6.7x while interest coverage is lower at 5.9x (1Q 2018: 6.3x) due to a higher cost of debt. Moreover, CRCT has been proactively refinancing its debt ahead of maturity in 2019 to lock in favourable rates. CRCT benefits from leveraging its sponsor's mall management expertise, market knowledge as well as the network effect of having a sponsor with a large portfolio of retail properties across 39 Chinese cities.

I) Company Background

Listed on the SGX on 8 December 2006, CapitaLand Retail China Trust ("CRCT") is the first pure-play China shopping mall real estate investment trust in Singapore. It was established with the objective of investing on a long-term basis in a diversified portfolio of income-producing real estate focusing on retail purposes in China, Hong Kong and Macau. CRCT is managed by an external manager, CapitaLand Retail China Trust Management Limited, which is an indirect wholly owned subsidiary of CAPL. CRCT owns and invests in a portfolio of 11 shopping malls located across eight cities in China. These properties, positioned as one-stop family-oriented shopping, dining and entertainment destinations, are strategically located within large population catchment areas and are accessible via major transportation routes or access points. As of 30 June 2018, the portfolio's total asset size is SGD3.0bn (of which SGD2.4bn is located in Tier 1 cities). Although one of the malls is slated for closure, this should not have material impact on the portfolio.

Figure 1: CRCT's property portfolio

Shopping Mall	City	Tier	NPI[2] (RMB mn)	Valuation[2] (RMB mn)	Occupancy[2]
CapitaMall Xizhimen	Beijing	Tier 1	52.6	3,137	98.7%
CapitaMall Wangjing	Beijing	Tier 1	41.4	2,422	99.3%
CapitaMall Grand Canyon	Beijing	Tier 1	22.2	2,095	97.9%
CapitaMall Shuangjing	Beijing	Tier 1	9.3	586	100%
CapitaMall Qibao	Shanghai	Tier 1	12.4	495	95.6%
Rock Square[1]	Guangzhou	Tier 1	3.3	1,734[3]	96.6%
CapitaMall Erqi	Zhengzhou	New Tier 1	10.8	641	100%
CapitaMall Xinnan	Chengdu	New Tier 1	24.2	1,542	98.0%
CapitaMall Minzhongleyuan	Wuhan	New Tier 1	0.6	528	74.5%
CapitaMall Saihan	Hohhot	Tier 3	10.0	458	99.9%
CapitaMall Wuhu	Wuhu	Tier 3	In transition for closure		

Source: Company
[1] CRCT holds a 51.0% interest in a joint venture with sponsor, CAPL for Rock Square
[2] as at 30 June 2018 (2Q 2018)
[3] Valuation is pro-rated according to CRCT's 51% interest

CapitaMall Xizhimen constitutes ~30% of total portfolio's NPI and is one of CRCT's two core assets. Given its strategic location at Xizhimen transportation hub in Beijing, the mall is well-supported by a large catchment of commuters passing through the transportation hub and middle-income residents within the vicinity. NLA is 50,599 sq m, comprising seven retail levels and a basement car park. Some major tenants are Beijing Hualian Supermarket, Costa Coffee and Vero Moda. The mall generated RMB73.1bn revenue from 9.4mn shopper traffic in 2Q2018. Fashion and F&B sectors made up 37.3% and 31.3% of total rental income respectively as at 31 Dec 2017.

CapitaMall Wangjing is located in the densely populated residential suburb of Wangjing within Beijing's Chaoyang District. Contributing ~23% of total portfolio NPI, the mall is a core asset to CRCT. NLA of 51,459 sq m is made up of a four-storey retail podium as well as an eleven-storey tower. Some major tenants are BHG (Department Store & Supermarket), UNIQLO and Vero Moda. The mall caters to working professionals and the expatriate community, and generated RMB57.6bn revenue from 3.1mn shopper traffic in 2Q2018. Fashion and F&B sectors made up 32.7% and 29.5% of total rental income respectively as at 31 Dec 2017.

Located in Beijing's Fengtai District, CapitaMall Grand Canyon has seven retail levels and two basement car park levels. The mall is well-established among the local community comprising offices and residences. NLA of 45,714 sq m generated RMB32.9bn revenue from 2.3mn shopper traffic in 2Q2018.

Rock Square was acquired by CRCT through a 51:49 joint venture with sponsor, CAPL on 31 January 2018 for RMB1.7bn. It is a five-storey shopping mall situated atop Shayuan metro station in Haizhu District, a residential area for Guangzhou's new affluent class. NLA of 53,112 sq m generated RMB4.6bn revenue from 6.2mn shopper traffic in 2Q2018. The mall is expected to benefit from the planned extension of metro line 8 and Guangfo Line by 2019.

CapitaMall Shuangjing (Beijing) and CapitaMall Erqi (Zhengzhou) are CRCT's two master-leased malls, with the former master-leased to Carrefour and the latter to BHG. The malls have stable and full occupancy because master leases are long-term with a typical tenure of 20 years.

CapitaMall Minzhongleyuan, located along Wuhan's main shopping and entertainment belt – Zhongshan Avenue, was acquired by CRCT on 30 June 2011. It is a landmark building with six retail levels and a basement car park. The mall commenced operations in late 2016 after Zhongshan Avenue reopened. However, it has been under stabilisation since due to ongoing tenancy adjustments. This led to low revenue figure of RMB5.6bn and weak shopper traffic of 0.8mn in 2Q 2018 despite a NLA of 23,498 sq m.

CapitaMall Wuhu is in transition for closure following the market exit of its anchor tenant – Walmart. CRCT has 51% interest in the mall.

II) Ownership

Figure 2: CRCT's major shareholders as at 4 September 2018

Investor	Shares	Stake
CapitaLand Ltd	236,100,464	24.34%
CapitaLand Mall Trust (29.4%-owned subsidiary of CAPL)	122,705,000	12.65%
Matthews International Capital Management LLC	54,380,900	5.61%
AIA Co Ltd	44,132,618	4.55%

Source: Bloomberg

CAPL is the largest shareholder through CapitaLand Retail China Pte Ltd and CapitaLand Mall Asia Ltd (wholly-owned shopping mall business unit of CapitaLand Ltd). The sponsor has a proven track record in managing assets and REITS including CapitaLand Commercial Trust, CapitaLand Mall Trust ("CMT") and CapitaLand Malaysia Mall Trust. CRCT has the rights of first refusal to purchase assets held by CapitaLand Mall China Income Fund I, CapitaLand Mall China Income Fund II, CapitaLand Mall China Income Fund III, CapitaLand Mall China Development Fund III as well as CapitaLand Mall Asia Ltd. CapitaLand Group has a total of 37% interest in CRCT, including the stake held by CapitaLand Mall Trust.

CapitaLand Mall China Income Fund I

- USD900mn in fund size
- Funds have been 100% drawn as at 31 December 2015
- Fund invests primarily in income-producing retail properties in various parts of China

Tier	City	Property	Valuation at 31 Dec 2017 (RMB mn)	GFA (sq m)
Tier 1	Beijing	CapitaMall Cuiwei	1,431	56,141
New Tier 1	Chengdu	CapitaMall Jinniu	1,977	151,969
New Tier 1	Dongguan	CapitaMall Dongguan	463	44,489
New Tier 1	Changsha	CapitaMall Yuhuating[1]	573	62,080
New Tier 1	Chongqing	CapitaMall Jiulongpo[1]	318	43,167
Tier 2	Nanchang	CapitaMall Chengnanyuan	294	45,607
Tier 2	Quanzhou	CapitaMall Quanzhou	271	43,096
Tier 2	Weifang	CapitaMall Weifang	304	48,946
Tier 2	Foshan	CapitaMall Guicheng[1]	602	49,115
Tier 3	Deyang	CapitaMall Deyang	322	41,400
Tier 3	Mianyang	CapitaMall Fucheng	977	90,245
Tier 3	Yangzhou	CapitaMall Yangzhou	355	52,536
Tier 3	Zhanjiang	CapitaMall Zhanjiang	375	47,266
Tier 3	Zhaoqing	CapitaMall Zhaoqing	370	44,840
Tier 3	Zibo	CapitaMall Zibo	276	41,994
Tier 3	Zhangzhou	CapitaMall Zhangzhou[1]	343	42,725
Tier 4	Anyang	CapitaMall Beiguan	271	36,922
Tier 4	Yibin	CapitaMall Nan'an	270	37,524
Tier 4	Yiyang	CapitaMall Taohualun	244	34,895
Tier 4	Maoming	CapitaMall Maoming[1]	313	37,882

[1]CapitaLand Mall Asia has an undisclosed interest in the mall

CapitaLand Mall China Income Fund II

- USD425mn in fund size
- Funds have been 100% drawn as at 31 December 2015
- Fund invests primarily in income-producing retail properties in various parts of China

Tier	City	Property	Valuation at 31 Dec 2017 (RMB mn)	GFA (sq m)
New Tier 1	Tianjin	CapitaMall TianjinOne	765	59,305
New Tier 1	Zhengzhou	CapitaMall Jinshui	610	41,994
New Tier 1	Chongqing	CapitaMall Shapingba	-	41,877
New Tier 1	Chengdu	CapitaMall Shawan	390	38,612
Tier 2	Dalian	CapitaMall Peace Plaza	2,297	152,125
Tier 4	Rizhao	CapitaMall Rizhao	298	70,898

CapitaLand Mall China Income Fund III

- SGD900mn in fund size
- Funds have been 100% drawn as at 31 December 2015
- Fund invests primarily in income-producing retail properties in various parts of China

Tier	City	Property	Valuation at 31 Dec 2017 (RMB mn)	GFA (sq m)
Tier 1	Beijing	CapitaMall Taiyanggong	2,120	83,693
Tier 1	Beijing	CapitaMall Crystal	2,284	72,422
Tier 2	Harbin	CapitaMall Xuefu	1,373	104,000
Tier 2	Harbin	CapitaMall Aidemengdun	480	43,851

CapitaLand Mall Development Fund III

- USD1.0bn in fund size
- Over 90% of funds have been drawn as at 31 December 2015
- Fund invests in the development of shopping malls and properties predominantly used for retail purposes in China

Tier	City	Property	Valuation at 31 Dec 2017 (RMB mn)	GFA (sq m)
New Tier 1	Qingdao	CapitaMall Xinduxin	1,780	104,034
New Tier 1	Wuhan	CapitaMall 1818	1,242	71,922
New Tier 1	Chengdu	CapitaMall Meilicheng	820	61,182

III) Business Overview & Analysis

- **Consistent performance by core assets:** More than half of CRCT's portfolio income is derived from CapitaMall Xizhimen and CapitaMall Wangjing in Beijing and they collectively make up 35.9% of portfolio's total asset value. Although 325,000 sq m and 600,000 sq m of supply are expected to enter the Beijing retail market in 2H 2018 and 2019 respectively, we expect strong leasing activities from F&B and fashion sectors to continue to support the occupancy rates. At CapitaMall Xizhimen, occupancy is 98.7% in 2Q2018 (5 years ago: 98.1%) while NPI is ~ 20% higher than five years ago. Likewise, we see a positive trend in performance at CapitaMall Wangjing over the long term with occupancy at 99.3% in 2Q2018 (5 years ago: 98.9%) and NPI is ~ 30% higher as compared to 2Q2013. We expect the strong performance at CRCT's core assets to persist despite the anticipated acceleration in transformation of the retail environment in Beijing due to e-commerce retailers.

- **Decreasing tenant concentration risk:** The three largest tenants of CRCT's properties accounted for close to one-fifth of the portfolio's total rental income as at 31 December 2017. Beijing Hualian Group ("BHG") is the largest tenant and also the sole tenant for CapitaMall Erqi and anchor tenant of three other malls – CapitaMall Wangjing, CapitaMall Xizhimen and CapitaMall Saihan. Since BHG contributed 10.6% of total rental income in 2017 (2016: 15.4%, 2015: 18.5%), CRCT relies on BHG for a significant source of income. Consequently, BHG's performance can have material impact on CRCT's revenue. That said it is apparent that BHG's contribution to CRCT has been shrinking given BHG now accounts for less than half of what it used to five years ago in 2013 in terms of total rental income (2017: 10.6% versus 2013: 22.9%). In 2Q 2018, 4,700 sq m of space was recovered from BHG at CapitaMall Wangjing. We expect this concentration risk to continue to dwindle. Carrefour, the second largest tenant, only accounted for 4.9% of the portfolio's total rental income in 2017 (2016: 3.7%, 2015: 4.4%) with no distinct trend.

- **Short retail lease cycle in China:** The weighted average lease expiry ("WALE") by total rental income for the portfolio is 2.9 years in 2Q2018 compared to 5 years, a year ago. The decrease in WALE was due to the divestment of CapitaMall Anzhen which was on a long master lease. Majority of CRCT's portfolio is made up of multi-tenanted malls where most tenancies are signed for one to three years and only anchor tenants sign leases for five to seven years. Consequentially, there are a substantial number of leases expiring each year, exposing CRCT to the risk that vacancies following the non-renewal of leases may lead to reduced occupancy rates which in turn reduce CRCT's revenue. As at 30 June 2018, the remaining leases that will come due in the year accounts for 18.5% of total rental income (1Q2018: 28.1%). With majority of the upcoming expiring leases by tenants in the fashion and F&B sectors, we think the non-renewal risk is manageable in the short to medium term. That said, overall rental reversion in 2Q2018 was positive at 10.5% (1Q2018: +12.8%) based on all committed leases and overall portfolio occupancy (excluding CapitaMall Wuhu) is 97.4% (1Q2018: 94.9%).

- **Positive portfolio reconstitution and asset management efforts:** Management seeks to strengthen the portfolio through reconstitution efforts and optimise growth through proactive asset management. CRCT divested CapitaMall Anzhen in Beijing on 14 September 2017 and realised a net gain of SGD37.3mn. The divestment was timely, as the mall was master-leased until 2025 with limited upside and increasing capital expenditure commitments. On 31 January 2018, CRCT completed the acquisition of a 51.0% interest in Rock Square in Guangzhou for RMB1.7bn via a joint venture with CAPL. On top of diversifying CRCT's footprint into another first-tier city, this allowed CRCT to leverage the sponsor's established operations in Guangzhou and enjoy new leasing synergies across the portfolio. Rental reversion was positive at 24.3% for Rock Square in 2Q2018, highest in the portfolio while NPI is SGD3.25mn, 8.6% of total portfolio's NPI. The mall will also create over 500 sq m additional NLA through conversion of unutilised space and new kiosks. In 2Q 2018, CapitaMall Wangjing (one of CRCT's core assets) completed the transformation of the 4700 sq m recovered space from mall's anchor tenant – BHG with 19 of the 23 new retailers opened as at June 2018. This was executed within timeline and budget, and served to introduce more experiential retail offerings while simultaneously, restructure BHG's remaining lease term. These efforts strengthen the appeal of CRCT.

- **CAPL is a strong sponsor:** CAPL has a 37% deemed interest in CRCT. CAPL owns and manages a global portfolio of SGD88.8bn as of 31 December 2017, comprising integrated developments, shopping malls, serviced residences, offices, homes, REITS and funds. Present across 155 cities in 32 countries, CAPL's core markets are Singapore and China. Given CAPL's proven track record in managing assets and REITS, CRCT benefits from leveraging the sponsor's mall management, market knowledge as well as the network effect of having a large portfolio of retail properties across 39 Chinese cities. CAPL which we rate with an issuer profile of Neutral (3) owns 24.3%-stake in CRCT while CMT which we rate with an issuer profile of Positive (2) owns a 12.7%-stake.

IV) Financial Analysis

- **Balance sheet currency mismatch:** While CRCT's assets are predominately denominated in RMB, all of its existing debt is in SGD. As at 31 December 2017, CRCT hedged 50% of its loan through non-deliverable forwards with notional amount of SGD375mn (~37% of total debt). This reduces but does not eliminate the balance sheet impact of the debt/asset ratio increasing when the RMB weakens against the SGD. In 2Q2018, RMB strengthened against SGD y/y leading to higher reported asset values. This trend, however, looks to reverse in 3Q2018 as the RMB has weakened ~1.5% y/y and ~1.8% YTD. We estimate that the debt/asset ratio may increase ~2% from 32.1% as at 30 June 2018 should RMB depreciate against SGD to the lowest rate seen in the past one year of RMB5.02869 per SGD.

- **Well-distributed debt maturity with large proportion of debt hedged into fixed rates:** Following the issuance of CRCT's maiden bond, the average debt maturity was extended to 3.43 years, with debt maturity staggered till 2024. In the recent quarter, the SGD150mn loan maturing in 2019 was refinanced with 4-year and 6-year tenor loans. Also, CRCT is proactively working on refinancing the SGD120mn bridge loan ahead of maturity in 2019. This, done in hopes of locking in favourable rates amid a rising interest rate environment, will leave CRCT with minimal debt maturing in the short term. 80% of the interest cost is fixed, with a manageable average cost of 2.60% (1Q2018: 2.51%).

- **Healthy credit metrics:** As at end June 2018, CRCT's reported gearing is healthy at 32.1% (1Q2018: 32.5%). Reported net debt to EBITDA is stable at 6.7x while reported interest coverage is lower at 5.9x (1Q2018: 6.3x) due to a higher cost of debt. All assets are unencumbered. In addition, the Board has demonstrated the intention to continue with the distribution reinvestment plan ("DRP") which will help CRCT save on cash distribution, resulting in further financial flexibility and possibly increased debt headroom. Net operating cash flow was significantly lower y/y in 2Q2018 largely due to higher working capital as CRCT paid down more trade and other payables and saw higher trade and other receivables which includes loan to joint venture. We expect this to be one-off.

V) Technical Considerations

Positives

- Cap on indebtedness at 45% asset leverage due to MAS regulation
- Strong sponsor
- No encumbered assets

Negatives

- No change of control
- Tenant BHG accounts for ~10% of total rental income

Relative Value

Bond	Maturity	Term to Maturity	Net gearing	Ask Price	Ask Yield	Spread
CRCTSP 3.25 '22	04/07/2022	3.82	0.29x	100.60	3.08%	90 bps
MAGIC 3.43 '22	09/03/2022	3.50	0.37x	102.05	2.81%	65 bps
CAPITA 2.8 '23	13/03/2023	4.51	0.32x	99.55	2.91%	69 bps
SGREIT 3.4 '23	26/05/2023	4.72	0.33x	101.70	3.00%	77 bps

Indicative prices as at 13 Sep 2018; Source: Bloomberg
Net gearing based on latest available quarter results

The closest comparable in our view is MAGIC – Mapletree North Asia Commercial Trust given (1) over 20% exposure to Beijing, China based on revenue; the largest in the REIT SGD bonds space (2) concentration to core asset(s) which anchors the portfolio performance (CRCT: CapitaMall Xizhimen & CapitaMall Wangjing, MAGIC: Festival Walk) (3) Strong parentage. Given CRCT's concentrated exposure to China, we think it should trade wider than MAGIC despite stronger credit metrics. We think the 25bps pick up over MAGIC'22s is commensurate with the added risk given its geographical focus and hence see **CRCT'22s as trading at fair value**.

VI) Conclusion & Recommendation

We initiate coverage of CRCT with an Issuer Profile of Neutral (4). CRCT offers a stable profile, anchored by two core assets which comprise 52.9% of the portfolio's net property income. Given CRCT's concentration in Beijing, it is worth noting that we expect leasing activities in Beijing's retail market to continue to support occupancy rates despite new supply. Going forward, the depreciation of RMB may impact the balance sheet as FX is not fully hedged. There is some headroom before CRCT hits the 45% cap on asset leverage. Moreover, net gearing is low compared to peers in the retail space.

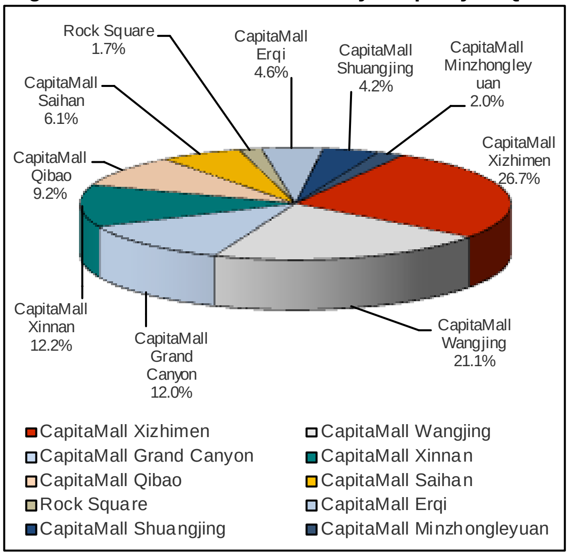
CapitaLand Retail China Trust

Table 1: Summary Financials

Year Ended 31st Dec	FY2016	FY2017	1H2018
Income Statement (SGD'mn)			
Revenue	214.4	229.2	111.6
EBITDA	128.9	137.0	67.8
EBIT	126.8	135.3	67.2
Gross interest expense	21.2	23.5	12.4
Profit Before Tax	145.6	207.3	85.3
Net profit	104.0	143.1	59.7
Balance Sheet (SGD'mn)			
Cash and bank deposits	136.1	186.5	112.7
Total assets	2,783.5	2,668.1	3,027.6
Short term debt	450.5	0.0	251.8
Gross debt	997.8	747.5	998.9
Net debt	841.6	561.0	886.2
Shareholders' equity	1,451.7	1,568.1	1,678.4
Cash Flow (SGD'mn)			
CFO	119.9	116.3	29.3
Capex	21.1	15.1	5.2
Acquisitions	293.7	29.0	225.6
Disposals	0.0	216.8	0.0
Dividends	52.5	82.6	8.0
Interest paid	20.4	22.1	10.6
Free Cash Flow (FCF)	98.8	101.1	24.0
Key Ratios			
EBITDA margin (%)	60.1	59.8	60.8
Net margin (%)	48.5	62.4	53.5
Gross debt to EBITDA (x)	7.6	5.5	7.4
Net debt to EBITDA (x)	6.5	4.1	6.5
Gross Debt to Equity (x)	0.67	0.48	0.60
Net Debt to Equity (x)	0.58	0.36	0.53
Gross debt/total asset (x)	0.35	0.28	0.33
Net debt/total asset (x)	0.30	0.21	0.29
Cash/current borrowings (x)	0.3	N.A	0.4
EBITDA/Total Interest (x)	6.1	5.8	5.5

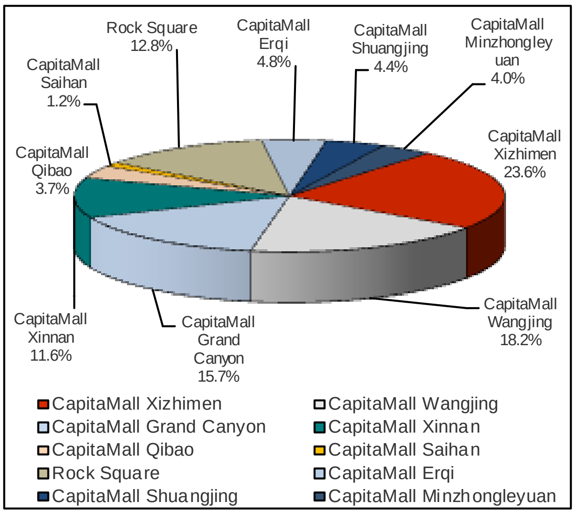
Source: Company, OCBC estimates

Figure 1: Revenue breakdown by Property - 2Q2018



Source: Company

Figure 2: Valuation breakdown by Property - 2Q2018



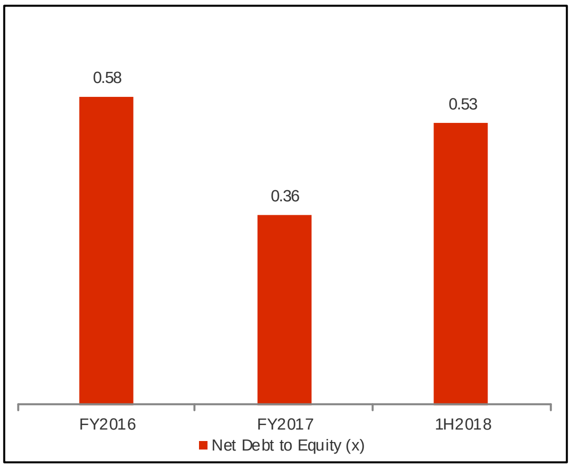
Source: Company

Figure 3: Debt Maturity Profile

	As at 30/06/2018	% of debt
Amount repayable in one year or less, or on demand (SGD'mn)		
Secured	0.0	0.0%
Unsecured	251.8	25.2%
	251.8	**25.2%**
Amount repayable after a year (SGD'mn)		
Secured	0.0	0.0%
Unsecured	747.1	74.8%
	747.1	**74.8%**
Total	**998.9**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

OCBC Global Treasury

Treasury Advisory	**Credit Research**
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Explanation of Issuer Profile Rating ("IPR") / Issuer Profile Score ("IPS")

Positive ("Pos") – The issuer's credit profile is either strong on an absolute basis, or expected to improve to a strong position over the next six months.

Neutral ("N") – The issuer's credit profile is fair on an absolute basis, or expected to improve / deteriorate to a fair level over the next six months.

Negative ("Neg") – The issuer's credit profile is either weaker or highly geared on an absolute basis, or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings ("IPR") into a 7 point Issuer Profile Score ("IPS") scale.

IPR	Positive		Neutral			Negative	
IPS	1	2	3	4	5	6	7

Explanation of Bond Recommendation

Overweight ("OW") – The performance of the issuer's specific bond is expected to outperform the issuer's other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

Neutral ("N") – The performance of the issuer's specific bond is expected to perform in line with the issuer's other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

Underweight ("UW") – The performance of the issuer's specific bond is expected to underperform the issuer's other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

Other

Suspension – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed.

Withdrawal ("WD") – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.

Analyst Declaration
The analyst(s) who wrote this report and/or her or his respective connected persons did not hold securities in the above-mentioned issuer or company as at the time of the publication of this report.

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